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January 11, 2019

Ms. Carmel Angelo
Chief Executive Officer, Clerk of the Board
County of Mendocino
501 Low Gap Road
Ukiah, CA 94582

Dear Carmel:

Questions regarding the timelines of insurance contracts at the beginning of each plan year have been raised and I am hoping to address them here. As you know, the plan year for your employer benefit plans (Medical, Dental, Vision, Life and AD&D) begins on January 1 and ends on December 31 of each year. In most instances, the renewals for these programs are complete and presented to the Board of Supervisors by September of each year.

As it relates to your medical programs there are several components that are negotiated separately and then combined to develop the administrative component of your monthly fully insured equivalent premium. Those components include the Third Party Administration (TPA), Anthem Blue Cross Network fees, Pharmacy and Stop Loss. The two contract amendments that are routinely "late" are the Anthem Blue Cross and Stop Loss Amendments.

Regarding the Anthem network amendment, we typically receive the actual fee proposal in August when we receive the TPA fee request and it is always included in our renewal recommendation. The amendments typically go through the medical TPA and we have confirmed with them that Anthem's current practice is expected to continue. That is, the carrier provides the annual amendment to your contract within the first three (3) months of the new plan year. However, it is also our understanding that Anthem is working toward a fully automated system that will provide these amendments in a more timely fashion.

The Stop Loss contracts are a little trickier. When we develop the renewal for the upcoming plan year, we include what we believe will be the maximum increase. While this is somewhat conservative, it does ensure there will be no surprises once the Stop Loss renewal is complete. In each of the last 4-5 years, Keenan has marketed the Stop Loss program as late as November for a January 1 effective date. The reason for doing so is to procure the most favorable rate available. In order to do this, the Stop Loss carriers require claims data through October and sometimes November. Once the Stop Loss renewal has been accepted by the County, the carrier will produce the appropriate contractual documents. Many times production of these documents will go past the

January 1 effective date. However, the County's coverage is always in effect on January 1 because the premium is due and paid prior to the effective date.

Similarly, there have been years when the Pharmacy contract amendment has been presented after the January 1 effective date. In each case the late delivery was due to Keenan's negotiations that resulted in lower costs to the County followed by the timeframe required by the carrier to produce the Amendments. We should also keep in mind that you do have master contracts in place with Anthem Blue Cross for network providers and ESI for Pharmacy. As long as the County continues to remit the appropriate premium, your coverage remains in force even though there may not be an executed Amendment in place.

Carmel, hopefully this letter helps explain why some of the Contracts and/or Amendments are delivered after the Plan effective date. While we do our best to have all documentation completed prior to your Plan's effective date, it is not always possible. If you have questions or additional concerns, please feel free to contact me at pmcnamara@keenand.com or by phone at 510-986-6761 x. 8130.

Sincerely,



E. Peter McNamara
Senior Consultant, Public Agencies
Keenan & Associates

Cc: Board of Supervisors, County of Mendocino
Heidi Dunham, Human Resources Director
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