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June 4, 2021

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

Dear Carmel:

Although it has taken nearly 7 months, we are finally able to report that Anthem Blue Cross has provided a version of their Administrative Services Only (ASO) agreement that the County can execute. 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 contract amendments or renewals for these programs are complete and presented to the Board of Supervisors by September of each year. This year, however, there were several issues that prevented that from happening with your medical programs.

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.

For the 2021 Plan year the County terminated its contract with the Third Party Administrator (TPA) and decided to contract directly with Anthem Blue Cross on an ASO basis. By doing this the County saved roughly \$10.00 per employee per month or \$118,000 in this first year. We would normally see the carrier providing your contract within the first three (3) months of the new plan year. However, with the changes that were made it took longer to negotiate the agreement than expected. These contract negotiations also have capped your administrative cost increases at no more than 3% per year for the next four (4) years.

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. That is also the case with the KPCM contract. In an effort to reduce the health plan cost as soon as possible, KPCM began the cost saving services in good faith with the anticipation that an Agreement would be reached. The

negotiation process for appropriate language in this public document took much longer than anticipated and has now resulted in a request for approval of a retroactive Agreement.

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.

Sincerely,



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

Cc: Board of Supervisors, County of Mendocino
Cherie Johnson, Deputy CEO