



HEALTH TRUST REPORT CARD

The Rensselaer-Columbia-Greene Health Insurance Trust— Bringing the Power of 23 Districts Together

Our Money at Stake: How We Manage It

Our prior Report Card in May 2010, explained how the Trustees take advantage of the Trust's size in contracting with the insurance companies that service the Trust. We noted that the administrative fees charged, for example, by Blue Shield of Northeastern New York, are far lower than what they would be if an individual school district purchased their own coverage. School districts in the Trust enjoy savings and stability for reasons beyond the Trust's size alone. Participating school districts are saving money and have more stable costs because the Trust is used as a pooling mechanism.

Pooling Gives Us Power

While the math behind the advantages of pooling can be quite complex, the principle is simple. Health plan cost stability is a function of two separate things: ordinary risk and catastrophic risk. Any group health plan will have its cost fluctuate from year to year; this is called ordinary risk.

Larger groups have more stable health claim experience than small groups. The Trust uses a formula set by its consulting actuary that spreads ordinary risk among all the districts as the gains and losses of individual school districts are shared to a degree set in the pooling formula. This results in less year-to-year fluctuation without the risk charges that an insurance company would charge.

The risk management tools the Trust uses combined with the Trust's absolute size provide value that is measurable in lower cost and greater stability. See the graphs on page 4 for details.

Exceptional, non-recurring events associated with specific individual claimants are the result of catastrophic risk. An insurance company can remove the risk of a catastrophe by reimbursing a policyholder for exceptional claims, but the company charges for such a risk transfer. The Trust obtains catastrophic risk protection, also known as "stop loss" or "large claim pooling," at a rate reflective of the total size of the trust. This provides an additional savings to all the school districts.

Rating in Retrospect

In addition, the Trust as a whole has an arrangement with Blue Shield called "participating" or "retrospective rating." This arrangement is appropriate for groups the size of the Trust but would not be suitable for all individual school districts.

Under a participating arrangement, if the total claims experience during the policy period is unfavorable (that is if claims and expenses are higher than premium), the insurance carrier can recoup the loss from reserves maintained by the Trust for this purpose.

If total claims experience is favorable, excess premium is returned to the Trust. When a contract year is favorable, the Trust allocates that excess premium to participating districts as a rate credit under an element of the pooling formula.

Finally, the Trust's size allows it to more efficiently obtain the specialized services that an individual school district might find cost-prohibitive. This includes the effort that our consultants employ in reviewing all of the insurance companies' and pharmacy benefits manager's activities. Each year, they review accountings in detail and aggressively renegotiate contract terms when contracts renew.

Working to Maintain Our Members' Health

As important as the Trust's financial arrangement is, the Trustees understand that the Trust's primary mission is to provide meaningful coverage to protect covered individuals against the peril of economic loss associated with poor health.

It is generally understood that this cannot be done by simply paying all charges that are submitted. Like most health plans, the Trust monitors its insurance companies to make sure that claims are paid accurately and that doctors and hospitals charge reasonable fees. The Trustees also feel that an important part of this mission is to make sure covered individuals are maintaining their health.

Tools Members Can Use

The most effective way to address the peril of poor health is by giving healthy covered individuals resources to maintain their health and by giving covered individuals with medical problems resources to better manage those problems.

Our prior report card reviewed the Total Health Management study that was performed in 2009. This study used sophisticated data analysis to identify sources of health risks faced by plan participants. It showed that, while there are a number of wellness components offered by Blue Shield, CDPHP and MVP, many plan participants

were not taking proper advantage of available programs. Accordingly, over the past year we have been working to better educate districts and members of available programs through mailings and worksite presentations. We are pleased to report that to date, wellness presentations have been made at 17 school districts and more than 5,600 plan participants have had the opportunity to engage in a variety of health risk management activities.

Further, the Total Health Management study noted that there were also some patterns of disease that were higher than what was expected of a population of our nature (given our age distribution, occupations and plans of benefits). As such, we have been working to give plan participants the resources they need to be able to manage their chronic diseases. The programs we have been sharing with participants with certain chronic conditions are voluntary. Nonetheless, over the past year, we are pleased to report that (at least) 17 districts have implemented a variety of health management services for faculty and employees that included one or more of the following: classes in weight management, nutrition, stress management, aerobic exercise, and back care; blood pressure clinics; glucose and cholesterol screening clinics; educational health fairs; walking programs; weight loss challenges; on-site health coaching; and general wellness communication campaigns.

Addressing population health risks requires ongoing planning, communicating, program implementation and evaluation. While sustaining and augmenting these efforts and monitoring data, districts can realize improved outcomes and total health management in their respective populations.

The Trustees feel that an important part of the Trust's mission is to make sure that our members are maintaining their health.



Moving to a Set of Standard Plan Designs

Traditionally, the Trust has been reactive to requests made by participating school districts and their employees' bargaining agents. While that approach has been accommodating to districts and has allowed employers to attain their financial and collective bargaining goals, it has resulted in multiple plan designs. Further, many of the plan provisions in place are inhibiting proper utilization of the Trust's benefits. The Trustees have been working with their consultants to develop a set of targeted plan provisions that are generally considered drivers of appropriate utilization.

Since the Trustees understand and respect the collective bargaining process, these standard plan designs are being carefully crafted to represent as broad an array of coverage levels as is currently available.

As data are currently being analyzed, we cannot say how many alternatives will be presented; we expect it will be between three and six. The plan designs will be presented in the second half of 2011 as alternatives to current benefit levels for participating school districts and their bargaining agents to consider. When they are presented, they will be accompanied with the cost consequence of moving to the various standard levels as well as with an explanation of the reasoning behind the changes.

Trust Efforts Pay Off: Below Average Trend

Over the past six years national healthcare trends have continued to average double-digits. Since 2006, national PPO trend has averaged 11.2% per year. During that same period, Blue Shield of Northeastern New York's PPO trend has averaged 11.6% per year which is slightly higher than national averages, because costs in the Northeast are typically higher.

Blue Shield of Northeastern New York

Since the Trust's July 1, 2006, renewal with Blue Shield of Northeastern New York, the renewal increases for the Trust have averaged 7.6% per year. These renewal increases are based on Blue Shield setting the renewal rates on a prospective basis for each period using calendar year claims experience and Blue Shield's expected trends.

As we have already mentioned in this report card, the contract with Blue Shield is actually a participating arrangement that is retrospectively rated. What this means is at the end of each policy period the actual claims and fixed costs are compared to the premium paid for the period, and a settlement is reached between the Trust and Blue Shield, with any surplus premiums refunded to the Trust.

If a surplus exists, the Trust in turn credits each district for their contribution to the surplus premium. When reviewing the final post-Settlement renewal increases for the period beginning July 1, 2006, and ending June 30, 2010, the average premium increase has been only 2.1% per year after accounting for the returned surplus premiums earned over this period.

Other Plans

The EPO renewal trends have also been below expected trend averages. In the case of both the CDPHP and MVP conversions from community-rated HMO to experience-rated EPO on January 1, 2010, the districts that converted to an EPO realized an average savings of 6% to 10%. Since January 1, 2010, and including the EPO renewals for July 1, 2011, the CDPHP rate increase has averaged 5.4% and the MVP rates have not changed. During the same time period, the community-rated HMO increases have averaged 10% to 13%.

Finally, the average increases for the Express Scripts Pharmacy Program have averaged 4.4% since the program was contracted directly through the Trust and ESI. During this time national pharmacy trends have reached or exceeded double digits. Pricing terms for purchasing prescriptions through ESI have continuously improved as well as pharmacy rebates. And the process of submitting the application for Medicare Part D refunds has been simplified with the cost for these services now a fraction of what it once was.

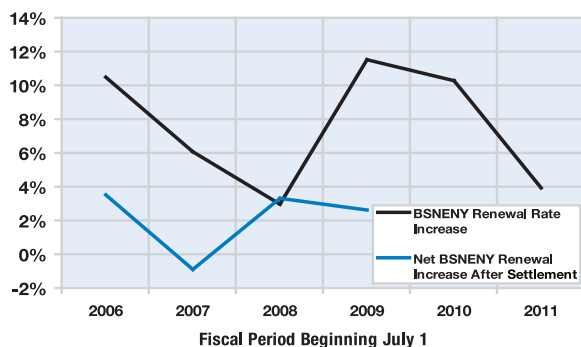
Note that the average increases stated here reflect the RCG Trust overall averages. Each individual district has experienced increases that may be higher or lower than those stated based on (1) the district's specific experience and utilization, (2) the pooling formula employed by the Trust, and (3) the district's specific plan design as well as any plan design changes made by the district.

The Trust's Success in Numbers

The two graphs on this page show the historical trend of the costs for the BSNENY medical and pharmacy program since July 1, 2005.

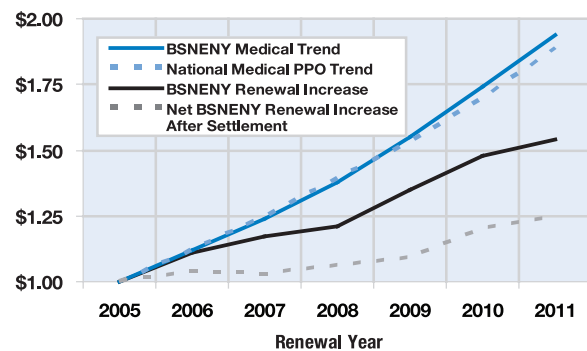
The first graph, below, shows the overall RCG Trust renewal increases, both before and after the participating settlement, for each policy period beginning with the July 1, 2006 renewal. The periods beginning July 1, 2010, and July 1, 2011 have not been settled yet.

Comparing BSNENY Renewal Rate Increases to the Net BSNENY Renewal Rate Increase After Settlement



The second graph, below, shows hypothetically what \$1 of premium in July 1, 2005, would be as of July 1, 2011. Based on BSNENY average annual trends, \$1.00 would become \$1.94, and based on national trends, \$1.00 would become \$1.89. But specific to the RCG Trust, the same \$1.00 would become \$1.54 based on what BSNENY has charged the Trust for premiums over the six-year period. Because the arrangement with BSNENY returns excess premium in its annual settlements, the same \$1.00 becomes only \$1.25 when reviewing the overall net costs after the participating settlements over the six-year period.

Comparing Net BSNENY Renewal Increase in 2005 Dollars to Trend and Non-Trust Renewals



In Summary

As always, the Trust will continue to work hard to ensure our health care dollars are managed wisely through renewals with our insurance providers and wellness management efforts. As discussed on page 3, streamlining our plan design offerings is a major area of focus in 2011.

Let us know if you have any questions or suggestions. You can reach us by email at RCGHealthTrust@questar.org.