



September 15, 2009

Barbara Gordon
County of Santa Barbara

Re: County of Santa Barbara – 2010 [AARP] Secure Horizons HMO Renewal

Dear Barbara:

We are pleased to present our renewal for the retiree health care program for Medicare-eligible retirees of County of Santa Barbara. We appreciate the complex challenges that our customers like County of Santa Barbara face in balancing the importance of meaningful health care coverage for their retirees and their families with the pressures to control the escalating costs of those benefits, while optimizing the funding available from federal government programs. We strongly believe that UnitedHealthcare's breadth of products, knowledge and expertise and retiree focus will fulfill the needs and objectives of County of Santa Barbara.

To further increase the value of the [AARP] Secure Horizons MedicareComplete Group Retiree plans, effective January 1, 2010, the following benefit enhancements have been made at no additional cost.

- 1) The Transplant copay has been eliminated.
- 2) The current Hearing vendor, Newport Audiology, is being replaced by Epic. Newport Audiology locations will continue to be in the network along with additional locations contracted by Epic.
- 3) All members will continue to receive the full expanded suite of wellness and health advisory services through OptumHealth including OptumHealthAllies (health discount programs), Nurseline, which includes Treatment Decision Support and Access Support, along with access to focused disease management programs.

Certain assumptions have been made relative to our 2010 illustrative quote. They are:

- County of Santa Barbara will be contributing 100% of the premium
- \$0 Commissions or commissions included
- Preliminary rates and plan design are subject to change pending approval of our 2010 bid filing by CMS.

If competing plans are to be offered to the retirees alongside our plan, the following predications will apply:

Attachment H-1

- All competing carriers must be offering a comprehensive Prescription Drug Benefit with coverage in the gap
- Out of pocket (premium) cost for each retiree must be equal to or lower for our plan than for any other plan
- Our rates and/or plan design are subject to change pending our final review of all competing carrier offerings.

Please note the following with regard to the drug coverage on this MA-PD plan:

- There is a specific Part D drug formulary that applies. Drugs not on the formulary list are not covered.
- Our part D formulary for calendar year 2010 is pending approval by CMS. Our 2010 formulary will include certain changes in specific drugs covered, and drug coverage tiers. These changes will be communicated to members in our annual notification of change materials.
- We reserve the right to change our pharmacy benefit manager and/or our pharmacy network for calendar year 2010
- Part D plan designs include standard catastrophic coverage per CMS regulations. Specifically, once a member reaches **\$4,550** in True Out of Pocket prescription medication costs in the **2010** calendar year, the member will pay the great of a **\$2.50** copay or 5% coinsurance for generic drugs, and the greater of a **\$6.30** copay or 5% coinsurance for brand name drugs, regardless of whether these drugs are received at a retail pharmacy or through our mail order program.
- All 2010 MA-PD quotes assume employers will be responsible for administering Low Income Subsidy (LIS) payments to their eligible retirees.

Secure Horizons does not release group-specific claims experience or utilization data for its Medicare Advantage products. The rating methodology used for our Medicare Advantage products is an Adjusted Community Rating methodology. As a result, experience and utilization data for specific group accounts are not available.

For all Medicare Advantage products, the annual change in amount of CMS (Medicare) revenue payable to the health plan plays a large part in the premium charged to the group. In fact, CMS revenue generally represents over 70% of the revenue for Medicare Advantage products. CMS announced on April 6, 2009 that it will decrease per member payments to Medicare Advantage plans by approximately 3% to 5% in 2010. The reduction in CMS funding combined with expected 2010 cost trends of 5% to 6% for medical services and 10% to 12% for prescription drugs, requires a greater increase in employer group premium rates for 2010 as compared with recent years.

For your Medicare Advantage retirees, CMS revenue is expected to decrease by approximately 3.1% effective 1/1/2010. Please see the attached CMS Revenue illustration for more details.

Our 2010 proposed rate, based on the current 2009 plan designs, is:

High Option OGU with Rx 9BE \$ \$364.02
Low Option OGX with Rx 9CM \$232.03

Please see the attached Benefit Summary for plan details. We would be happy to discuss other alternative plan designs that could lower your rates.

UnitedHealthcare is committed to serving the retirees of County of Santa Barbara. By partnering with UnitedHealthcare, County of Santa Barbara can ensure that it will have easy access to the most progressive retiree health care thinking available at any health plan in 2010 and beyond.

Thank you for allowing us to submit our 2010 renewal to you.

Sincerely,

Maria Suarez
Strategic Account Executive

Enclosures:

cc: Alliant Insurance

SECURE HORIZON MEDICARE RISK PLAN

ATTACHMENT H-2

Medical Plan Benefit		Secure Horizons High HMO	Secure Horizon Low HMO
Calendar Year Deductible Individual / Family		None	None
Annual Out-of-Pocket Maximum Individual / Family		None	None
MAJOR MEDICAL			
Physician Office Visit		\$5	\$15
Specialist Copay		\$5	\$25
Preventative Care		\$5	\$15
Lab and X-Ray		No charge; Office visit copay applies if performed during physician visit	No charge; Office visit copay applies if performed during physician visit
Hospitalization			
Inpatient		100%	\$500 per admit
Outpatient		100%	100%
Emergency Room		\$50 (waived if admitted)	\$50 (waived if admitted)
Urgent Care		\$5	\$15
Lifetime Maximum		Unlimited	Unlimited
PRESCRIPTION DRUGS			
Generic / Brand / Non Formulary Deductible		None	None
Retail - 30 day supply		\$7 / \$14 / \$14	\$15 / \$25 / \$40
Mail Order - 90 day supply		\$14 / \$28 / \$28	\$30 / \$50 / \$80
Single Medicare Retiree	Current	\$322.14	\$205.34
	Renewal	\$364.02	\$232.03
% Change		13.0%	13.0%