

Self Funded Proposal

Kalamazoo Public Schools



Effective date: 10/01/2011

Contract Type: 12/12

Enrolled: 1204

Benefits of self funding with Priority Health:

- Performance guarantees
- Detailed reporting
- Competitive provider savings
- Priority Health underwritten stop loss coverage
- Market leader in care management performance
- Proven experience in per capita cost management

Proposal development

Administrative Fees and Stop-Loss

	Enrolled	PEPM*	Monthly	Annually
Administrative Fees				
Medical	1,204	\$42.00	\$50,568	\$606,816
Rx	1,204	\$2.00	\$2,408	\$28,896

Priority Health's Administrative Fees Are Fully Disclosed
*The Majority of your Health Insurance Costs are attributed to claim dollars***

Total Administrative Fee		\$44.00	\$52,976	\$635,712
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Cost for Rental Network for First Health for any employees that reside in PH out of Service Area up to 1% of the enrollment is inclusive in the above Medical Administrative Fee. Cost for rental network PHCS for any employee that reside outside of Michigan up to 2% of the enrollment is inclusive in the above Medical Administrative Fee. PH will provide a 3% annual cap on the administrative fee for three years.

Specific Stop-Loss

Specific coverage	Med & Rx
Specific deductible	\$300,000
Annual maximum	\$5,000,000

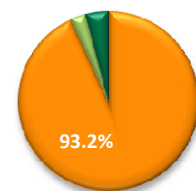
Specific Premium

Single	338	\$12.02		
Family	866	\$33.05		
PEPM equivalent	1,204	\$27.14	\$32,681	\$392,171

Aggregate Stop-loss

Aggregate coverage	Med & Rx			
Aggregate margin	125%			
Policy year maximum	\$ 1,000,000			
Aggregate premium PEPM	1,204	\$ 3.37	\$4,060	\$48,722

Total Projected Fixed Costs		\$74.52	\$89,717	\$1,076,605
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In order to control costs in the future Priority Health focuses on managing care by:

- Eliminate avoidable Costs
- Optimize clinical outcomes
- Ensure the best care experience

* PEPM = Per employee per month

** Illustration is based on fully incurred claims, stop-loss premium and administrative fees.

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First Year Costs	Plan Year	Monthly	PEPM	Fully Incurred
Expected Claim Costs				
Medical claims	\$10,152,234	\$846,019	\$702.67	\$11,280,260
Prescription drugs	\$3,396,887	\$283,074	\$235.11	\$3,396,887
Total Expected Claims	\$13,549,121	\$1,129,093	\$937.79	\$14,677,147
Fixed Costs - based on 1204 enrolled	\$1,076,605	\$89,717	\$74.52	\$1,076,605
Total First Year Projections	\$14,625,726	\$1,218,810	\$1,012.30	\$15,753,752
Aggregate Attachment Point (Minimum)	\$18,739,056	\$1,561,588	\$1,297.00	\$20,821,173

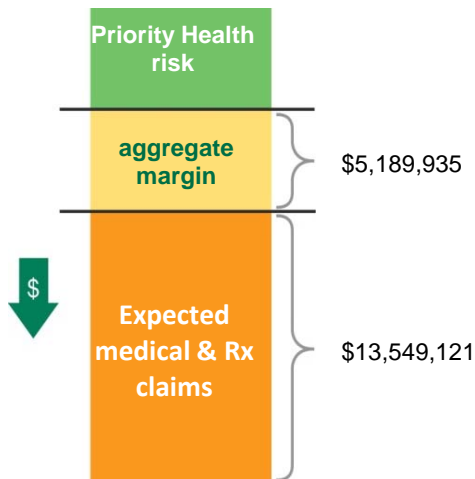
Network Performance



■ 43% Projected Discount

Full Discounts Realized are passed on to you and your employees

Aggregate Illustration



Stop loss options		Specific Premium	Aggregate Premium	Aggregate Factors	Aggregate Attachment Point
Specific deductible	Unit	Unit cost	PEPM	Unit cost	Annually
\$300,000*	Single	\$12.02	\$3.37	\$574.22	\$18,739,056
	Family	\$33.05	\$3.37	\$1,579.10	
\$100,000	Single	\$34.34	\$1.70	\$538.32	\$17,567,378
	Family	\$94.44	\$1.70	\$1,480.37	
\$150,000	Single	\$24.31	\$2.38	\$553.65	\$18,067,845
	Family	\$66.86	\$2.38	\$1,522.54	
\$200,000	Single	\$18.09	\$2.66	\$561.32	\$18,318,079
	Family	\$49.75	\$2.66	\$1,543.63	

* Figure represents numbers incorporated in proposal

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Ancillary services	PEPM	Monthly	Annually
Dental	\$3.25	\$3,913	\$46,956
Vision	\$0.56	\$674	\$8,091
Hearing	\$0.45	\$542	\$6,502
FSA (Section 125 Flex) - Medical & Dependent*	\$4.25	\$5,117	\$61,404
Weekly Disability (Short Term Disability)	\$0.60	\$722	\$8,669

* Flexible Spending Account fee is Per Participant Per Month

Illustrative ASO Rates**	Enrollment	Single	Double	Family
PPO: Coin 100%/80%, Deduct \$100/\$200, OV \$5, Rx \$10/\$20, ER \$25, Out-of-Network Deduct \$250/\$500, Out-of-Network OOP \$1500/\$3000	221	\$534.83	\$1,230.02	\$1,336.93
PPO: Coin 100%/80%, OV \$10, Rx \$10/\$20, ER \$50, Out-of-Network Deduct \$250/\$500, Out-of-Network OOP \$1500/\$3000	791	\$531.67	\$1,222.75	\$1,329.03
PPO: Coin 100%/80%, OV \$5, Rx \$10/\$20, ER \$25, Out-of-Network Deduct \$250/\$500, Out-of-Network OOP \$1500/\$3000	192	\$538.92	\$1,239.43	\$1,347.16

** Illustrative Rates are based on fully incurred Expected Liability. Includes fully incurred Paid Claims, Stop-loss, and Administrative Fees.

Proposal assumptions and qualifications:

Quote requires a minimum of 100 active full-time covered employees.

Minimum 75% participation of eligible employees is required.

Actively at work waiver subject to approval of Specific Excess Medical Expense Coverage Disclosure Statement.

Retirees are excluded from stop loss coverage.

The individual annual maximum in the underlying plan document is \$5,000,000.

Quote assumes policyholder will access the Priority Health network and networks listed in the Administrative Fees section.

Minimum Annual Attachment Point will be 90% of the Annual Aggregate Attachment Point as stated in the proposal.

This proposal expires if applications are not requested by the 15th of the month prior to the effective date.

Completed and signed Claims Disclosure Statement to be received no later than 15 days after the effective date.

Any inaccurate or incomplete data submitted may require changes at final underwriting.

We will not be bound by any typographical errors or omissions contained herein.

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Quoted terms are subject to change based on receipt and review of the following items:

Signed Plan Document.

PHIC Standard Stoploss Disclosure Form completed with information up to 90 days prior to the effective date.

Provide case management notes for any claimant actively in case management.

Trigger diagnosis report and pended claims report.

Updated monthly enrollment and claims through 90 days prior to the effective date.

Updated large claimant information through 90 days prior to the effective date.

Information should include but not limited to: Member ID, Diagnosis, Prognosis, Amount Paid/Pended, age, gender, case management notes and current status (i.e. deceased, terminated coverage, disabled, etc.).