

ZENITH

ADMINISTRATORS

June 10, 2005

Ms. Di Smith
Deputy Director of Human Resources
City of Stockton
Human Resources Department
22 E. Weber Avenue, Suite 150
Stockton, CA 95202-2317

221 Main Street, 2nd Floor
P.O. Box 7051
San Francisco, California 94120
(415) 546-7800 Fax (415) 546-0600
1-800-388-0508

C-98-215

Dear Di:

Re: **Administrative Fee Increase Request**

This letter is in regard to a request for an adjustment to Zenith Administrators' administrative fee for the contract period of July 1, 2005, through June 30, 2006. A review of our time that our staff has spent on your account has shown that we must request a slight increase to our fees.

In accordance with the Agreement for Claims/Administrative Services with Zenith Administrators, Inc., Zenith may request an annual increase in our administrative fees and the monthly Performance Standards bonus/penalty. The increase is limited to 80% of the Consumer Price Index (CPI), "Urban Wage Earners and Clerical Workers US City Average", not to exceed 6%. The monthly Performance Standards bonus/penalty may also be adjusted annually based on any percentage change in plan enrollment. However, we have chosen not to propose a change to the Performance Standards bonus/penalty as the increase in the number of eligibles has been negligible.

	<u>Rate</u>	<u>New Rate</u>
	Through 6/30/05	Effective 7/1/05 3.7% CPI @ 80% =2.96% Increase
Basic Fees (PMPM=per member per month)	\$14.82 PMPM	\$15.26 PMPM
Performance Standards		
• Claims Turnaround <i>Per agreement, suspended for April through September '05 due to change to Blue Cross</i>	+/- \$1,886.63	+/- \$1,886.63 (no change)
• Procedural Accuracy	+/- \$1,886.63	+/- \$1,886.63 (no change)
• Financial Accuracy	+/- \$1,886.63	+/- \$1,886.63 (no change)
Miscellaneous		
• Electronic Transmittal of Eligibility		
Dental	\$1.28 PMPM	\$1.32 PMPM
Vision	\$1.28 PMPM	\$1.32 PMPM
PCN	\$1.03 PMPM	\$1.06 PMPM

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We enjoy working with you, the City of Stockton Human Resources Department staff, and the City's employees and retirees. And we look forward to working with you in the future.

If you agree to these proposed rates, please sign both originals where indicated and send one Agreement back to us for our files (envelope enclosed). If you have any questions, please feel free to contact me at (415) 536-8258.

Sincerely,



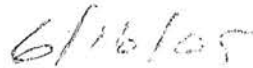
Thomas Curtin
Client Service Manager
Zenith Administrators

Enclosure(s): CPI information
Return envelope
Second original

Concur:



For the City of Stockton



Date