

# State Health Benefit Plan



Presentation to the DCH Board

August 11, 2011

# Financial Status

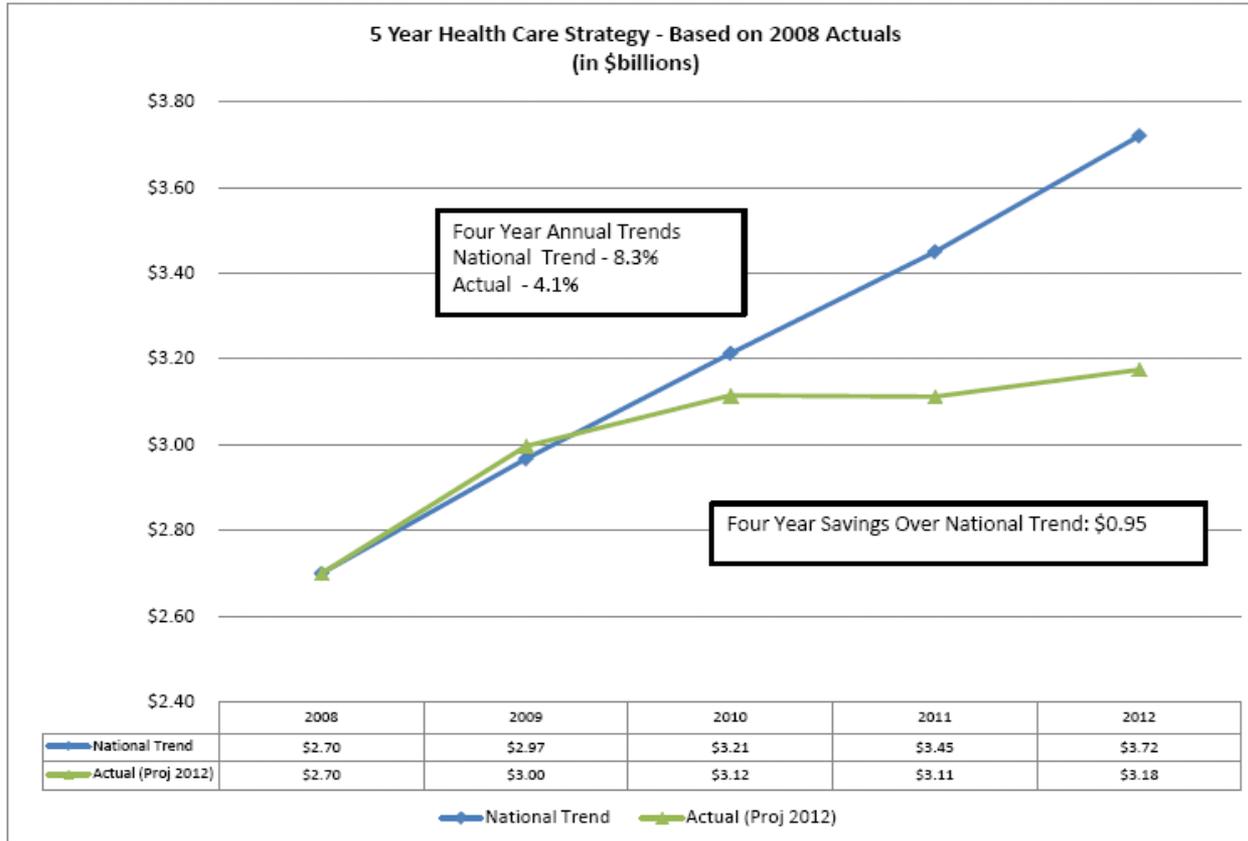
<b>FINANCIAL STATUS</b>	<b>FY12</b>
Revenue	2,748,776,277
Expense	3,028,669,974
<b>Year-End Cash Balance</b>	<b>(279,893,697)</b>
IBNR Liability	(212,627,000)
<b><i>Surplus/(Deficit) w/IBNR Liability</i></b>	<b><i>(492,520,697)</i></b>

# Current Financial Status

- Ended FY11 with \$50,580,920 held for Incurred But Not Reported claims (IBNR)
- Declining revenue and increasing expenditures
  - Expected Early Retiree Reinsurance Program (ERRP) funds not materializing
  - Employee Headcount is Decreasing
  - Growing Retiree Enrollment
- The average daily amount paid for claims is \$10M

Reserve Accounts	<u>Actuarial Amount</u>	<u>FY 2011 Balance</u>
- OPEB: State	\$4.478 B	\$0
- OPEB: Teacher	\$11.250 B	\$0
- IBNR (2 Months)	\$ 463 M	\$50 M

# 5 Year Health Care Strategy Expense Comparison



The graph shows how SHBP compares with the national average for the past 4 years actual (projected for CY2012). National trend over 4 years is 8.3%; SHBP trend is 4.1%

# Comparison to Private Employers

## SHBP as compared to Private Employers

- Plans offered – SHBP has one of the highest enrollments in consumerism plans in the country; private employers are slowly moving this direction
- Premium increases – The average premium increase for large private sector employers is 8.75%
- Member out of pocket costs – In line with private employers

# Plan Changes

## Current plan options offered:

- HRA
- HDHP
- HMO
- Medicare Advantage Standard
- Medicare Advantage Premium

## Plan Options to be offered CY 2012:

- Wellness HRA
- Wellness HDHP
- Wellness HMO
- Standard HRA
- Standard HDHP
- Standard HMO
- TRICARE Supplement
- Medicare Advantage Standard
- Medicare Advantage Premium

# Wellness Program

- A three year strategy to increase health awareness, wellness, and engagement with SHBP members to improve overall health risk
- The Wellness Program is comprised of:
  - The Wellness Promise
  - The Wellness Plans (Wellness HRA, Wellness HMO, and Wellness HDHP)

# Wellness Program

## The Wellness Promise

- During Open Enrollment members promise to provide a Health Risk Assessment and Biometric Data in 2012 (the Wellness Promise)
- Members who make the Wellness Promise are eligible to enroll in the Wellness Plans
- Members must fulfill their Wellness Promise in the 2012 plan year in order to be eligible for the Wellness Plans the following year; this includes the spouse, if covered
- All biometric data and information collected through the Health Risk Assessment is confidential; individually identifiable data is not shared with the member's employer

# Wellness Program

- The Wellness Plans
  - Current HRA, HDHP, and HMO plans will be referred to as the Wellness Plans
  - Three new plan options will be introduced – a standard HRA, standard HDHP, and standard HMO – available to members who choose not to participate in the Wellness Plans
  - The new standard plans will have a lower level of benefits and a 6% higher premium than Wellness plan options
  - Plans are available to active employees and early retirees on a subsidized basis

# Plan Differences and Changes

## Health Reimbursement Arrangement (HRA)

Coverage Tier	Wellness HRA	Standard HRA Credit
Single	\$500	\$375
EE + Spouse	\$1000	\$650
EE + Child(ren)	\$1000	\$650
Family	\$1500	\$1000
Retail Pharmacy (effective 1/1/12)	Tier 1- 15% ( \$20 min/ \$50 max) Tier 2- 25% (\$50 min/ \$80 max) Tier 3 – 25% (\$80 min/ \$125 max)	
90- Day Retail Pharmacy (effective 1/1/12)	Tier 1 – 15% (\$60 min/ \$150 max) Tier 2 – 25% (\$150 min/ \$240 max) Tier 3 – 25% (\$240 min/ \$375 max)	
90-day Voluntary Mail Pharmacy (7/1/11)	Tier 1 – 15% (\$50 min/ \$125 max) Tier 2 – 25% (\$125 min/ \$200 max) Tier 3 – 25% (\$200 min/ \$312.50 max)	

# Plan Differences and Changes

## Health Maintenance Organization (HMO)

Type of Service	Wellness HMO Copay	Standard HMO Copay
Primary Care Physician	\$35	\$45
Specialist	\$45	\$55
90-day Voluntary Mail Pharmacy <i>Effective 7-1-11</i>	Tier 1 - \$50 Tier 2 - \$125 Tier 3 - \$225	

# Plan Differences and Changes

## High Deductible Health Plan (HDHP)

<b>Deductible (In/Out-of-network)</b>	<b>Wellness HDHP</b>	<b>Standard HDHP</b>
EE	\$1500/\$3000	\$1750/\$3500
EE + SP, EE+ Child(ren), Family	\$3000/\$6000	\$3500/\$7000
<b>Out-of-Pocket Max (In/Out-of-network)</b>		
EE	\$2400/\$5300	\$2650/\$5800
EE + SP, EE+ Child(ren), Family	\$4100/\$9800	\$4600/\$10,800
<b>Coinsurance (In/Out-of-network)</b>	90%/60%	80%/60%
90-day Voluntary Mail Pharmacy (effective 7/1/11)	20% (\$25 min/\$250 max)	

# Wellness Program

- Three Year Phase-In
  - Year 1 (CY 2012)
    - Member promises to have four biometrics collected and complete health assessment to enroll in a Wellness plan
    - Biometrics to collect – BMI, Blood Pressure, Cholesterol, and Glucose
    - If promise met, member may enroll in an Wellness plan for 2013
  - Year 2 (CY 2013)
    - Members will have targets to reach or maintain for each biometric and update their health assessment
    - Members must demonstrate that they are attempting to reach the target or provide information from their doctor to opt out
    - Members who do not attempt to reach target or do not qualify to opt out will not be eligible to enroll in Wellness plans in 2014
  - Year 3 (CY 2014) – Members to reach or maintain established targets

# Tobacco Cessation

SHBP will begin covering prescription tobacco cessation medications 1/1/2012

- Estimated that 30% of members paying the surcharge would take prescription tobacco cessation products if covered
- Covered only if tobacco user is enrolled in the vendor's tobacco cessation program
- Cover one cessation attempt, which is one 'cycle' of prescription medication (approx. 12 weeks of medication)
- Approx. 19.6% of members will be successful after one attempt

# Plan Changes

Eliminate coverage for bariatric surgery in 2012

- Currently, covered under the HRA and HDHP plans only.

Eliminate \$200 Vision Hardware/Frames Benefit

- Currently, covered in the HMO plan only

# SHBP and PeachCare for Kids

- Children of SHBP Members may qualify for PeachCare for Kids
  - There are approximately 40,000 SHBP members who may qualify to have their children in PeachCare for Kids
  - We are expecting over 42,000 SHBP member children will move from SHBP to PeachCare\*
  - SHBP can expect to save for a full year approximately \$64 million\* (\$32 million for FY12) from the children moving to PeachCare
  - The state share of costs associated with the movement of these children to PeachCare is approximately \$16.7 million for a full year\* (\$8.35 million for FY12)
  - The net savings is estimated at \$47.5 million for a full year\* (\$23.75 million for FY12)
  - 50% of savings (\$23.75 million for full year/\$11.88 million for FY12) to be put back into Medicaid/PeachCare for a provider rate increase.
  - State Plan Amendment will be required.
  - Proposed Effective Date will be January 1, 2012.

\* Based on an estimate that 50% of PeachCare eligible children will take advantage of the PeachCare program. Full cost savings will not be known until after open enrollment in January 2012.

# TRICARE Supplement

SHBP will offer a new, voluntary health plan option called the TRICARE Supplement

TRICARE Supplement - a secondary coverage to existing federal TRICARE coverage.

- Only employees/retirees that have TRICARE may enroll in the TRICARE Supplement.
- TRICARE pays all claims as primary; TRICARE Supplement insurance pays claims as the secondary payer
- Federal law changed last year to allow employers, as part of their cafeteria program, to offer the TRICARE Supplement; employer not allowed to subsidize or endorse TRICARE Supplement coverage
- Employee pays the full cost of the coverage but has the benefit of premiums deducted on a pre-tax basis. SHBP passes the premiums deducted from the employee's paycheck to the TRICARE supplement vendor.

# Plan Changes

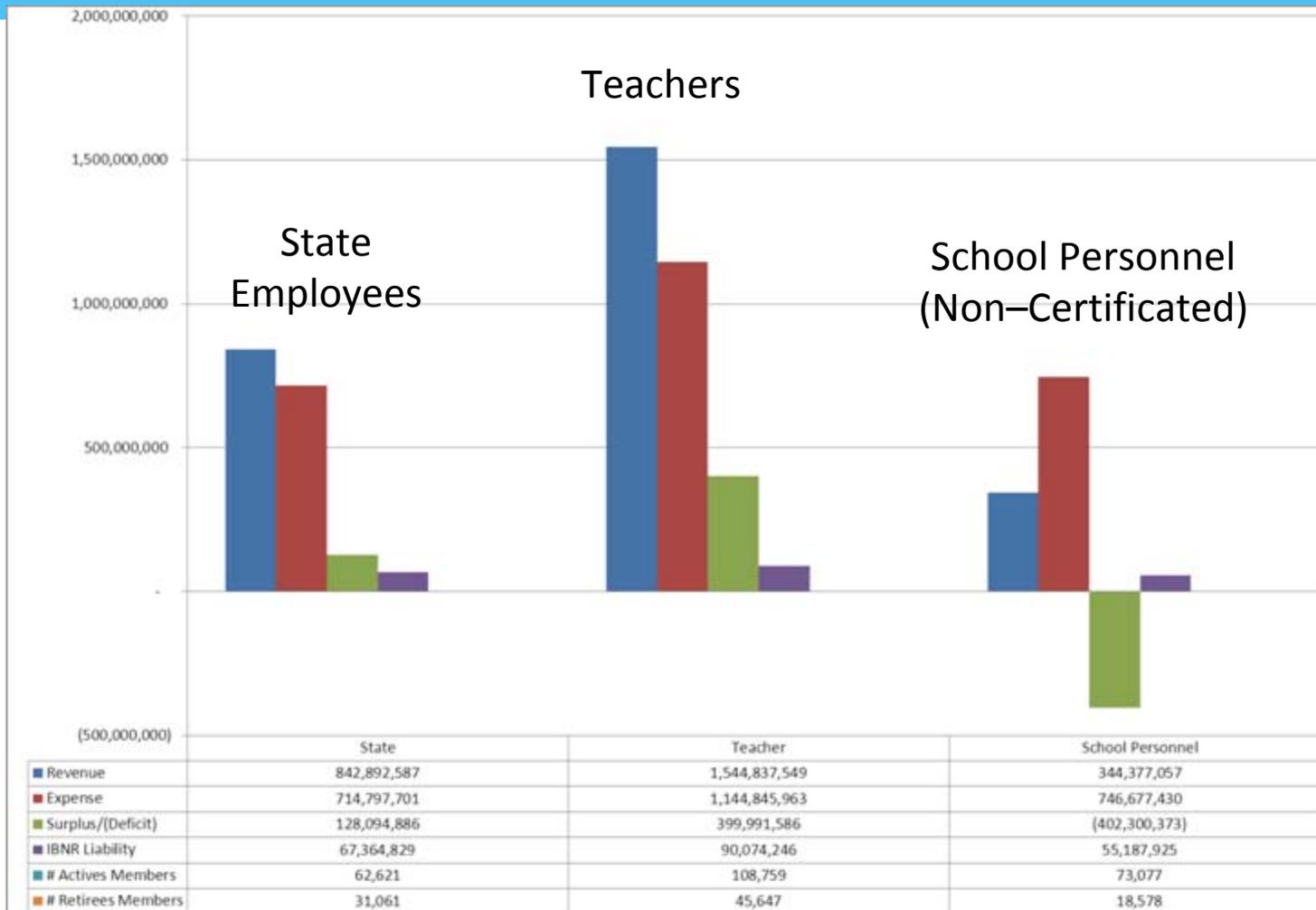
## Medicare Advantage Plan Changes

Plan Provisions	Benefit Changes			
	2011		2012	
	Standard Plan	Premium Plan	Standard Plan	Premium Plan
Out-of-pocket/Coinsurance Maximum	\$2,000	\$1,000	\$3,500	\$2,500
<b>Outpatient Benefits</b>				
PCP OV	\$20	\$10	\$25	\$15
Specialist OV	\$25	\$20	\$30	\$25
Annual Routine Office Physical (1 every 12 months)	\$20 PCP / \$25 Specialist	\$10 PCP / \$20 Specialist	\$25 PCP / \$30 Specialist	\$15 PCP / \$25 Specialist
Routine Eye Exam Refraction (1 every 12 months)	\$25	\$20	\$30	\$25
Hearing Exam (1 every 12 months)	\$25	\$20	\$30	\$25
Outpatient Mental Health (Individual/Group)	\$25	\$20	\$30	\$25
Outpatient Specialized Scans	Included in PCP/Specialist Copays	Included in PCP/Specialist Copays	\$35	\$35
Durable Medical Equipment	15% coinsurance	10% coinsurance	20% coinsurance	15% coinsurance
Prosthetic Devices	15% coinsurance	10% coinsurance	20% coinsurance	15% coinsurance
Kidney Dialysis	15% coinsurance	10% coinsurance	20% coinsurance	15% coinsurance
Ambulance	\$0	\$0	\$50	\$50
<b>Inpatient Benefits</b>				
Inpatient Hospital Expenses	\$190 per day, days 1-6, \$0 days 7 and beyond	\$100 per day, days 1-5, \$0 days 6 and beyond	20%	15%
Inpatient Mental Health (Individual/Group)	\$190 per day, days 1-6, \$0 days 7 and beyond	\$100 per day, days 1-5, \$0 days 6 and beyond	20%	15%
<b>Prescription Drug Coverage</b>				
Preferred Generic/Preferred Brand/ Non-Preferred/ Specialty	\$10/\$40/\$80/\$80	\$10/\$30/\$60/\$60	\$15/\$45/\$85/\$85	\$15/\$45/\$85/\$85
Mail Order (90 day supply)	\$20/\$80/\$160/\$160	\$20/\$60/\$120/\$120	\$37.50/\$112.50/\$212.50/\$212.50	\$37.50/\$112.50/\$212.50/\$212.50

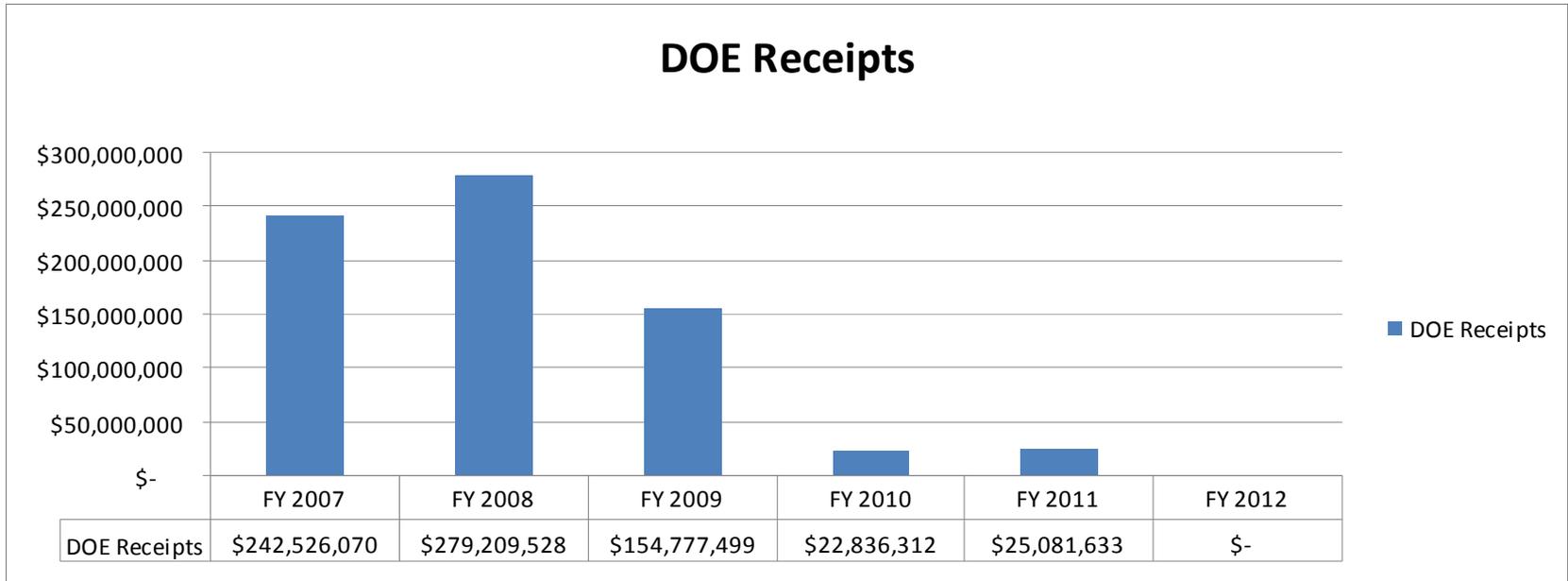


# SHBP Financial Status by Employee Group

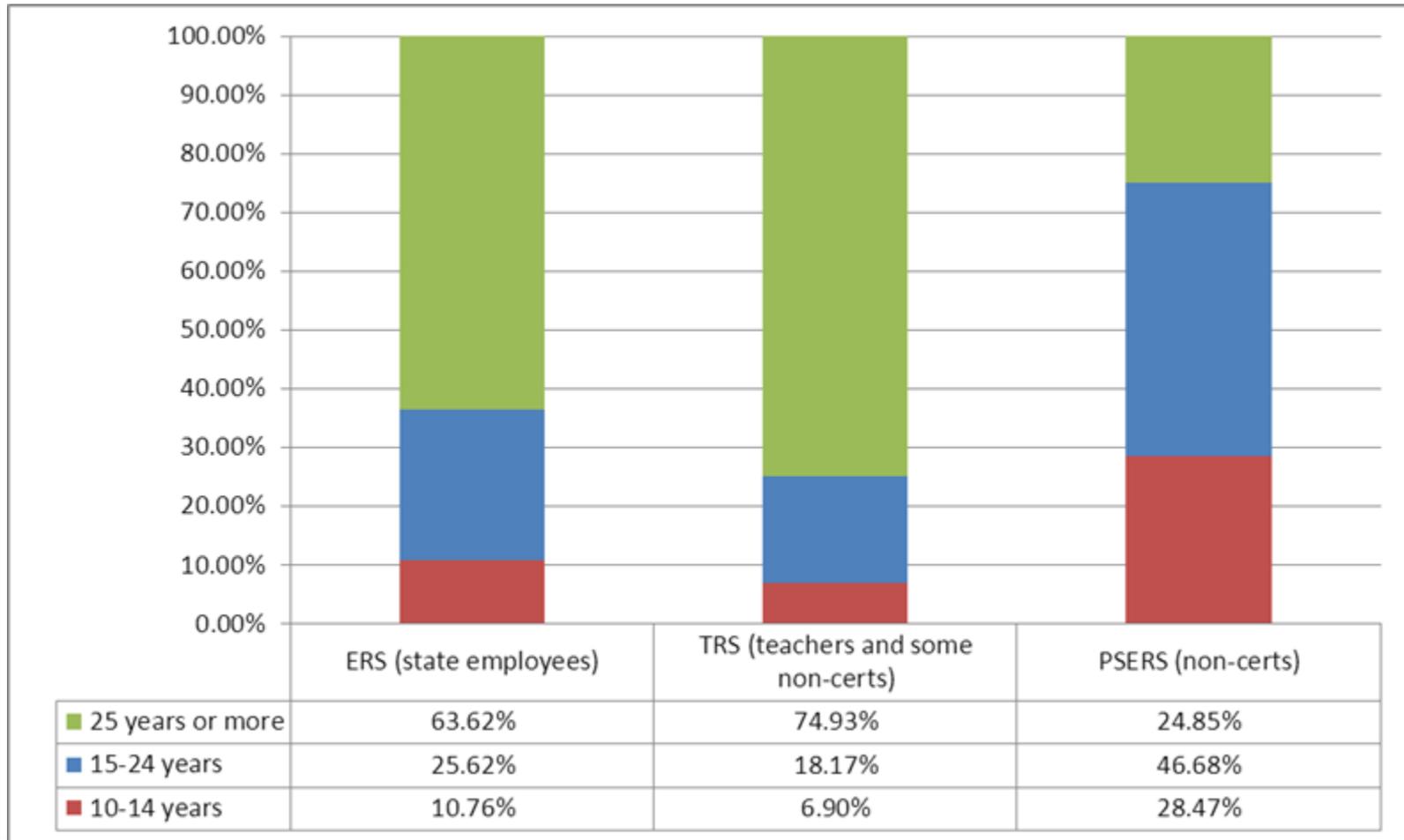
## as of May 31, 2011



# Department of Education Interagency Transfer



# Years of Service for Current Retirees with SHBP Coverage



# Non-certificated School Service Personnel Employer Increase

- Current employer contribution is \$246.20 PMPM.
- Propose increase to \$296.20 PMPM effective September 2011.
- Generates an additional \$32 million in revenue for the plan in FY12.

# Hybrid Direct Bill Plan for July 1, 2012

- The Hybrid Direct Bill Plan for Employer Contributions
  - Employer Contribution rates for Teachers and Non-certificated School Service Personnel will be expressed as per member per month rates
    - Gain administrative efficiencies for the plan
    - Increase accountability
  - Employer Contribution rates for State Employees will continue to be based on a percent of payroll.
    - PeopleSoft Provides the Information
- Effective Date July 1, 2012

# Impact of Health Care Reform ("Affordable Care Act") on SHBP

Cost Increases as a result of the ACA:

Extended Dependent Coverage and 100%  
Preventive Care Coverage

- Represents an additional 6.2% premium increase to employees
- Projected revenue to the plan of \$17.9 million

# Early Retiree Reinsurance Program (ERRP)

Subsidizes the cost of early retirees with high cost claims (between \$15,000 and \$90,000)

- Actual claims for January – March 2011 were \$10.9 million
- Reimbursement request submitted June

# Proposed Budget Request

After all plan changes, premium increases, and the non-certificated employer contribution increase are considered, the plan has a remaining deficit of \$60 million

DCH will request this amount as part of our budget submission to the Governor on September 1

# FY 2012 Projected Financial Status

<b>FINANCIAL STATUS</b>	<b>FY12</b>
Revenue	2,859,232,878
Prior Year Cash Balance	50,580,920
Expense	2,909,813,798
<b>Year-End Cash Balance</b>	<b>(0)</b>
IBNR Liability	(212,627,000)
<b><i>Surplus/(Deficit) w/IBNR Liability</i></b>	<b><i>(212,627,000)</i></b>

# Next Steps

- Today's resolutions for the board's consideration would approve:
  - Member premiums for CY 2012 based on Plan design changes: subsidized, unsubsidized & TRICARE Supplemental
  - Employer contributions for non-certificated: \$50 PMPM increase effective September 2011.
- DCH will submit an Amended FY 2012 and FY 2013 budget request to the Governor's Office of Planning and Budget that will include a request for additional funds for the plan.