

# FY 2006 State Health Benefit Plan



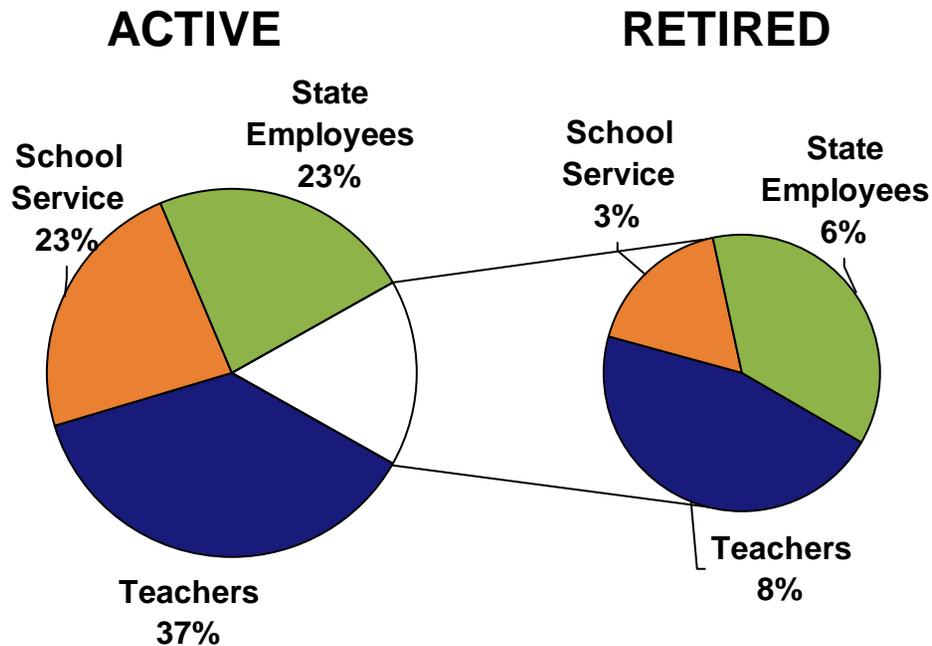
GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH

Presented to Joint Appropriations  
Committee  
January 18, 2005



# SHBP Overview

## FY 2005 Covered Lives



## Plan Demographics

- 318,318 Members; 643,090 Covered Lives
- 83% Active; 17% Retired
- 71% Teachers and School Service Personnel (Active and Retired)

## Plan Options:

- PPO
- HMO
  - Blue Choice
  - Kaiser
  - United Healthcare
  - Cigna
- Indemnity
- Consumer Directed Health Care (3 pilots)





# State Health Benefit Plan FY 2006 Financial Status

## PROJECTED REVENUE:

FY 2005 Projected Revenue	\$	1,854,140,681
FY 2006 Projected Revenue	\$	1,889,134,298
Expected FY 2006 Revenue Increase:	\$	<u>34,993,617</u>
% change over FY 2005		1.9%

## PROJECTED EXPENSE:

FY 2005 Projected Expenditures	\$	2,061,382,837
FY 2006 Projected Expenditures	\$	2,335,259,929
Expected FY 2006 Expenditure Increase:	\$	<u>273,877,092</u>
% change over FY 2005		13.3%

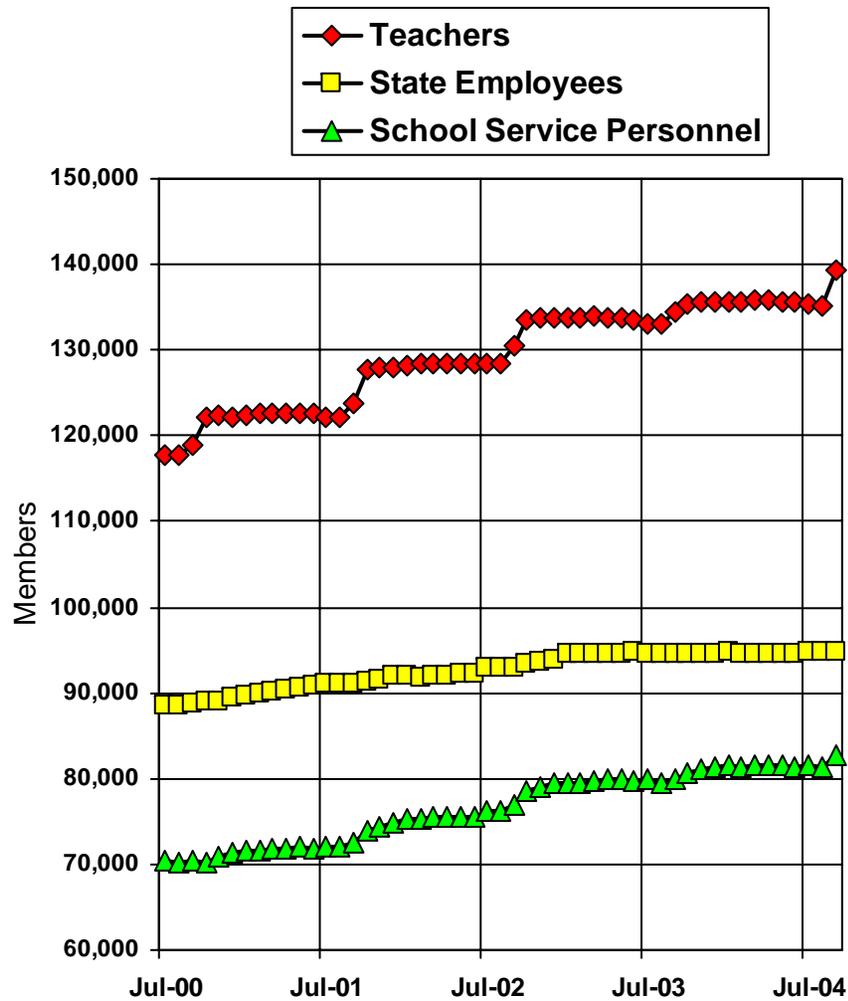
## FY 2006 SURPLUS/DEFICIT:

FY2006 Revenue	\$	1,889,134,298
FY2006 Expense	\$	<u>2,335,259,929</u>
Surplus/Deficit	\$	<u>(446,125,631)</u>





## Deficit Drivers – Eligibility Growth



### Membership is Growing

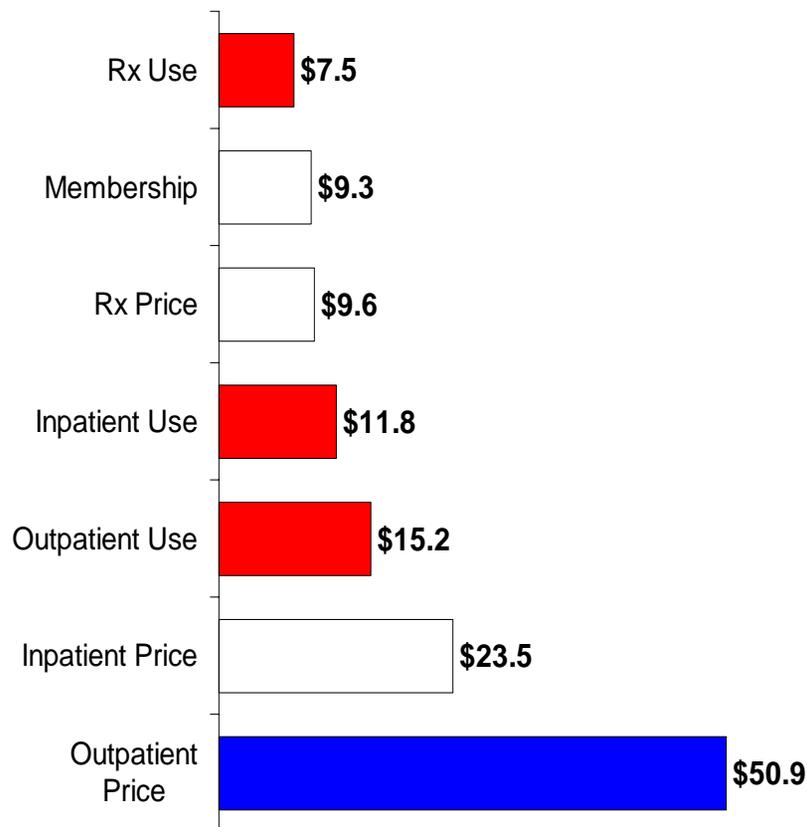
- Teachers and school service personnel are increasing as the student population grows
- As the workforce retires, retirees retain SHBP coverage while their replacement elects new coverage
- Lack of other affordable insurance options drives eligible employees to elect SHBP coverage





## Deficit Drivers - Utilization

### Contribution to FY 2004 Net Payment Increase of \$128 Million Self-Insured Plans (in millions)



### Members are Utilizing More Services and Services Cost More

- The cost of **outpatient hospital services** was the biggest driver of incremental costs, accounting for 40% of FY2004 growth.
  - More hospital services can be provided in outpatient settings
  - Reimbursement methodologies support outpatient services as a profit center for hospitals
- Of the \$128 million in additional cost in FY2004, \$34.5 million (27%) was related to **increased use in prescription drugs and hospital services.**



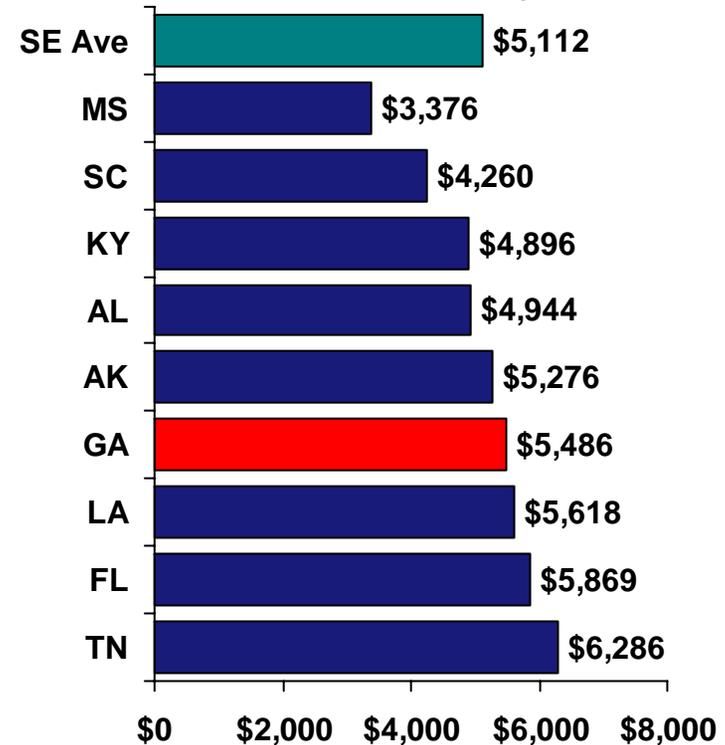


## Comparisons

### Based on a recent review of other states' health benefit plans by the Georgia Department of Audits...

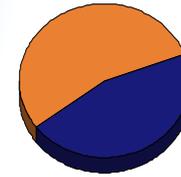
- Georgia was in the **middle of the pack** in terms of 2003 health care costs per employee when compared to other southeastern states
- Georgia's 2003 **employer contribution** (as a percent of total) **was slightly less** than the 2003 national average
  - 73% for family coverage in GA vs. national average of 78%
- The amount of **premiums charged to employees was higher** than the national average for single coverage, but lower for family coverage
  - \$49 for single coverage in GA vs. national average of \$30
  - \$151 for family coverage in GA vs. national average of \$170

### 2003 Annual Health Care Costs per Employee

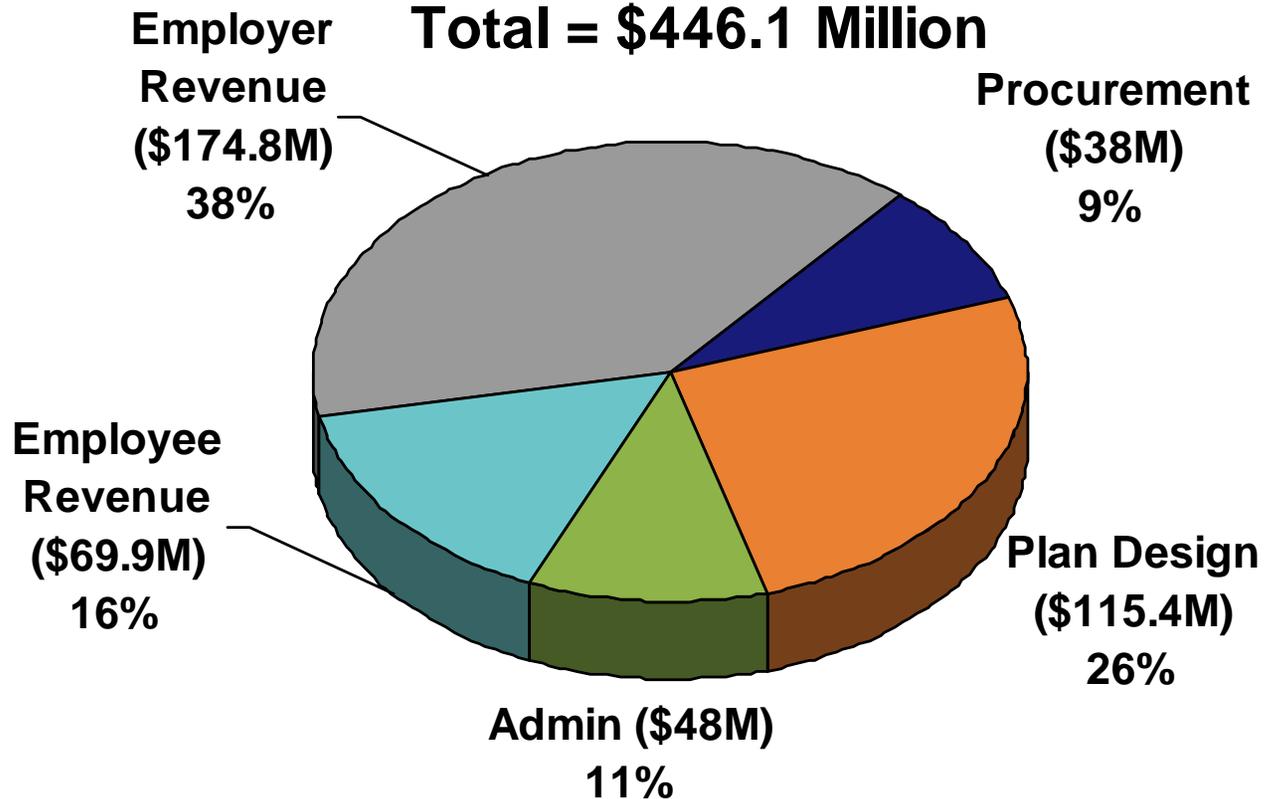




# Summary of FY 2006 Governor's Recommendation



## Changes to SHBP Total = \$446.1 Million

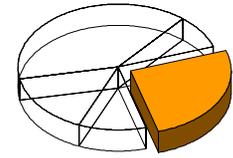


(In millions)





# State Health Benefit Plan FY 2006 Governor's Recommendations



*Page 158, Item 38a*

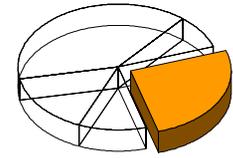
## Strategy I: Change the scope of State Health Benefit Plan benefits and design. (\$115,400,000)

- Increase cost-sharing for members who elect an HMO by implementing an annual deductible and increasing co-payment amounts comparable to the PPO.
- Offer a high deductible plan option with a health savings account option.
- Create a \$50 per month surcharge for members with family coverage whose spouse has access to other health insurance and a smoker's surcharge of \$9 per member per month.





# State Health Benefit Plan FY 2006 Governor's Recommendations



*Page 158, Item 38a (continued)*

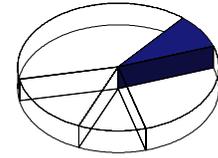
## Strategy I: Change the scope of State Health Benefit Plan benefits and design. (\$115,400,000)

- Eliminate the Premier Drug Plan.
- Expand Consumer Directed Health Care pilots to other payroll locations.
- Purchase supplemental insurance from Tri-Care for eligible SHBP members.
- Obtain discounts for injectible drugs provided in a physician's office.
- Reduce chiropractic visits covered under the PPO plan.





# State Health Benefit Plan FY 2006 Governor's Recommendations



*Page 158, Item 38b*

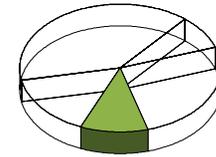
## Strategy II: Generate efficiencies by improving procurement strategies. (\$38,000,000)

- Improve PPO discounts.
- Improve Pharmacy Benefit Manager contract terms.
- Reimburse critical access hospitals on a cost basis.
- Improve medical management programs for disease and case management.
- Integrate the management of the PPO by consolidating business functions under one contractor.





# State Health Benefit Plan FY 2006 Governor's Recommendations



*Page 158, Item 38c*

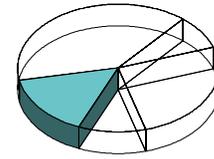
## Strategy III: Generate efficiencies by improving administrative strategies. (\$48,000,000)

- Ensure appropriate member eligibility.
  - Reflect savings from dependent audits.
  - Implement a new member eligibility system.
- Reduce pharmacy expenditures by cost avoiding to Medicare Part D coverage.
- Self-fund Blue-Choice HMO to avoid premium taxes.
- Base employee premiums on actuarial certified rates for each plan option and family size.





# State Health Benefit Plan FY 2006 Governor's Recommendations



*Page 159, Item 38d*

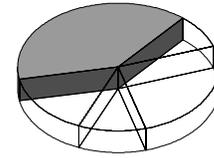
## Strategy IV: Increase employee contributions for premiums. (\$69,900,000)

- Employee premiums to increase by 13 percent (on average.)
- Consistent with expenditure growth expected for FY2006.
- PPO Increase estimated to cost members with single coverage an additional \$8.44 per month, while members with family coverage would pay \$25.78 more.





# State Health Benefit Plan FY 2006 Governor's Recommendations



*Page 159, Item 38e*

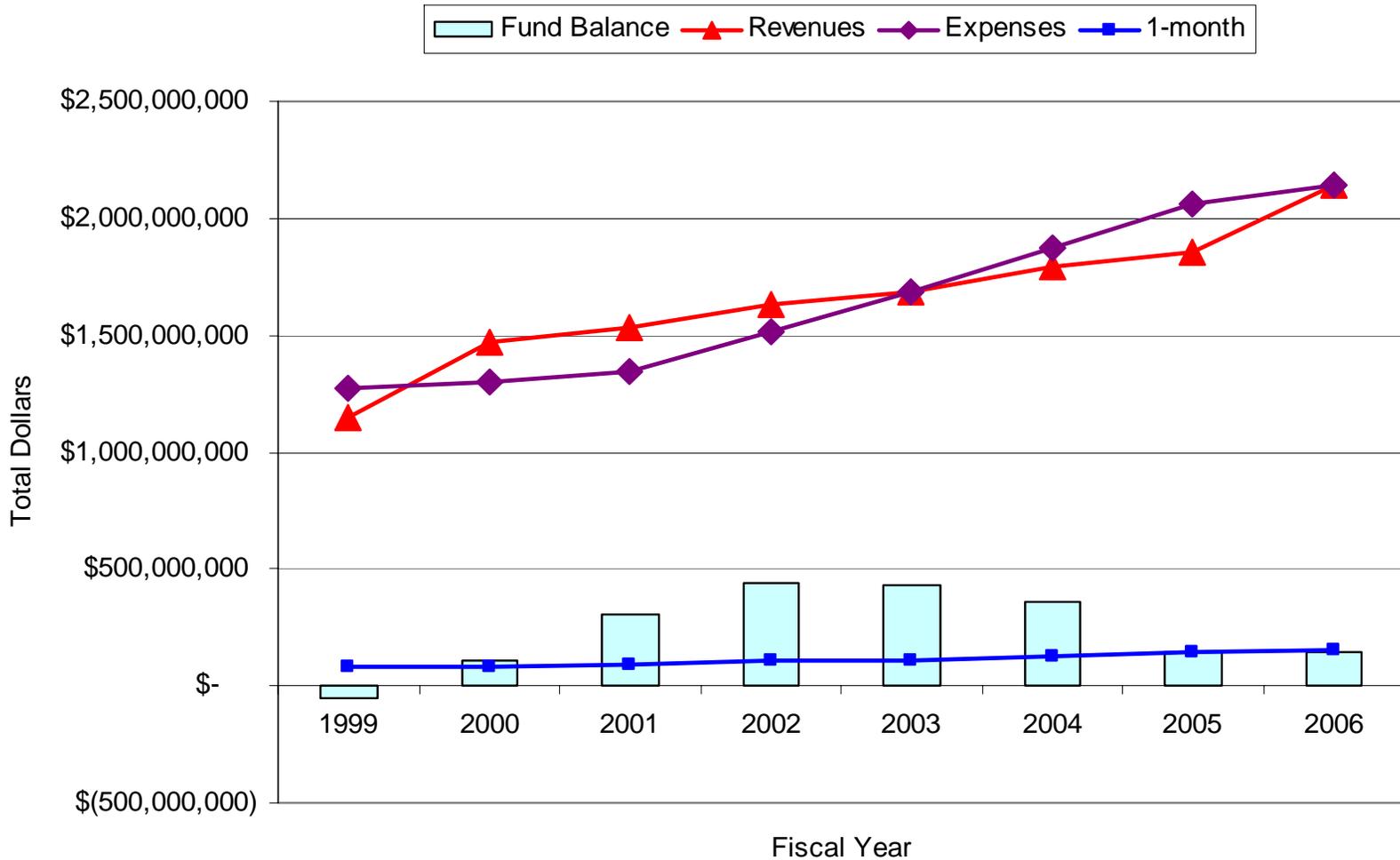
## Strategy V: Increase employer contributions for premiums. (\$174,825,631)

- Direct appropriation to Department of Education of \$134.7M for non-certificated school service personnel. Will double the PMPM contribution from \$162.72 to \$325.44.
- Percent of payroll contributed by employers to increase from 13.1% to 13.53% for state employees and teachers.





# State Health Benefit Plan FY 2006 Financial Status With Governor's Recommendations



# FY 2006 State Health Benefit Plan



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