

# State Health Benefit Plan Strategy

Presentation to the  
Board of Community Health  
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# DCH Mission

## ACCESS



Access  
to affordable,  
quality health  
care in our  
communities

## RESPONSIBLE



Responsible  
health planning  
and use of  
health care  
resources

## HEALTHY



Healthy  
behaviors and  
improved  
health  
outcomes

# DCH Initiatives

## FY 2007 and FY 2008

### FY 2007

**Medicaid Transformation**

**Integrity of our Programs & Safety Net**

**Consumerism**

**Health Improvement & Resolving Disparities**

**Uninsured: Community Solutions**

### FY 2008

**Medicaid Transformation**

**Health Care Consumerism**

**Financial Integrity**

**Health Improvement**

**Solutions for the Uninsured**

**Medicaid Program Integrity**

**Workforce Development**

**PeachCare for Kids™ Program Stability**

**SHBP Evolution**

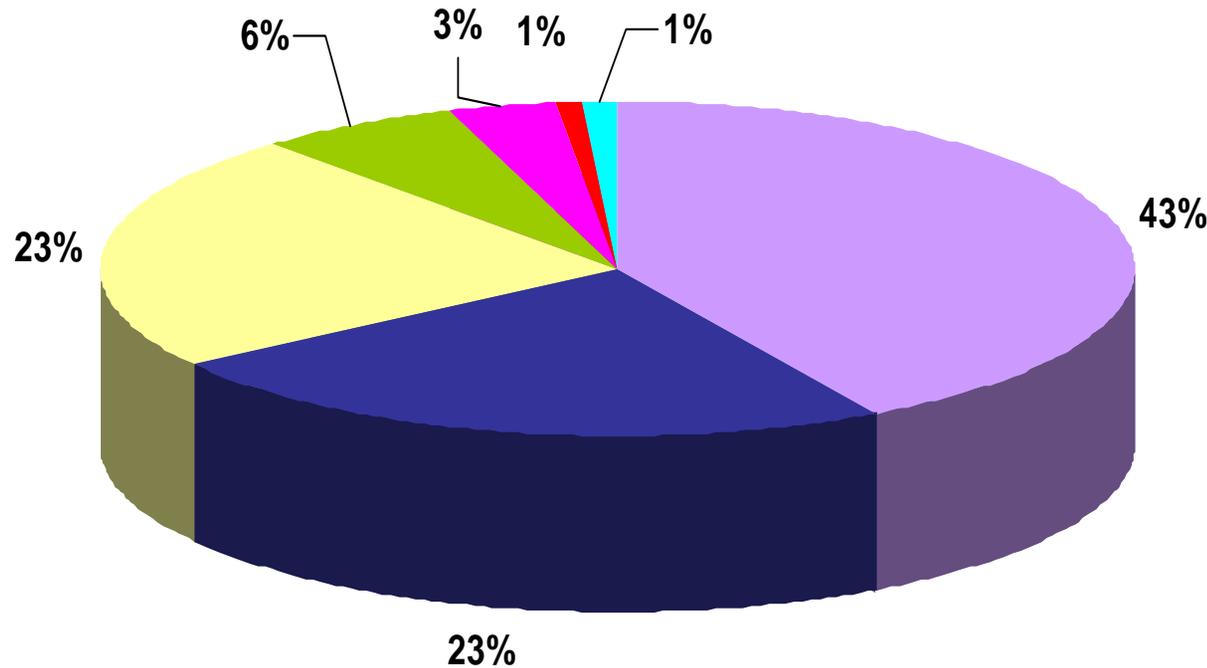
**Consumer Service and Communication**

# SHBP Current (2007) Status



# SHBP Current Enrollment

October 2007



## 17 Plan Options:

- PPO (United)
- HMO
  - BlueChoice
  - Kaiser
  - United Healthcare
  - CIGNA
- Indemnity
- High Deductible Health Plan
- Two Health Reimbursement Account (Pilot Programs)
- TRICARE Supplement
- All plans have a Consumer Choice Option (CCO)

# Current Health Care Costs – Baseline

- Health care costs continue to increase faster than wages and inflation
- State Health Benefit Plan (SHBP) Baseline Health Care Costs – Total Expenditures; Employee and State; No Change in Strategy
  - 2008: \$2.69 billion
  - 2009: \$3.00 billion
  - 2010: \$3.34 billion
  - 2011: \$3.73 billion
  - 2012: \$4.16 billion
  - Five Year Total: \$16.9 billion
- SHBP Baseline Assumed Growth Rates
  - 11.5 percent per year (with two percent assumed membership growth rate)
  - 9.3 percent per year per capita (no assumed membership growth rate)
- - \$7,751 per employee/retiree per year (2008) to \$11,074 per employee/retiree per year (2012)

# SHBP 5 Year Strategic Plan



# SHBP Mission

*Develop a five year health care strategy with consumer driven health care and consumerism as a key part of the strategy*

## Key Objectives

- Promote consumerism
- Meet financial target
- Provide meaningful member choice through streamlining options
- Opportunity for long term success

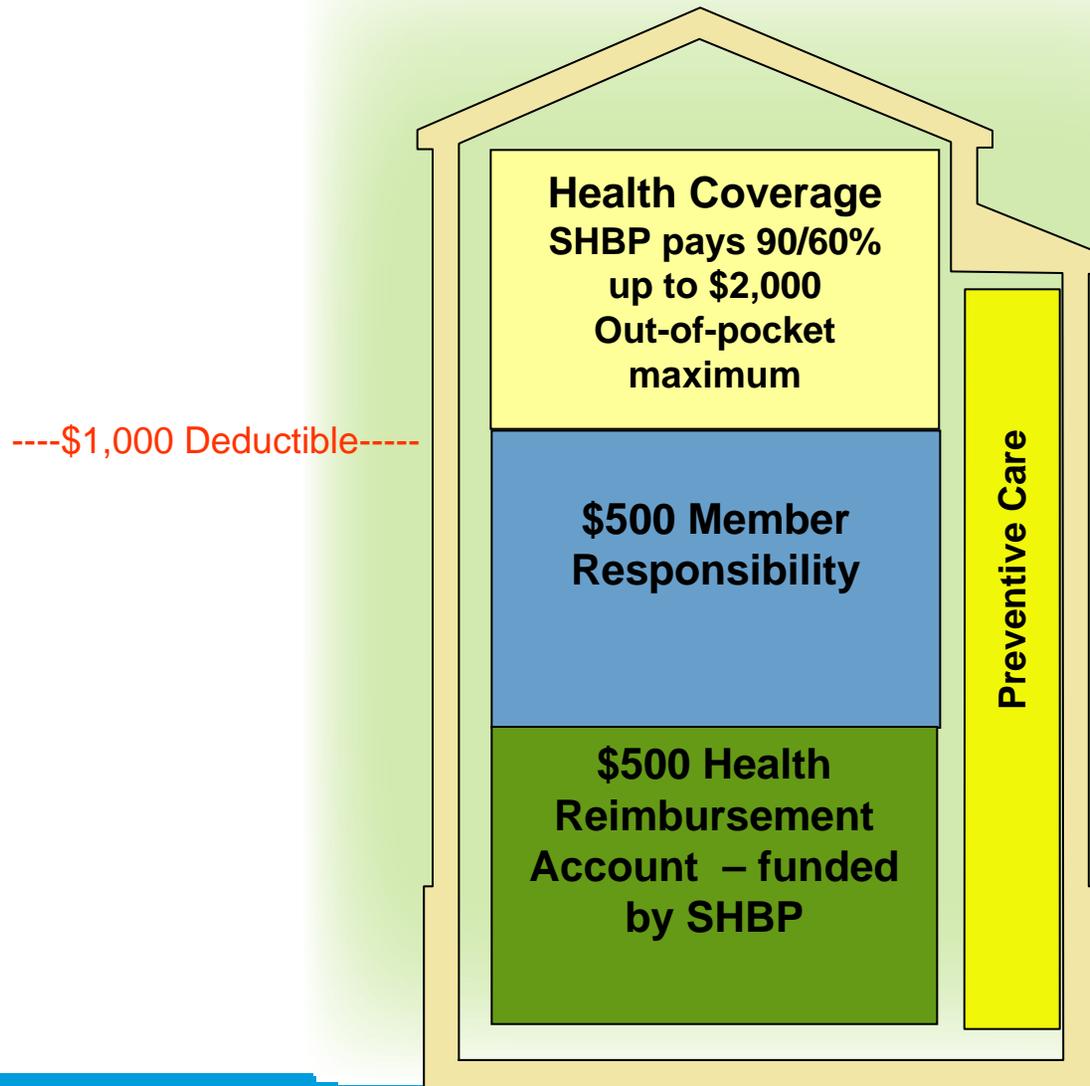
# Advantages of Consumer Driven Health Plans

- Give individuals better access to information and more control over their own health care, allowing them to make informed decisions about treatment and provider options
- Reduce total plan costs by increasing consumer involvement and raising awareness about the real cost of health care
- Lower monthly premiums
- Encourage healthy behavior by generous coverage of routine physicals, child immunizations, mammograms, etc.

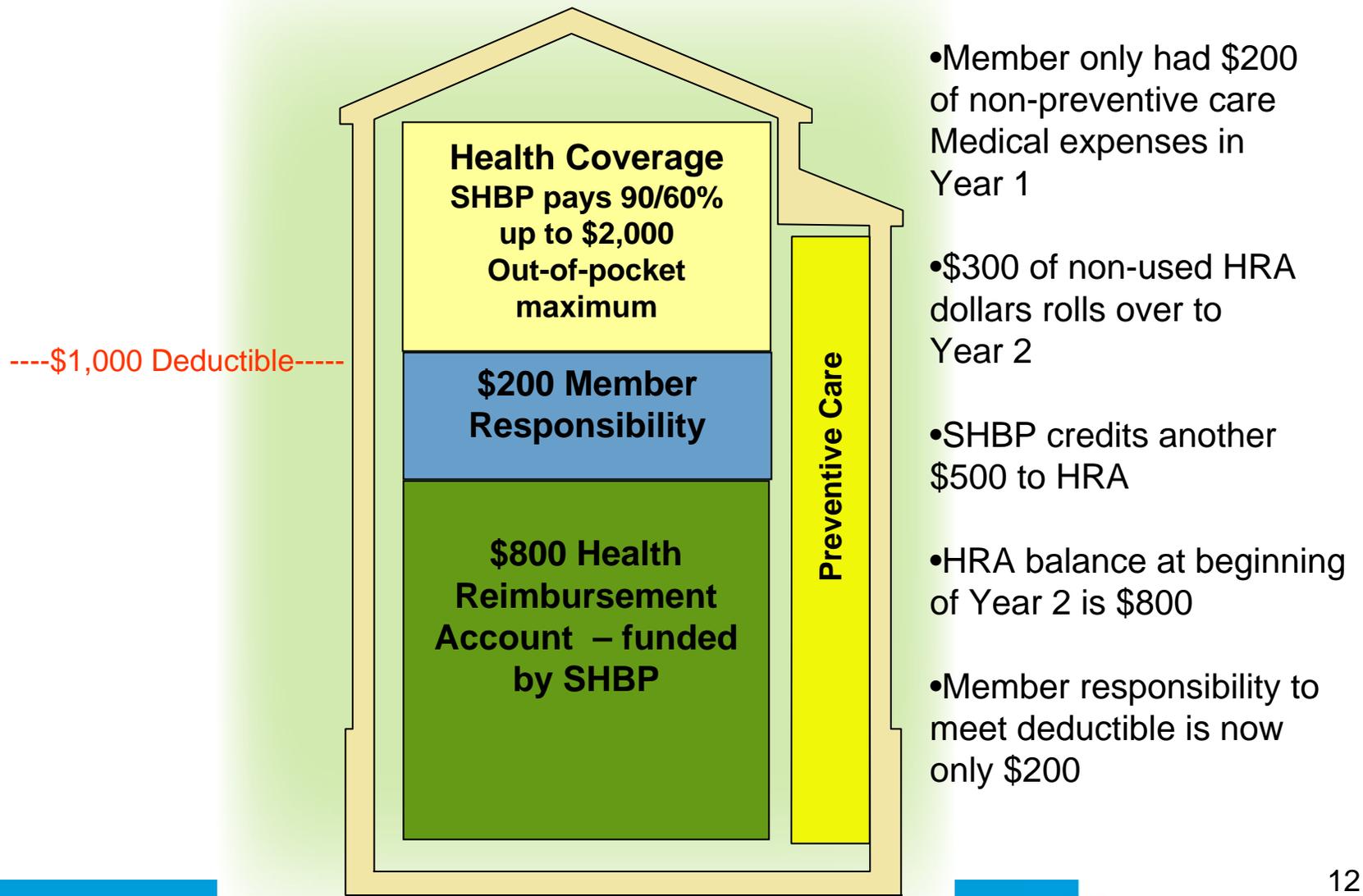
# How SHBP's HRA Works

- Preventive care covered at 100 percent based on national age and gender guidelines
- Health Reimbursement Account (HRA)
  - \$500 for single (\$1,000 for family)
  - SHBP credits HRA account each year to help pay covered medical expenses
- Member responsibility:
  - \$500 after HRA is used up
- Health coverage/coinsurance after \$1,000 deductible is met (combination of HRA and member responsibility)
  - 90 percent in and 60 percent out-of-network coverage
  - Member's out of pocket maximum is \$2,000
- SHBP pays full cost after \$2,000 out-of-pocket limit is met

# How an HRA Works



# How an HRA Works – Year Two



# Winners & Losers Analysis

- This analysis compares the out-of-pocket costs of two plans. Out-of-pocket costs include the member's deductible, co-payments, coinsurance and employee contribution.
- The "win percentage" is the percentage of claim situations, across an entire claim distribution, where the HRA plan member's out-of-pocket cost is lower.

	2008
HRA vs. HMO	75%
HRA vs. PPO	95%

- In 2008, the HRA plan will provide a better financial result for 75% of all members versus those in the HMO. The HRA plan will provide a better financial result for 95% of all members versus those in the PPO.

# Health Program Objectives

- Reduce annual cost increases two percentage points less than baseline
  - 11.5 percent (baseline) to 9.5 percent, including two percent growth rate
  - 9.3 percent (baseline) to 7.2 percent per capita (no growth)
- Reduce GASB liability
- Add consumerism and consumer driven health care (CDH)
  - Increase percentage of employees in a CDH plan
  - Educate participants how to be wiser health care consumers
  - Increase participant use of Web tools
- Encourage utilization of health promotion and health coaching (disease management) programs
- Maintain employee satisfaction and appreciation (offer employee choice)
- Be competitive with other large employers

# High Level Strategy (2008 – 2012)

- Two statewide health plan vendors, each offering five choices:
  - HRA (CDH Plan)
  - HDHP (CDH Plan)
  - PPO
  - HMO
  - Medicare Advantage
- Pharmacy integrated with medical
- CDH plan design will be improved each year (one percent addition in actuarial benefit value each year starting in 2009)
- Consumerism features such as deductibles and coinsurance will be added to the HMO and PPO each year (two percent reduction in actuarial benefit value each year starting in 2009)
- Strategic pricing utilized to provide incentive for CDH plans
- Expect gradual enrollment shift from HMO/PPO plans to HRA and HDHP plans

# Detailed Strategy – Tactical Steps

2008	<ul style="list-style-type: none"> <li>•Expand two HRA plans (Definity and Lumenos) statewide</li> <li>•Eliminate one HMO (CIGNA)</li> <li>•Freeze Indemnity plan enrollment</li> <li>•Eliminate Tricare Supplement (due to Federal legislation)</li> <li>•Release health plan vendor RFP for consolidation</li> <li>•Open enrollment (OE) communications (why choose HRA or HDHP plan)</li> <li>•Consumerism education (how to buy health care services based on price and quality)</li> </ul>
2009	<ul style="list-style-type: none"> <li>•Consolidate to two health plan vendors statewide</li> <li>•Eliminate one HMO</li> <li>•Eliminate indemnity plan</li> <li>•Improve HRA plan and HDHP plan design – one percent benefit value increase</li> <li>•HMO and PPO plan design changes – two percent benefit value reduction</li> <li>•Strategic pricing to provide steerage from HMO/ PPO to HRA/ HDHP</li> <li>•Introduce three or four tier employee contributions</li> <li>•OE communications and consumerism education</li> <li>•CDH enrollment goal: eight percent</li> </ul>

# Detailed Strategy – Tactical Steps (cont.)

2010	<ul style="list-style-type: none"> <li>•Improve HRA plan and HDHP plan design – one percent benefit value</li> <li>•HMO and PPO plan design changes – two percent benefit value reduction</li> <li>•Strategic pricing</li> <li>•OE communications and consumerism education</li> <li>•CDH enrollment goal: 12 percent</li> </ul>
2011	<ul style="list-style-type: none"> <li>•Improve HRA plan and HDHP plan design – one percent benefit value increase</li> <li>•HMO and PPO plan design changes – two percent benefit value reduction</li> <li>•Strategic pricing</li> <li>•OE communications and consumerism education</li> <li>•CDH enrollment goal: 16 percent</li> </ul>
2012	<ul style="list-style-type: none"> <li>•Improve HRA plan and HDHP plan design – one percent benefit value increase</li> <li>•HMO and PPO plan design changes – two percent benefit value reduction</li> <li>•Strategic pricing</li> <li>•OE communications and consumerism education</li> <li>•CDH enrollment goal: 20 percent</li> </ul>

# Estimated Five Year Savings

## Baseline Assumptions

- Annual Trend: same as budgeted baseline financial projections, uses 2007 Aon Trend Survey
- Enrollment: two percent aggregate membership growth
- Consumer Impact: eight percent first year utilization reduction due to consumerism impact (CDH Plans)

Calendar Year	2008	2009	2010	2011	2012	2008 - 2012
Total Expenditure	\$7,347,499	\$ 95,043,303	\$164,355,913	\$241,465,583	\$327,012,001	\$ 835,224,299
Savings*						

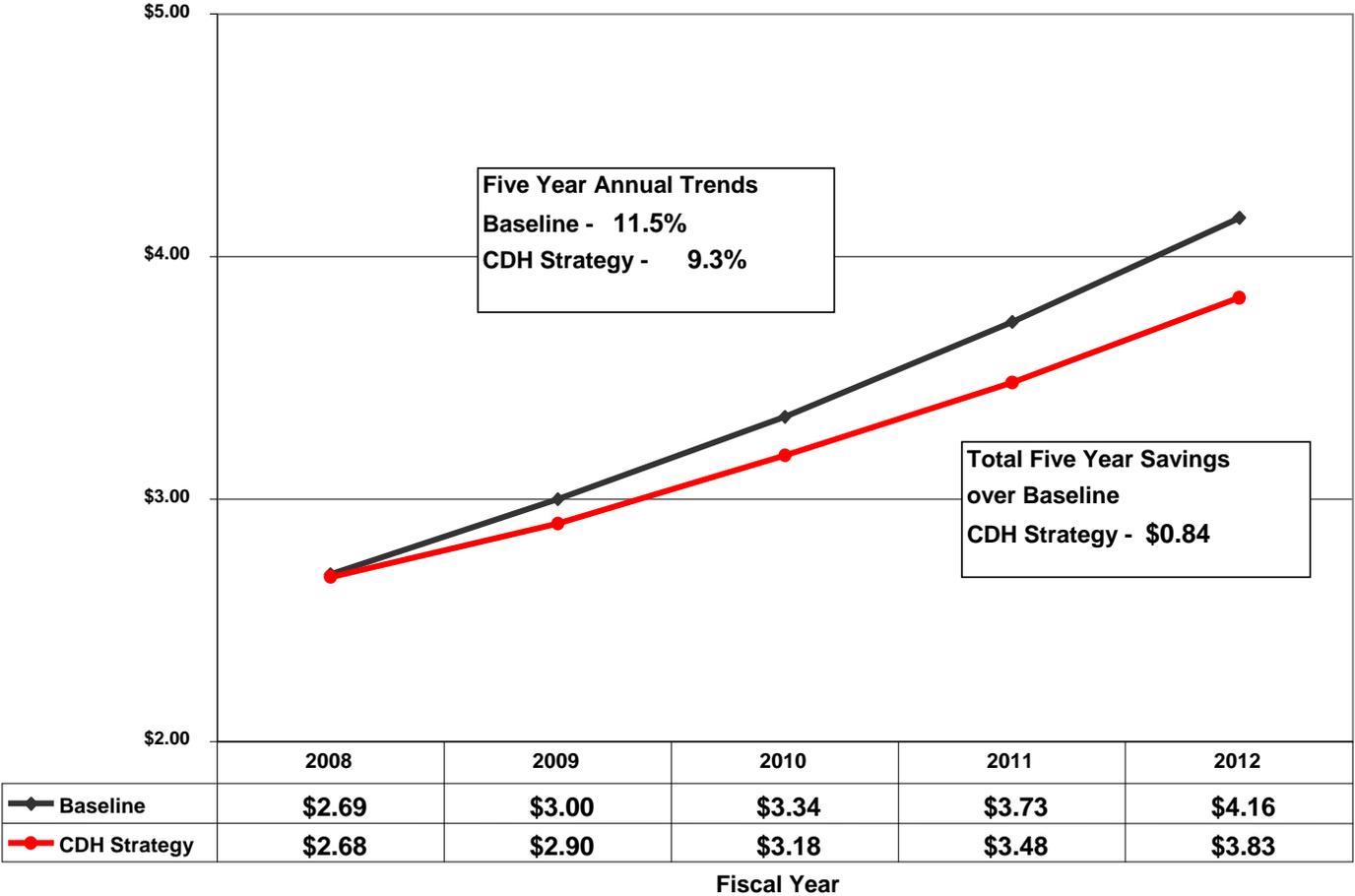
\*Aon Consulting, Inc.

## Key Assumptions

- Indemnity Plan eliminated (2009)
- In 2008 and 2009, one HMO is eliminated each year
- Vendor consolidation (2009) results in a 10 percent administrative fee savings
- One percent CDH Plan benefit enhancement; two percent HMO/PPO benefit reduction
- Strategic pricing

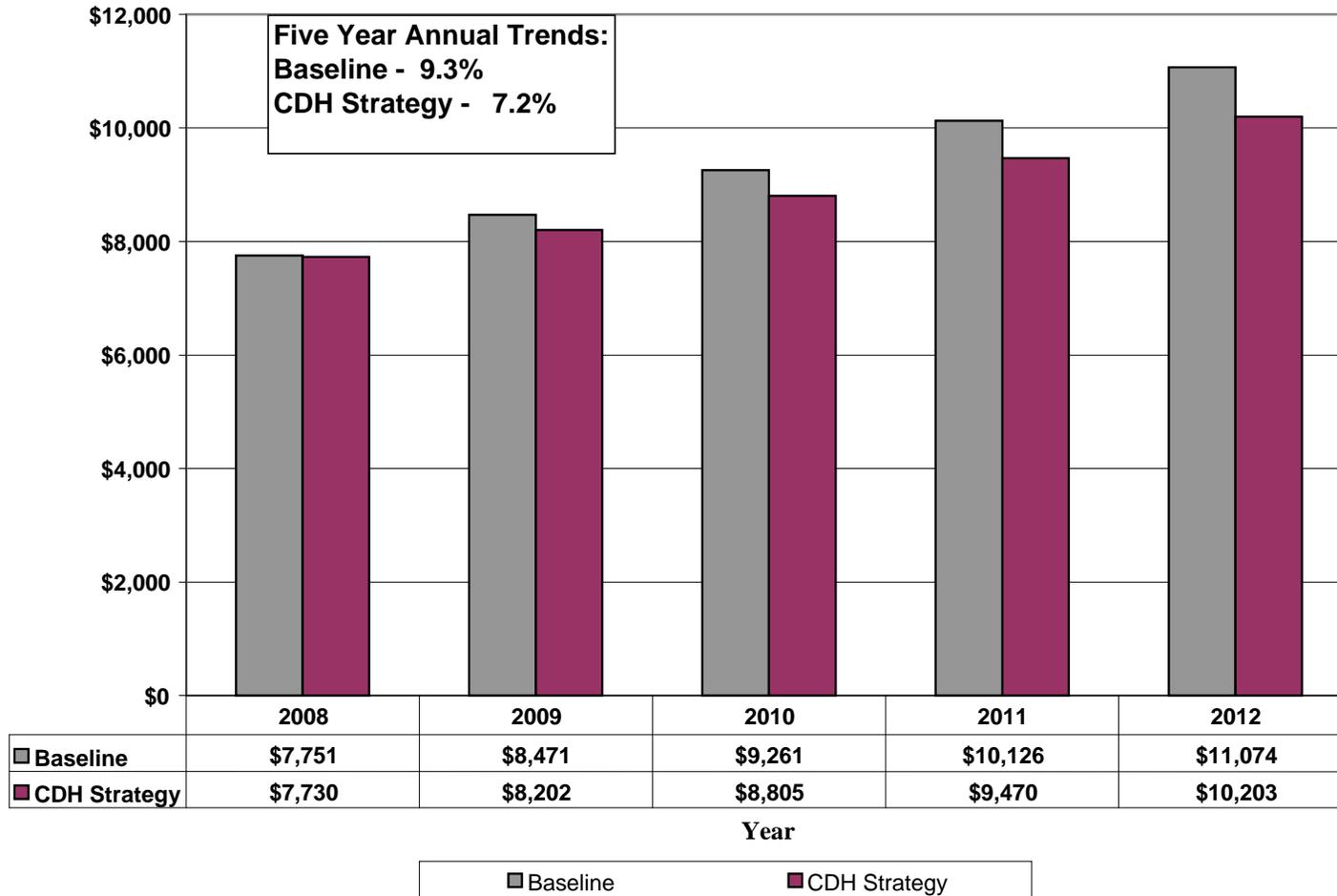
# Projected Total Budget

Projected Total Budget  
(in \$billions)



# Projected Annual Per Employee/Retiree Costs

Projected Annual Per Capita Costs



Questions?

