

State Health Benefit Plan



Presentation to the DCH Board

August 11, 2011

Financial Status

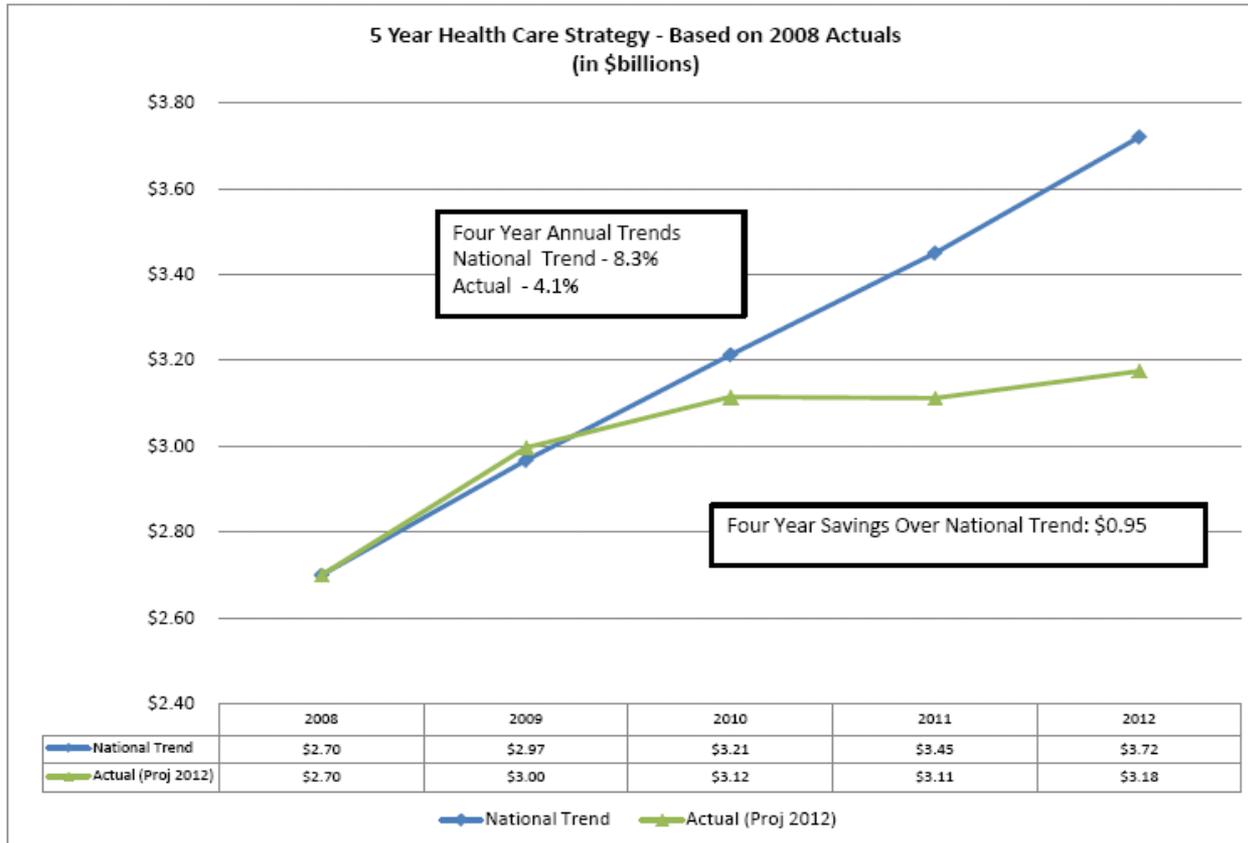
FINANCIAL STATUS	FY12
Revenue	2,748,776,277
Expense	3,028,669,974
Year-End Cash Balance	(279,893,697)
IBNR Liability	(212,627,000)
<i>Surplus/(Deficit) w/IBNR Liability</i>	<i>(492,520,697)</i>

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

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)

Deductible (In/Out-of-network)	Wellness HDHP	Standard HDHP
EE	\$1500/\$3000	\$1750/\$3500
EE + SP, EE+ Child(ren), Family	\$3000/\$6000	\$3500/\$7000
Out-of-Pocket Max (In/Out-of-network)		
EE	\$2400/\$5300	\$2650/\$5800
EE + SP, EE+ Child(ren), Family	\$4100/\$9800	\$4600/\$10,800
Coinsurance (In/Out-of-network)	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
 - State Plan Amendment will be required.
 - Proposed Effective Date will be January 1, 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.

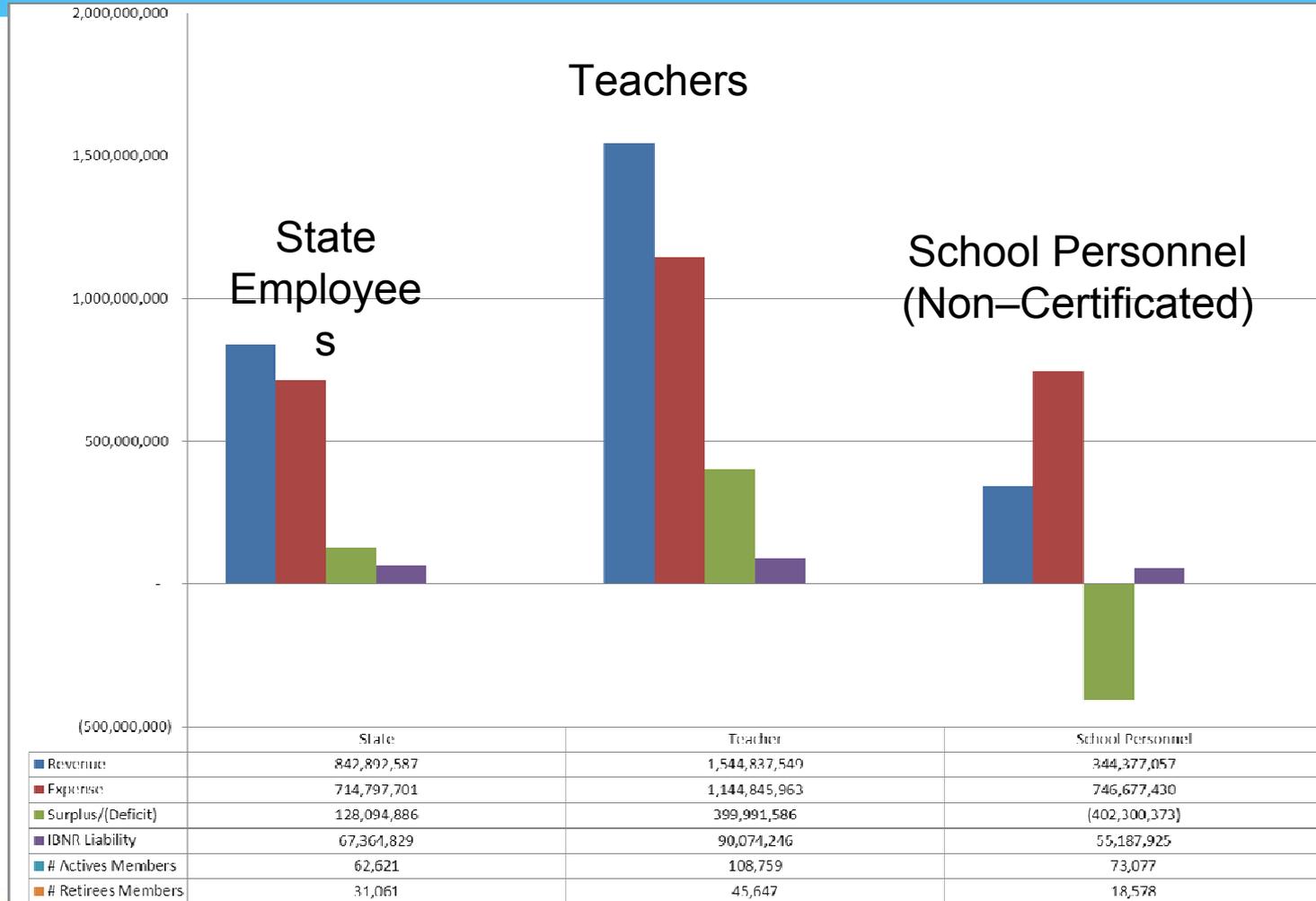
Plan Changes

Medicare Advantage Plan Changes

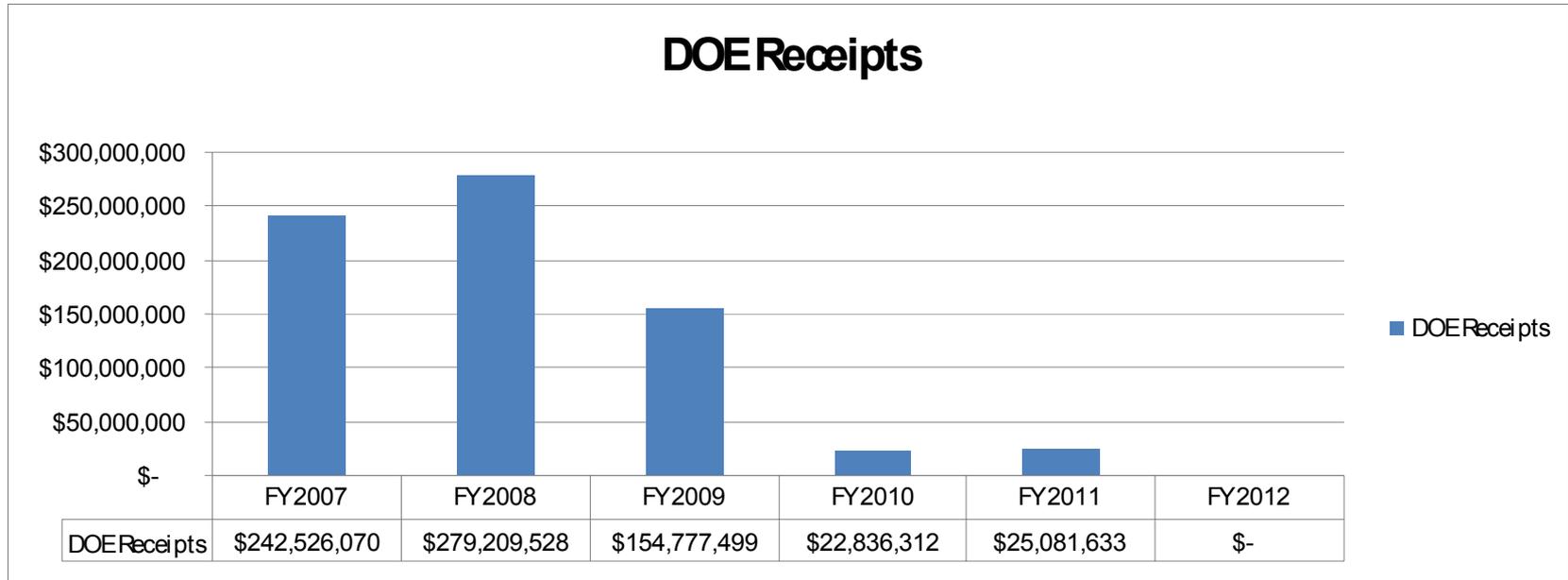
Plan Provisions	Benefit Changes			
	2011		2012	
	Standard Plan	Premium Plan	Standard Plan	Premium Plan
Out-of-pocket/Coinsurance Maximum	\$2,000	\$1,000	\$3,500	\$2,500
Outpatient Benefits				
PCP OV	\$20	\$10	\$25	\$15
Specialist OV	\$25	\$20	\$30	\$25
Annual Routine Office Physical (1 every 12 months)	\$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
Inpatient Benefits				
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%
Prescription Drug Coverage				
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

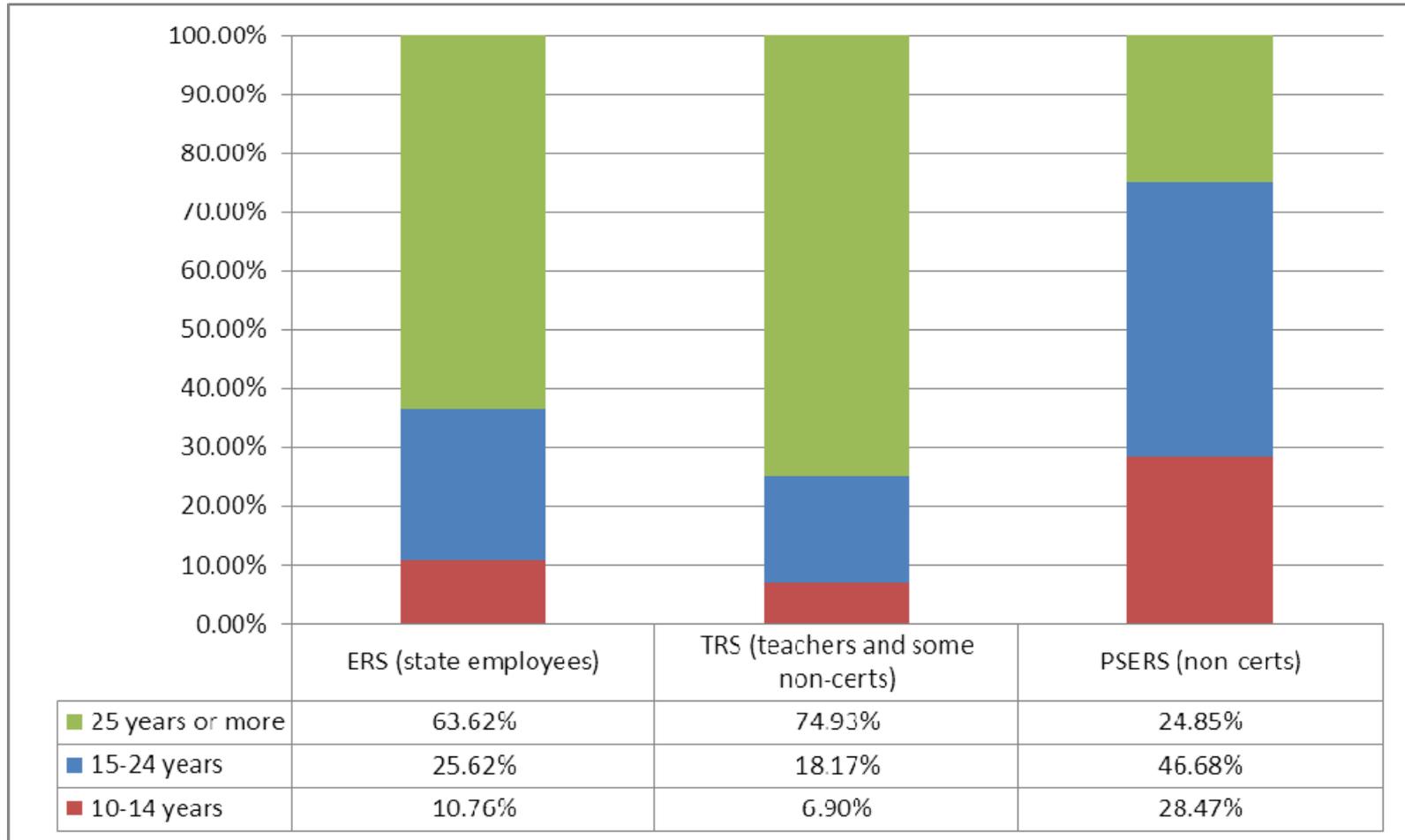
as of May 31, 2011



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

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

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.