



# 2015 Medical Cost Benchmarking

*Provided for the State of Georgia*

June 2015

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# Georgia State Health Benefit Plan (Georgia SHBP) Letter and Request



GEORGIA DEPARTMENT  
OF COMMUNITY HEALTH

Nathan Deal, Governor

Clyde L. Reese III, Esq., Commissioner

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June 30, 2015

The State Health Benefit Plan (SHBP) is comprised of separate health insurance plans for State Employees, Teachers, and Non-Certificated Public School Employees. The SHBP pays benefits out of the dollars contributed from employees (through monthly employee payroll deductions) and from employers that offer the SHBP (e.g., state agencies and public school systems).

Over 260,000 active employees and non-Medicare eligible former employees are enrolled in the Georgia SHBP plans. Roughly half of the enrolled population selected employee-only coverage, with the balance covering at least one dependent.

The Amended FY 2015 Appropriations Bill, HB 75 included a request that SHBP submit a study to the Governor and General Assembly by June 30, 2015 that examines "why SHBP's costs are higher than other comparable government employee health plans and describe a variety of options for reducing costs without further diminishing the value of health benefits received by members." The General Assembly also included that any such report should include an examination of options to provide health benefits to non-certificated school employees.

To complete this analysis, the Department of Community Health (DCH) engaged Aon Consulting, Inc. (Aon). Aon was selected, in part, because of its understanding of SHBP and its experience in the public sector. To complete the study, data was requested from comparable public sector health plans and then compared to the SHBP. The results from this analysis form the basis of the report.

While the study will assist us in planning for Plan Year 2017 and beyond, for 2016 we will remain focused on stability and continuity with the Plan's current vendors and options.

Sincerely,

A handwritten signature in blue ink that reads "Clyde L. Reese III".

Clyde L. Reese, III, Esq.  
Commissioner

Health Information Technology | Healthcare Facility Regulation | Medical Assistance Plans | State Health Benefit Plan  
Equal Opportunity Employer

## Executive Summary

The General Appropriations Act requested that the Georgia State Health Benefit Plan (Georgia SHBP) submit a study to the Governor and General Assembly by June 30, 2015 examining why the Georgia SHBP's costs are higher than other comparable government employee health plans. It also asked for a variety of options to reduce costs without further diminishing members' health benefits. The General Assembly further stated that the study should include an examination of options to provide health benefits to Non-Certificated Public School employees (Non-Certs). To accomplish these goals, the following study consists of two primary parts: (1) an examination of Georgia SHBP's costs and possible options to reduce costs without diminishing benefit value and (2) an examination of the Non-Cert program options.

## Examination of the Georgia SHBP's Costs and Possible Member Cost Reduction Options

Information was received from Florida, Kentucky, Mississippi, South Carolina, Tennessee, and the Board of Regents, University System of Georgia. These responding plans were analyzed and included as blinded Comparators.

In the study, two key cost areas were of focus: the Georgia SHBP's total allowed costs; and the Georgia SHBP's total active employee costs. The key findings are as follows:

### The Georgia SHBP's Total Allowed Costs

1. At first glance, the Georgia SHBP's per employee allowed costs versus the Comparators show the Georgia SHBP on the high end, with only one of the six Comparators having higher costs.
2. After adjustment for three key cost drivers (geographic location, demographics, and adult lives per employee) to more normalize the comparison, the Georgia SHBP allowed costs move to third lowest (out of seven) when benchmarked versus the Comparators.

The study found that the Georgia SHBP's financial management is at least on par with the average of the Comparators.

### The Georgia SHBP's Total Active Employee Costs

1. At first glance, the Georgia SHBP's average estimated employee member costs (payroll deduction plus estimated out-of-pocket (OOP) costs) are higher than all Comparators.
2. After adjustment for four key cost drivers (geographic location, demographics, adult lives per employee, and plan design value) to more normalize the comparison, the Georgia SHBP's average employee member costs remain higher than all but one Comparator, yet the gap versus the mean does narrow. This result also holds even for average members earning all credits available to them.

When considering total allowed health plan costs there are three basic components: employer subsidies, employee payroll deductions, and employee OOP (i.e., plan value). It is important to note, however, that an adjustment in one cost area requires a corresponding adjustment to at least one cost area. Therefore,

increasing the overall value of the plan options offered would lower employee OOP costs, but would also require a corresponding increase in employee payroll deductions and/or employer subsidy.

## Possible Options to Reduce Costs without Diminishing Benefit Value

The study identified several possible options for reducing member costs without diminishing the value of the health benefits offered. Several of the strategies noted have been (and are currently being) reviewed by the Georgia SHBP for potential implementation. Considerations around resource needs, timing constraints, return on investment expectations, physical space availability, broad population applicability, Georgia market availability, etc. must all be considered prior to the decision on which items should be implemented and when. The list is also not meant to be all-inclusive of strategies that the Georgia SHBP has considered, could consider, or is currently considering.

## Examination of Non-Cert Coverage

The study concludes by examining options to provide coverage to Non-Certs. The employer contribution for Non-Certs is currently insufficient to cover these employees' costs. The study notes two options for addressing this issue: (1) increasing employee contributions or (2) offering a new medical benefit package for Non-Certs, which would reduce the overall benefit package value, yet leave employee payroll deductions at the 2015 level.

## Purpose and Goals of the Study

A report from The Pew Charitable Trusts and the MacArthur Foundation (Pew) investigated state employee health plan spending, finding that the plans offered by the Georgia SHBP in 2013 were more costly on average than most other states. While this information provided a useful overview of per-employee costs adjusted for household size and plan design value, it did not quantify some of the additional underlying reasons for the relative positions of the various states on which it commented<sup>1</sup>. Due to the relative cost of the Georgia SHBP, the Governor and General Assembly of Georgia requested the following in the approved appropriations bill HB 75, line 714:

*“Submit a study to the Governor and General Assembly by June 30, 2015 that examines why SHBP’s costs are higher than other comparable government employee health plans and describe a variety of options for reducing costs without further diminishing the value of health benefits received by members. The General Assembly also finds that non-certificated school employees are an essential part of the education delivery system and directs that any such report include an examination of options to provide health benefits to these workers.”*

In addition to the language specific to Non-Certified School Employees, there are three primary questions that this study intends to answer:

### 1. Why are the Georgia SHBP’s total allowed costs higher than comparable government employee state health plans?

**Note:** *The respondents throughout the study are referred to collectively as “Comparators” in this report. Due to the study’s focus on the relative positioning of the Georgia SHBP plans, the individual results of the Comparators have been blinded.*

The first part of the study evaluates the drivers behind the Georgia SHBP’s relative position against its Comparators on a total “allowed cost” basis, and analyzes whether unadjusted per employee allowed costs paint an accurate picture of the Georgia SHBP’s true cost position versus the Comparators. These total allowed costs are equal to the sum of the employer subsidy, employee payroll deductions, and the estimated employee OOP costs (plan design cost share: deductibles, copays, etc.).

The use of total allowed costs (rather than total plan costs) removes the impact of the plan design value offered, similar to the plan design adjustment made in the Pew study. This allows for a deeper dive into the drivers of the Georgia SHBP’s cost in order to determine its true relative cost position.

### 2. Why are the Georgia SHBP’s active total employee costs higher than comparable government employee state health plans?

**Note:** *The respondents throughout the study are referred to collectively as “Comparators” in this report. Due to the study’s focus on the relative positioning of the Georgia SHBP plans, the individual results of the Comparators have been blinded.*

The second part of the study attempts to determine the reasons why employees in the Georgia SHBP have higher total employee costs than Comparator employees, with total employee costs equal to employee payroll deductions plus estimated employee OOP costs (plan design cost share: deductibles, copays, etc.). A separate review of these two individual components is also included.

<sup>1</sup> This study is not meant to replace or refute any other study; it is meant to dive deeper into the Georgia SHBP’s cost position versus the Comparators.

**3. Given the Georgia SHBP position among its Comparators, what options are available to reduce costs for the membership without reducing the value of the benefits offered?**

Considerations are offered that include the addition of various programs to reduce total allowed cost such as telemedicine/virtualmedicine and onsite clinics, methods to encourage higher participation in programs already offered by the Georgia SHBP that are currently underutilized (such as wellness incentives), adjustments to the current cost sharing structure to benefit employees, as well as several other strategies.

## Key Observations

The study examined several drivers of the Georgia SHBP's total allowed and total employee costs, helping to explain the reasons for its overall cost position versus Comparators. The analysis of these drivers led to two key overarching observations.

### Key Observation #1

***There are three primary drivers of the Georgia SHBP's relatively high per employee allowed cost position: geographic location (unit cost and utilization differences between locations), demographics (age and gender differences), and adult lives per employee (number and type of dependents covered).***

A cursory review of the Georgia SHBP's per employee allowed costs versus the Comparators shows Georgia on the high end, with only one of the six Comparators having higher costs. However, this is an unadjusted view that does not take into account three underlying drivers of costs:

1. Geographic Location—The Georgia SHBP's location costs are 6% higher than the mean of the group;
2. Demographics—The Georgia SHBP's age and gender mix drive costs that are 2% higher than the mean of the group; and
3. Adult Lives per Employee—The Georgia SHBP's dependent mix yields costs that are 4% higher than the mean of the group.

After adjusting the per employee allowed costs for these three quantifiable differences, the Georgia SHBP allowed cost position moves to third lowest (out of seven) when benchmarked versus the Comparators, meaning that the Georgia SHBP is at least on par in its financial plan management (the more controllable components of health coverage – contracting, eligibility, wellness programs, etc.) with the Comparators.

### Key Observation #2

***The primary drivers of the Georgia SHBP's relatively high total employee cost position differ by the employee cost component:***

1. ***Employee Out-Of-Pocket (OOP) costs—Geographic location, demographics, adult lives per employee, and plan design value are the four primary drivers of the Georgia SHBP's high average OOP costs.***
2. ***Payroll Deductions—Adult lives per employee and employer subsidy strategy are the two primary drivers of the Georgia SHBP's high average employee payroll deductions.***

The Georgia SHBP's average estimated employee OOP costs are higher than all Comparators. However, employee OOP costs are impacted in a similar way as allowed costs when it comes to geographic location, demographics, and adult lives per employee, with the Georgia SHBP's position in each causing an increase in OOP costs when measured against the Comparators. Plan design value is the additional factor that directly impacts OOP costs as well. For an average employee, the Georgia SHBP offers a lower average plan design value (higher average deductibles, higher average OOP maximums, etc.) than all but one of the Comparators, resulting in an OOP responsibility for employees being 22% greater than

the mean. While the Georgia SHBP offers a wide range of plan choice (variety of levels of deductibles, copays, etc.), most employees tend to enroll in the plans with higher average OOP costs.

The Georgia SHBP's employee payroll deductions are also on the higher end of the Comparator spectrum. These per employee deductions are directly impacted by the dependent mix of the group but only indirectly impacted by the geographic location, demographics of the group, and average plan design value. The manner in which an employer subsidizes the various plans is the biggest driver of employee payroll deductions, which is planned as part of overall budgeting goals.

The Georgia SHBP offers financial wellness incentives and tobacco surcharges, meaning there are ways for a Georgia SHBP employee to improve their total employee cost position versus the average. When the Georgia SHBP employee costs are analyzed for an employee who participates in wellness programs and who is not a tobacco user (or is enrolled in a tobacco cessation program), the employee cost picture for the Georgia SHBP improves. While the total employee costs are still higher than all but one Comparator, the Georgia SHBP employee costs move closer to the mean.

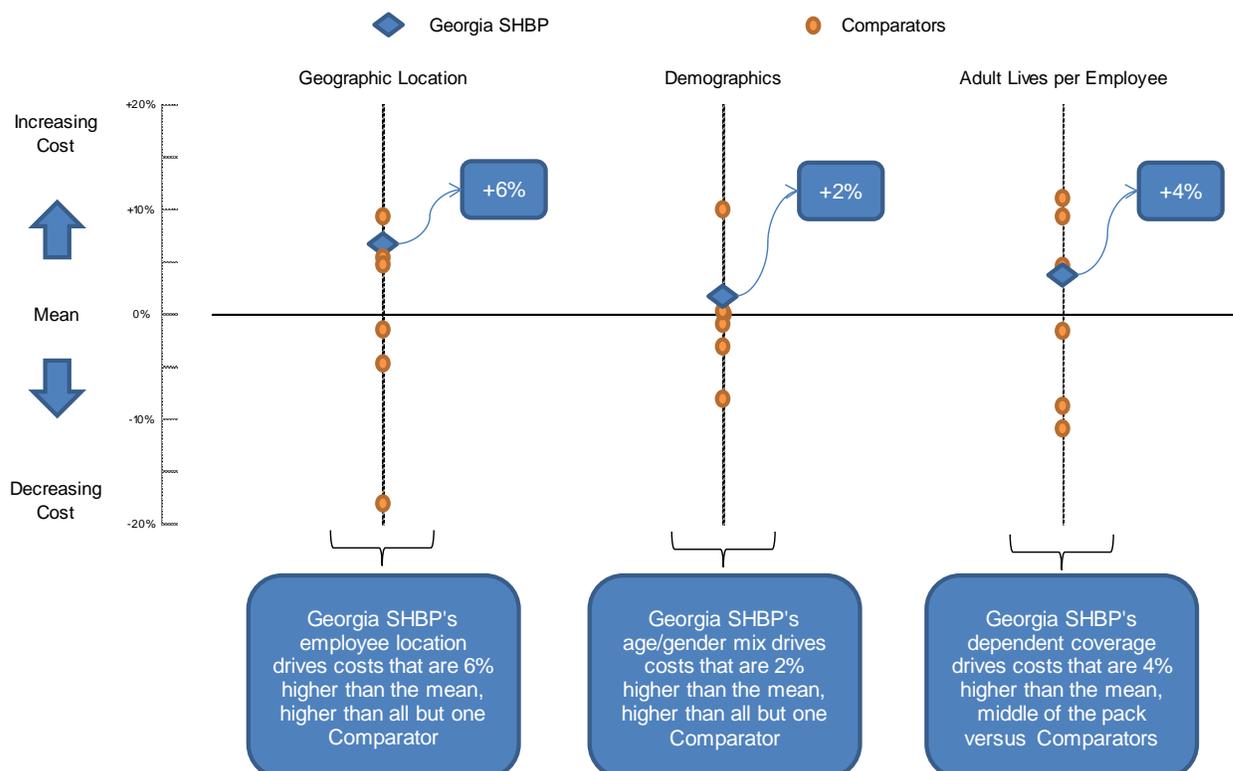
It is also important to note that there are three major pieces to total allowed health plan cost: employee payroll deductions, employee OOP costs (plan design cost share: deductibles, copays, etc.), and employer subsidy. When one of the three pieces is changed, at least one of the other two pieces will need an offsetting change as well. For example, a reduction in a plan deductible from \$1,000 to \$500 will lower an employee's OOP costs, but at the same time either the employee payroll deductions or employer subsidy will need to be adjusted to pay for the deductible change (and any consequential expected change in utilization). Other initiatives such as wellness programs, contractual negotiations, etc. can impact the overall total allowed cost picture (potentially reducing cost for all parties), while basic changes to employee deductions, plan design, or subsidy typically cannot.

## Results of the Study

### Why are the Georgia SHBP's *total allowed* costs higher than comparable government employee state health plans?

There are three primary aspects of the Georgia SHBP that are driving higher than average total allowed costs:

1. **Geographic Location**—The cost to provide health care in Georgia is slightly higher than average due to higher cost services and a higher utilization of services by individuals. The general utilization and unit cost levels of healthcare in the State of Georgia indicate an overall cost impact that is about 6% higher than the mean of the Comparators;
2. **Demographics**—Age and gender have a significant impact on the expected cost of an individual. Costs generally increase with age, but also vary for males versus females, primarily in the child-bearing years. With just one exception, the Georgia SHBP has the highest average active/non-Medicare retiree age and highest percentage of females of the Comparators, leading to costs that are around 2% higher than the mean; and
3. **Adult Lives per Employee**—The number and type (spouse or child) of dependents covered on a plan can also materially impact costs. On average, children are significantly less costly than adult members, an element that is taken into account in this adjustment. The Georgia SHBP is fourth in the Comparator group in adult lives covered per employee, but is still 4% higher than the mean.

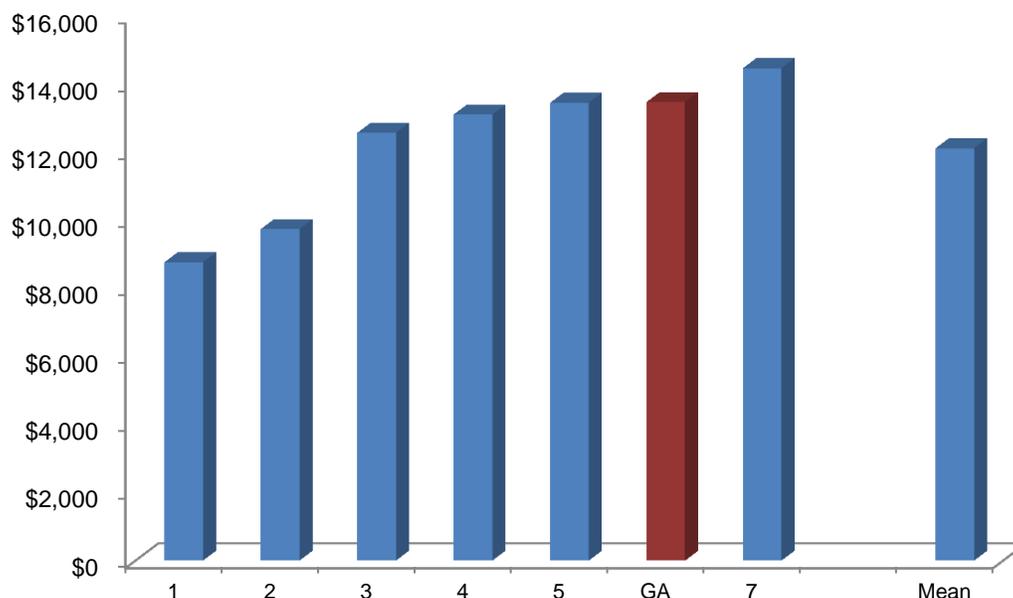


## Unadjusted Per Employee Allowed Cost Review

Prior to adjusting for the three noted drivers of total allowed cost differences between the Georgia SHBP and its Comparators, a baseline of unadjusted per employee costs should be set. These total allowed costs are equal to the sum of the employer subsidy, employee payroll deductions, and the estimated employee OOP costs (plan design cost share: deductibles, copays, etc.). The employee OOP portion of the total allowed costs was estimated using Aon Hewitt’s proprietary Actuarial Value model which analyzes the various provisions of each plan design (deductibles, copays, etc.). Each Comparator’s designs were evaluated using the same underlying claims distribution assumptions, ensuring an equitable comparison of plan design value.

To determine the baseline, the data of each Comparator was first summarized on a per employee per year (PEPY) basis, prior to any adjustments. The Georgia SHBP’s total allowed costs are on the high end of the Comparators, a similar result to what was documented in the Pew study.

**2015 PEPY Total Allowed Costs, Active/Pre-Medicare Retirees**



The Georgia SHBP’s allowed costs are higher than all but one Comparator on an unadjusted per employee basis, and are 11% higher than the mean

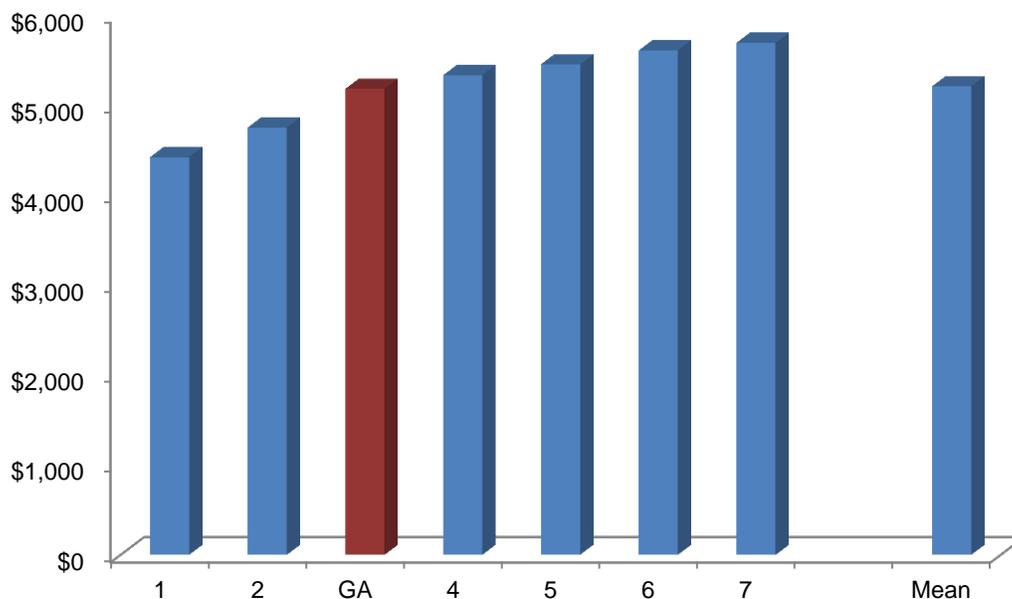
**Note:** Each number represents one of the six Comparators that are included in this study, though they purposely will not be consistent for a particular group throughout this analysis. All charts are ordered from low to high. Non-Medicare retiree allowed costs are included.

### Adjusted Per Adult (45 Year-Old Male in Georgia) Allowed Cost Review

A more complete evaluation of the Comparators would encompass adjustments for each of the three discussed factors (geographic location, demographics, and adult lives per employee), yielding an average allowed cost for a particular age, gender, and location for a single employee. This study chose to use a 45-year old male with single coverage in Georgia as the basis for comparison. The choice of using a 45-year old was based on Georgia’s SHBP average active plan age (excluding non-Medicare retirees). A male was chosen as males have a more consistent cost curve that increases with age versus females whose costs vary greatly around the child bearing years. It is important to note, however, that using females or any other age as the basis of this analysis would have produced identical relative results in the comparison of the Georgia SHBP to the Comparators.

The total adjusted allowed costs are much more similar between the Comparators than the unadjusted costs in the previous per employee table. Specifically, the Georgia SHBP result moves from being the second highest in the Comparator group to the third lowest of the group. This is an indication that the Georgia SHBP’s financial management (the more controllable components of health coverage – contracting, eligibility, wellness programs, etc.) of the plans is at least on par with the Comparators.

**2015 Adjusted Total Allowed Costs, 45 Year Old Male in GA**



The Georgia SHBP’s allowed costs after adjustments for geographic location, demographics, and adult lives per employee are lower than all but two Comparators, and are 1% lower than the mean

**Note:** Each number represents one of the six Comparators that are included in this study, though they purposely will not be consistent for a particular group throughout this analysis. All charts are ordered from low to high. Non-Medicare retiree allowed costs are included.

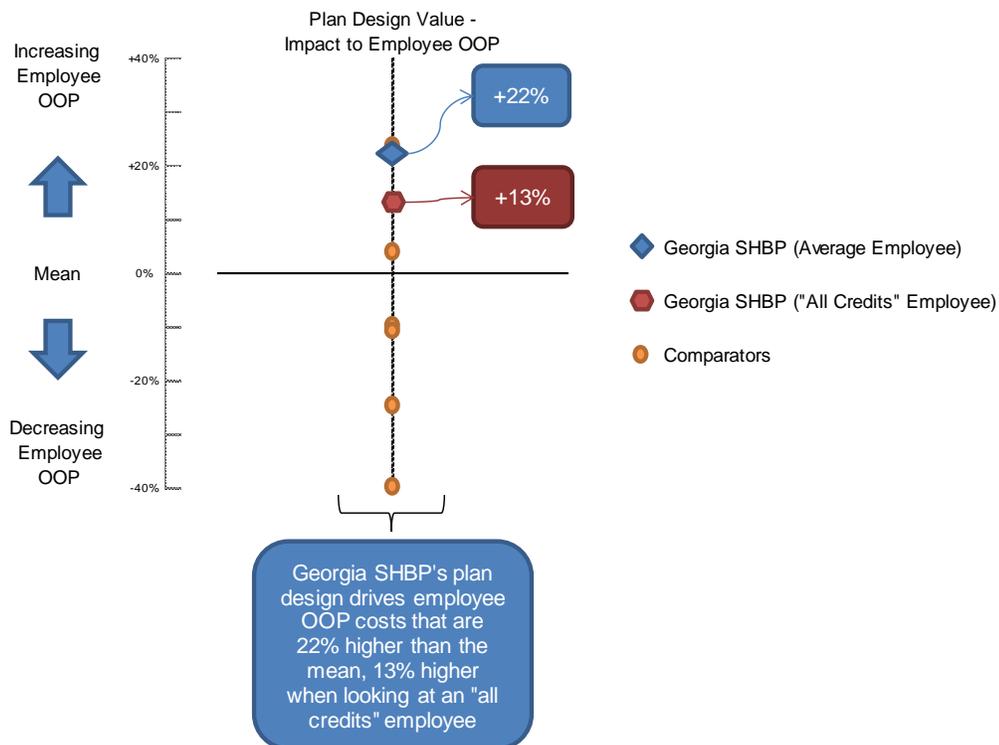
## Why are the Georgia SHBP's active *total employee costs* higher than comparable government employee state health plans?

Two types of Georgia SHBP employee costs are studied in this section. The first type ("GA" in the charts) is based solely on the "average" employee in the Georgia SHBP, and does not take into account the financial opportunities that go under-utilized by employees (most notably, wellness incentives and non-tobacco rates). The second type ("GA All Credits" in the charts) assumes that each employee earns all available wellness incentives and is not a tobacco user (or enrolls in the tobacco cessation program).

The two components of total employee costs are employee payroll deductions and out-of-pocket costs (plan design cost share: deductibles, copays, etc.), each of which is driven by different factors.

1. Out-of-Pocket (OOP) Costs—Each of the three previously discussed allowed cost factors (geographic location, demographics, and adult lives per employee) impacts OOP costs. Higher cost services, an older average age, and more dependents will all cause per employee OOP costs to be higher than they would be otherwise.

The one remaining and often biggest driver of OOP cost levels is the plan design value. Higher deductibles, copays, etc. all increase employee OOP costs. Weighted based on plan (i.e., Bronze, Silver, etc.) and coverage tier (i.e., employee only, family, etc.) enrollment, the Georgia SHBP's overall plan design values are relatively lean (meaning higher employee cost sharing) when compared to the Comparators, with only one Comparator having a lower valued average design. This is driving the OOP costs for employees of the Georgia SHBP to be significantly higher than the mean.



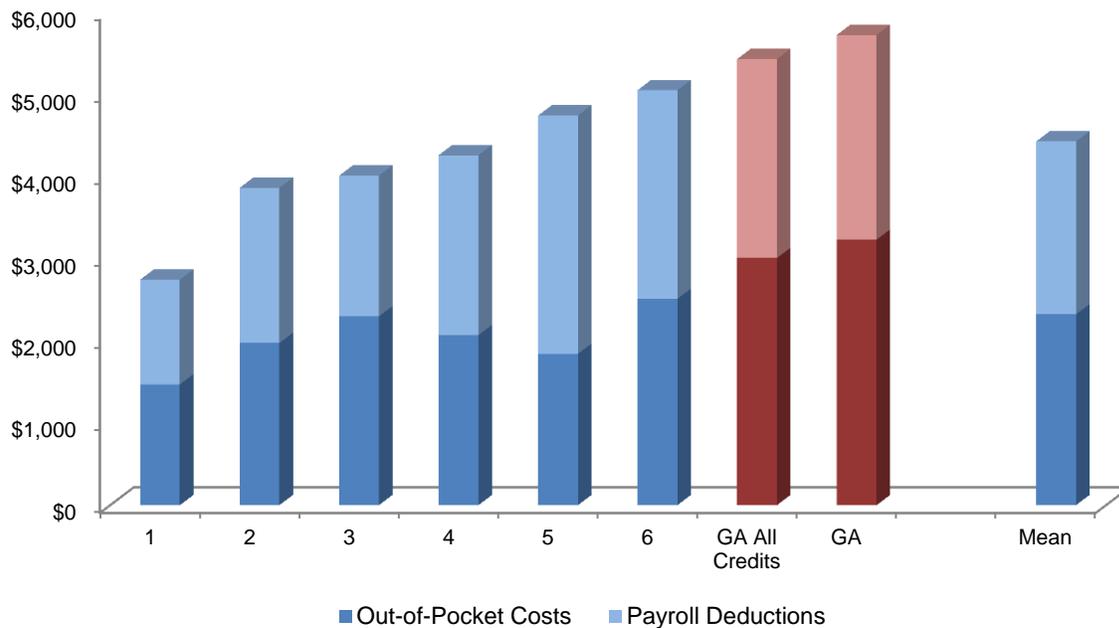
The employee OOP costs were estimated using Aon Hewitt’s proprietary Actuarial Value model which analyzes the various provisions of each plan design (deductibles, copays, etc.). Each Comparator’s designs were evaluated using the same underlying claims distribution assumptions, ensuring an equitable comparison.

2. Employee Payroll Deductions—Of the factors previously discussed (geographic location, demographics, adult lives per employee, and plan design value), only adult lives per employee has a direct impact on the per employee payroll deductions. Each of the other factors indirectly impacts the deductions (lower plan design value often leads to lower payroll deductions for example), but are not an explicit driver of the employee payroll deduction levels. These are primarily driven by the employer’s overall subsidy strategy given their budgeting goals.

### Unadjusted Per Employee Total Employee Cost Review

Prior to adjusting for any drivers of the differences in total employee costs between the Georgia SHBP and its Comparators, a baseline of unadjusted per employee costs should be determined as shown below.

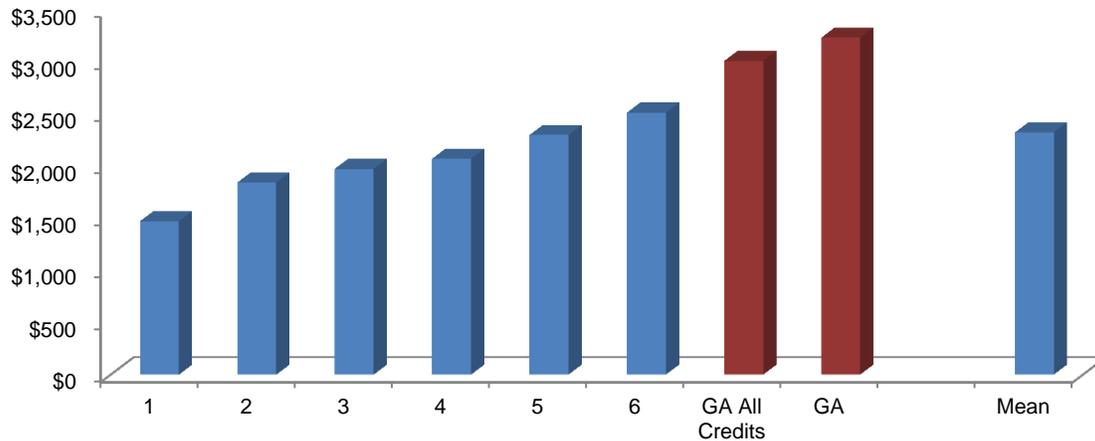
**2015 PEPY Total Employee Costs, Active Employees**



The Georgia SHBP’s total employee cost is the highest of all Comparators (29% higher than the mean) on a per employee basis, including the “all credits” scenario (23% higher than the mean)

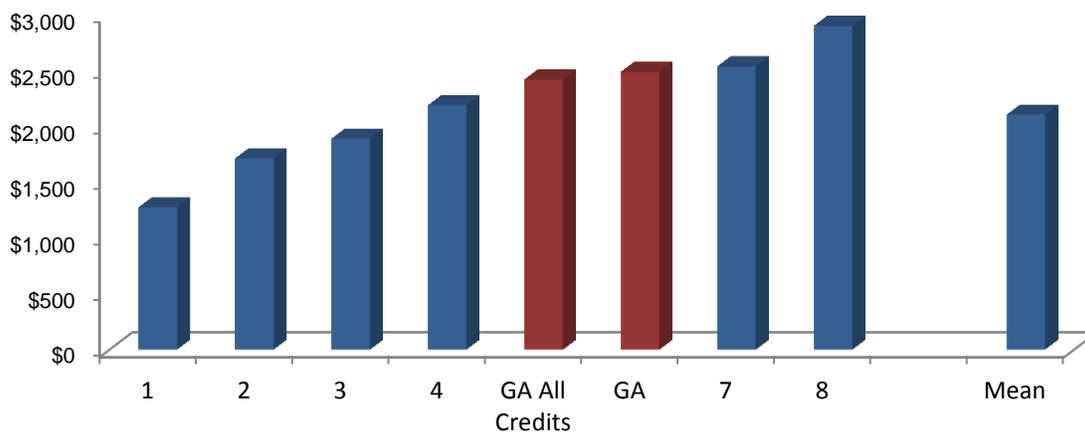
**Note:** Each number represents one of the six Comparators that are included in this study, though they purposely will not be consistent for a particular group throughout this analysis. All charts are ordered from low to high. Non-Medicare retiree costs are excluded from each of these analyses.

### 2015 PEPY Employee Out-of-Pocket Costs, Active Employees



The Georgia SHBP's OOP cost is the highest of all Comparators (39% higher than the mean) on a per employee basis, including the "all credits" scenario (29% higher than the mean)

### 2015 PEPY Employee Payroll Deductions, Active Employees



The Georgia SHBP's employee payroll deductions are higher than all but two Comparators (18% higher than the mean) on a per employee basis, including the "all credits" scenario (15% higher than the mean)

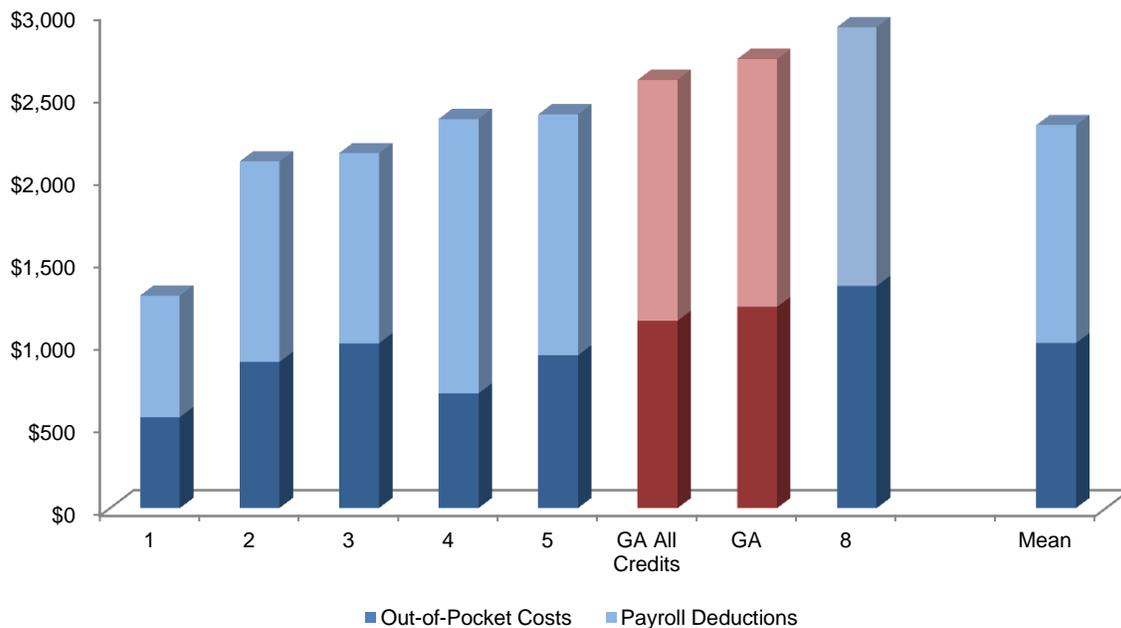
**Note:** Each number represents one of the six Comparators that are included in this study, though they purposely will not be consistent for a particular group throughout this analysis. All charts are ordered from low to high. Non-Medicare retiree costs are excluded from each of these analyses.

### Adjusted Per Adult (45 Year-Old Male in Georgia) Total Employee Cost Review

As was the case in the previously shown review of allowed costs, a more complete view of the Comparators encompasses adjustments for each of the previously discussed allowed cost factors (geographic location, demographics, and adult lives per employee), yielding an average total employee cost for a 45-year old single male in Georgia.

Each of these three factors directly impacts the average out-of-pocket costs for an individual, and therefore an adjustment is made for each in the OOP comparison below. However, while payroll deductions are indirectly affected by these items through an employer’s strategy to contain costs, they are only directly affected by the adult lives per employee factor. Therefore, payroll deductions are adjusted only by adult lives per employee; no adjustment is made for geographic location or demographics.

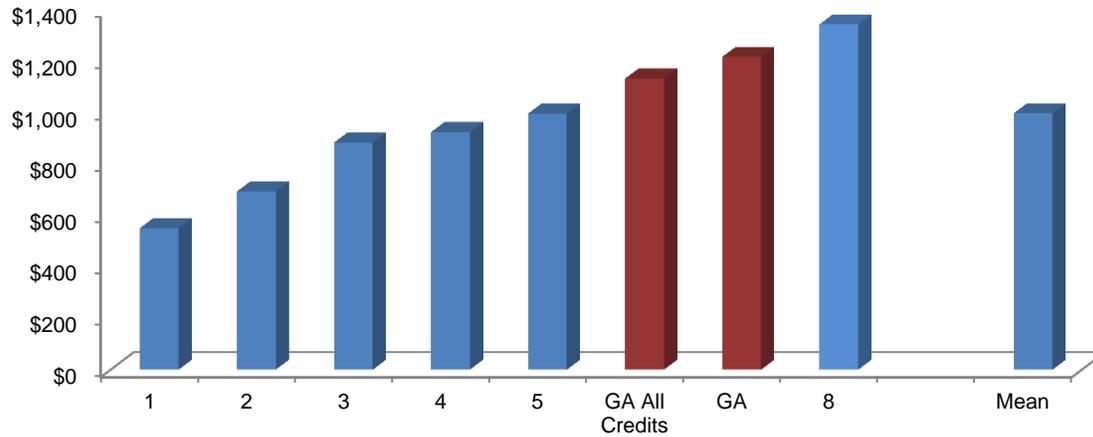
#### 2015 Adjusted Total Employee Costs, Active Employees



The Georgia SHBP’s adjusted total employee cost remains higher than all but one Comparator (17% higher than the mean), including the “all credits” scenario (12% higher than the mean); however, its overall position versus the Comparators has improved slightly versus the unadjusted per employee view

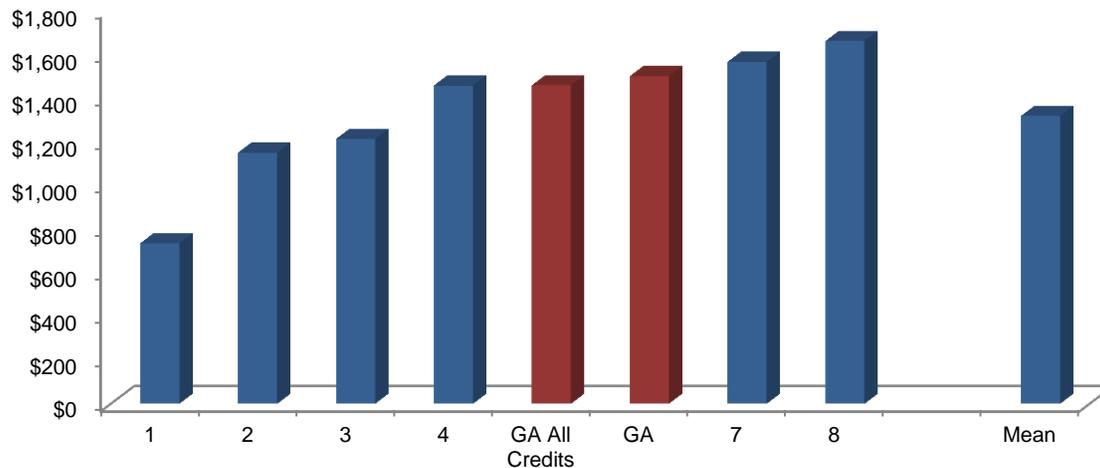
**Note:** Each number represents one of the six Comparators that are included in this study, though they purposely will not be consistent for a particular group throughout this analysis. All charts are ordered from low to high. Non-Medicare retiree costs are excluded from each of these analyses.

### 2015 Adjusted Employee Out-of-Pocket Costs, Active Employees



The Georgia SHBP's adjusted employee OOP cost remains higher than all but one Comparator (22% higher than the mean), including the "all credits" scenario (14% higher than the mean); however, its overall position versus the Comparators has improved slightly versus the unadjusted per employee view

### 2015 Adjusted Employee Payroll Deductions, Active Employees



The Georgia SHBP's adjusted employee payroll deductions remain higher than all but two Comparators (14% higher than the mean), including the "all credits" scenario (11% higher than the mean); its overall position versus the Comparators remains unchanged versus the unadjusted per employee view

**Note:** Each number represents one of the six Comparators that are included in this study, though they purposely will not be consistent for a particular group throughout this analysis. All charts are ordered from low to high. Non-Medicare retiree costs are excluded from each of these analyses.

## Given the Georgia SHBP's comparable position, what options are available to reduce costs for the membership without reducing the value of the benefits offered?

After making the various adjustments noted in this study, the Georgia SHBP is shown to be on par in its financial management (the more controllable components of health coverage – contracting, eligibility, wellness programs, etc.) with the Comparators. However, the overall cost share taken on by the Georgia SHBP active employees compared to the Comparators shows the Georgia SHBP to be the highest of any group, even when focusing on an employee earning all available credits. While not all options below are appropriate for all employers and not all options below are mature enough in the Georgia market for immediate implementation, they may warrant consideration and/or monitoring as potential adjustments or enhancements to the current program over time. These options are focused on aiming to further mitigate total healthcare cost, making the plans more affordable for members, and/or helping them navigate the system to get the most out of the Georgia SHBP plans, carriers, and programs offered. The areas are shown in no particular order and have not been fully evaluated for the Georgia SHBP as part of this study.

**Note:** *The list is not meant to be all-inclusive of strategies that the Georgia SHBP has considered, could consider, or is currently considering.*

1. Telemedicine/Virtualmedicine—Telemedicine/Virtualmedicine can potentially add greater choice for members at a more affordable price point for both the members and the plan by aiming to treat less intense needs in a lower cost environment compared to other utilized alternatives, such as the emergency room, urgent care centers, and even primary care or specialty care physicians in some cases. This strategy provides access to U.S. board-certified doctors via online video (and potentially phone) consultation. The doctors can diagnose, recommend treatment, and prescribe medication (for most states) depending on the health issue. If added to the plan, telemedicine/virtualmedicine is not required for usage by members and is not meant to replace the patient/provider relationship; however, the added flexibility and lower price point could prove valuable to the Georgia SHBP and its members. *NOTE—this strategy is being considered for a 2016 implementation.*
2. On-site Health Clinics—On-site health care clinics can add greater choice for members at a more affordable price point for both the members and the plan by aiming to treat some health needs in a lower cost environment. On-site health clinics can also reduce time away from work which can help members save paid-time off benefits. The services provided by on-site health clinics vary and these clinics can be expensive to build out, especially in areas where the covered population isn't very large; however, the added flexibility, convenience, and potentially lower price point could prove valuable to the Georgia SHBP and its members. *NOTE—this strategy is fairly dependent on resource availability, physical space availability, and can require a significant amount of time for both feasibility review and implementation. This strategy would likely be unavailable, if deemed a worthy strategy, in 2016.*
3. Delivery System Transformation—While not broadly available across the State of Georgia today, an evolving strategy in the broader marketplace is around the advent of Accountable Care Organizations (ACOs), Patient-Centered Medical Homes (PCMHs), etc. These models are focused on more holistic, coordinated care aiming to result in better quality of care, better outcomes, and overall cost reduction. The Georgia SHBP should stay abreast of this evolving market and consider application to its program as more data and options become available. *NOTE—this strategy is an evolving one and is*

*dependent on market availability, in addition to access to credible studies showing the impact of various programs/pilots occurred to date.*

4. **Narrow Networks and/or Direct Contracting**—With some common characteristics to Delivery System Transformation noted above, another area of market evolution and exploration is around narrow networks and direct contracting. These strategies, to various degrees, look to direct certain types of care to higher quality physicians and/or providers aimed at better outcomes and lower overall cost. It should be noted that these strategies could lead to provider disruption for some members, which may lead to dissatisfaction. However, the strategy might be worth considering given the Georgia SHBP's considerable size. This size could lead to the ability to negotiate a lower price point should membership be more 'funneled' to a subset of higher quality, lower cost providers and/or facilities. Important to note, however, that administrative complexities and the aforementioned network disruption can make these strategies difficult to implement.
5. **Decision Support Tools**—With health care becoming ever more complicated, employers are focusing greater attention to decision support tools. These tools range from plan modeling to help members find the right plan for them at enrollment to cost transparency solutions to help members find the lowest cost for a needed treatment at the time of care. These tools can help improve the member experience in the system and can lead to better financial decisions with no drop in quality of care. Effective use of decision support tools can help better control costs for both the member and the Georgia SHBP.
6. **Advocacy**—Another evolving area aimed at assisting members to better understand the complex health care environment is around advocacy. As with decision support tools, this strategy intends to help members better navigate the health care system. Navigators can be nurses, for example, aiming at being a health care concierge helping the member get the right care at the right price at the right time, while using all available resources/programs made available by the Georgia SHBP. If effective, this type of program can help control cost for members and the Georgia SHBP with the potential for improved health and quality. *NOTE—this term 'advocacy' is utilized in the market across a wide spectrum of definitions. The Georgia SHBP has elements of Advocacy today. This strategy would be to consider market options for greater personal member/advocate connections with the goal of greater member satisfaction, health improvement, and cost savings for members and the plan.*
7. **Dependent Eligibility Audit**—The market has become continually more focused on ensuring that plan costs are only paid for eligible members. A very common practice in the market is for employers to perform a complete dependent audit to eliminate any ineligible members from the plan. Any savings from this audit can be invested back into the plan across eligible members and, thus, providing greater member benefit for no increase in plan cost. The savings of such an audit depends on the historical and ongoing frequency and size of the population reviewed. *NOTE—The Georgia SHBP has performed Dependent Eligibility Audits on an ongoing basis for newly added dependents. Depending on how long it has been since a full population audit was performed, the Georgia SHBP might consider a full review to ensure only eligible members are covered on the plan.*
8. **Employer Subsidy Adjustment**—The study showed that Georgia SHBP requires a greater proportion of overall health care cost to be borne by members. In order to improve the Georgia SHBP's relative position in overall cost share, the Georgia SHBP might consider making the plans offered more affordable through lower employee payroll deduction requirements and/or lower expected OOP costs.

9. **Wellness Incentives**—Today, most plan participants can reduce their OOP cost by participating in the existing wellness incentive programs earning up to \$480 for single and \$960 for family with two adults, while usually being able to carry over unused dollars from year to year. Historically, the wellness program participation has been relatively low for the Georgia SHBP, which contributes to the higher OOP costs absorbed by members. In order to ensure that members are aware of the available benefit, the Georgia SHBP might consider re-communicating the program, potentially increasing the amount of incentive available to be earned, and/or supporting portability of funds for members who choose to change plans from year to year.
  
10. **Medicare Retiree Individual Exchange Strategy**—While not a focus of this study, many employers with Medicare Retiree obligations are considering a move to the individual Medicare market to take advantage of the greater efficiency and choice available there when compared to the traditional group setting. The Georgia SHBP offers a single carrier Medicare Advantage program with two plan designs: Standard and Premium. The Georgia SHBP might consider evaluating whether a move to the individual Medicare market would provide retirees (and potentially the Georgia SHBP) with a greater choice of carrier, design, and price point.

## Options to Provide Coverage for Non-Certs

Historically, the Georgia SHBP has not obtained sufficient funding from the local school systems to cover the costs associated with the Non-Certs. As a result, the funding provided by Teacher and State Employee groups has been used, in essence, to offset the shortage from the Non-Cert group. For 2015, the local school systems fund \$596.20 per month for each enrolled Non-Cert employee, and the Georgia SHBP collects, on average, \$192 per employee per month (PEPM) in employee payroll deductions. In total, the Georgia SHBP receives \$788.20 PEPM from this group while the cost of the plan is projected to be \$908<sup>1</sup> PEPM for 2015. This leaves a shortage of \$119.80 PEPM.

The issue is significantly reduced for 2016 as a bill passed to increase the employer funding for Non-Cert employees from \$596.20 PEPM to \$746.20 PEPM. However, even with this increased employer contribution, there is still a shortage of around \$40 PEPM.

If the local school system does not increase their contribution further to account for this remaining shortage, Non-Cert active employees will need to bear the full \$40 PEPM increase. As discussed in the previous section, the current employee costs are already higher than the Comparators. Adding another sizeable increase will cause the employee payroll deductions to move even further apart from the Comparators.

### Scenario One: Higher Payroll Deduction

If the \$40 PEPM increase is achieved exclusively through payroll deduction, then the employees have to pay on average 21% more in their payroll deductions compared to 2015. The tables below illustrate a possible payroll deduction scenario to achieve this level of increase.

Payroll Deduction Plan	2016 Monthly Rate				2015 Monthly Rates			
	EO	EC	ES	EF	EO	EC	ES	EF
BCBS Bronze	\$83	\$163	\$264	\$345	\$66	\$131	\$196	\$260
BCBS Silver	\$127	\$237	\$356	\$467	\$109	\$203	\$285	\$379
BCBS Gold	\$182	\$332	\$473	\$623	\$166	\$300	\$406	\$540
BCBS HMO	\$155	\$286	\$416	\$547	\$131	\$241	\$333	\$443
UHC HDHP	\$69	\$140	\$236	\$307	\$53	\$109	\$170	\$226
UHC HMO	\$196	\$355	\$501	\$660	\$181	\$327	\$439	\$585
Kaiser HMO	\$166	\$305	\$441	\$580	\$146	\$266	\$365	\$485
<b>Changes</b>	<b>\$ Increase over 2015</b>				<b>% Increase over 2015</b>			
<b>Plan</b>	<b>EO</b>	<b>EC</b>	<b>ES</b>	<b>EF</b>	<b>EO</b>	<b>EC</b>	<b>ES</b>	<b>EF</b>
BCBS Bronze	\$17	\$32	\$68	\$84	25%	25%	35%	32%
BCBS Silver	\$18	\$34	\$71	\$88	16%	17%	25%	23%
BCBS Gold	\$16	\$32	\$68	\$83	10%	11%	17%	15%
BCBS HMO	\$24	\$45	\$83	\$104	19%	19%	25%	23%
UHC HDHP	\$16	\$31	\$66	\$81	31%	29%	39%	36%
UHC HMO	\$14	\$28	\$62	\$75	8%	8%	14%	13%
Kaiser HMO	\$20	\$39	\$77	\$95	14%	15%	21%	20%

<sup>1</sup>The plan cost is estimated based on the claims experience of the active Non-Cert population which is different from plan costs in the previous section.

Under this scenario, the monthly rates above are developed using a Defined Contribution approach where each self-insured plan is subsidized at the same dollar level by coverage tier (when applicable) to protect the Georgia SHBP from the migration risk when people move among plans. This approach is consistent with the current Georgia SHBP strategies, and is common among the Comparators. The employee payroll deductions are set based on the costs of the BCBS Silver plan with target cost share percentages of 20% for the employee portion, 33% for the spouse portion and 25% for the children portion. If active employees elect a self-insured plan other than BCBS Silver plan, they will pay the full cost difference to buy up or get the full cost credit to buy down.

### Scenario Two: New Medical Benefit Package

As an alternative to increasing employee payroll deductions, the Georgia SHBP could offer a different medical benefit package to this group while keeping payroll deductions at the 2015 level. The tables below illustrate what the plan designs for 2016 might look like in this scenario:

2016 Plan Design	Base PPO		Standard PPO		HMO
	In	Out	In	Out	In
<b>Deductible</b>					
You	\$3,500	\$7,000	\$2,000	\$4,000	\$1,500
You + Child(ren) /Spouse	\$5,250	\$10,500	\$3,000	\$6,000	\$2,250
You + Family	\$7,000	\$14,000	\$4,000	\$8,000	\$3,000
<b>Coinsurance (Plan Pays)</b>	75%	50%	80%	50%	80%
<b>Combined OOP Max for Medical and Rx</b>					
You	\$6,350	\$12,700	\$5,000	\$10,000	\$4,000
You + Child(ren) /Spouse	\$9,525	\$19,050	\$7,500	\$15,000	\$6,000
You + Family	\$12,700	\$25,400	\$10,000	\$20,000	\$8,000
<b>Office Visit</b>					
PCP	coin after ded	coin after ded	coin after ded	coin after ded	\$40
Specialist Visit	coin after ded	coin after ded	coin after ded	coin after ded	\$70
Preventive Care	100%	no coverage	100%	no coverage	100%
<b>Urgent Care</b>	coin after ded	coin after ded	coin after ded	coin after ded	\$70
<b>ER</b>	coin after ded	70% after ded	coin after ded	70% after ded	\$200
<b>Retail Rx</b>					
Tier 1	20% w \$20 Min and \$50 Max		20% w \$20 Min and \$50 Max		\$20
Tier 2	20% w \$50 Min and \$100 Max		20% w \$50 Min and \$100 Max		\$50
Tier 3	20% w \$100 Min and \$200 Max		20% w \$100 Min and \$200 Max		\$100
<b>HRA and Wellness Incentive</b>	N/A		N/A		N/A
<b>Monthly Payroll Deduction</b>					
Employee Only	\$53		\$109		\$131
Employee Plus Child(ren)	\$109		\$203		\$241
Employee Plus Spouse	\$170		\$285		\$333
Employee Plus Family	\$226		\$379		\$443

The Base PPO would be offered at the same monthly payroll deduction as the current HDHP plan. The Standard PPO would be offered at the same monthly payroll deduction as the current Silver plan. The above HMO would be offered at the same monthly payroll deduction as the current BCBS HMO.

The illustration above does not take into consideration the cost reduction opportunities discussed in the previous section.

## Data Sources, Assumptions, and Methodology

**Plan design and cost data** were collected from three primary sources:

1. State websites—Plan design, employee benefit guides, and rate/contribution information was publically available on state sites; data compiled was confirmed by each Comparator.
  - a. <http://mybenefits.myflorida.com/health> (Florida);
  - b. <http://knowyourbenefits.dfa.state.ms.us/> (Mississippi); and
  - c. <http://www.eip.sc.gov/> (South Carolina).
2. State data request—A request was returned/confirmed by Florida, Mississippi, Kentucky, Tennessee, South Carolina, the Board of Regents – University System of Georgia, and the Georgia SBHP.
  - a. Enrollment was provided by plan design, coverage tier, and active/pre-Medicare retiree splits;
  - b. Average age and percentage females were provided for both actives and pre-Medicare retirees; and
  - c. Total plan costs were confirmed through the request and any additional surcharges or incentives (i.e., tobacco, wellness, etc.) were supplied as well.

**Geographic factors** were based on Aon Hewitt's nationally developed geographic utilization and cost factors by state, derived from a national Aon Hewitt analysis of the 2011 Truven MarketScan database.

**Demographic factors** were developed using the average age and gender profile provided by the states along with the 2013 Society of Actuaries Age-Curve Study. The Georgia SBHP's actual enrollment distribution by age was used as the basis for all states, with the distribution shifting to the average age and gender distribution of the Comparator state. The SOA cost curve by age was then used to create the projected cost differentials between the Comparator groups.

**Adult lives per employee** were calculated using the enrollment data provided by the Comparators and the Georgia SBHP's coverage tier factors, so that the comparison of a single employee between the Comparators would be on the same single adult cost basis.

**Plan design values and total allowed costs** were calculated using Aon Hewitt's proprietary Actuarial Value (AV) model. OOP costs were calculated as the total plan cost (reduced by an estimated 6% for administrative fees) multiplied by  $(1/AV-1)$ . Allowed costs are then calculated as the full plan cost plus the OOP costs.

**Mean** as shown in the various tables and graphs represents the enrollment weighted average of all Comparators and the Georgia SHBP.

# Appendix

## Summary of State Health Care Programs

	BOR	FL	GA	KY	MS	SC	TN
<b>Plan Design</b>							
# of Plans Offered*	4	4	7	4	2	2	3
Vendor Choice (Y/N)	Y	Y	Y	N	N	N	Y
Actuarial Value Range	78%-92%	71%-93%	60%-91%	75%-85%	71%-75%	60%-80%	71%-84%
Financial Wellness Incentives Offered?	N	N	Y	Y	N	N	Y
Tobacco Surcharge?	Y	N	Y	Y	N	Y	N
<b>Different Rates for Active and Retirees</b>							
Employee/Retiree Contributions	N	Y	N	N	Y	N	Y
Premium Equivalents	N	N	N	N	Y	N	N
<b>Dependent Coverage</b>							
# of Coverage Tiers	4	2	4	4	5	4	4
% EE Only/% Dep Tiers	46%/54%	45%/55%	51%/49%	64%/36%	60%/40%	55%/45%	52%/48%
<b>Active Monthly Contributions**</b>							
Single Rates Range	\$62 – \$176	\$8 – \$50	\$53 – \$181	\$13 – \$80	\$0 – \$38	\$10 – \$98	\$114 – \$159
Family Rates Range	\$176 – \$508	\$30 – \$180	\$226 – \$585	\$300 – \$643	\$593 – \$685	\$113 – \$307	\$298 – \$388
<b>Active Monthly Employer Subsidy</b>							
Single Rates Range	\$313 – \$388	\$592 – \$637	\$384 – \$424	\$617 – \$641	\$356 – \$356	\$345 – \$345	\$522 – \$522
Family Rates Range	\$909 – \$1,129	\$1,264 – \$1,429	\$995 – \$1,113	\$1,074 – \$1,277	\$356 – \$356	\$855 – \$855	\$1,356 – \$1,356
<b>Active Monthly Total Plan Costs</b>							
Single Rates Range	\$450 – \$541	\$607 – \$646	\$473 – \$602	\$651 – \$709	\$356 – \$394	\$354 – \$442	\$346 – \$778
Family Rates Range	\$1,305 – \$1,569	\$1,328 – \$1,459	\$1,325 – \$1,684	\$1,432 – \$1,717	\$949 – \$1,041	\$968 – \$1,161	\$900 – \$2,070
<b>Non-Medicare Retiree Total Plan Costs</b>							
Single Rates Range	\$450 – \$541	\$565 – \$642	\$473 – \$602	\$651 – \$709	\$409 – \$620	\$354 – \$442	\$346 – \$778
Family Rates Range	\$1,305 – \$1,569	\$1,245 – \$1,444	\$1,325 – \$1,684	\$1,432 – \$1,717	\$1,091 – \$1,472	\$968 – \$1,161	\$900 – \$2,070

\*Excluding Tricare and Medicare Plans

\*\*Before any wellness credits and tobacco surcharges