

State Health Benefit Plan



Presentation to the DCH Board

August 23, 2012

Financial Status

FINANCIAL STATUS	FY13	FY14
Revenue	3,026,547,619	2,896,591,225
Expense	3,115,772,879	3,314,893,672
Year-End Cash Balance	(89,225,260)	(418,302,447)
IBNR Liability	199,205,000	199,205,000
<i>Surplus/(Deficit) w/IBNR Liability</i>	<i>(288,430,260)</i>	<i>(617,507,447)</i>

Current Financial Status

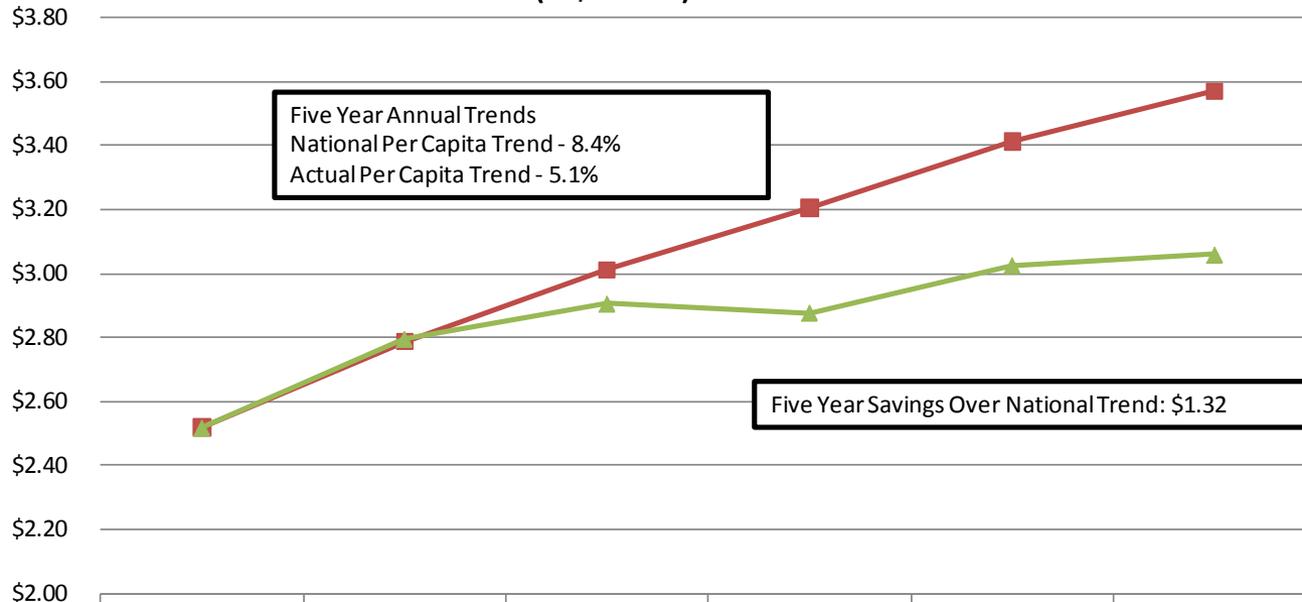
- SHBP operates on a cash basis, with no reserve funds available
- Ended FY12 with \$16,139,560
 - Average daily amount paid for claims is \$10M
 - Ended FY12 with less than 2 days of claims
- FY13 cash flow challenges have resulted in actions that stress cash flow of funding partners:
 - Pre-payments from state agencies
 - Front-loaded state percent of payroll rate
 - Accelerated payments from Department of Education
- Ideally, the plan would carry cash reserves for active claims equivalent to IBNR, plus 2% for fluctuation...for SHBP, this would be a reserve of \$346M

FY 2012 Re-Cap

- In aggregate, plan ended FY 2012 as projected
 - Last year, projected SHBP would end FY 2012 with \$0
 - Ended FY 2012 with \$16M
- Carried \$50.6M over from FY 2011
- FY 2012 revenues came in higher than projected last August
- Expenses came in higher than projected

6 Year Health Care Strategy Expense Comparison

Based on 2008 -2012 Actual
(in \$billions)



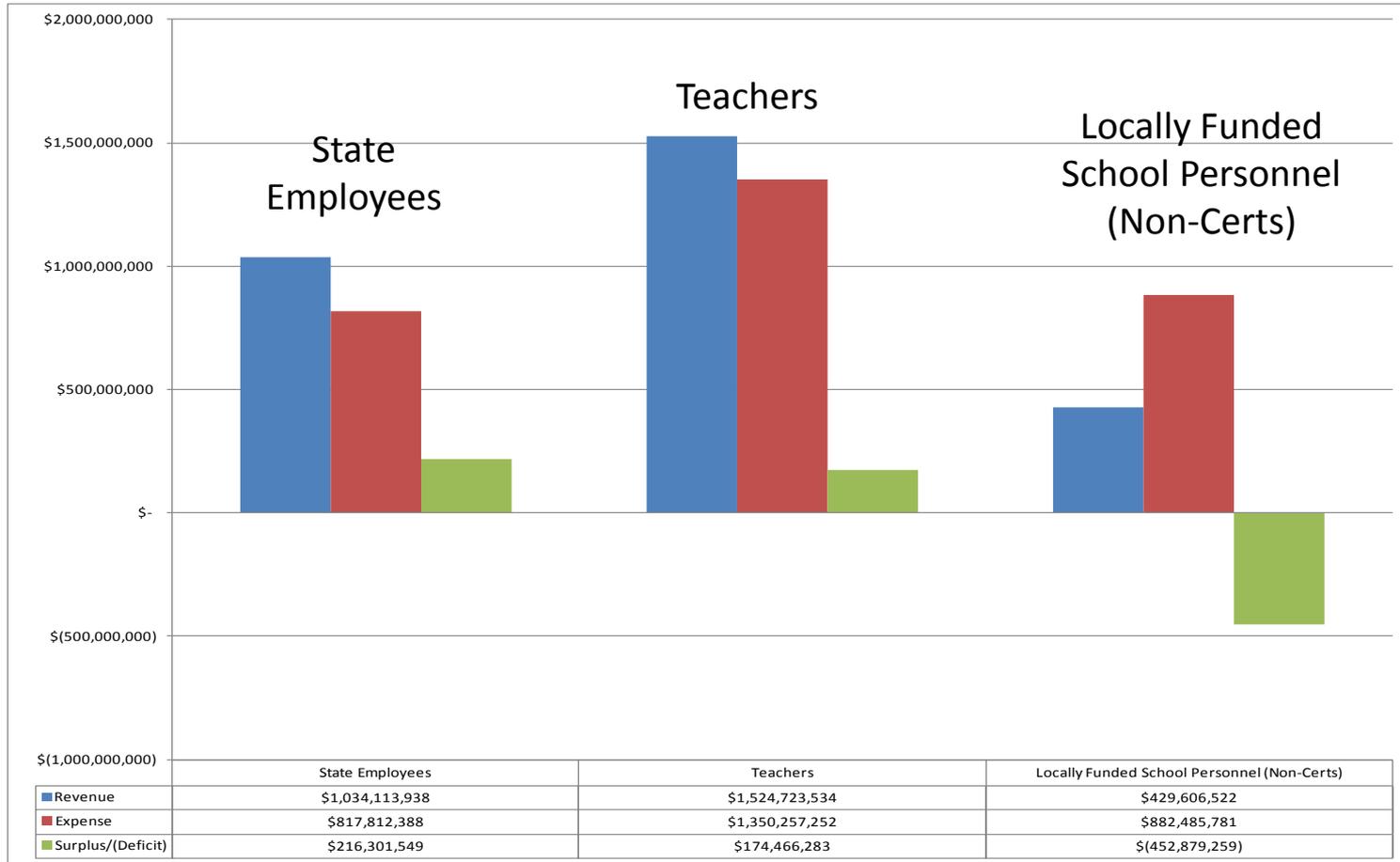
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
— National Trend	\$2.52	\$2.79	\$3.01	\$3.20	\$3.41	\$3.57
— Actual (Proj 2013)	\$2.52	\$2.80	\$2.91	\$2.88	\$3.03	\$3.06

— National Trend — Actual (Proj 2013)

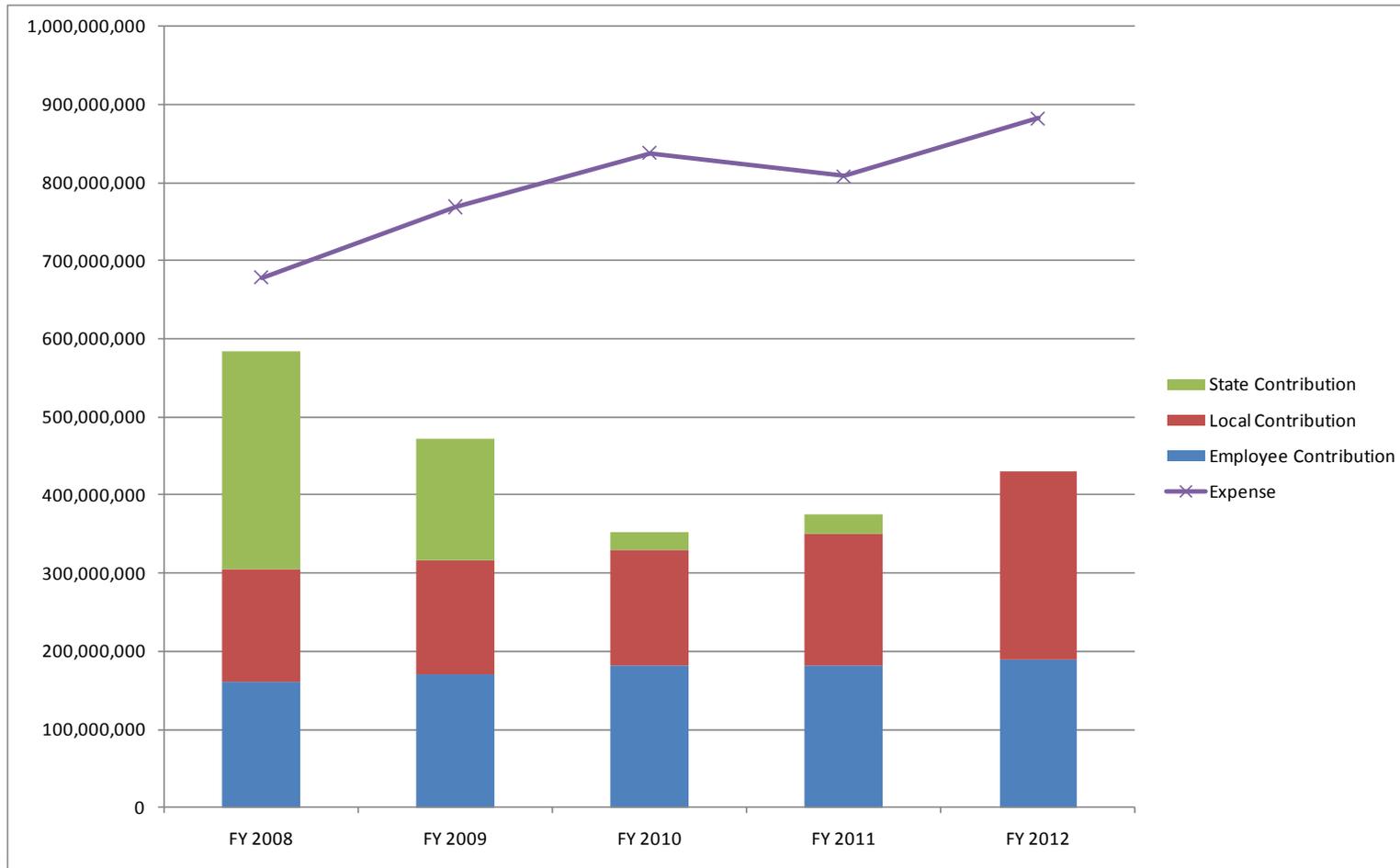
The graph shows how SHBP compares with the national average for the past 5 years actual (projected for FY 2013). National per capita trend over 5 years is 8.4%; SHBP trend is 5.1%

SHBP Financial Status by Employee Group

FY 2012



Funding for Non-Cert Coverage



FY 2012 Re-Cap

FY 2012 expenses higher than projected

- Expected savings from plan design changes in PY 2012 did not fully materialize in FY 2012
- Fewer children transitioned to PeachCare for Kids than anticipated
- Plan experienced adverse claims above what was projected
 - Higher number of high dollar claims
 - Increased utilization and cost of preventive care services.
- Did not receive any additional Early Retiree Reinsurance Program (ERRP) funds in FY 2012 - \$5B Federal ERRP ran out of funds

Wellness Plans – 2012 Recap

Largest wellness plan in the country

- Over half of SHBP members enrolled in a wellness plan in CY 2012
- Over half of members completed wellness promise to:
 - Complete the online health assessment
 - Obtain a biometric screening (blood pressure, cholesterol, blood sugar, and BMI)

Plan experienced increases in other screenings such as for colorectal, cervical, and breast cancer

Wellness Plans

CY 2012 Preliminary Results

Biometric	Target	Within Target	Outside Target
Blood Pressure	<140/90	83%	17%
LDL Cholesterol	<130	78%	22%
Blood Sugar	<100	82%	18%
BMI	<30kg/m2	59%	41%

Wellness Plans

Requirements for 2013

New enrollees:

- Take Health Assessment
- Complete biometric screening
- Complete online health coaching

Existing wellness enrollees (year 2 enrollees):

- Take Health Assessment
- Complete online health coaching
- No requirement for another biometric screening

Wellness Plans

Move from a promise-based to a rewards-based system in future years

For both wellness plan and standard plan members, must:

- Take Health Assessment
- Complete biometric screening (exclude members who have already completed the screening)
- Complete online health coaching
- Will receive HRA incentives in CY2014 - \$240/\$480

Plan Changes: Childhood Obesity Initiative

In support of the State of Georgia's strategic goals and the Governor's Office

For children, ages 3 – 18

- Coverage for up to 4 primary care doctor visits with diagnosis of obesity
- Coverage for up to 4 visits with a registered dietician as determined by their physician

Plan Changes: Cost Sharing Changes

HRA Plan Options

- HRA credit dollars reduced - standard plan only to:

You: \$150 You + Child(ren) & You + Spouse: \$300 Family: \$500

- Deductible and out of pocket increases:

Deductible	<u>Wellness</u>	<u>Standard</u>
You	\$1,600	\$1,600
You + Child(ren)	\$2,800	\$2,800
You + Spouse	\$2,800	\$2,800
Family	\$4,000	\$4,000

Out-of-Pocket

You	\$4,000	\$4,500
You + Child(ren)	\$6,500	\$7,000
You + Spouse	\$6,500	\$7,000
You + Family	\$9,000	\$9,500

Plan Changes

HMO

- Standard only – increase in copayment \$55 PCP & Urgent Care; \$65 Specialist
- Deductible and out of pocket increases:

Deductible	Wellness	Standard
You	\$1,300	\$1,300
You + Child(ren)	\$1,950	\$1,950
You + Spouse	\$1,950	\$1,950
Family	\$2,600	\$2,600

Out-of-Pocket	Wellness	Standard
You	\$4,000+copays	\$4,500+copays
You + Child(ren)	\$6,500+copays	\$7,000+copays
You + Spouse	\$6,500 +copays	\$7,000+copays
You + Family	\$9,000+copays	\$9,500+copays

Plan Changes

HDHP

- Deductible and out of pocket increases:

	Wellness	Standard
Deductible		
You	\$1,800/\$3,600	\$2,000/\$4,000
You + Child(ren)	\$3,600/\$7,200	\$4,000/\$8,000
You + Spouse	\$3,600/\$7,200	\$4,000/\$8,000
Family	\$3,600/\$7,200	\$4,000/\$8,000
Out-of-Pocket		
You	\$4,000/\$8,000	\$4,500/\$9,000
You + Child(ren)	\$8,000/\$16,000	\$9,000/\$18,000
You + Spouse	\$8,000/\$16,000	\$9,000/\$18,000
You + Family	\$8,000/\$16,000	\$9,000/\$18,000

Medicare Advantage

Medicare Advantage (MA) PPO Premium Plan

- Humana MA PPO Premium plan will not be offered
- Increase coinsurance to 20% under United Healthcare PPO Premium Plan

Medicare Advantage PPO Standard Plan

- Will continue to be offered by both United Healthcare and Humana
- No change in benefits

Plan Changes: Spouse subsidy policy

Policy Change - Move employees to paying approximately 30% of the cost of covering a spouse and eliminate spousal surcharge

- Currently, rate at which spouses are subsidized varies substantially based on plan and tier selection and whether member is subject to spousal surcharge
- Current premiums for family plans do not reflect the cost of insuring 2 adults
- 2-3 years to fully implement
- Eliminates the spousal surcharge
- Applies to all plans except Medicare Advantage

Premium increase

- Tiers not impacted by the change to the spousal subsidy policy will experience a premium increase
 - 7.5% base aggregate premium increase
 - 2% premium increase to account for additional costs of ACA requirements
- Premium increases will be targeted to bring all premiums closer to 25% employee-paid
 - Increases will vary among plans and tiers
 - Difference in rates for United Healthcare and CIGNA that are more in line with costs to SHBP

Additional costs of ACA

- Cost Increases as a result of the ACA
 - Requires some women's health care services that currently require cost-sharing to be covered as preventive care with 100% coverage (begins 1/1/2013)
 - Clinical Effectiveness Research (CER) fee, \$1 per covered life in the first year (first payment due in FY 2014)
- Represents an additional 2% premium increase to employees

Proposed Budget Request

After all plan changes, policy changes, and premium increases are considered, the plan has a remaining deficit of \$7.9 million in FY14

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

FY 2013 and FY 2014 Projected Financial Status

FINANCIAL STATUS	FY13	FY14
Revenue	3,081,209,980	3,167,958,025
Prior Year Cash Balance	16,139,559	29,339,910
Expense	3,068,009,629	3,197,297,935
Year-End Cash Balance	29,339,910	-
IBNR Liability	199,205,000	199,205,000
<i>Surplus/(Deficit) w/IBNR Liability</i>	(169,865,090)	(199,205,000)