

# **STATE'S GROUP INSURANCE PROGRAMS**

Legislative Health Care Task Force  
July 16, 2009

# **Governor's Total Compensation Project Goal**

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- Develop A Total Compensation Plan For State Employees With A Cost For Salary and Benefits That Is Approximately equal To That Of The Major Private Sector Employers In The State Of Idaho.
- Total Compensation Is Defined As The Sum Of Salary, Insurance Benefits, And Pension Plan Costs.

# Total Compensation Quick Review

- Briefly, a comparison of State total compensation compared to the private sector is as follows:

	<b>State Of Idaho</b>	<b><i>State As % of Priv. Sector</i></b>	<b>Private Sector</b>
Average Salary	\$ 42,700	-15%	\$ 50,235
Average Medical Insurance Cost	\$ 8,500	12%	\$ 7,577
Average Pension Cost	\$ 4,526	200%	\$ 1,507
	<b>\$ 55,726</b>	<b>-6%</b>	<b>\$ 59,320</b>

# 2007 Medical Benefits Survey

Medical Benefit Plan Comparisons, February, 2007

Employer	Employer Premium Sharing	Deductible	Coinsurance	Rx	Employee Paid Prem	Other
State Of Idaho	90% Employer Paid, 10% Employee Paid	\$20 CoPays For Off. Visits Not Subject To Ded.; \$250;\$750 Fam	Employee Pays 15% Coinsurance	\$12 Generic; \$18 Brand w/o Generic; \$40 plus 1/2 diff in cost of gen.	Employee - \$23, Employee & Spouse - \$61, Family - \$86	Also offer Trad w/ \$350/\$1,050 Ded.; 80/20 Coins; same Rx as PPO
B	80% Employer Paid, 20% Employee Paid	\$350/person	Employee Pays 20% in Network 40% Out of Network	20% Coins Generic & Preferred with \$5Min and \$10Min, 30% and \$35 Non Preferred	Company Pays Approx. 80% of EE Prem and 75% of Dependent Prem.	\$2250 per person Out of Pocket; \$4500 Family Out of Pocket. <b>This plan will be restructured next year to require greater EE prem. share.</b>
C	90% Employer Paid, 10% Employee Paid	\$195	Employee Pays 20% in Network	No Ded.; Coins not Copay; Generic 10%; Preferred 25%; Non-preferred 35%	Employee - \$85, Employee & Spouse - \$186, Family - \$256	3 Trad plans; Ded levels- \$195, \$500, or \$1,500; Maj in \$195 or \$500 Ded plan, this year maj in \$195 plan; Very few in \$1,500 ded plan
D	Employer Pays 85% or 90% Depending on Tier	\$300; \$600 family	Employee Pays 20% in Network	Formulary w/ Copays	PPO - Non Smoker pays 10% of Premium; Smoker pays 11.3%; POS Non Smoker pays 13% and Smoker pays 14.8% TIER 1 = Ee Only \$15.72; Ee&Sp \$33.74; Fam \$46.43; TIER 2 = Ee Only \$25.15, Ee&Sp \$53.98; Fam. \$74.29	for employees; 3 plan options, .Have Smoker/NonSmoker Rate categories on both PPO and POS plans offered.
E	Employer Pays 85% or 90% Depending on Tier	\$250/\$500 Family; OOP \$3,000/\$6,000	Employee Pays 20% in Network 50% Out of Network	Three tiered formulary; generic copay; preferred 20% coins.; 50% non-preferred.	Employee - \$70, Employee & Spouse - \$150., Family - \$225.	Prem based on salary; five tiers; Idaho 80% in tiers 1 & 2; Tier 1 ee pays 10% of premium; tier 2 ee pays 16%.
F	Employer Pays 80% for Employee and 75% for Dependents (Long Term Target 70% of Covered Charges.)	High Ded. Plan With Health Reim. Acct. \$1000 Ded. Per Person	Employee Pays 15% in Network 35% Out of Network	Formulary; copay on gen = \$20; Preferred 30% coins; Non-pref 75% coins	Employee - \$70, Employee & Spouse - \$150., Family - \$225.	Avg mo. prem = Approx \$350 for Ee Only; \$600 for Ee & Sp; and \$900 for Family;
G	Employer Pays 90% for Employee and 80% for Dependents	\$250 Per Individual \$500 Family	Employee Pays 10% in Network 25% Out of Network	No co-pays; 10% on Gen, min \$10; 20% on Branded (\$20 min). No Formulary; Max ee pays is \$50	Approx Ee Only = \$30; Fam = \$160. (Could not provide mo prem \$)	PPO and trad plans; OOP Mx PPO - \$1,500; Trad \$2,500; Avg Ee age = 38. Total mo/prem \$800 Fam; \$300 Ee
H	Employer Pays 80% of Premium for Employee and dependents.	\$500/\$1000	Employee Pays 20% in network; 30% out of net	Pure Coinsurance; \$50 ded 10% gen; Brand w/o gen 20%; 30% brand w/ gen	Employee - \$37, Employee & Spouse - \$91, Family - \$158	Out of Pocket Max \$3,000; \$6000 In net; \$4,000; \$8,000 Out of net. Cost Sharing Target is Actually 70% of Covered Charges
I	Based on sliding scale based on annual salary in \$10K increments	\$500 in net; \$750 out	Employee Pays 20%		Employee - \$54, Employee & Spouse - \$147., Family - \$243 (These Prem. Are @ \$40K Ann. Salary)	Premiums Increase with annual salary using \$10K increments. <b>Company has installed high deductible plan that is priced to discourage PPO enrollment.</b>
The Following Companies Participated In This Survey:	Washington Group Int'l; J.R. Simplot Company; Boise Cascade,	Idaho Power; Albertson's/Supr Value;	Blue Cross Of Idaho; Regence Blue Shield; Micron;			

# Total Compensation Issues

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The competitive focus of the State is on those companies from whom we hire and to whom we lose employees; tempered by the realization that the state probably neither can nor should compete with the highest paying private sector companies or government entities.

## ■ Current Situation

### ■ Cash Compensation is Less Than Market

- Determine gap between State and Market

### ■ Medical Plan

- Medical plan is better than Market.

### ■ Pension Plan

- Pension plan is much richer than Market.

# **Employee Demographics**

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- **Average Age of Employees In Medical Plan: 47.0**
- **Average Age of New Hires: 37.1**
- **At least one third of the State's employees will be eligible to retire in the next 10 years.**

# Medical Plan

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- **The current plan design is competitive with private market**
- **State pays about 91% of premiums for both employees and dependents. Private sector pays a smaller share.**
  - **90% of employee premium**
  - **80% of dependent premium**
- **Currently the state pays about 75% of total Covered Medical Charges while private sector employers are at or are targeting 70% of Covered Charges. Total Covered Charges include not only premium, but employee paid deductibles, co-insurance and co-payments**

# Insurance Funding

The State's medical/dental plans are funded on a modified self insured basis. This offers the State the benefit of the favorable financial arrangements of a self-insured plan without the ultimate liability of a truly self-insured plan.

- State Contracts with Carrier to adjudicate and pay claims
- Premiums are based on estimated plan costs (Claims plus Retention, less interest earnings)
- State has the financial liability for actual plan costs to specified level (110% of annual premium). The carrier is at risk for costs in excess of 110% of premium.
- The State holds a contractually committed reserve to meet the additional 10% of annual premium. This reserve can be accessed by the carrier in the event that plan costs exceed premiums remitted. An account settlement is done monthly. If premiums exceed claims costs, the difference is refunded to the State. In the event that the State has to pay out the full 10% reserve to the carrier, the State holds an additional amount in the reserve to replace the 10% commitment in the subsequent plan year.



# Carrier Administrative Charge on State's Plan

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- Overall administrative charge on the state's plan is less than 6% of Annual Premium (\$21.28 per member per month)
- Premium Tax (part of the administrative charge) is about 1.4% of annual premium
- 94% of premiums go to cover claims incurred by employees and their covered dependents.

# Cost Sharing

- Premium (State and Employee Paid 91/9)
  - Incurred Claims
  - Administrative Charge  
(Less than 6 cents of every premium dollar)
  - Reserves (Held by State and obligated to carrier)
- Additional Employee Responsibility
  - Deductibles
  - Co-Payments
  - Co-Insurance

The current cost share ratio between the State and employees plan is 75% State and 25% employee. Our ultimate goal is to move the cost share to 70/30 over the next four years.

# FY2010 MEDICAL PLAN RENEWAL

Premium	\$175,360,000
Employee Out of Pocket	<u>\$36,390,000</u>
<b>Total Medical Costs</b>	<b>\$211,750,000</b>

## PREMIUMS

Employee Contribution	\$16,360,000	9.3%
State Appropriation	<u>\$159,000,000</u>	90.7%
<b>Total Premium</b>	<b>\$175,360,000</b>	

<b>Total Prem. + EE Out of Pocket = Total Covered Charges</b>	<b>\$211,750,000</b>
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State Pays	\$159,000,000	75.1%
Employee Pays	\$52,750,000	24.9%

# Increased Plan Costs

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Increased costs historically have been managed via changes in one or more of the following:

- Increased State contribution (Appropriation)
- Increased employee contribution
  - Increased premiums
  - Increased deductibles, etc
- Plan design changes

# Medical/Dental Appropriation Components – FY10

Appropriation by Line Item	Per Employee Per Year	
Active Base Medical	\$ 8,910.00	
Administrative Fee	\$ 36.00	
Flexible Spending Account Reserve	\$ 1.80	
Medical Continuation for Disabled	\$ 91.32	
Medical Retiree Subsidy	\$ 234.72	<i>*Retire subsidy after passage of legislation is \$197.28</i>
Reserve Funding	\$ 94.00	
<b>Total Active Medical Appropriation</b>	<b>\$ 9,367.84</b>	
Active Base Dental	\$207.40	
Dental Reserve Funding	\$ 57.44	
<b>Total Active Appropriation</b>	<b>\$ 9,632.68</b>	
DFM Budget Reduction nearest 100	(\$ 32.68)	
Gov's reserve reduction plan	(\$500.00)	
Health Ins Retire & Contract Adj.	(\$500.00)	<i>Retiree \$259; Rx change \$241</i>
<u>JFAC Action-decline sweep</u>	<u>(\$160.00)</u>	
<b>Total FY10 Appropriation</b>	<b>\$8,440.00</b>	

# Implementation of Drug Formulary

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A formulary is a list of drugs covered under an insurance plan.

- Increased Prescription co-pays:

Generic	\$10 per 30 day supply
Formulary Brand	\$25 per 30 day supply
Non Formulary Brand (new)	\$50 per 30 day supply

(Eliminated 90 day supply for 2 co-pays)
- Change resulted in a Savings of 3.4% on plan  
Active plan savings \$6 million, or \$241 per employee per year.

# Part-time Employees

## Hourly Cost of Medical Benefits

### ***FULL TIME EMPLOYEE***

Annual State Medical Cc \$ 8,500.00

Hours Worked 2,080

***Per Hour Cost of Medic*** \$ **4.09**

Hourly Wage \$ 10.00

Total Hourly Cost \$ **14.09**

### ***HALF TIME EMPLOYEE***

Annual State Medical Cc \$ 8,500.00

Hours Worked 1,040

***Per Hour Cost of Medic*** \$ **8.17**

Hourly Wage \$ 10.00

Total Hourly Cost \$ **18.17**

# Annual Appropriation Per Employee

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<b>FY 2007</b>	<b>\$7,125</b>
<b>FY 2008</b>	<b>\$7,125</b>
<b>FY 2009</b>	<b>\$9,200</b>
<b>FY 2010</b>	<b>\$8,440</b>

<b><u>FY 2010</u></b>	<b><u>Monthly</u></b>	<b><u>Annually</u></b>
<b>Medical</b>	<b>\$681</b>	<b>\$8,175</b>
<b>Dental</b>	<b><u>22</u></b>	<b><u>265</u></b>
<b>Total</b>	<b>\$703</b>	<b>\$8,439</b>



# FY 09 Reserve Requirements

## 95% Confidence Level

Reserve Account	Contractually Required	95% Actuarially Recommended	Total Reserve Required	Cash Balances as of 06/30/09	Over/ (Under) Funded
Blue Cross Reserves Plus Payable	\$28,220,343	\$26,365,771	\$54,586,114	\$55,734,929	\$ 1,148,815
Delta Dental Rate Stabilization	\$ 1,304,516	\$ 970,286	\$ 2,274,802	\$ 2,252,524	(\$ 22,278)
Blue Cross Dental Rate Stabilization (as of 7/1/09)	\$ 1,304,516	\$ 970,286	\$ 2,274,802	\$ 2,252,524	(\$ 22,278)
Principal Rate Stabilization (life insurance)	\$ 3,726,335	\$ 2,880,300	\$ 6,606,635	\$19,161,512	\$ 12,554,877
Principal Long Term Disability Waiver Reserve	\$ 5,769,000	\$ 0	\$ 5,769,000	\$ 6,359,131	\$ 590,131
Reserve for Continued Medical Premium	\$ 1,288,000	\$ 0	\$ 1,288,000	\$ 1,854,639	\$ 566,639
Flexible Spending Account Reserve	\$ 0	\$ 309,762	\$ 309,762	\$ 352,503	\$ 42,741
<b>TOTALS</b>	<b>\$41,612,710</b>	<b>\$31,496,405</b>	<b>\$73,109,115</b>	<b>\$87,967,762</b>	<b>\$14,858,647</b>

# FY 09 Reserve Requirements

## 90% Confidence Level

Reserve Account	Contractually Required	90% Actuarially Recommended	Total Reserve Required	Cash Balances as of 06/30/09	Over / (Under) Funded
Blue Cross Reserves Plus Payable	\$28,220,343	\$ 7,626,600	\$35,846,943	\$55,734,929	\$19,887,986
Delta Dental Rate Stabilization	\$ 1,304,516	\$ 0	\$ 1,304,516	\$ 2,252,524	\$ 948,008
Blue Cross Dental Rate Stabilization (as of 7/1/09)	\$ 1,304,516	\$ 0	\$ 1,304,516	\$ 2,252,524	\$ 948,008
Principal Rate Stabilization (life insurance)	\$ 3,726,335	\$ 1,653,400	\$ 5,379,735	\$19,161,512	\$ 13,781,777
Principal Long Term Disability Waiver Reserve	\$ 5,769,000	\$ 0	\$ 5,769,000	\$ 6,359,131	\$ 590,131
Reserve for Continued Medical Premium	\$ 1,288,000	\$ 0	\$ 1,288,000	\$ 1,854,639	\$ 566,639
Flexible Spending Account Reserve	\$ 0	\$ 309,762	\$ 309,762	\$ 352,503	\$ 42,741
<b>TOTAL</b>	<b>\$41,612,710</b>	<b>\$9,589,762</b>	<b>\$51,202,472</b>	<b>\$87,967,762</b>	<b>\$36,765,290</b>

# **Reserve Experience FY2007 through FY2009**

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**FY2007                      (\$240,152)**

**FY2008                      (\$18,577,175)**

**FY2009                      \$837,940**

The deficits in FY2007 and FY2008 were intentional in that we used excess reserves to meet under funded rates.