

HEALTH WEALTH CAREER

STATE OF IDAHO BENEFIT STRATEGY DEVELOPMENT

MEETING #4: FINALIZE STRATEGY

November 8, 2017



AGENDA

Summary of Committee Feedback

Final Strategic Roadmap

Potential Savings from Strategic Elements

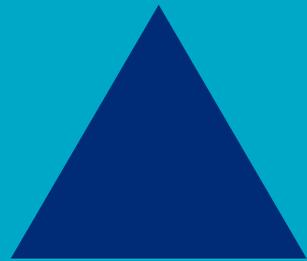
Pros and Cons of Self-Funding for the State of Idaho

Next Steps

Appendix -

- Guiding Principles

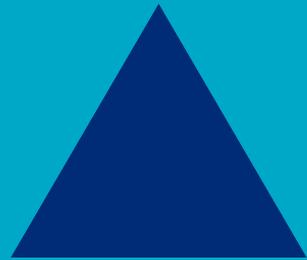
SUMMARY OF COMMITTEE FEEDBACK



SUMMARY OF COMMITTEE FEEDBACK

STRATEGIC LEVER	SUMMARY OF FEEDBACK	STRATEGIC LEVER	SUMMARY OF FEEDBACK
CARE DELIVERY	<ul style="list-style-type: none"> • Explore the possibility of a separate ACO plan option in areas of the State that can support it • Clarification needed on how the standards for outcomes should be developed • General support for the various strategies included in the roadmap (e.g. telemedicine, EMO, COE, near-site/onsite clinic) 	PROGRAM DESIGN	<ul style="list-style-type: none"> • Concerns about the level of increase in employee contributions, but recognition that “it is what it is” in terms of getting to market in this area, perhaps consider a phase in or another target? • Concern with the level of cost shift in the plan design; consideration of maintaining a plan with design close to the current PPO, but with the State contribution to the plan frozen • Recognition of the need to consider the entire total rewards perspective (e.g. reducing benefits without adjusting compensation or other areas of rewards could impact ability to attract and retain talent) • General support for the concept of salary based approaches • Support for self-funding, more from the perspective of allowing flexibility and innovation than for the cost savings • Recognition of a need to truly understand the level of flexibility in the current quasi-fully insured arrangement • Need to understand the additional costs that may be associated with self-funding (e.g. staffing, HIPAA) • Support for exemption of Chapter 40 of Title 41 if converting to self-funding • General support for the various strategies included in the roadmap (e.g. transparency, advocacy) • Support for spousal surcharge, but clarification needed on how it applies
WORK-FORCE HEALTH	<ul style="list-style-type: none"> • General support for supporting workforce health, but strong confirmation that any strategy must be evidence based • General support for the various point solutions included in the roadmap targeting conditions and cost drivers (e.g. diabetes, MSK, weight, cancer, maternity) • Support for tobacco surcharge, but clarification needed on how it applies 	DELIVERY INFRA-STRUCTURE	<ul style="list-style-type: none"> • Need to move quickly on the RFP process for TPA partner, possibility of exploring multiple TPA relationships to ensure competition • Exploring pharmacy options should be a priority

FINAL STRATEGIC ROADMAP



THE VITALS FOR CHANGE - STATE OF IDAHO YOUR GO FORWARD STRATEGY

MACRO CONTEXT

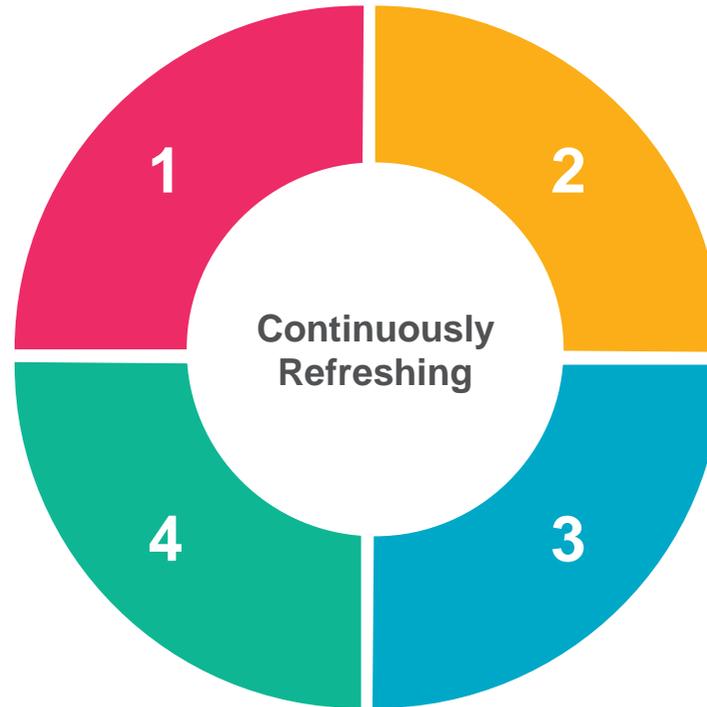
Environmental context

- *“Vitals for Change” – a Mercer Point of View*
- *Market trends*

YOUR STRATEGY

Go forward strategy

- *Finalize your plan and take action!*



YOUR BASELINE

Understanding current state

- *Interim Committee's input*
- *Office of Group Insurance Input*
- *Benchmarking*

YOUR OPTIONS

Evaluating approaches

- *Your opportunities and solutions*

A successful strategy delivers your business and financial objectives

THE VITALS FOR CHANGE - STATE OF IDAHO BALANCING HEALTH AND BENEFITS PRIORITIES

BUSINESS PRIORITIES

- Affordable Benefits for all employees, including their dependents
- Employee Choice/Accountability
- Ensure healthcare/benefits strategy and solutions are relevant to the employee's
- Offer competitive benefits, comparable or better programs
- Promote Well-being – Ongoing cultural change
- Managed Cost/Budget
- Secure “best in class” services and benefits administration solutions?
- Achieve the Triple Aim:
 - ❖ Improve the health of the State of Idaho's population
 - ❖ Reducing the per capita cost of healthcare
 - ❖ Improve the overall patient experience



COST PRIORITIES

- Keep State's health care spend at below a determined threshold
- Maximize options, but minimize cost pass through to all employees
- Develop and expand upon a Value Based Care model
- Ongoing evaluation of innovations for cost management opportunities



EMPLOYEE PRIORITIES

- Maximize employee benefit choice
- Empower employee benefit accountability
- Offer programs to support employee health improvement
- Access to well-being resources, incentives
- Provide education, resources and tools to better manage their healthcare



THE VITALS FOR CHANGE - STATE OF IDAHO

STRATEGIC LEVERS –

THE ELEMENTS OF YOUR STRATEGY



How and where a member accesses care

- Value-based care (e.g. ACO, PCMH, other)
- New care settings (e.g. telemedicine, onsite/near clinics, retail, Direct Primary Care (DPC))
- Carrier network optimization
- Direct contracting

How an employer influences behavior and health

- Health status awareness
- Education/access to resources
- Incentive strategy
- Physical health environment
- Health management programs
- Well-being focus

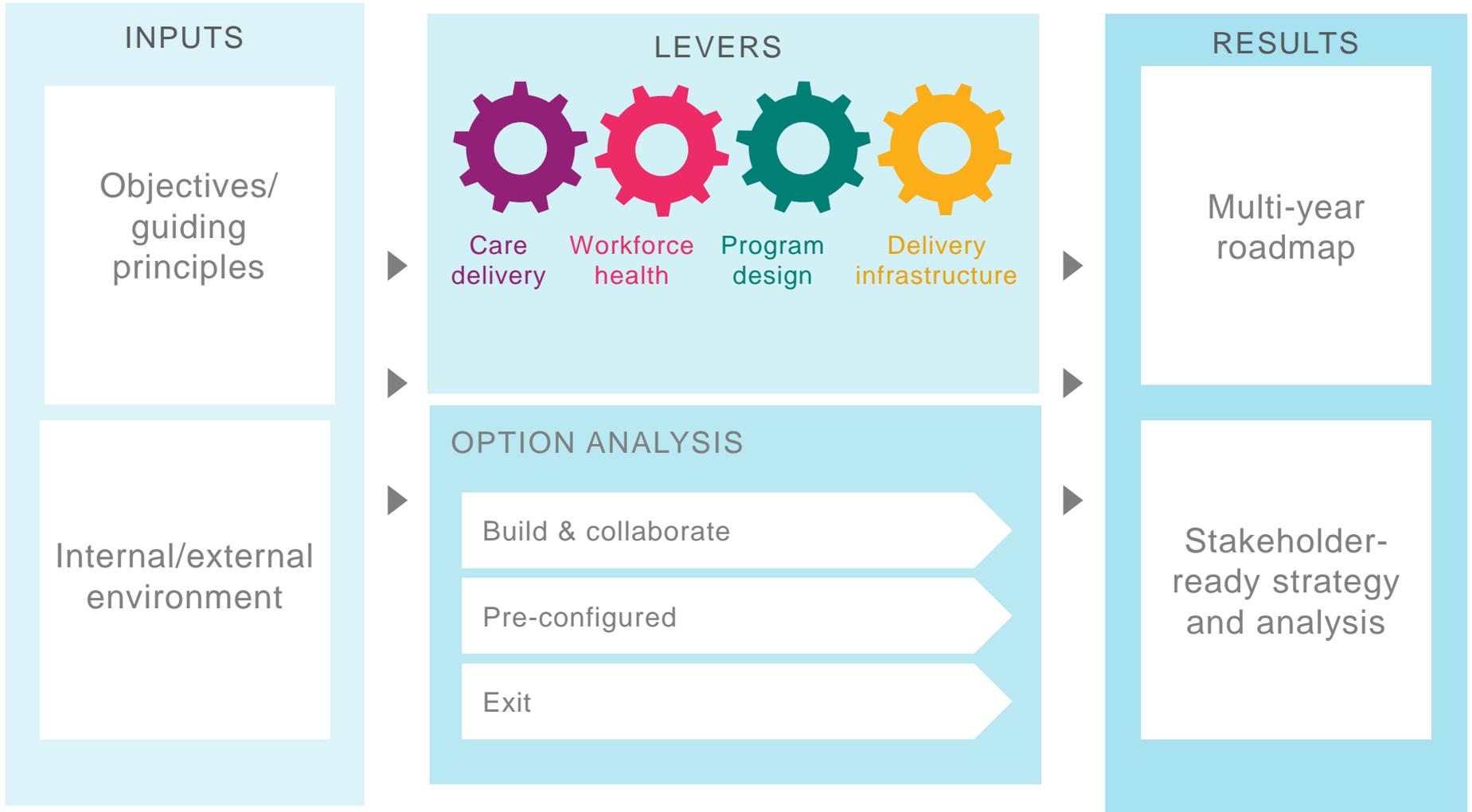
Who is offered what benefits and how they pay for them

- Plan design offerings/ values
- Contribution strategy
- Eligibility
- Enrollment/shopping experience
- Expanding “core” and “voluntary”
- CDH/HSA-Promote consumerism

How an employer organizes to deliver and finance benefits

- Vendor management
- Data warehouse
- Funding strategy
- Insourcing vs. outsourcing
- Carve-in vs. carve-out
- Risk management (e.g. stop loss)
- ACA reporting

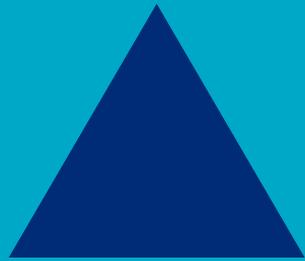
THE VITALS FOR CHANGE - STATE OF IDAHO MERCER'S STRATEGY FIRST-INTEGRATED FRAMEWORK



STATE OF IDAHO MULTI-YEAR STRATEGIC ROADMAP

STRATEGIC LEVER	2018-2019	2019-2020	2020-2021	2021-2022
CARE DELIVERY	<ul style="list-style-type: none"> Understand Value Based Care (VBC) solutions available through Blue Cross of Idaho Conduct exploration of telemedicine solutions in the market Assess outcomes of current Blue Cross of Idaho care management (CM) programs Understand the Progress of the Idaho SHIP Program(s) 	<ul style="list-style-type: none"> Add VBC steerage for PPO plan Implement telemedicine Explore near site clinics at key locations Review Expert Medical Opinion to supplement medical vendor CM programs Review Centers of Excellence (COE) options (vendors and direct contracts) 	<ul style="list-style-type: none"> Launch COE program Launch near-site/on-site clinics where feasible and appropriate Launch Expert Medical Opinion 	<ul style="list-style-type: none"> Implement expanded VBC/COE offerings, including direct contracting if necessary
WORKFORCE HEALTH	<ul style="list-style-type: none"> Review point solution program options for weight/diabetes and cancer Complete the HERO Best Practice Scorecard to identify gaps and develop a well-being strategy leveraging evidence-based approaches 	<ul style="list-style-type: none"> Launch cancer and diabetes/weight management programs Review point solution program options for maternity Launch evidence-based well-being strategy Introduce a tobacco-use surcharge 	<ul style="list-style-type: none"> Launch maternity program Explore transition to outcomes based incentives and specifically targeting top risk areas 	<ul style="list-style-type: none"> Implement outcomes based incentives
PROGRAM DESIGN	<ul style="list-style-type: none"> Begin education campaign for HSA and VBC options to be available 7/1/2019 Explore transparency/advocacy vendor options Explore salary-based contribution approaches Explore variation in HSA funding by salary level 	<ul style="list-style-type: none"> Launch new medical program structure offering a market-median PPO plan with higher benefits for higher quality providers alongside an HSA option Conduct voluntary benefits needs assessment Introduce a spousal surcharge 	<ul style="list-style-type: none"> Monitor plan values against market, make adjustments as appropriate Launch voluntary benefits program 	<ul style="list-style-type: none"> Monitor plan values against market, make adjustments as appropriate
DELIVERY INFRA-STRUCTURE	<ul style="list-style-type: none"> Conduct RFP process for medical administration, including self-funded proposals and assessment of VBC capabilities Feasibility of carving out pharmacy, including collective purchasing options Determine if elements of the SHIP Programs may be actionable for the State employees 	<ul style="list-style-type: none"> Implement medical and pharmacy vendors based on RFP process Monitor competitiveness of vendor programs and fees 	<ul style="list-style-type: none"> Monitor competitiveness of vendor programs and fees 	<ul style="list-style-type: none"> Monitor competitiveness of vendor programs and fees

POTENTIAL SAVINGS FROM STRATEGIC ELEMENTS



POTENTIAL SAVINGS OF STRATEGIC ELEMENTS

INTRODUCTION

- To provide a sense for the financial savings opportunity of the various strategies discussed, we've assigned specific dollar savings amounts for the strategic elements
 - These savings are illustrative and represent one possible outcome
 - Savings levels shown assume the midpoint of the ranges provided previously; such a level of savings assumes:
 - Partnership with best-in-class service providers
 - Strong communication support and incentives leading to high levels of program participation

PRIORITIZATION OF ADDITIONAL OPPORTUNITIES



Feature	Considerations for Optimization	Illustrative Savings
Value Based Care (VBC) strategy	<ul style="list-style-type: none"> • Exploration to include Accountable Care Organization (ACO), Patient Centered Medical Home (PCMH), Regional Care Model, Direct Primary Care (DPC) options • Include plan design steerage to incent utilization of high value providers 	\$20M
Telemedicine	<ul style="list-style-type: none"> • Target 10%-15% Utilization • Reduce costs at PCP, Urgent Care and Emergency room • Improved productivity 	\$3M
Care management	<ul style="list-style-type: none"> • Explore care and disease management options through carriers and through third party vendors • Implement best in class program 	\$3M

PRIORITIZATION OF ADDITIONAL OPPORTUNITIES



Feature	Considerations for Optimization	Illustrative Savings
Expert Medical Option (EMO)	<ul style="list-style-type: none"> Implement EMO program to improve diagnosis, treatment decisions, and outcomes for those with complex diagnosis and high cost claims 	\$3M
On-site/near-site clinics	<ul style="list-style-type: none"> Explore on-site/near-site clinic options to supplement VBC providers 	\$8M
Centers of Excellence (COE)	<ul style="list-style-type: none"> Implement COE solution and/or bundled payments through a vendor or via direct contracting to achieve better surgical costs and outcomes (ortho, cardiac, etc.) 	\$3M
Idaho Statewide Healthcare Innovation Plan (SHIP) - Healthcare Transformation	<ul style="list-style-type: none"> Explore possibility of leveraging PCMH model of care or network being developed and refined under the Idaho SHIP program Potential for ACO model development Shift payment methodology to fee for value, from fee for service Potential for Health improvement programs and Quality initiatives 	TBD



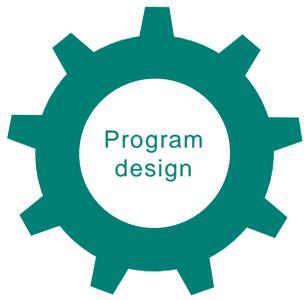
PRIORITIZATION OF ADDITIONAL OPPORTUNITIES

Feature	Considerations for Optimization	Illustrative Savings
Well-being	<ul style="list-style-type: none">Implement evidence based well-being programs with outcomes-based incentives	\$8M
Targeted point solutions	<ul style="list-style-type: none">Implement best-in-class point solutions to address weight management/diabetes prevention, cancer, maternity, and musculoskeletal	\$8M
Tobacco surcharge	<ul style="list-style-type: none">Implement tobacco surcharge of \$50-\$100 per month (via affidavit)	\$3M



PRIORITIZATION OF ADDITIONAL OPPORTUNITIES

Feature	Considerations for Optimization	Illustrative Savings
Transparency	<ul style="list-style-type: none">Implement transparency solution to allow employees and their families to shop for high quality, lower cost care	\$8M
Advocacy	<ul style="list-style-type: none">Explore advocacy solutions to provide a resource for employees and their families to better navigate the health care system	\$8M
Salary-based strategies	<ul style="list-style-type: none">Explore salary based contributions and/or account contributions as a means to address affordability for employees	\$3M
Spousal surcharge	<ul style="list-style-type: none">Implement spousal surcharge for those with access to other coverage of \$50-\$100 per month (via affidavit)	\$3M
Retiree Options	<ul style="list-style-type: none">Retiree options, outside of the State of Idaho ProgramsRetiree Exchange Opportunities	TBD



PRIORITIZATION OF ADDITIONAL OPPORTUNITIES

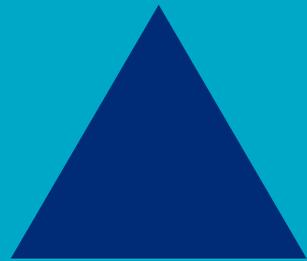
Feature	Considerations for Optimization	Illustrative Savings
Life Insurance Plan Management	<ul style="list-style-type: none"> • Conduct RFP for Life Insurance, both employer paid and voluntary benefits • Best Practices Approach • Enhance benefit offerings • Reduce overall costs 	TBD
Disability Insurance Plan Management	<ul style="list-style-type: none"> • Conduct RFP for Short-term and Long-term Disability • Potential for Base and Buy-Up options • Best Practices Approach • Enhance benefit offerings • Reduce overall costs 	TBD
Review opportunity to introduce Voluntary Benefit Offerings	<ul style="list-style-type: none"> • Enhance benefits offering with VB Options • Enhance Employee Choice 	TBD
Review all other Current or Future Benefit Offerings	<ul style="list-style-type: none"> • TBD 	TBD



PRIORITIZATION OF ADDITIONAL OPPORTUNITIES

Feature	Considerations for Optimization	Illustrative Savings
Medical plan management	<ul style="list-style-type: none">• Conduct RFP for medical plan administration including conversion to self-funding	\$8M
Pharmacy plan management	<ul style="list-style-type: none">• Explore savings opportunities through Mercer Rx collective savings• Improved contract terms• Implement care management features• Explore Specialty Pharmacy management options, including the potential for a Specialty Rx tier	\$8M
Introduction of a catastrophic plan	<ul style="list-style-type: none">• Not designed to drive meaningful cost savings, but to offer true expanded choice and a very low cost or no cost option	TBD
Dental and vision plan management	<ul style="list-style-type: none">• Conduct RFP for dental and vision plan administration including conversion to self-funding	TBD

PROS AND CONS OF SELF-FUNDING FOR THE STATE OF IDAHO



PROS AND CONS OF SELF-FUNDING FOR THE STATE OF IDAHO

INTRODUCTION

- In our last meeting, we presented general pros and cons for self-funding
- We have narrowed our commentary to the pros and cons specific to the State of Idaho
- Based on the findings of this project, Mercer recommends for the sustainability of State of Idaho's Employee Group Health Benefits Programs that the Interim Committee recommend moving forward with the self-funding of your medical plans. Our recommendation is driven by the potential savings and the necessary flexibility needed for the implementation future plan/cost management strategies. The following pages will support the decision to adopt a self-funded methodology

PROS AND CONS OF SELF-FUNDING FOR THE STATE OF IDAHO

PROS

Feature	Commentary
Cash flow	<ul style="list-style-type: none"> Under the current quasi-fully insured arrangement, there is monthly claims reconciliation and the State holds reserves, so cash flow savings is nominal
Reduced administration and retention costs	<ul style="list-style-type: none"> Estimated plan savings of \$13M for removal of ACA insured carrier fees and state premium tax
Plan design flexibility and control	<ul style="list-style-type: none"> Need to understand from Blue Cross of Idaho the level of flexibility and ability to innovate under the current insured arrangement vs. a self-funded arrangement
“Profits” to employer	<ul style="list-style-type: none"> With the monthly claims reconciliation and the competitive administrative fee, there does not appear to be undue profit in the current arrangement
Ability to make claims decisions	<ul style="list-style-type: none"> Under self-funding, the State would have increased flexibility to intervene in claims decisions (e.g. appeals situations)
Not subject to most state mandated benefits	<ul style="list-style-type: none"> Less of an advantage in Idaho due to minimal state-mandated benefits that apply to fully-insured plans, but not to self-funded plans (ERISA pre-emption)
Employer holds reserves – ROI	<ul style="list-style-type: none"> The State holds the reserves under the current arrangement

PROS AND CONS OF SELF-FUNDING FOR THE STATE OF IDAHO

PROS CONTINUED

Feature	Commentary
Expanded availability of reporting	<ul style="list-style-type: none"> • Need to understand from Blue Cross of Idaho the level of access to data and reporting capabilities under the current insured arrangement vs. a self-funded arrangement
Eliminate state premium taxes and assessments	<ul style="list-style-type: none"> • Estimated plan savings of \$13M for removal of ACA insured carrier fees and state premium tax
Minimal impact on plan participants	<ul style="list-style-type: none"> • A conversion to self-funding would be seamless to plan participants
Stable workforce-more predictable claims	<ul style="list-style-type: none"> • The State is large enough that claims are very predictable, and the workforce is generally stable, reducing the claims fluctuation risk under self-funding
Flexibility in choice of Carriers/Vendors – “Best of Best” choice in partners for all programs or solutions	<ul style="list-style-type: none"> • Option to partner with carrier(s) or Third Party Administrator(s) (TPA) • Option to outsource reinsurance • Option to determine most appropriate networks or direct contract arrangements • Option to choose most appropriate Prescription Benefit Manager • Potential to outsource care management solutions • Potential to integrate with wellness vendors • Introduce a Health Advocacy partner or Concierge services

PROS AND CONS OF SELF-FUNDING FOR THE STATE OF IDAHO

CONS

Feature	Commentary
Claims fluctuations	<ul style="list-style-type: none"> The State is large enough that claims are very predictable, and the workforce is generally stable, reducing the claims fluctuation risk under self-funding
Potential increased financial risk	<ul style="list-style-type: none"> See above
Costs are not as predictable on a monthly basis	<ul style="list-style-type: none"> There is already monthly variation under the claims reconciliation process, so this is not really a change from the current arrangement
More involvement required by employer's Human Resource and/or Finance Staff	<ul style="list-style-type: none"> Some increased requirements, but a conversion to self-funding does not necessarily mean a need to hire additional staff (see page 24)
HIPAA compliance responsibility	<ul style="list-style-type: none"> HIPAA compliance requirements increase (see page 25)
Legal and fiduciary responsibility	<ul style="list-style-type: none"> Increased legal and fiduciary responsibility (see page 25)

SELF-FUNDING OVERVIEW

PLAN MANAGEMENT – IMPACT ON STAFF

- In general, the impact on the staff managing the plans is not significant, and we generally don't see differences in HR and finance staffing between fully-insured and self-funded plans
- But there are some additional requirements:

Human Resources

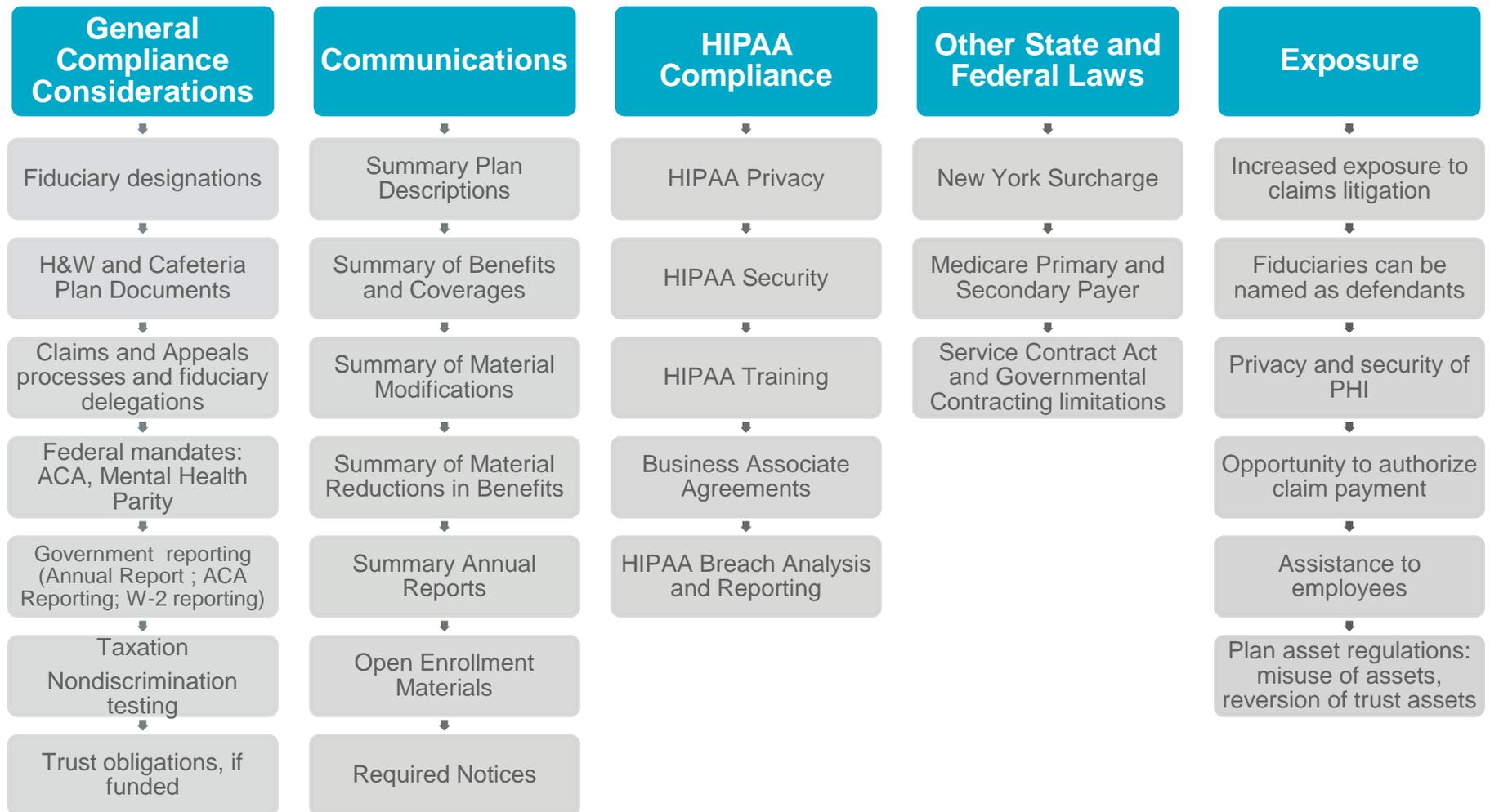
- Need to pay more attention to the plan design and set up since any requests for an exception and/or gray areas that come up will be resolved by HR rather than the insurance carrier (this can be passed back to the administrator if the administrator is made fiduciary, usually for a fee)
- Need to understand how the plan is running compared to budgeted cost to be prepared to talk to finance, the CFO or VP of HR if questions arise
- Need to add a HIPAA officer, who can see claim details, if needed

Finance

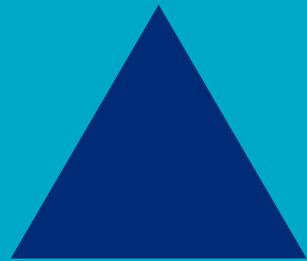
- Set-up of bank account for claim payment (and possibly for admin fee payment), which typically allows administrator to make an ACH sweep of the account
- Reconcile withdrawals from bank account to claim reports (including large claim reimbursements)
- Understand and account for IBNP
- Understand any withdrawal limits on the bank account and have a contingency for any claim runs that exceed that amount
- Understand and maintain any seed money or minimum balances required for the bank account

SELF-FUNDING OVERVIEW

COMPLIANCE CONSIDERATIONS



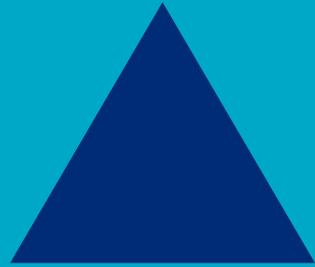
NEXT STEPS



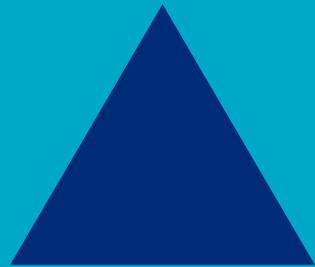
NEXT STEPS

- Committee prepares recommendation to present to legislature in January
- Committee hires Mercer to conduct RFPs and to assist with strategy implementation
- Committee entertains options to further investigate the potential for accessing the SHIP resources and infrastructure to support a PCMH model
 - Would need to initiate an additional project for discovery and analysis
- Other?

APPENDIX



GUIDING PRINCIPLES



DRAFT GUIDING PRINCIPLES

CURRENT VS. DESIRED FUTURE STATE

Guiding Principles	Current State	Objectives/Future State
Market Position	<ul style="list-style-type: none"> • Current medical plans are generally more generous than market • Company is not an early adopter of new strategies 	<ul style="list-style-type: none"> • Benefits targeted at market median with a paramount focus on affordability both for employees and for taxpayers, who fund the program • Open to early adoption of new programs/strategies but proof of concept is required – future strategies need to be evidence-based
Company Budget (Cost-sharing Approach)	<ul style="list-style-type: none"> • No set strategy; decisions are based upon year-over-year cost increase and budget 	<ul style="list-style-type: none"> • Company cost growth to be managed proactively • More cost shift through plan design while maintaining protection for catastrophic events • Manage health care costs through greater focus on health improvement and appropriate use of health care services
Program Eligibility	<ul style="list-style-type: none"> • Programs provide a safety net for all employees • Company subsidy does not vary based on pay or job level • Modest differences in employee contribution requirements between plans • Dependents are subsidized at a slightly lower level than employees 	<ul style="list-style-type: none"> • Continue to provide a safety net for all employees • Address affordability for lower paid employees via contributions that vary by salary and/or through employer account funding and through greater differentiation between plan options • Maintain commitment to employees and dependents, but limit coverage or charge more for coverage for spouses with other coverage

DRAFT GUIDING PRINCIPLES

CURRENT VS. DESIRED FUTURE STATE

Guiding Principles	Current State	Objectives/Future State
Employee Choice And Responsibility (Plan Design)	<ul style="list-style-type: none"> • Offer a choice of medical plans with modest differentiation in terms of plan design and minimal employee financial risk • No incentives for managing own health or choosing more effective providers 	<ul style="list-style-type: none"> • Offer meaningful plan choices, including high deductible option(s) with significant employee accountability • Provide tools and employee-paid supplemental coverages to support individual employee decision making • Incent employees to manage their own health and choose effective providers
Program Management	<ul style="list-style-type: none"> • Offer basic care management programs through medical insurer aimed at helping sickest employees and their families • Offer the widest provider networks to support employee choice • Review budgets on an annual basis 	<ul style="list-style-type: none"> • Offer evidence-based care management programs that serve the entire family • Offer wide provider networks, but encourage use of the most effective providers with a focus on “fee for value” vs. “fee for service” • Regularly evaluate program metrics
Culture Of Health	<ul style="list-style-type: none"> • No set vision or philosophy regarding employee health • Little reporting on health care drivers or impact of existing programs 	<ul style="list-style-type: none"> • Create a culture of health with visible leadership support • Motivate employees to improve their health through a variety of evidence-based programs and incentives



MERCER

MAKE TOMORROW, TODAY