



**Annual Report
Fiscal Year 2013**

**Commonwealth of Virginia
Health Benefits Program**

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Introduction

2013 Program Highlights

In fiscal year 2013, state health benefits program costs were 11 percent lower than the projected national average for the calendar year, and have been consistently less than the national trend for the past four years. State operating costs totaled \$1 billion in 2013, up 9.9 percent from the year before. Increased expenses reflected continued growth in outpatient hospital and physician costs, along with a significant increase in catastrophic claims and very high cost specialty prescription drugs. Recent experience, general health care industry trends and anecdotal evidence indicate that expenses also may have risen because some members apparently delayed treatment during the economic recession when health care costs were lower. While claims costs were higher, administrative costs as a percentage of total expenses declined about 1.3% in 2013.

To improve overall health and reduce medical expenses, the program continues to focus on wellness and preventive care, financial incentives, weight management and helping members to better control lifestyle-related and chronic illnesses. In FY 2013, the program:

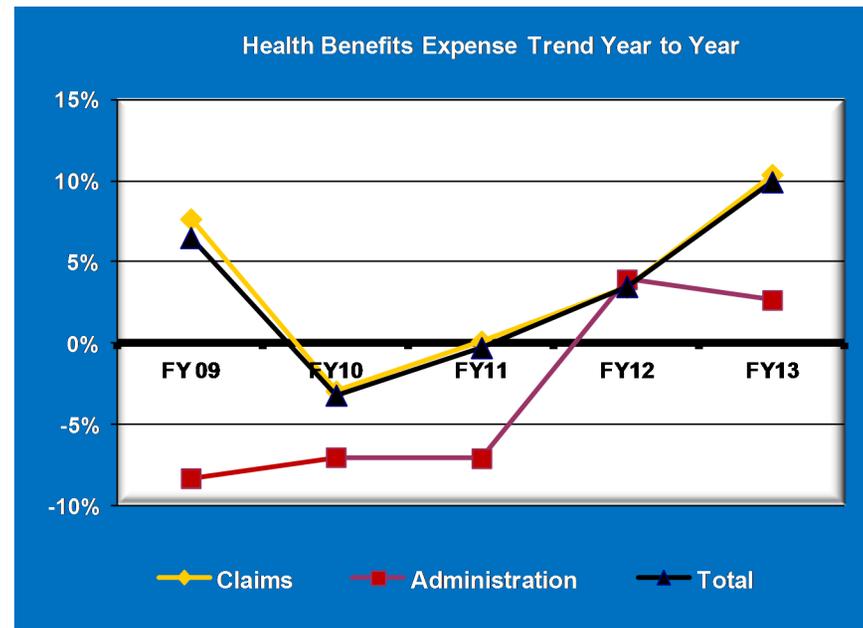
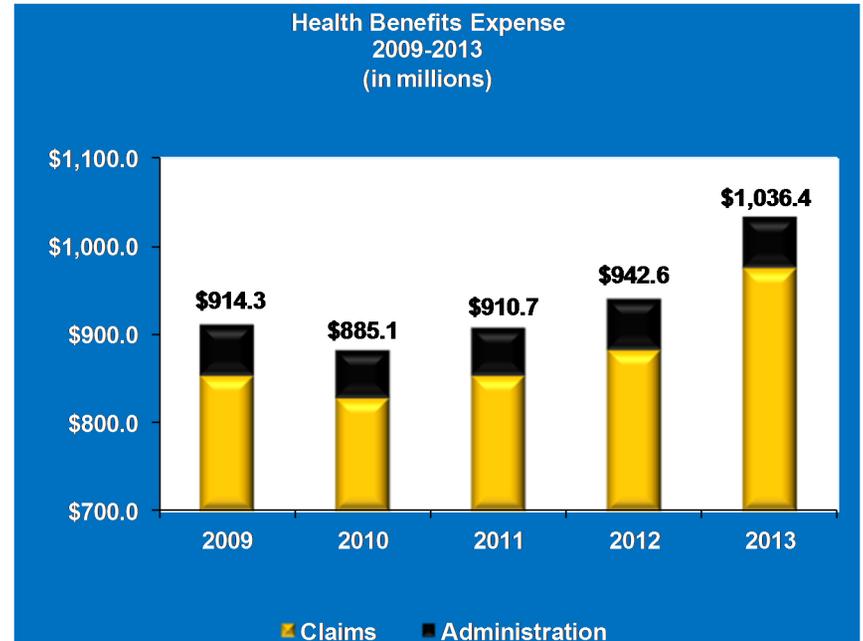
- Continued a successful pre-bariatric surgery education program that has shown a reduction in costs and progress in improving participant health outcomes;
- Launched a diabetes management initiative with participation incentives to help diabetics better manage their health;
- Introduced a program to help members address potential health care issues identified by claims, alerting them to clinical recommendations for care based on medical, pharmacy and claim lab data.

Also in 2013, the state program:

- Implemented provisions of the federal Affordable Care Act (ACA), including the publication of summaries of benefits and coverage for each plan;
- Implemented a state legislative mandate to cover Applied Behavior Analysis (ABA) for autism spectrum disorder for children ages 2 through 6, with a \$35,000 annual limit on services;
- Offered the COVA Connect plan, along with COVA Care and COVA HDHP, as a state-wide plan option. The plan was introduced in 2010 under the Public Private Education Act (PPEA) as a pilot in the Hampton Roads area to try to improve member health outcomes.

This report presents a financial overview of the state's three self-insured health benefits plans, and where indicated, the regional, fully insured Kaiser Permanente HMO plan offered primarily in Northern Virginia. Unless otherwise stated, this report is based on the experience of health plan members, including the active employee and non-Medicare eligible retiree group, during fiscal year 2013 from July 1, 2012 through June 30, 2013.

For COVA Care, Anthem Blue Cross and Blue Shield administered medical benefits; Delta Dental of Virginia administered dental benefits; Express Scripts administered the prescription drug program; and ValueOptions, Inc. administered behavioral health benefits and employee assistance program services. Anthem administered all COVA HDHP benefits. For COVA Connect, medical, prescription drug and behavioral health benefits were administered by Optima Health; and Delta Dental administered dental benefits. Flexible spending accounts for all plans were administered by WageWorks.

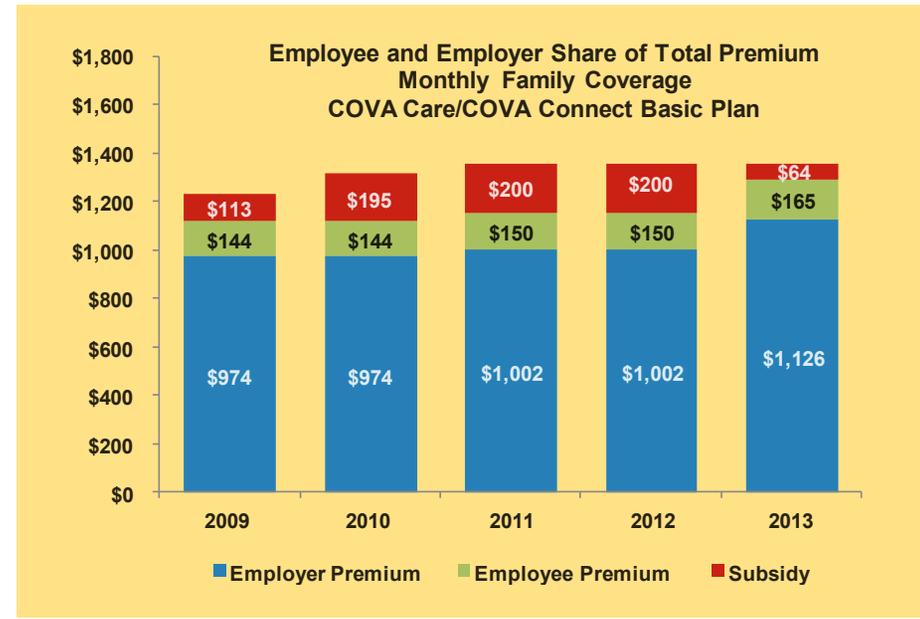
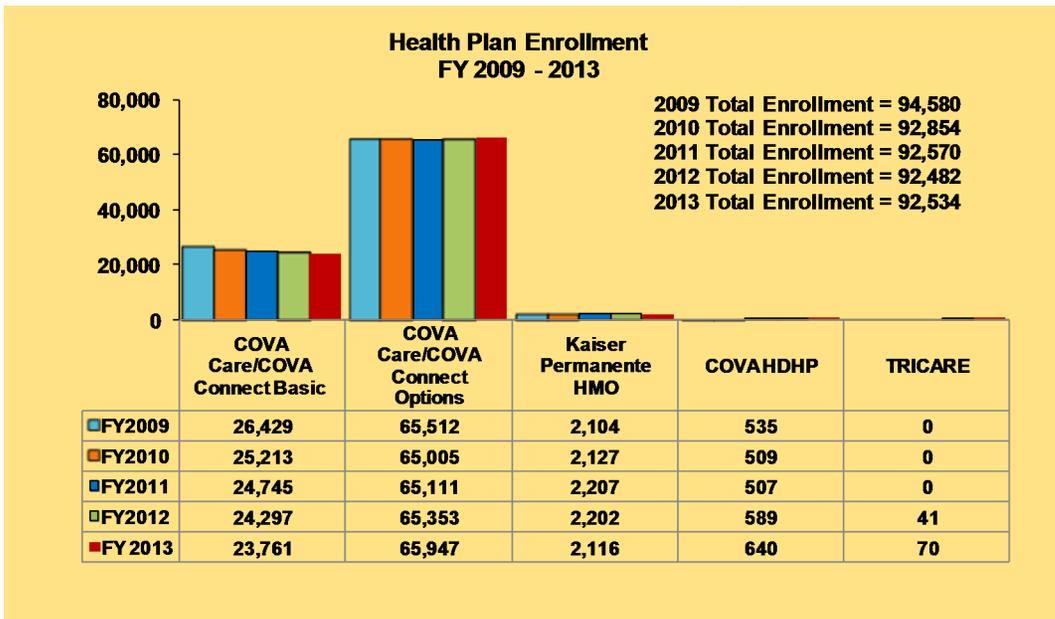
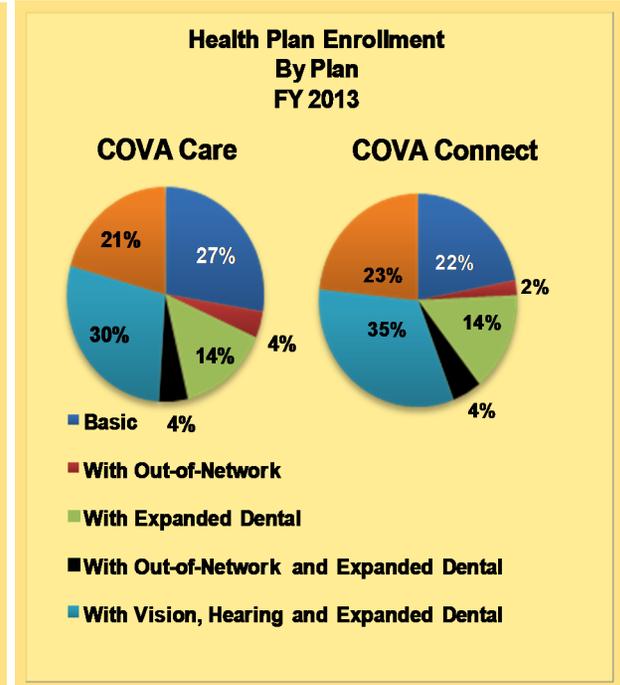
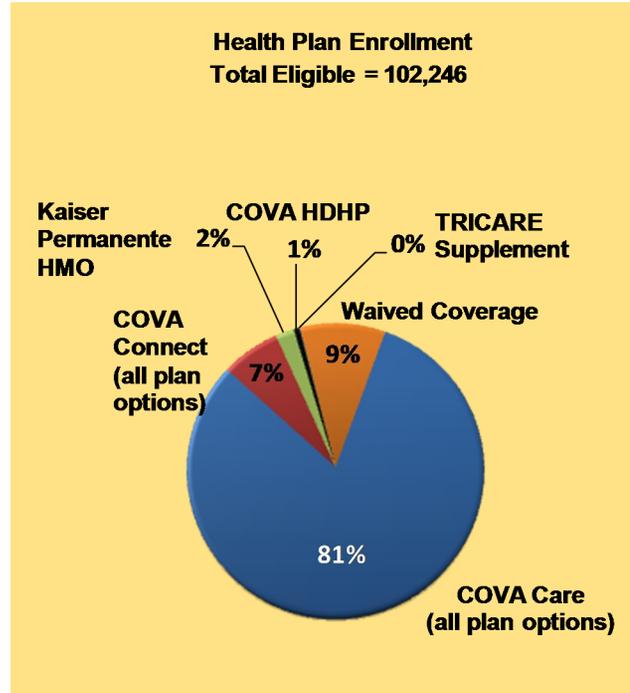


Plan Enrollment and Premiums

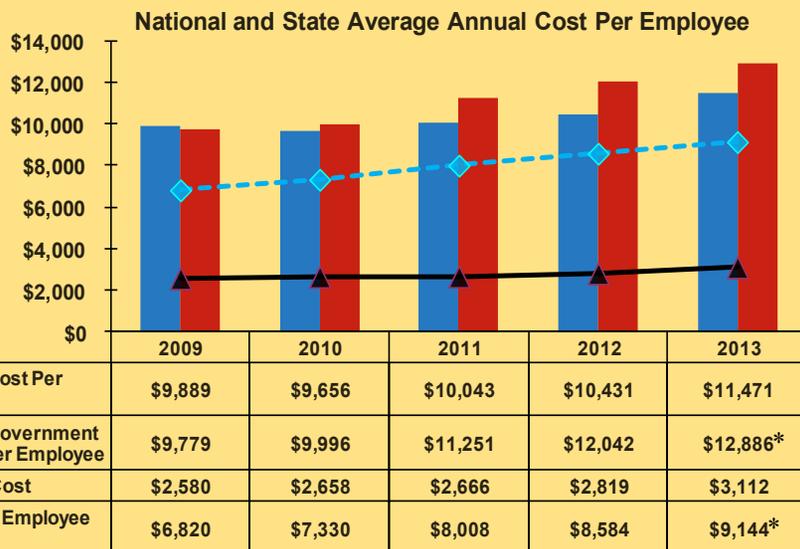
Total overall enrollment in the state health benefits program remained stable in fiscal year 2013 compared to the previous year. In 2013, membership in the COVA Care plan rose 1 percent to 81 percent, followed by the COVA Connect plan with 7 percent of members. The increase in COVA Care enrollment is due in part to the net movement between COVA Care and COVA Connect since both were offered to all members in 2013. The Kaiser Permanente HMO's enrollment was stable. Similar to prior years, about 9,700 or 9 percent of members waived coverage in the program during 2013.

Most employees signed up for additional coverage options in 2013, with 49 percent of employees opting for the two buy-ups with the most coverage.

The plan pays a monthly premium per employee to fund the cost of program claims expense and administration. On average, employees pay 12 percent of premiums for basic coverage. Employees pay the total cost for additional coverage options. From 2009 through 2013, the state implemented a premium subsidy because of tight budget years. In 2013, the subsidy absorbed 5 percent of premium expense for COVA Care Basic plan family coverage.



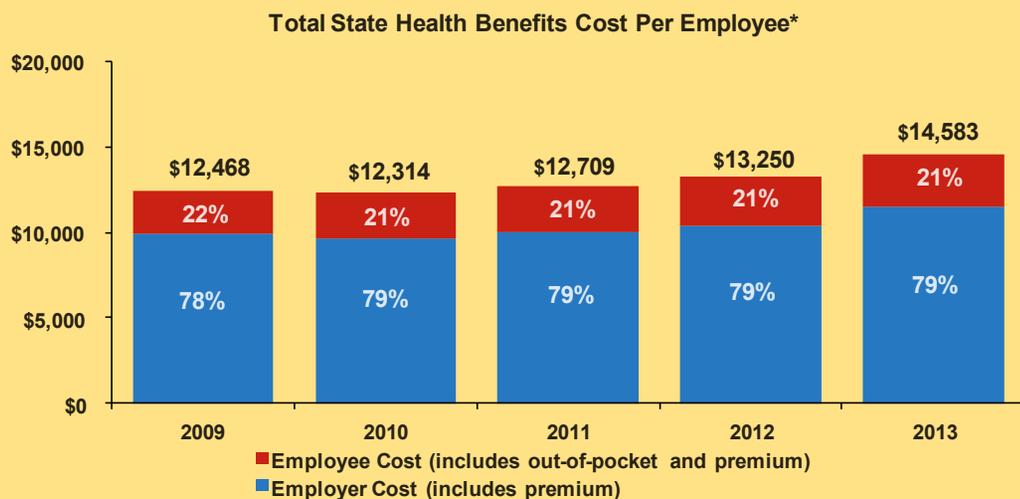
Cost of Coverage



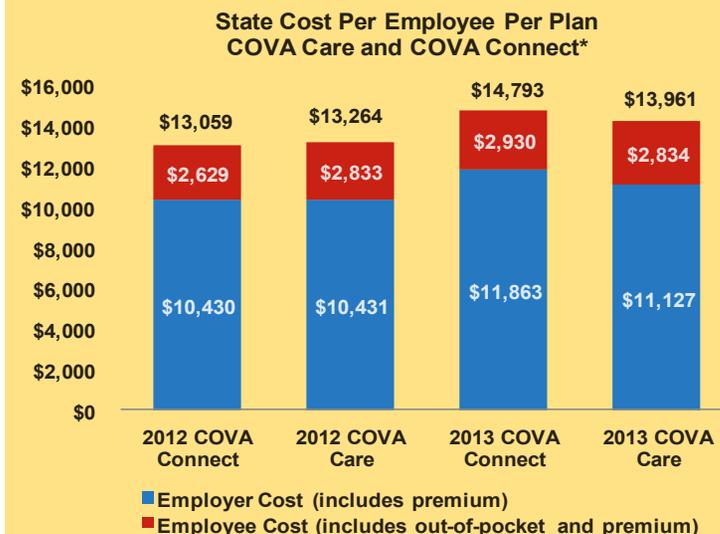
*Projected for 2013 by Milliman Medical Index. Health care cost projections vary. Other national data shown is from Milliman and the Mercer National Survey of Employer-Sponsored Health Plans.

The national average cost per employee for all employers providing health coverage is projected by Milliman Medical Index to rise to \$12,886 in calendar year 2013. The state health benefits program's annual employer cost per employee in fiscal year 2013 was \$11,471. While the state cost increased 9.9 percent from the previous year, it was 11 percent lower than the national projection. The COVA Care plan's employer cost per employee was \$11,127 or a 6.6 percent increase from 2012, while COVA Connect's employer cost per employee was \$11,863, or 13.7 percent higher than the year before. COVA Connect's cost per employee increased due to growth in all categories of claims expense. The plan's lower enrollment also resulted in higher administrative fees per employee.

Higher medical outpatient facility and physician costs, catastrophic claims expense and prescription drug costs continued to be significant factors in the overall increase for 2013. The plan paid 79 percent of the annual total health benefits cost, and the employee 21 percent, the same as during the prior year. Employees' total cost, including premiums, deductibles, copayments and coinsurance, increased 10 percent in 2013 from 2012, as did total health benefits cost per employee. Despite the increase, state employee costs were approximately a third of the national average.



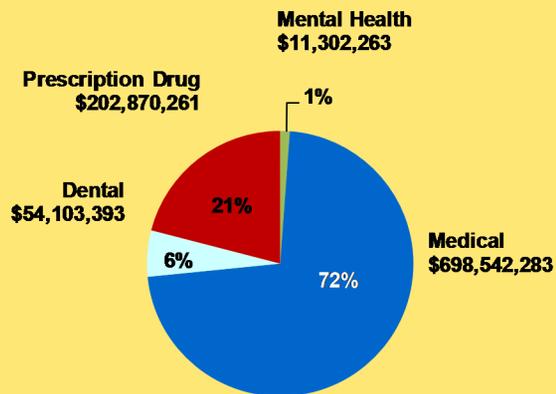
*Employee contribution to premium varies by dependent coverage. In general, employees pay 12 percent of premium costs. The Henry J. Kaiser Family Foundation projects an average national health benefits cost per employee of \$16,351 for CY 2013.



*Employee contribution to premium varies by dependent coverage. In general, premium represents 12 percent of total employee cost.

Claims Expense

**Fiscal Year 2013
State Health Plans Claims Expense
Claims Paid
Total = \$966,818,200**

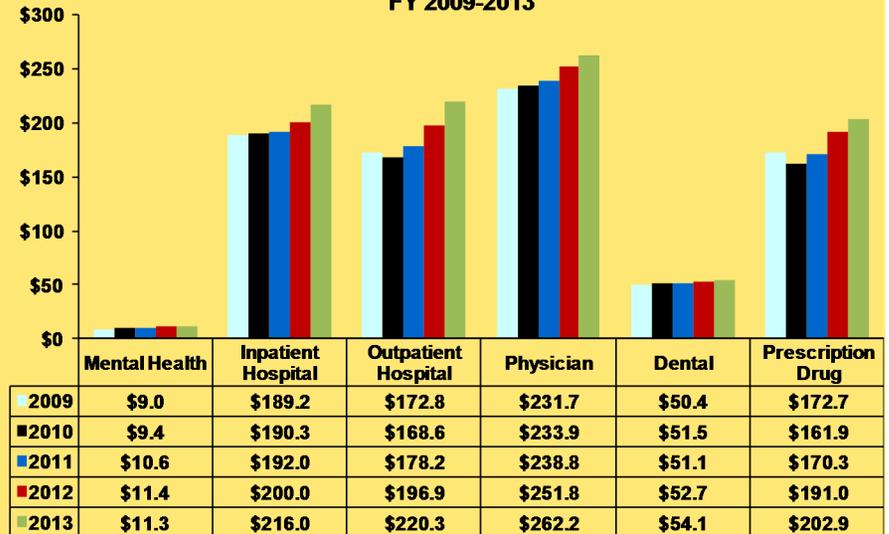


Approximately 6.9 million claims were processed for the self-insured state plans in FY 2013, about 3 percent higher than the 6.7 million claims for the previous year. Total expense increased, due in part to higher medical and prescription drug claims costs. Sixty-one percent of claims were medical, accounting for 72 percent of total plan claims expense. The medical outpatient hospital category experienced the highest cost increase, growing 11.9 percent in 2013, to \$220.3 million from \$196.9 million the previous year.

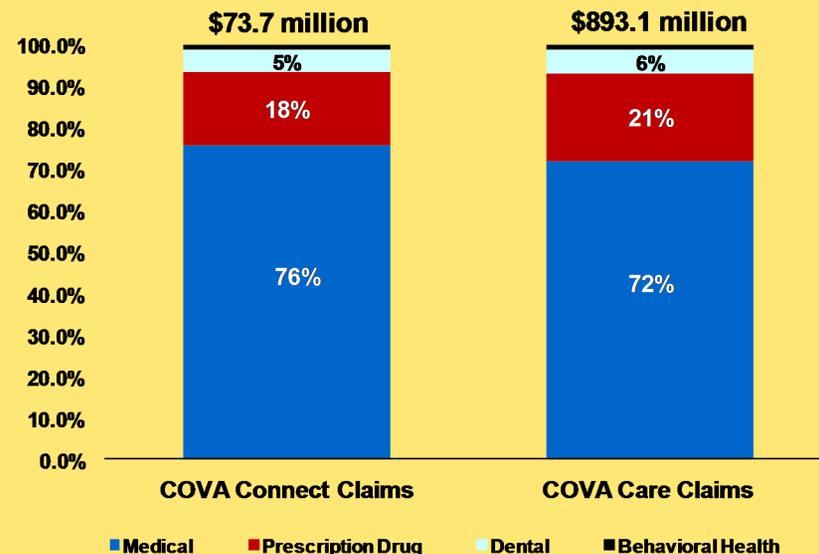
For the COVA Care plan, Anthem, Express Scripts, Delta Dental and ValueOptions processed 6.5 million claims in FY 2013. An average of 83,400 employees and early retirees were eligible for plan services. Medical expenses were 72 percent and prescription drugs were 21 percent of total claims costs.

For the COVA Connect plan, Optima Health and Delta Dental processed 415,500 claims in FY 2013. An average of about 6,800 employees and early retirees were eligible for plan services during the year. Medical expense represented 76 percent and prescription drugs claims accounted for 18 percent of total claims expense.

**State Health Plan Claims Paid
FY 2009-2013**



**2013 Claims Expense By Plan
COVA Connect and COVA Care**

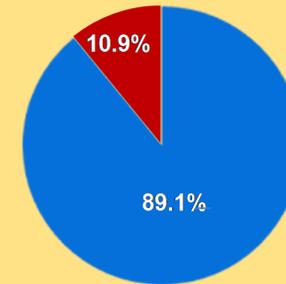


Medical Benefits

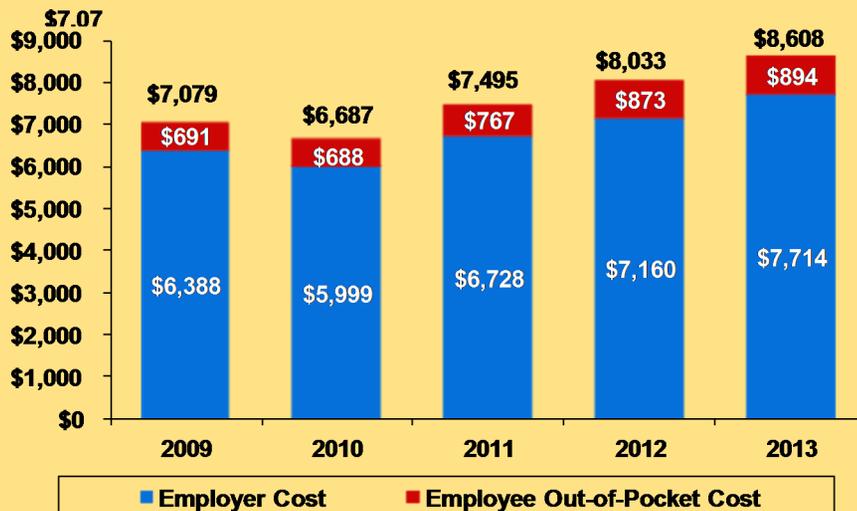
Total medical inpatient and outpatient facility and physician costs increased 7.7 percent in 2013, to \$698.5 million from \$648.8 million in 2012. The two largest components of medical costs were outpatient hospital costs and inpatient catastrophic claims, or those greater than \$200,000. Outpatient hospital costs rose 11.9 percent, and outpatient visits per thousand members increased 1.8 percent, to 1,221 per thousand visits from the 1,199 per thousand in 2012. Catastrophic claims totaled \$75.9 million in 2013, up 17.8 percent over the \$64.4 million cost in 2012. These claims were driven primarily by treatment for cancer and conditions related to heart disease. Medical cost increases were also due in part to very high cost specialty drugs paid under the medical benefit. Inpatient claims increased 8 percent. Physician costs rose 4.1 percent, to \$262.2 million from \$251.7 million in the prior period. In order to manage overall medical costs, care has shifted to outpatient services which in general are less expensive than inpatient procedures.

The state plan paid 89.6 percent of total medical benefits cost in 2013, up six-tenths of 1 percent from the amount paid in the previous year. Employees paid slightly less, 10.4 percent compared to 10.9 percent in 2012.

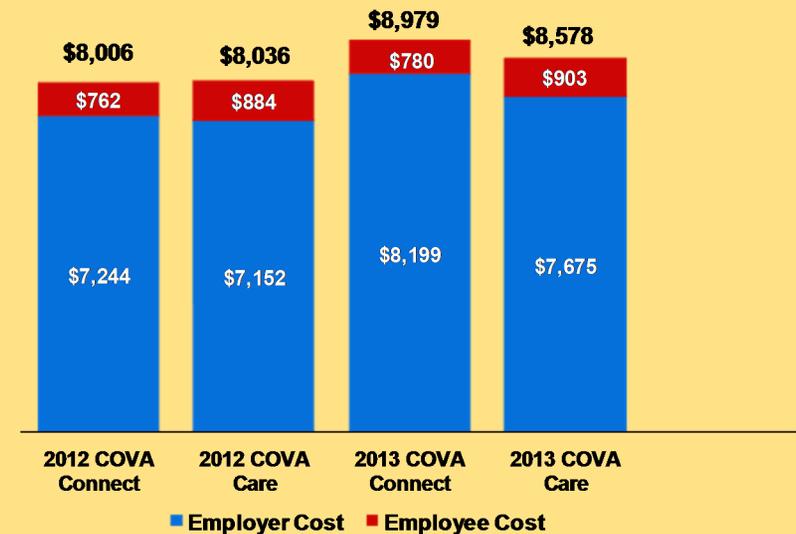
**2013 Claims Expense
Percentage of High Cost Claims
Total = \$75.9 Million**



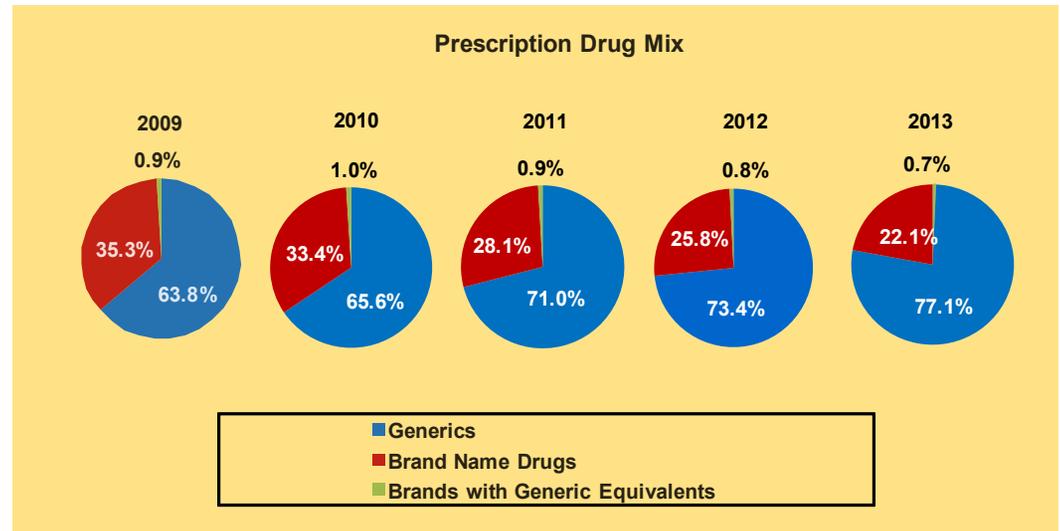
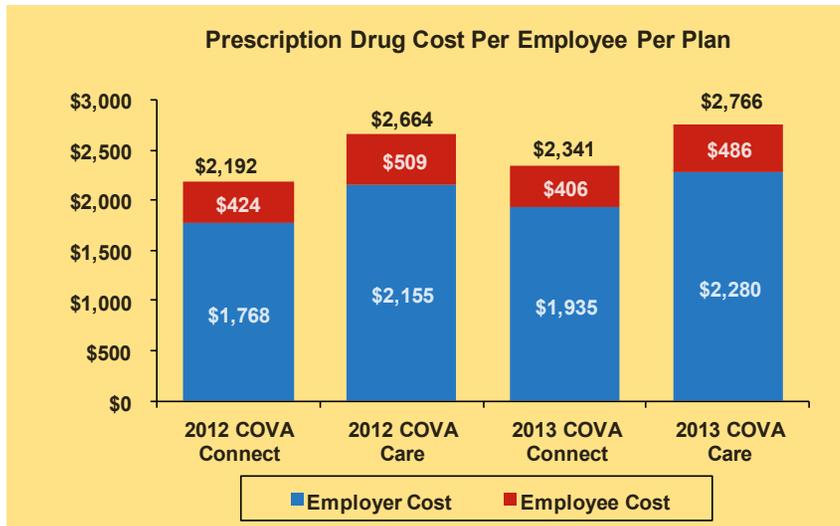
Total Medical Benefits Cost Per Employee



**Average Medical Expense Per Plan Per Employee
COVA Care and COVA Connect**

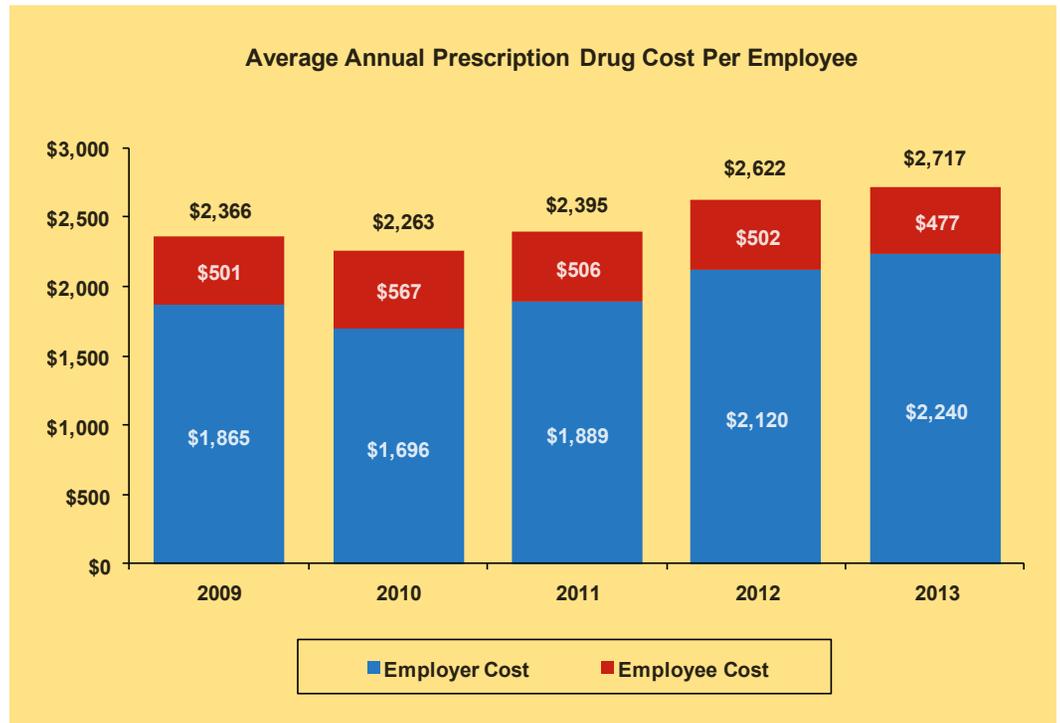


Prescription Drugs



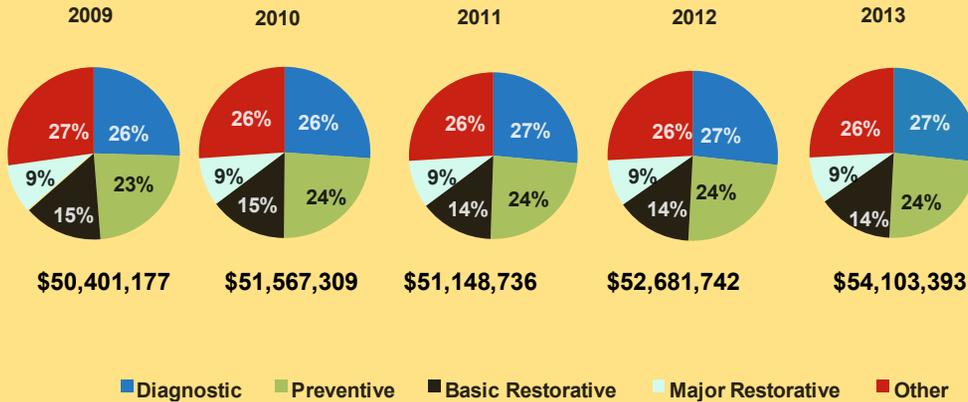
Total prescription drug costs for the state program were up 6.2 percent from 2012 to 2013. The number of members using very high-cost specialty drugs continued to increase. These drugs may be treated as medical or pharmacy depending on the type of drug and method or setting of delivery. Fewer members used the less expensive mail service for routine medications, and inflation remained a major driver of trend. Significant factors in inflation were manufacturer price increases as brand drugs approached patent expiration, and brand drug coupons offered to encourage use of brand-name products. Factors helping the plan control costs included a higher generic drug dispensing rate and continued measures to help stem drug costs, such as prior authorization and step therapy. COVA Connect employee costs for prescription drugs were less than for COVA Care, driven in part by demographic and socioeconomic factors.

The generic drug portion of the prescription drug mix increased 3.7 percent from 2012, to 77.1 percent. Drug patents continued to expire on many highly utilized brand name drugs, which helped to drive up the generic drug utilization rate. More than 11,400 prescriptions were filled for higher-cost specialty drugs, representing 23.1 percent of the state plan's drug cost for 2013, up 1.4 percent from 2012. High cost specialty prescription drug costs were up 20.8 percent in 2013, to \$46.9 million from \$38.8 million the prior year. Health plan members' share of total annual prescription drug costs fell 1.5 percent, to 17.6 percent from 19.1 percent the previous year.

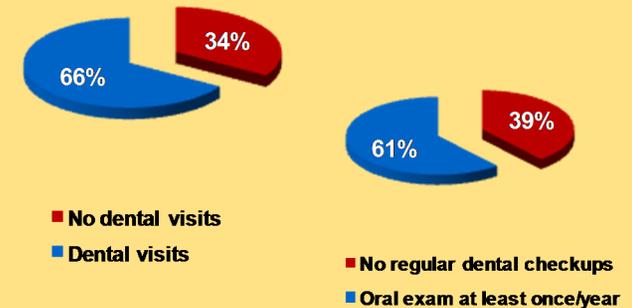


Dental Benefits

Dental Expense by Category

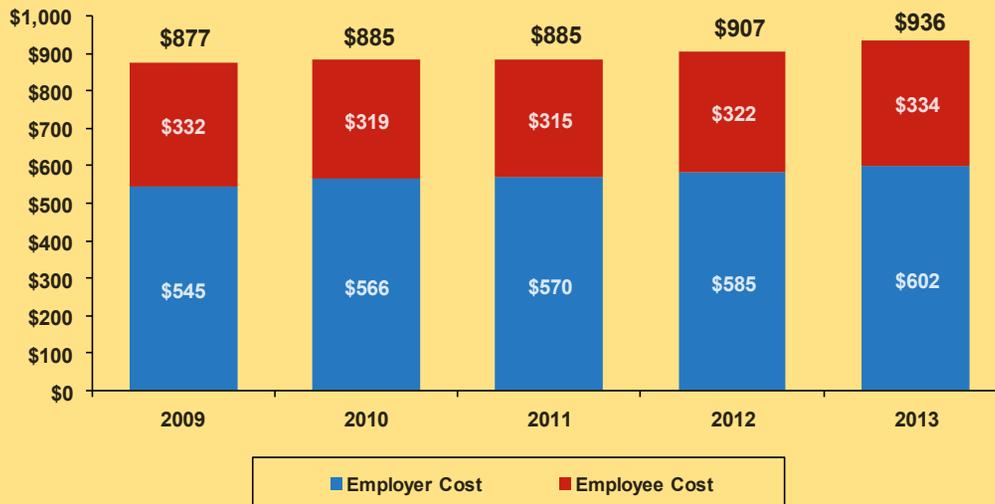


2013 Dental Care State Plan Members Dental Visits*



*Members continuously enrolled for 12 months

Annual Dental Cost Per Employee

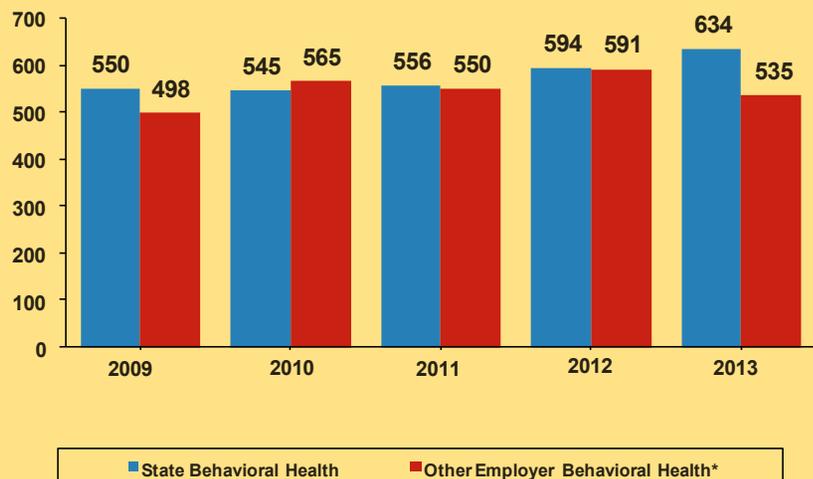


Dental claim costs were up 2.7 percent for the state program in 2013, due in part to higher claims paid per employee. Dental benefits continue to represent only 6 percent of total claims expense and are provided at a moderate cost to employees. About 373,000 dental claims were processed in 2013, up 1.9 percent from 366,000 the prior year. The plan pays 100 percent for preventive and diagnostic services, which accounted in 2013 for a bit more than half of total plan dental claims expense.

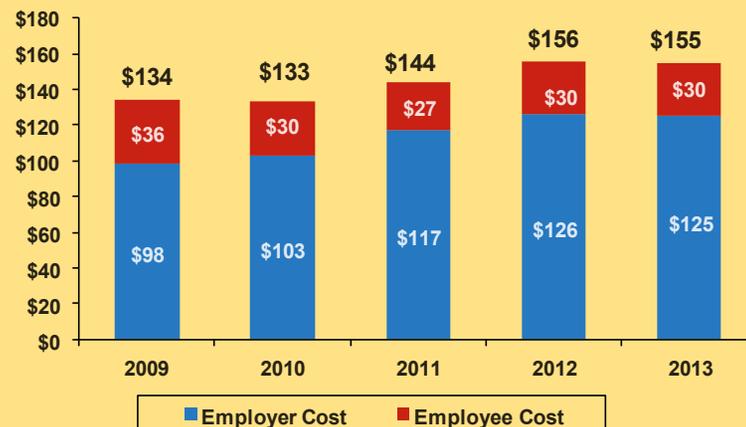
A utilization report by Delta Dental of Virginia, the dental benefits administrator, indicates that about 34 percent of plan members are not visiting the dentist at all, an increase of 2 percent over the year before. The number who do not have regular dental check-ups also grew by 2 percent in 2013. Regular dental check-ups prevent major dental problems and reduce overall dental expense. Efforts continue to increase member engagement, with a communications campaign scheduled for FY 2014.

Behavioral Health

Total Behavioral Health Outpatient Visits/1,000 Members



Total Annual Behavioral Health Expense Per Employee

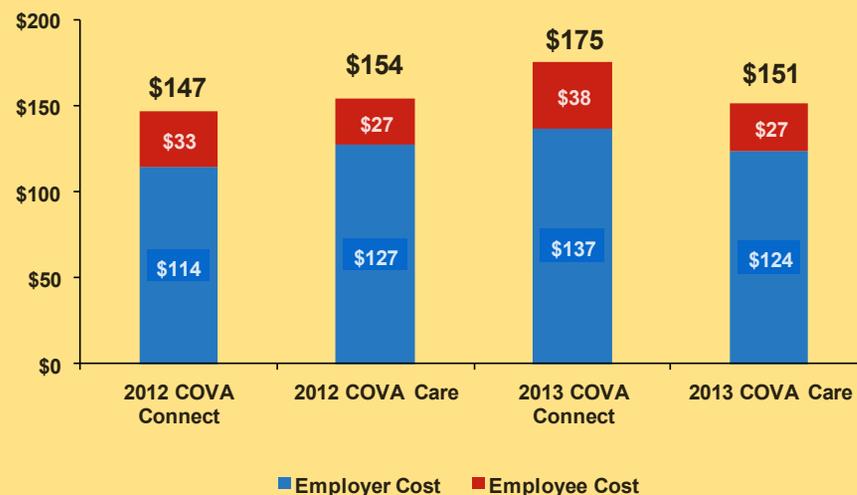


About 7 percent of those enrolled in the health plan have used the behavioral health benefit in the past three years. About 72 percent of those employee claims related to mood and adjustment disorders, such as depression, anxiety and stress; the remainder were for other issues like substance abuse and schizophrenia. Total claims cost decreased slightly to \$11.3 million in 2013 from \$11.4 million in 2012. While more members used outpatient services, the cost per member per month (PMPM) declined in 2013 by 3.5 percent, from \$4.98 in 2012 to \$4.81 in 2013. Higher cost members represented 11.4 percent of total claims in 2013 compared to 15.4 percent in 2012. Fifty-eight percent of claims expense was for outpatient services, 33 percent for inpatient treatment, and 9 percent for alternative levels of care. Employee cost for services has declined since 2010, when the copayment for non-medical specialists, such as psychologists, was reduced to \$25 from \$35.

The new Applied Behavior Analysis (ABA) benefit for autism spectrum disorder for children ages 2 through 6 cost about \$107,000 in claims for 2013. Although costs were low, providers were not certified until the latter part of the plan year.

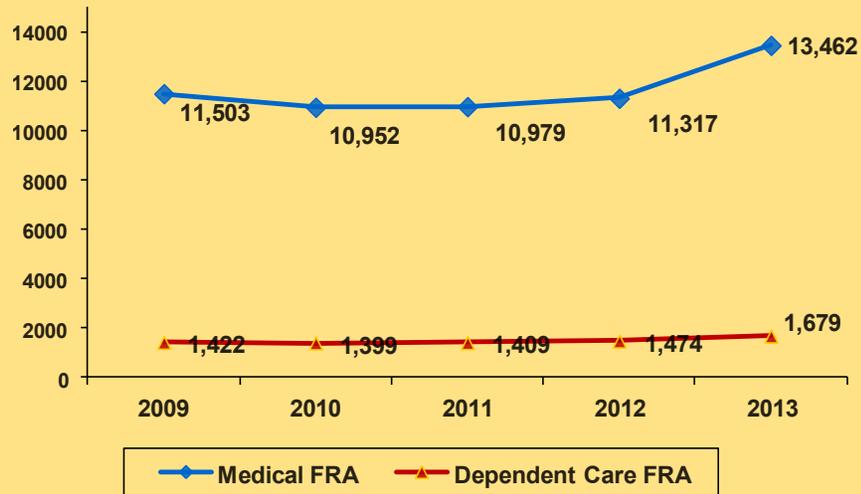
The Employee Assistance Program (EAP) handled about 4,300 total cases in 2013, down 4.5 percent from 4,500 cases in 2012. The annualized 4.9 percent utilization rate in 2013 remained above the 4.4 percent national utilization rate, even though it dropped 3.9 percent from the previous year's 5.1 percent rate. Of members who used the EAP, 79 percent sought services for the top five assessed problems: relationship and adjustment disorder concerns, and issues relating to family, depression and anxiety. Use of legal and financial services increased 1.4 percent to 441 cases from 435 the year before due in part to domestic relations issues. Fewer cases were related to debt management and bankruptcy than in the past two years.

Behavioral Health Cost Per Employee Per Plan
COVA Care and COVA Connect



Flexible Spending Accounts (FSAs)

Total FRA Participation



Flexible spending accounts (FSAs) allow employees to set aside part of their income before taxes to pay for certain health or day care expenses not covered by the plan. Health FSAs may be used for non-covered eligible health care expenses, while Dependent Care FSAs may be used to pay eligible costs for day care. While FSA participation has been relatively stable in past years, employee interest in these accounts grew significantly in 2013. The number of Health FSAs increased 19 percent, and Dependent Care FSAs were up 14 percent for the year.

The growth in FSAs was due in part to more communications from the health benefits program during Open Enrollment combined with program enhancements. Based on clarification of federal guidance on the Affordable Care Act's Health FSA contribution limit, employees were offered a second chance to enroll in FSAs. This apparently led to increased member awareness and interest in the accounts. A stored value card, similar to a debit card, remained popular for Health FSAs to pay for eligible health care expenses at the point of service. Four times the number of claims were filed online as were submitted by paper. The lower account use in earlier years was due partially to an administrative fee reinstated during 2010 to make up for elimination of other program funds.

Medical and Dependent Care FRAs Participation



Email Rate

HC FSA:
92.86%
DC FSA:
98.56%



Direct Deposit

HC FSA:
49.05%
DC FSA:
53.80%



Claims & CUV Usage*

Online:
36,117
Paper:
9,718



EZ Receipt Activity**

HC Claims:
4,449
DC Claims:
720
CUV:
5,705



Top Call Drivers

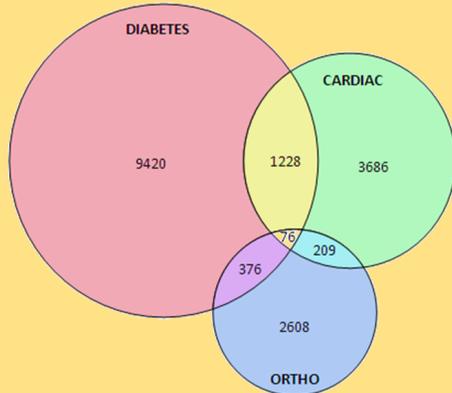
Card:
6,070
Claims:
1,354
Other:
852

*Card use verification required for some health FSA claims. **The new mobile application introduced in 2013.

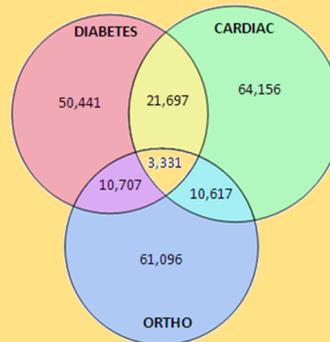
Cost Drivers: The Health Plan "Top 10"

Top Major Conditions: Multiple Chronic Conditions

CONDITION PREVALENCE IN ALL MEMBERSHIP



CONDITION COST IN ALL MEMBERSHIP (paid dollars in thousands)



In FY 2013, 10% of members had these conditions and accounted for 35% of medical expenses. While members with diabetes were the largest group, they had the lowest total cost of care.

"Top Ten" Claims Expense

Medical Procedures	Chronic Conditions	Prescription Drugs
<ol style="list-style-type: none"> 1. <i>Musculoskeletal</i> 2. <i>V-Codes—health services not classified as disease or injury</i> 3. <i>Neoplasms—tumors</i> 4. <i>Circulatory</i> 5. <i>Ill-defined symptoms- undetermined causes</i> 6. <i>Digestive</i> 7. <i>Genitourinary</i> 8. <i>Nervous system/sense organs</i> 9. <i>Accidental injury</i> 10. <i>Respiratory</i> 	<ol style="list-style-type: none"> 1. <i>Coronary artery disease</i> 2. <i>Breast cancer</i> 3. <i>Cerebrovascular disease</i> 4. <i>Diabetes</i> 5. <i>Hypertension</i> 6. <i>Obesity</i> 7. <i>Lung cancer</i> 8. <i>Skin cancer</i> 9. <i>Oral cancer</i> 10. <i>Substance abuse</i> 	<ol style="list-style-type: none"> 1. <i>Nexium-stomach acid</i> 2. <i>Humira-rheumatoid arthritis</i> 3. <i>Enbrel-rheumatoid arthritis</i> 4. <i>Crestor-high cholesterol</i> 5. <i>Cymbalta -depression</i> 6. <i>Montelukast Sodium - asthma/COPD</i> 7. <i>Ambilify-depression</i> 8. <i>Copaxone-multiple sclerosis</i> 9. <i>Advair Diskus-asthma/COPD</i> 10. <i>Escitalopram Oxalate-depression</i>
53.5% of All Claims Expense	5.3% of All Claims Expense	5.0% of All Claims Expense

Note: These areas may not be mutually exclusive

Expensive procedures, treatment of chronic conditions and the cost of prescription drug therapy continue to have a major impact on the state program. Other significant cost drivers relate to employee lifestyle, including smoking, level of physical activity and a high percentage of members who are overweight. Another factor is the average state employee age, which remains higher than the norm for other employers.

About \$619 million, or 64 percent, of state plan expenses during 2013 came from claims for the top ten medical procedures, chronic conditions and prescription drugs. Total expense in these areas increased 4.8 percent from the previous year, in part because of increased cost for medical procedures. High in the top 10 were conditions that correlate with heart attack and stroke, like cerebrovascular and coronary artery disease, circulatory disorders and hypertension. Many of these conditions are also identified with being overweight: diabetes, coronary artery disease, hypertension, musculoskeletal and digestive disorders.

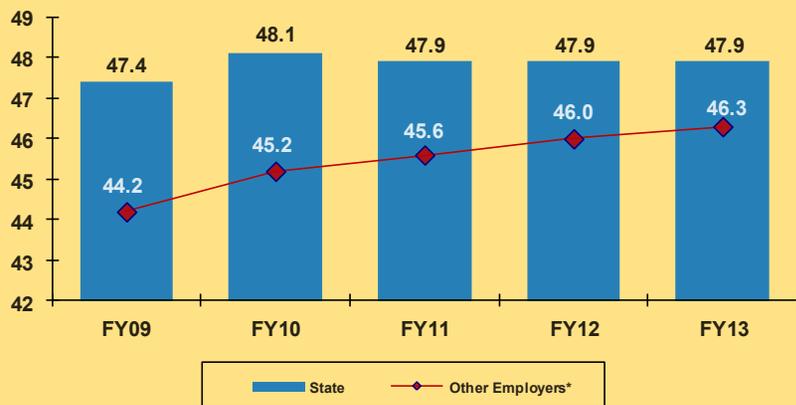
Three of the top four medical conditions occurring among state employees are related to lifestyle. Smoking and overeating contribute to diabetes, heart disease, arthritis and other musculoskeletal issues. Treatment for diabetes, cardiac and orthopedic conditions cost the state program more than \$222 million in 2013. About 50 percent of members were treated in the categories of endocrinology, cardiology and orthopedics, which cost \$171 million compared to \$162 million in 2012.

Of the members treated for diabetes, cardiac and orthopedic conditions, 54 percent received diabetic services in 2013. The state program has launched a diabetes management initiative with participation incentives to help diabetics better manage their health. Diabetic members are given certain diabetes drugs and supplies at no cost when they meet specific compliance requirements. By the end of FY 2013, 3,626 or 72 percent of COVA Care high risk members were participating, 64 percent of those were engaged with the program and 22 percent had met their individual goals.

The state program also is helping members address potential health issues identified through claims. Communications mailed to about 48,000 eligible Anthem members alerted them to clinical care recommendations based on claims data. By the end of 2013, compliance with medications, drug regimen, wellness, screenings and other measures had improved for 39 percent of those identified.

Cost Drivers: An Aging Population

Average State Employee Age



*Employers with Anthem and Optima Health

State employees on average are older than their counterparts in the private sector. According to the American Medical Association, many diseases correlate with an aging population. As people age, they are more likely to develop chronic conditions such as high cholesterol, high blood pressure, heart disease and diabetes.

An age gap continued in 2013 between the state workforce enrolled in the health benefits program, with an average age of 47.9, and employees at other employers, whose average age was 46.3. Employees in COVA Connect had an average age of 48.6, or almost one year older than those in COVA Care, at 47.9. Those over the age of 50 represented 34 percent of COVA Care and 40 percent of COVA Connect health plan members in 2013. This age group was responsible for 56 percent of COVA Care and 59 percent of COVA Connect total plan medical expenses.

Medical Expense By Age (Per Member)



Medical Expense by Age (COVA Care Per Member) July 2012 - June 2013

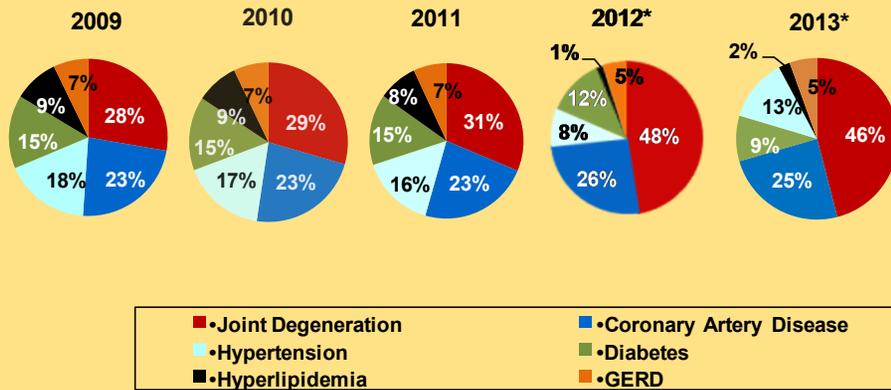


34% of members are over 50 and drive 56% of the expense

	<1	1-17	18-29	30-39	40-49	50-59	60-64	65+
% Membership	1%	20%	16%	12%	17%	21%	10%	3%
% Expense	2%	8%	9%	10%	15%	27%	20%	9%

Lifestyle Influences

Lifestyle Related Claims

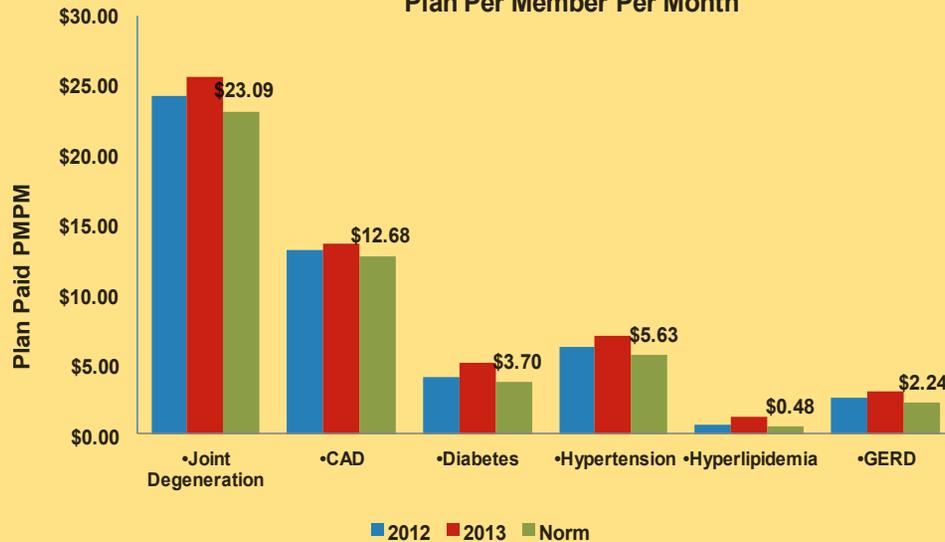


*Reflects change in methodology giving more precise analysis

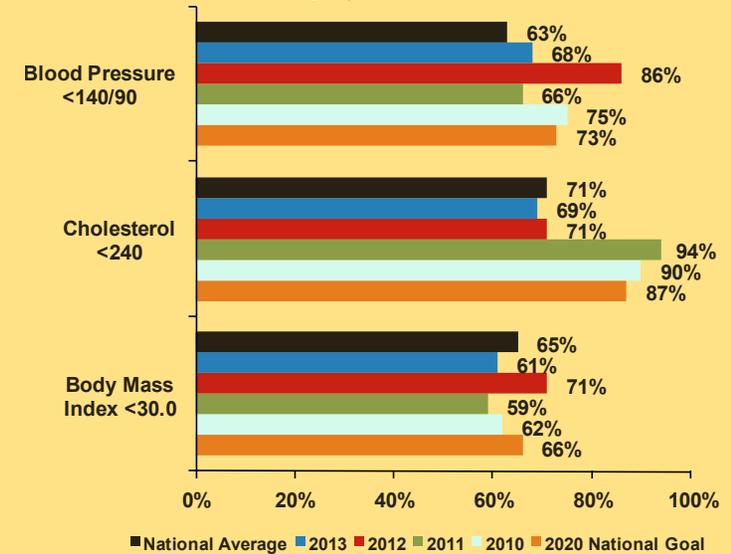
According to the National Institutes of Health, more than two-thirds of American adults and one in three children are overweight or obese. Six conditions that correlate with being overweight represented almost \$154 million or 22% of the state plans' total medical expense in 2013. Of the six conditions, coronary artery disease and joint degeneration accounted for 71 percent of claims expense.

About 6,234 employees in 2012 and 6,296 in 2013 took part in health screenings through the CommonHealth wellness program. The group was better than the national average in normal blood pressure levels and nearly met the national average for normal cholesterol readings. More employees than in the 2013 group were seriously overweight or obese. Among the screened state population in 2013, 39 percent showed a body mass index of 30 or more compared to 29 percent the year before. This year's statistic is 4 percent higher than the national average of 35 percent.

Lifestyle Impact Plan Per Member Per Month



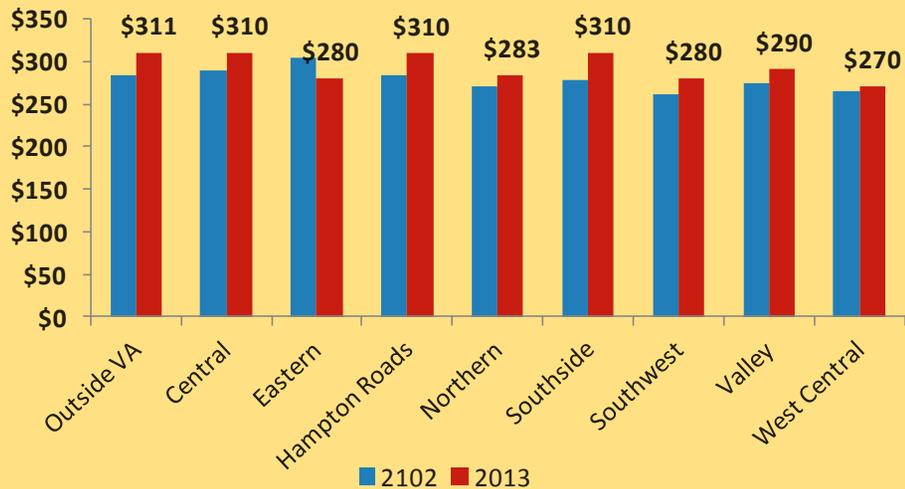
State Employee Health Measures



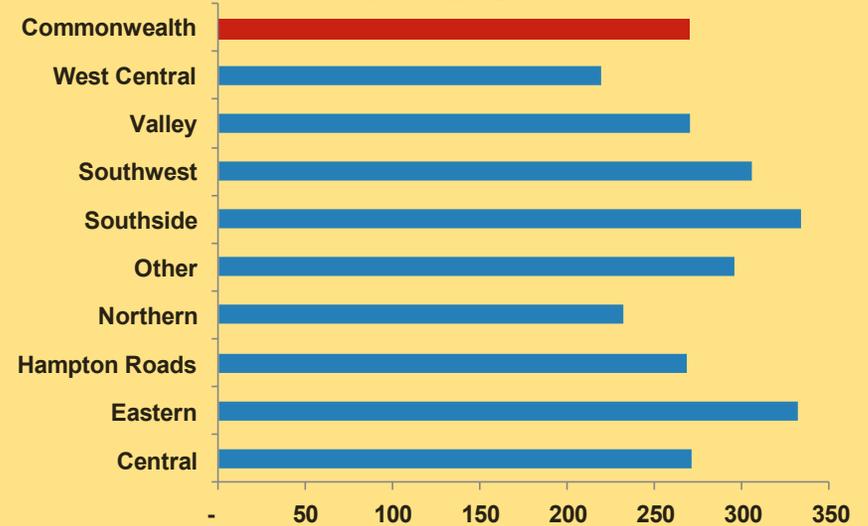
Sources: CommonHealth biennial health checks of select employee groups and Healthy

Regional Differences

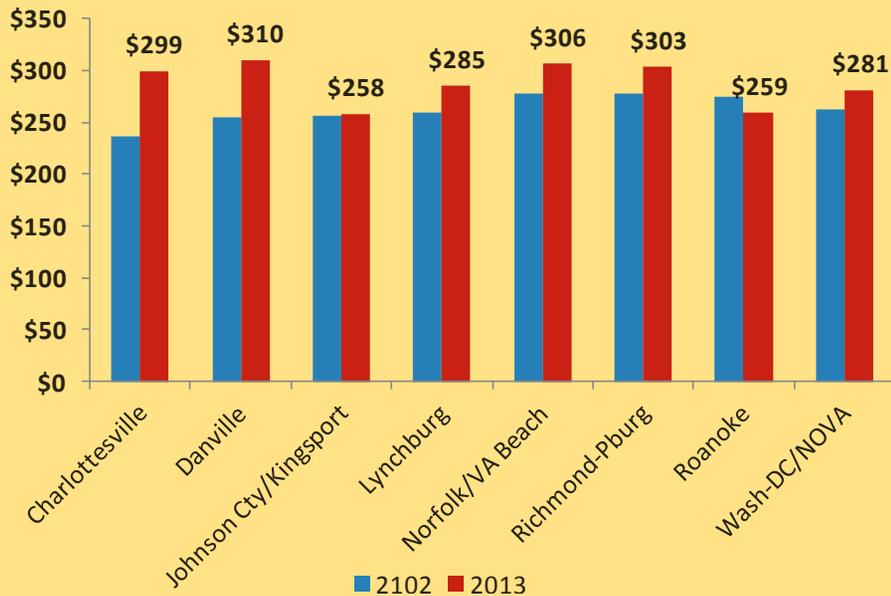
COVA Care Medical Cost By Region
Per Member Per Month



2013 COVA Care ER Visits By Region
Per 1000 Members



COVA Care Medical Cost By MSA
Per Member Per Month



Health benefits cost and services vary by regions of the state. For example, COVA Care medical expense per member per month (PMPM) in 2013 was 20 percent higher in the Danville metropolitan statistical area (MSA) than in Johnson City/Kingsport, Tenn. on the state line. Costs may also vary significantly from year to year by region. Charlottesville's medical cost PMPM for 2013 was 21 percent higher than the previous year, while Danville's expenses were about 24 percent more than for 2012. The health benefits program is working to control future regional expenses by targeting employee programs and communications to areas with higher medical costs and use of services.

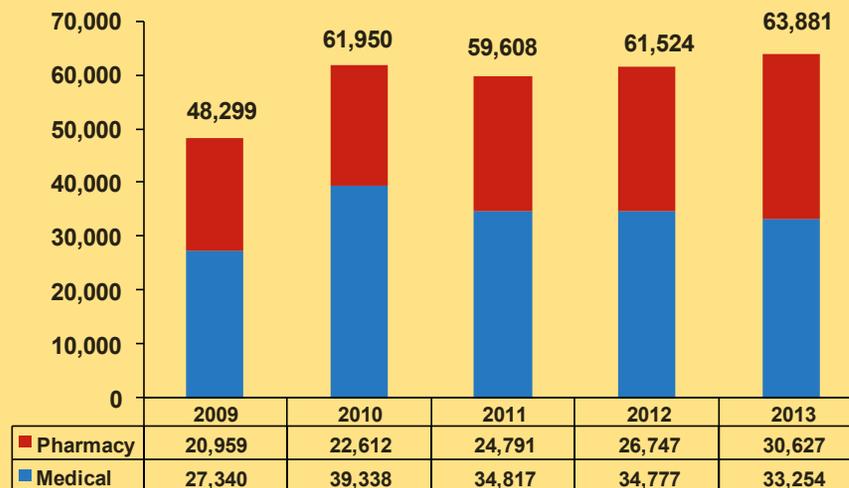
In terms of services, the health benefits program focuses on areas with higher expense trends across the Commonwealth. Use of the emergency room is one example. In 2013, COVA Care members as a whole had approximately 270 emergency room (ER) visits per thousand members. When the state is divided by regions, the differences in number of cases become apparent. For instance, Southside Virginia had about 24 percent more emergency room cases than the state did as a whole. On the other hand, the West Central region had about 19 percent fewer emergency room cases than the Commonwealth overall. The program can communicate more frequently to Southside Virginia members that using the emergency room will cost them more than visiting an urgent care center for non-emergency treatment. A communications campaign is planned for FY 2014 to help members get treatment at the right place and using the right level of care.

Employee Wellness

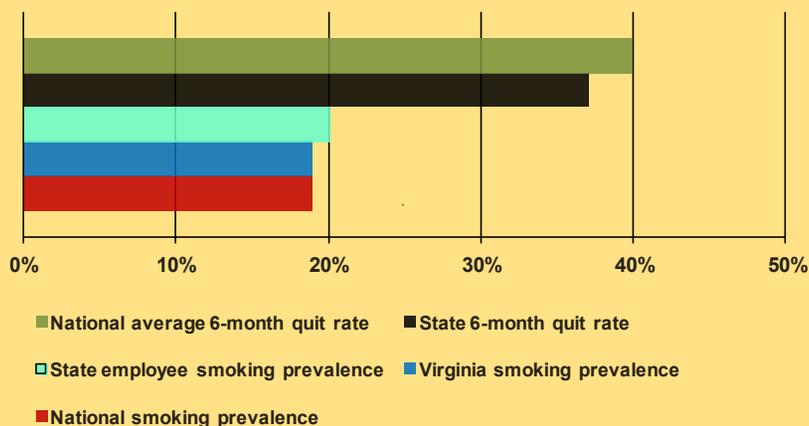
The *CommonHealth* employee wellness program demonstrates the Commonwealth's commitment to help its employees lead healthier lives. Directed by employees within the Department of Human Resource Management, the program promotes healthy employee lifestyles and encourages integration of health and physical activity into the work culture. Total participation in *CommonHealth* rose 1.7 percent in 2013 to 19.7 percent from 18 percent the prior year. The program focused during the year on the early warning signs of stroke, diabetes awareness and tips on being healthy at any age.

Getting a flu shot is one of the best ways to stay healthy, and the state program offers free flu shots each year. The number of flu shots in 2013 increased 3.8 percent over 2012, due in part to the option of bringing pharmacy representatives to the workplace to administer the shots. Enrollment in the "Quit for Life" smoking cessation program was 1.1 percent of the eligible smoking population in 2013 compared to a 0.37 percent rate the year before, and is well within the national norm of 0.31 percent to 1.55 percent of the total eligible population. The state's quit rate in 2012 was 37 percent compared to 39 percent in 2012, within the national norm of 38 to 41 percent. In addition, approximately 1,900 prescriptions for smoking cessation drugs were filled through the state health plan.

Total Flu Shots
State Health Plan Members

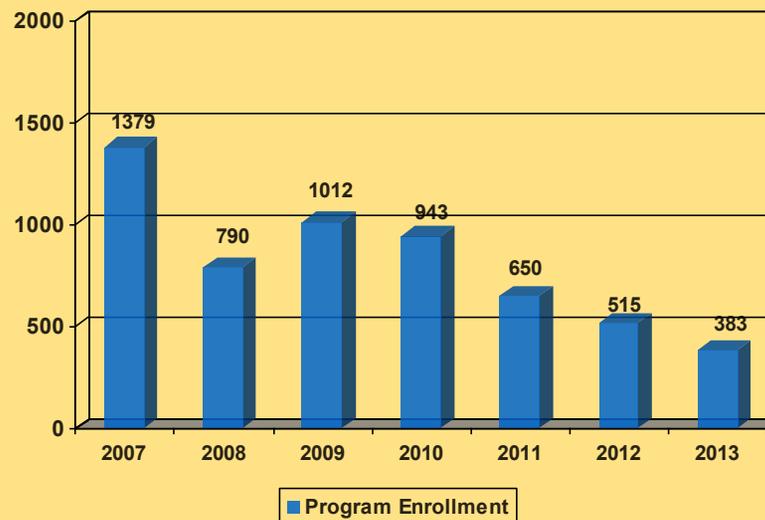


Smoking Prevalence and Quit Rates



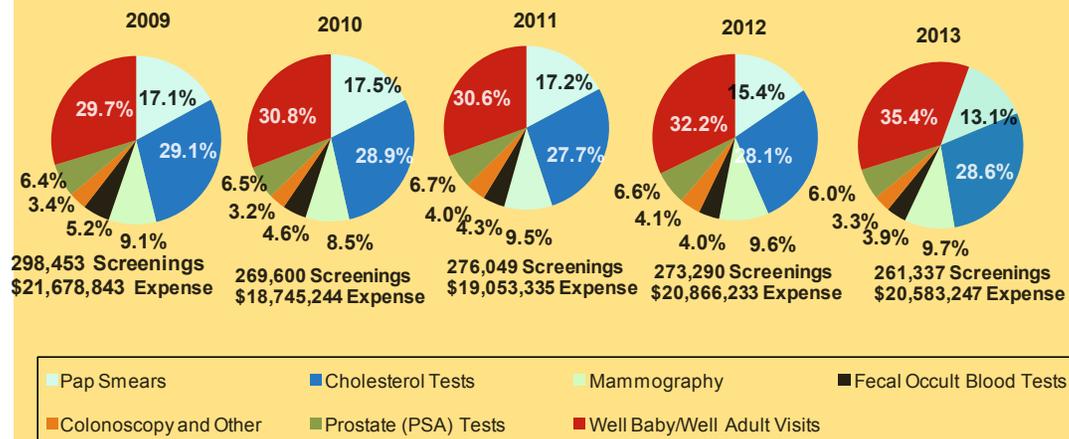
Source: Free and Clear smoking cessation program, Centers for Disease Control and published literature

CommonHealth Smoking Cessation

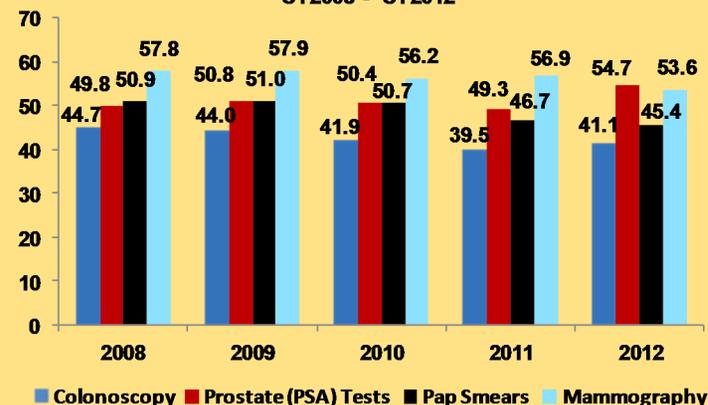


Preventive Care

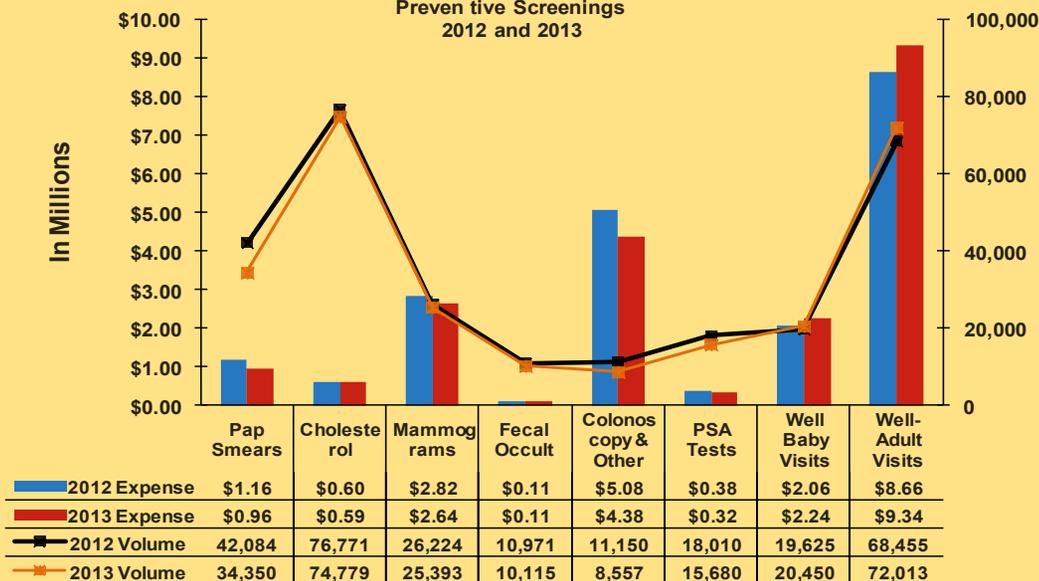
Preventive Screening Volume



Average Compliance Rates (Percentages) Selected Preventive Screenings CY2008 - CY2012



Preventive Screenings 2012 and 2013



In 2013, the Commonwealth continued to provide annual wellness visits and preventive care screenings at no cost to members. Annual physicals, mammograms, and prostate specific antigen (PSA) tests are examples of services in these categories. The plan also paid 100 percent for additional preventive care measures required under ACA, such as immunizations and screenings for diabetes, aortic aneurysm and cholesterol.

Outpatient wellness visits and preventive screenings in 2013 were about 3 percent of total medical expenses, in line with the previous two years. Baby and adult wellness checkups and cholesterol tests represented 64 percent of total screening volume, compared to 60 percent in 2012. About 29 percent of preventive care screenings in 2013 were pap smears, mammograms and PSA tests, down slightly from one third of all screenings in 2012.

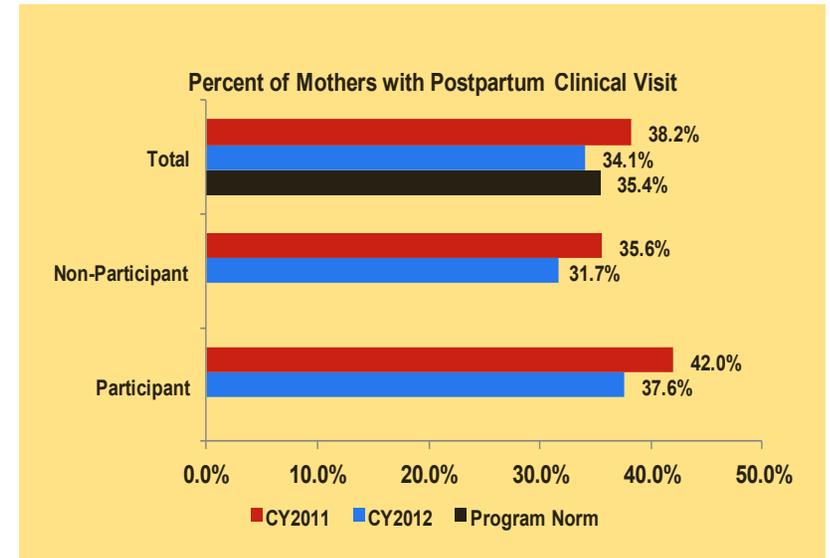
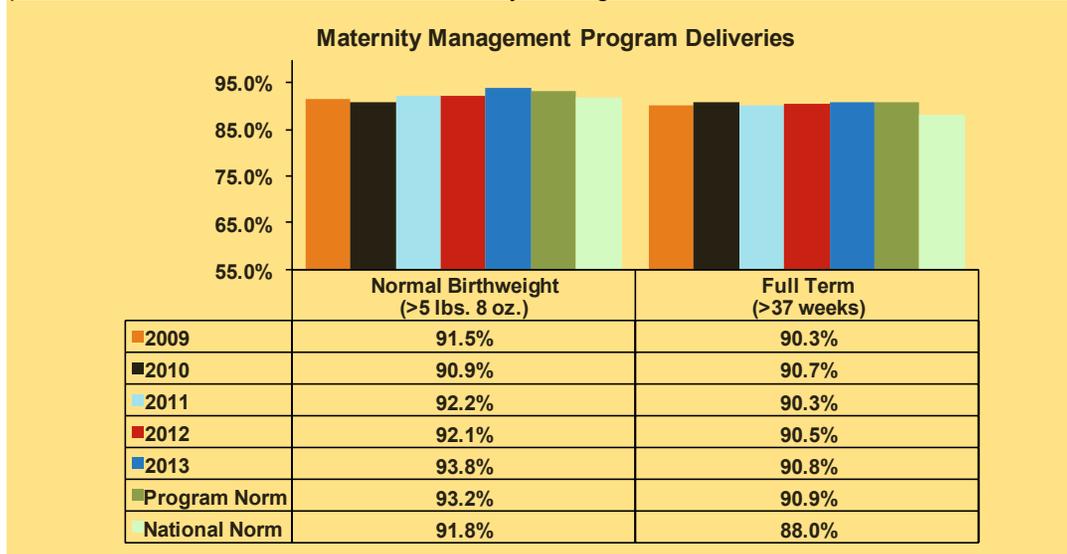
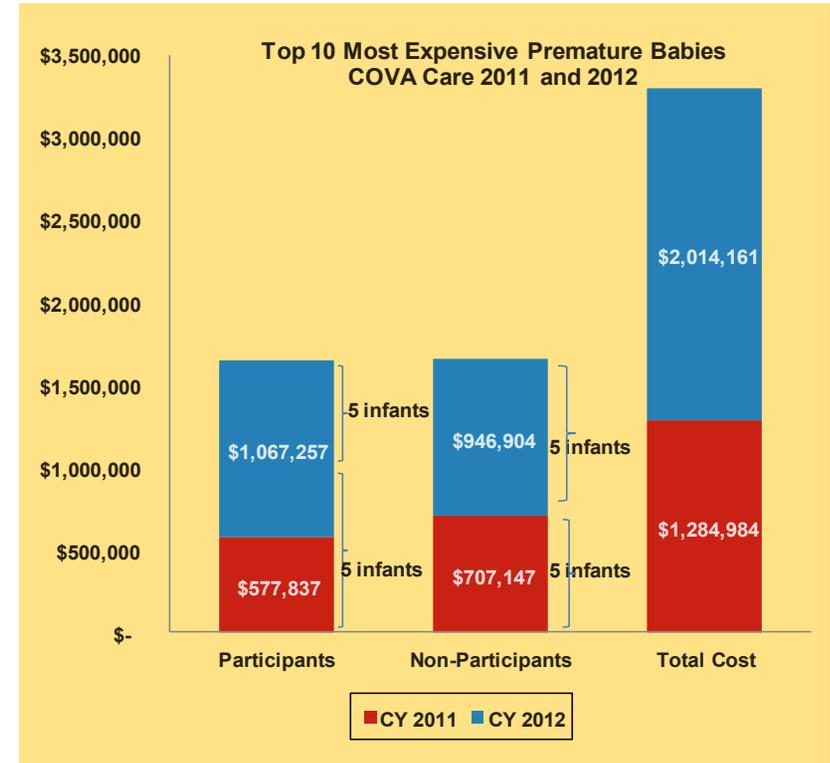
The average screening compliance rate was highest in 2013 for prostate (PSA) tests at 54.7 percent, followed by mammography at 53.6 percent of women in the applicable population. The state health benefits program continues to evaluate screening compliance and consider ways to increase preventive screenings.

Maternity Management

Approximately 1,500 state plan members delivered babies during 2013. Forty-three percent of those women participated in the maternity management program, offered to members at no additional cost to help expectant mothers deliver healthy babies. Much of the participation in this program is attributed to an incentive that waives the maternity inpatient copayment for participants who complete the program requirements. An average of 91 percent of participants reported full-term deliveries (>=37 weeks) and normal birth weight (>=2500 grams) infants. About 79 percent registered in the first trimester, compared to Anthem's book of business norm of 60 percent.

According to the March of Dimes, about one in every 12 babies in the United States, including Virginia, is born with low birth weight. This plays a major role in a child's overall lifetime health. Special prenatal care during pregnancy can prevent premature birth. Premature babies require expensive medical care at birth and over their lifetimes. There were a third fewer premature births among plan members in the 2013 fiscal year, 86 compared to 129 in 2012, yet the claims cost was higher at more than \$4 million compared to \$3 million the prior year. The three most expensive premature infants had claims costs in excess of \$315,000 each. Even though a higher number of women with pregnancy complications were in the program, participants delivered fewer low birth weight infants than non-participants, 3.4 percent compared to 5.2 percent for non-participants. The program norm was 4.4 percent.

About 38 percent of maternity management participants in 2013 were considered at high risk for pregnancy complications, with weight management the most common risk factor. Participants were much more likely to follow up on their health after pregnancy. In calendar year 2012, 37.6 percent of participants had a postpartum clinical visit compared to 31.7 percent of mothers not enrolled in maternity management.



Public Private Education Act (PPEA) Partnership

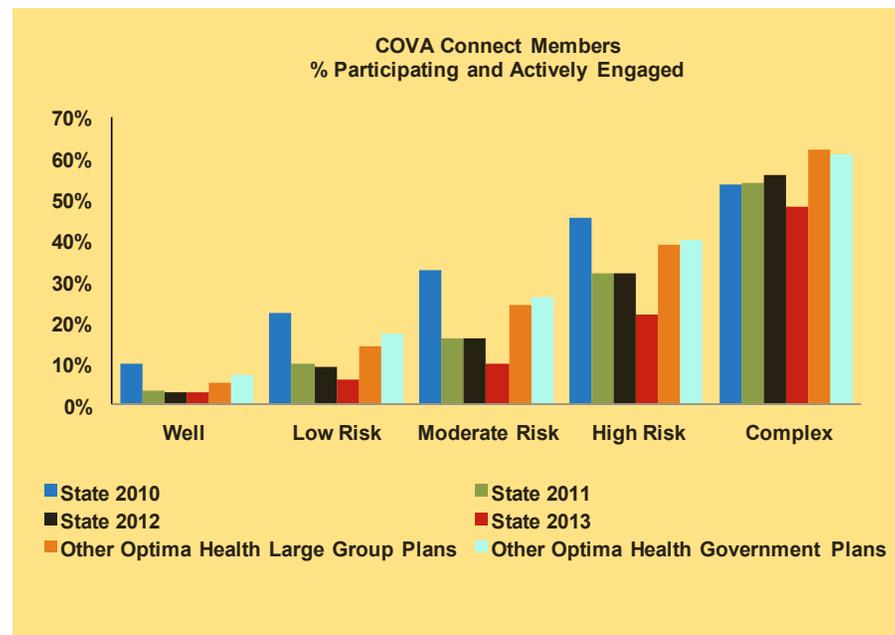
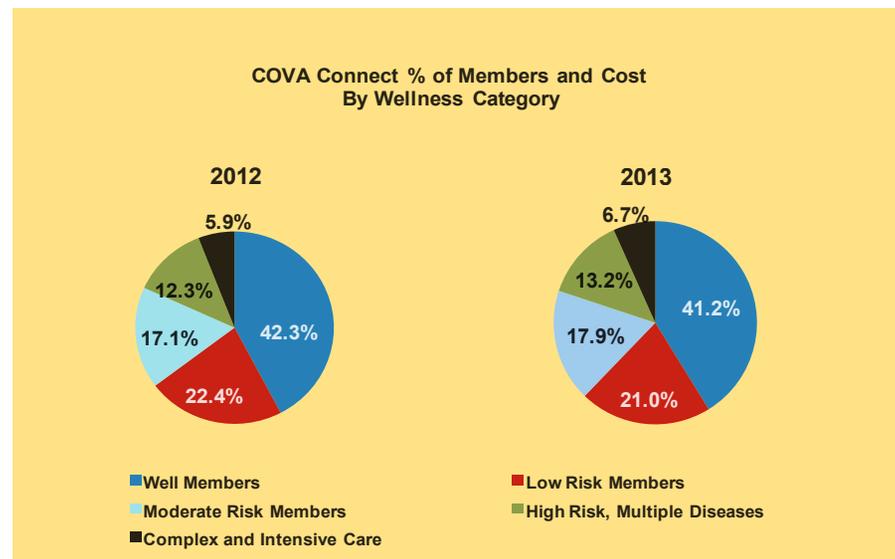
In 2013, the Department of Human Resource Management continued the COVA Connect program under the Public Private Education Act (PPEA), passed by the General Assembly over 10 years ago to encourage public-private partnerships in order to increase government efficiency. Optima Health has administered the program, which was offered statewide in 2013 rather than only for specific Hampton Roads area zip codes. Its aim has been to develop a healthier state workforce by integrating multiple aspects of health care management, such as the latest technology, health advocacy and one-stop customer service.

As part of the PPEA, a COVA Connect group health profile was created in FY 2010. The profile evaluated the health of the population as a whole and stratified members into risk categories. For FY 2013, the well member group declined to 41.2 percent of the COVA Connect population, 3.9 percent lower than Optima Health's municipal employer plans. The change in eligibility criteria due to the statewide availability of COVA Connect in 2013 may have impacted the results. The members at the greatest risk for illness made up almost 79 percent of COVA Connect's costs, 4 percent higher than Optima's book of business. The predominant risks for the COVA Connect population continued to be cardiac illness, diabetes and respiratory disease. The state program and Optima Health have worked to help members have better health outcomes.

About 48 percent of the 6.7 percent of members in the complex category were actively engaged with a health coach to assist them with health improvement, focusing on areas such as exercise, nutrition and smoking cessation. This engagement rate has been defined as at least two successful contacts with the member. The state plan's rate in 2013 was lower than the 61 to 62 percent rate of other Optima Health large group and government plans.

All members were contacted by a clinical advocate to help them manage their health care. Among those identified with chronic conditions, the percentage of compliance with medication standards was the highest for diabetes at 53.9 percent, 5.1 percent higher than in 2012. The higher rate was due in part to the diabetes management incentive introduced in 2013 to help improve health outcomes. Approximately 85 percent of members in the program were compliant with blood glucose tests and 35 percent took the proper medications, up from the comparable rates of 82 percent and 25 percent the year before.

About 2,000 members were actively engaged in disease management during 2013, or 29 percent fewer than the 2,800 in 2012. While the COVA Connect plan had about 16 percent fewer members in 2013 than during the prior year, the engagement rate may also have been impacted by member recognition that the program would no longer be administered by Optima Health in FY 2014.



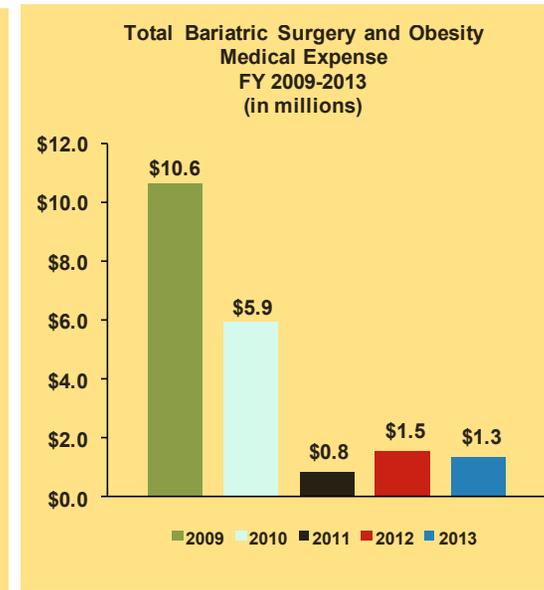
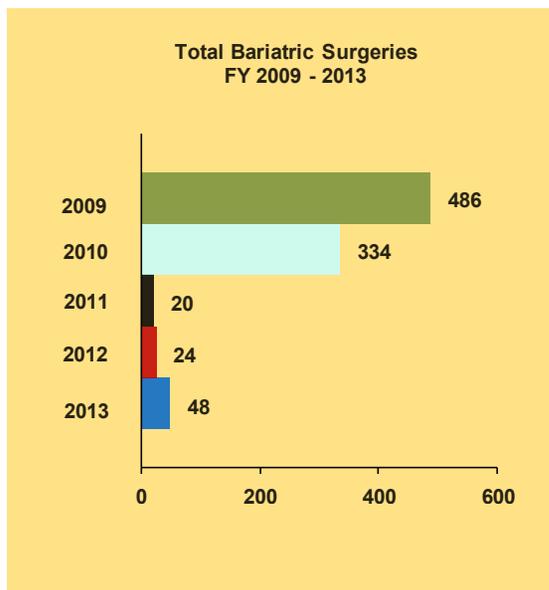
Education Program for Bariatric Surgery

The Commonwealth continues to attract national attention for its bariatric surgery education program. A proposal was made during the 2009 legislative session as part of plan funding issues to eliminate coverage for bariatric surgery. As an alternative, the General Assembly agreed to a new progressive weight management program. A 12-month pre-surgery pilot program was launched in February 2010 and the program continued in fiscal year 2013. Claims expense for this type of surgery, including traditional bariatric surgical procedures, gastric bypass and lap band surgery, had grown to \$10.6 million by FY 2009. Costs were projected at \$12 million by the end of the 2011 plan year. The pilot's goals were to improve these patients' chances for successful surgery and to prepare them for the lifestyle changes associated with having the procedure.

The program addresses the challenges that some patients face of losing weight and then gaining it back, and for the health plan in increased cost for surgery that may achieve only short-term weight reduction. It includes prior medical authorization for the surgery and participation in a disease management program. In addition, weight management, nutritional counseling, and personalized coaching and support services are provided through the behavioral health benefit. If surgery is approved, the program offers continued support after surgery to ensure the best possible health outcomes. As a bonus, participants who have the surgery pay no inpatient or outpatient hospital copayment.

From FY2008 to FY2010, there were 1,389 bariatric surgery cases. By June 2010, 58 plan members were participating in the pilot program. A total of 401 members have participated on a rolling basis since inception. About 88 percent have lost weight, and many have experienced lifestyle changes and better health.

After 75 days in the program, there is a statistically significant, positive correlation between the length of member engagement and the decrease in a participant's BMI. Many participants without large weight loss are becoming aware of their relationship with food and what needs to change. Facilitation by weight management coaches has addressed topics such as behavior change, healthy eating and movement. The number of bariatric surgery cases has declined by 90.1 percent, from 486 in FY 2009 to 48 in FY 2013. Since the program started, overall bariatric surgery claims and other claims cost have declined from \$10.6 million in 2009 to \$1.3 million in 2013.



Lifestyle Changes

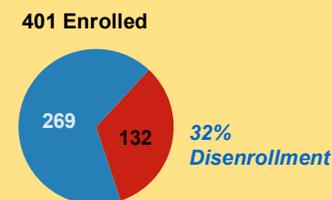
- Improved nutrition: 87%
- Smaller food portions: 87%
- Better beverage choices: 83%
- More health care engagement: 75%
- More positive coping skills: 74%
- Increased activity/exercise: 72%
- Increased confidence: 71%
- Stopped smoking: 8%

Health Condition Improvements

- Blood Pressure: 46%
- Diabetes: 44%
- High Cholesterol: 23%

*All results from most recent post 12-month survey

Bariatric Surgery Education Program Enrollment FY 2010 - 2013



Reasons for Disenrollment:

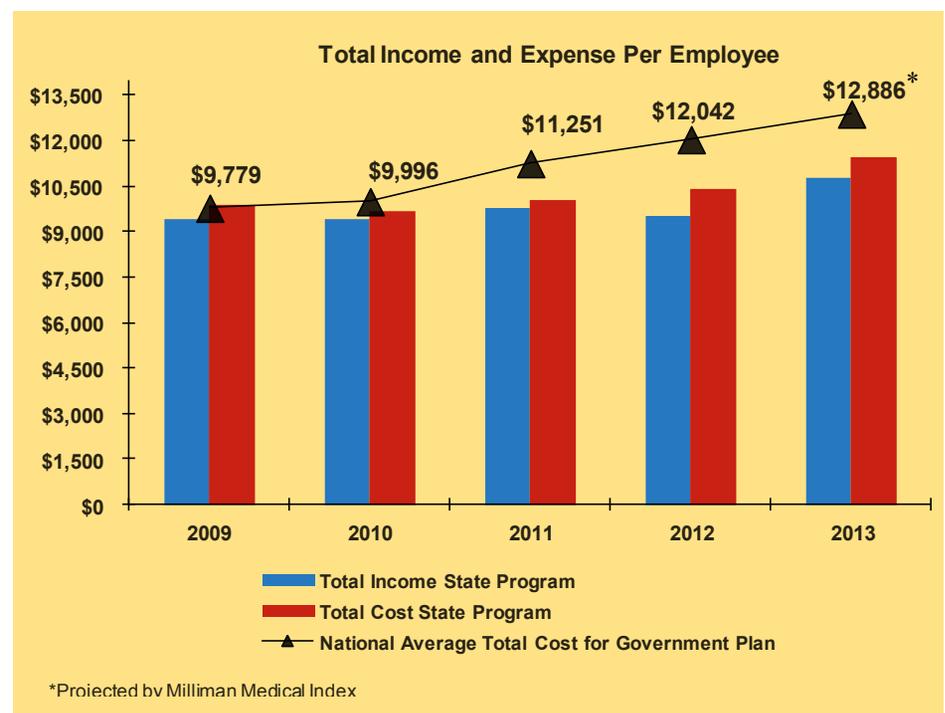
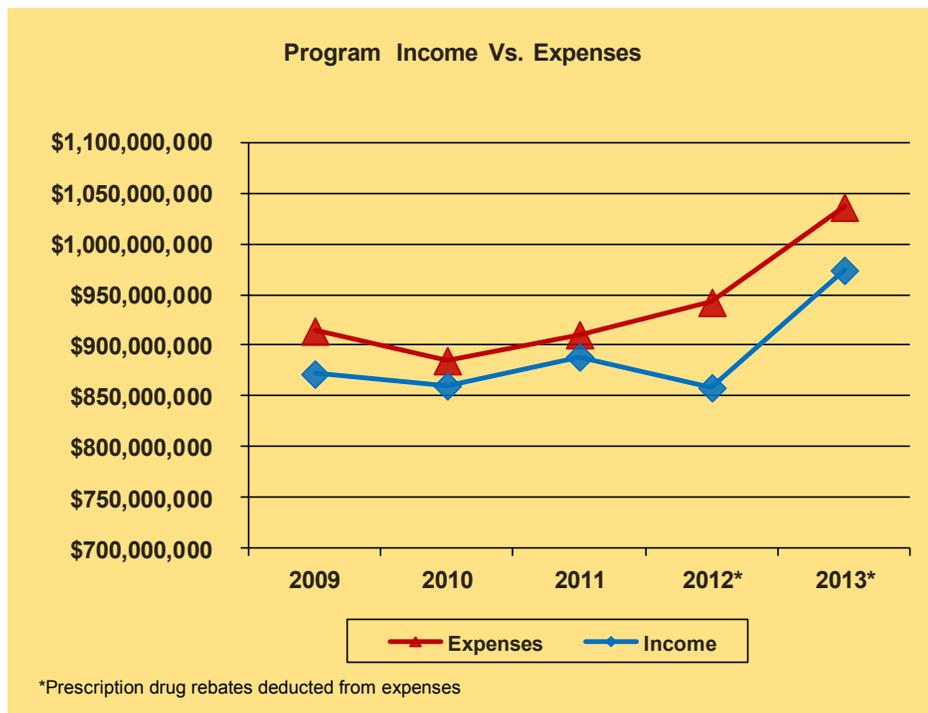
- No longer wanted surgery
- Losing weight on their own
- Rethought commitment
- Program too long
- Eligibility change
- Transitioning to a new coach

Operating Statement

PROGRAM TOTAL	FISCAL YEAR 2009	FISCAL YEAR 2010	FISCAL YEAR 2011	FISCAL YEAR 2012	FISCAL YEAR 2013
Annual Income <i>(Premiums, Interest, Other)</i>	\$871,914,528	\$860,279,484	\$888,755,794	\$858,355,689	\$974,121,189
Annual Expenses <i>(Claims, Contract Administration, Other)</i>	\$914,296,899	\$885,109,068	\$910,706,267	\$942,600,413*	\$1,036,411,426*
Income Less Expenses	(\$42,382,371)	(\$24,829,584)	(\$21,950,473)	(\$84,244,724)	(\$62,290,237)
				*Prescription drug rebates deducted	*Prescription drug rebates deducted

Premiums provided 99.9 percent of the health program's income, and claims payments represented 94 percent of expenses in 2013. Other revenue included interest from the Early Retiree Reinsurance Program (ERRP) under the federal ACA. This program reimburses employer health plans for certain early retiree and family member health care costs, and was used by the Commonwealth to reduce health care cost trend. The other expense category included the cost of contract administration.

Cost containment measures combined with less than expected program expense led to program surpluses from 2005-2008. Since 2009, premiums have been artificially held low, resulting in deficits. The program used its reserves to fund premium subsidies during tight budget years. Beginning in 2012, prescription drug rebates were deducted from claims expense rather than included as income.



Employee Satisfaction

Input from employees is essential for the health benefits program to measure its progress in improving both the quality and the effectiveness of covered services. Employees' level of satisfaction is measured through periodic surveys. State employees rate specific aspects of their health care. The medical plan satisfaction results are from the standard Healthcare Effectiveness Data and Information Set (HEDIS®) 2012 Consumer Assessment of Healthcare Providers and Systems (CAHPS®) Adult Commercial Survey done in cooperation with the National Committee for Quality Assurance. Other measurements are from the administrator surveys for dental, prescription drug, behavioral health and employee assistance program services. Since the surveys are random, results may vary depending on which members are surveyed and the experience respondents have with their benefits.

Overall satisfaction with the health plan in 2013 increased to 93.9 percent from 89.6 percent in 2012, primarily due to higher overall ratings for medical and behavioral health benefits. COVA Care's medical and prescription drug benefits had the highest rating in 2013, at 97 percent. All employees had the choice of enrolling in the COVA Connect plan in 2013, and those who did were more accepting of the COVA Connect plan's medical and pharmacy benefits. COVA Connect satisfaction increased by 1 percent, from 58 to 59 percent.

