



State Employee Health Insurance

Virginia Department of Human Resource Management

Senate Finance Committee

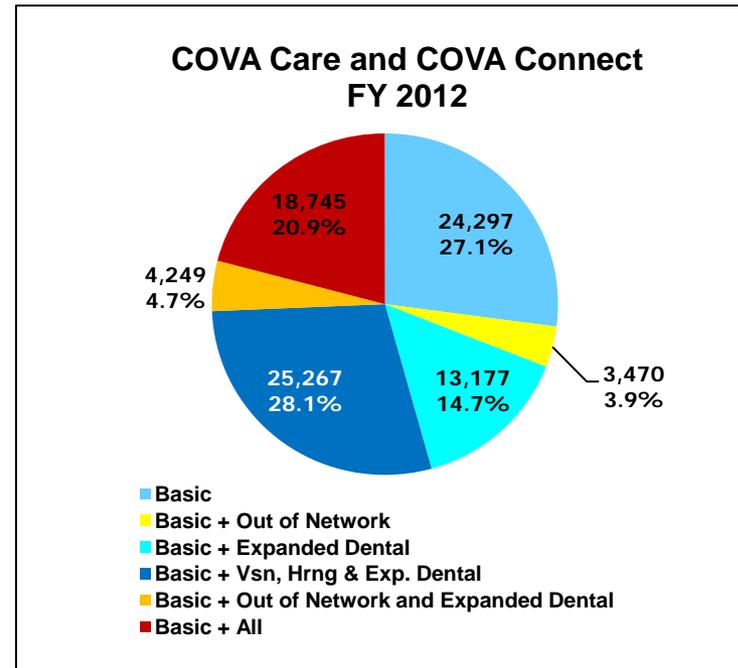
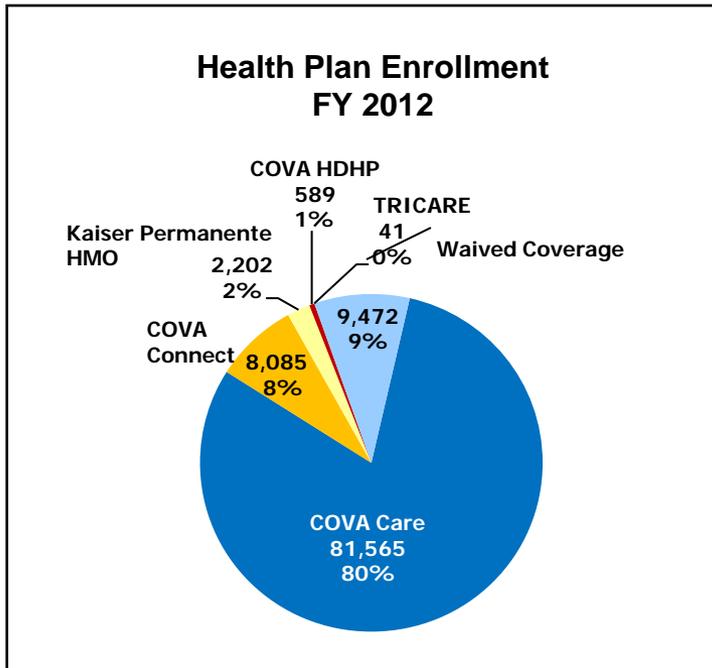
General Assembly Building, Richmond, Virginia

January 16, 2013

FY 2012

Health Plan Enrollment

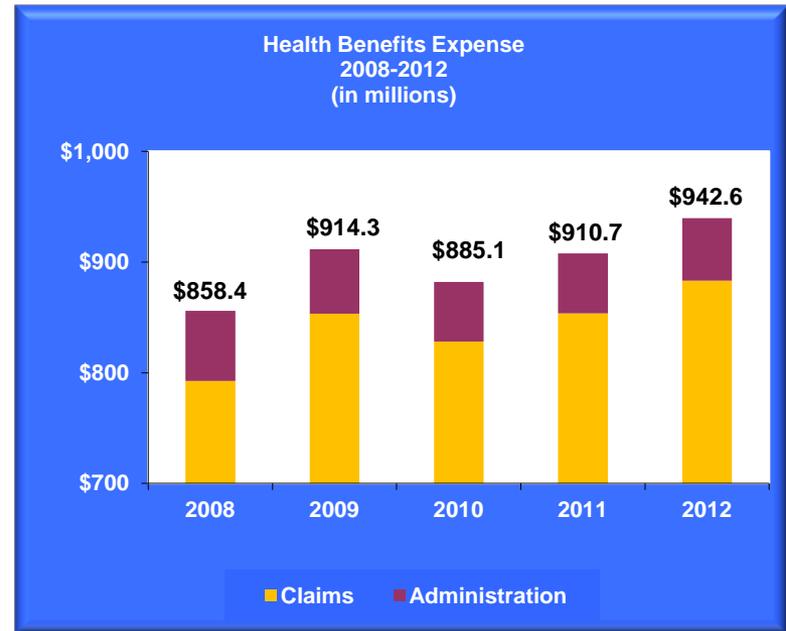
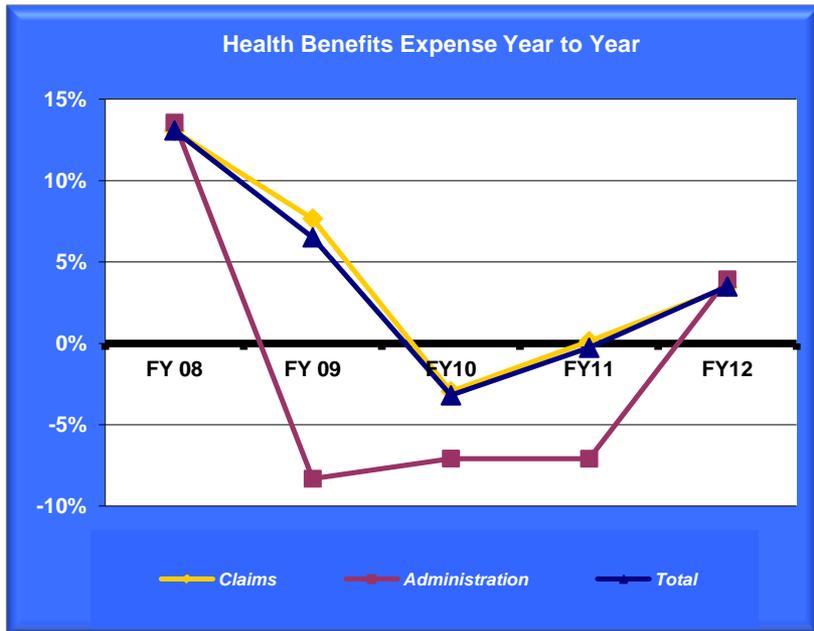
- 101,954 employees eligible for state health benefits
- 92,482 employees enrolled in all plans
- 207,197 members enrolled in all plans



FY 2012

Cost Trends

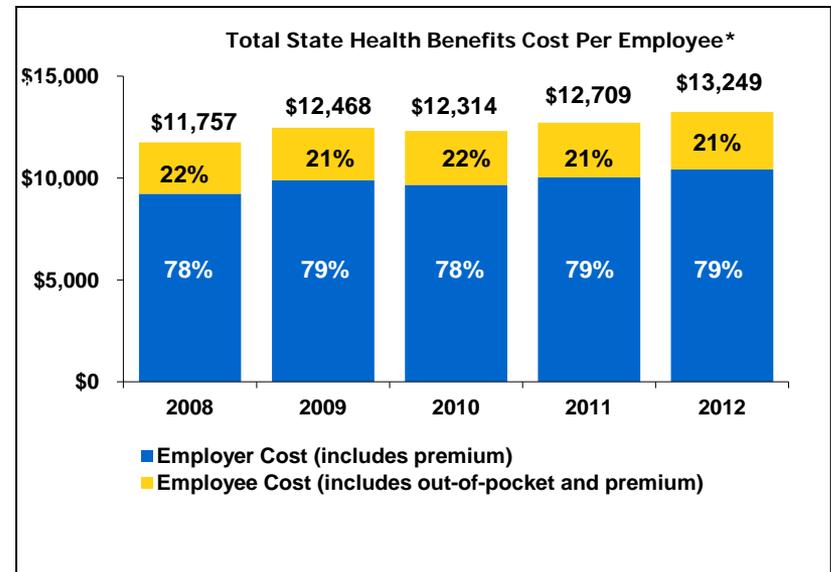
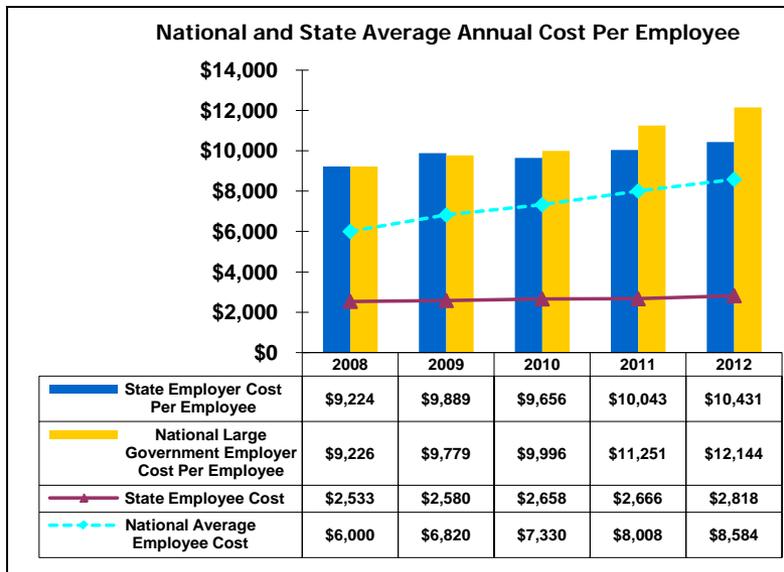
- Total program expense increased 3.5% in FY 12
- \$883.3 million total claims paid in FY 12
- 6.7 million total claims processed



FY 2012

Total Cost Per Employee

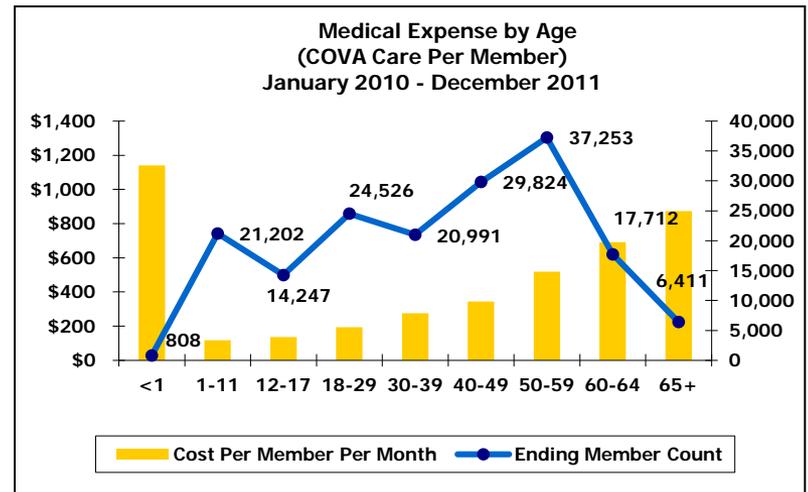
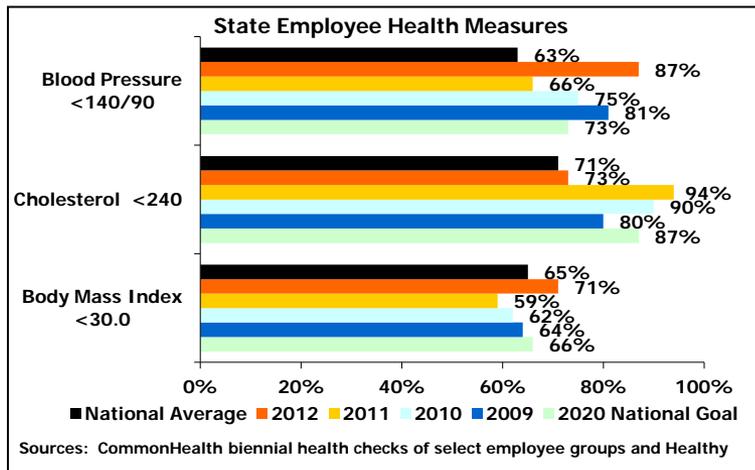
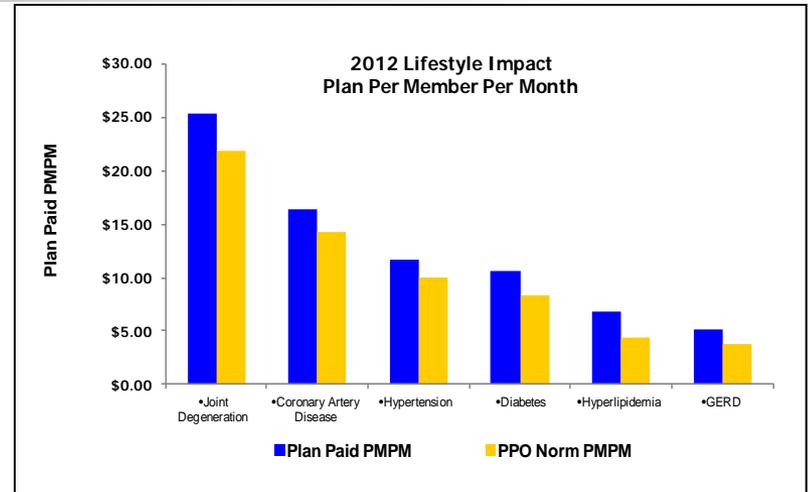
- \$13,249 total cost per employee in FY 12
- 4.2% increase in FY 12 from prior year



FY 2012

Cost Drivers

- Expensive procedures
- Treatment of chronic conditions
- Prescription drug therapy cost
- Employee lifestyle
- Average employee age



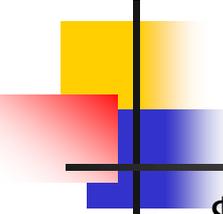
FY 2012

Top Ten Claims Expense

- \$533 million of total plan expense
- 59% of total plan expense
- Obesity related
 - Diabetes
 - Coronary artery disease
 - Hypertension
 - Musculoskeletal disorders
 - Digestive disorders
- High cost specialty drugs required
 - Rheumatoid arthritis
 - Multiple sclerosis

"Top Ten" Claims Expense		
Medical Procedures	Chronic Conditions	Prescription Drugs
1. Musculoskeletal	1. Coronary artery disease	1. <i>Nexium</i> (stomach acid)
2. Neoplasms (tumors)	2. Breast cancer	2. <i>Enbrel</i> (rheumatoid arthritis)
3. V-Codes (health services not classified as disease or injury)	3. Cerebrovascular disease	3. <i>Humira</i> (rheumatoid arthritis)
4. Circulatory	4. Diabetes	4. <i>Crestor</i> (high cholesterol)
5. Ill-defined symptoms (undetermined causes)	5. Hypertension	5. <i>Singulair</i> (asthma/allergy)
6. Digestive	6. Lung cancer	6. <i>Cymbalta</i> (depression)
7. Genitourinary	7. Skin cancer	7. <i>Copaxone</i> (multiple sclerosis)
8. Accidental injury	8. Obesity	8. <i>Atorvastatin Calcium</i> (high cholesterol)
9. Nervous system/sense organs	9. Oral cancer	9. <i>Lipitor</i> (high cholesterol)
10. Respiratory	10. Substance abuse	10. <i>Abilify</i> (depression)
47.3% of All Claims Expense	6.7% of All Claims Expense	5.0% of All Claims Expense

Note: These areas may not be mutually exclusive



Affordable Care Act (ACA)

- \$9.5 million minimum in estimated additional costs
- Reduce annual contribution to Medical Flexible Reimbursement Account from \$5,000 to \$2,500
- Publish electronic Summary of Benefits and Coverage (SBC) for all plans
- Employees working ≥ 30 hours per week on average per year are considered full time employees and eligible for health benefits
 - Applies to all branches of government
 - Several options were considered

OPTIONS FOR EMPLOYEES WORKING 30+ HOURS PER WEEK	Estimated Cost/Penalty
Scenario 1 - All Part-Time Employees work < 30 hours per week on average per year	\$0
Scenario 2 - Provide Basic Benefits to 30+ Hour Part-Timers, including Dependents	\$110 million
Scenario 3 - Provide Basic Benefits to 30+ Hour Part-Timers only, no Dependents	\$61 million
Scenario 4 - Do Not Provide Basic Benefits to 30+ Hour Part-Timers	\$113 million

Health Care Reform

Employees Working 30+ Hours

- Incomplete data to determine impact of 30+ employee rule on health care eligibility

As of June 30,	FTEs	Headcount	30+ Employees
Part-Time Salaried	144	251	69
Wage	18,088.19	37,216	?

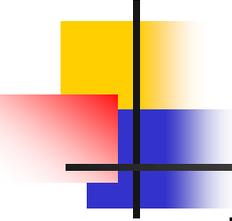
- Sent out a Wage Employment Survey
 - ~ 200 agencies surveyed
 - 158 agencies responded
 - 7,386 wage employees met the 30+ hours criteria
 - Top 10 agencies with 30+ hour employees responding to date

Agency	Number 30+ Wage Employees
VCCS	1,479
VCU	883
ABC	605
NSU	504
DCR	500
CNU	483
VEC	433
W&M	331
DBHDS	317
DMV	200

FY 2014

Procurements

- Self-insured Preferred Provider Organization (PPO)
 - Anthem Blue Cross and Blue Shield (Anthem/Delta Dental/Express Scripts)
- Self-insured Consumer Driven Health Plan (CDHP)
 - Aetna Life Insurance Company
- Self-insured Total Population Health (Wellness Engine)
 - Aetna Life Insurance Company (ActiveHealth)
- Fully-insured regional HMO
 - Kaiser Permanente
- Flexible Spending Accounts
 - Anthem Blue Cross and Blue Shield (Conexis)



Plan Design Changes

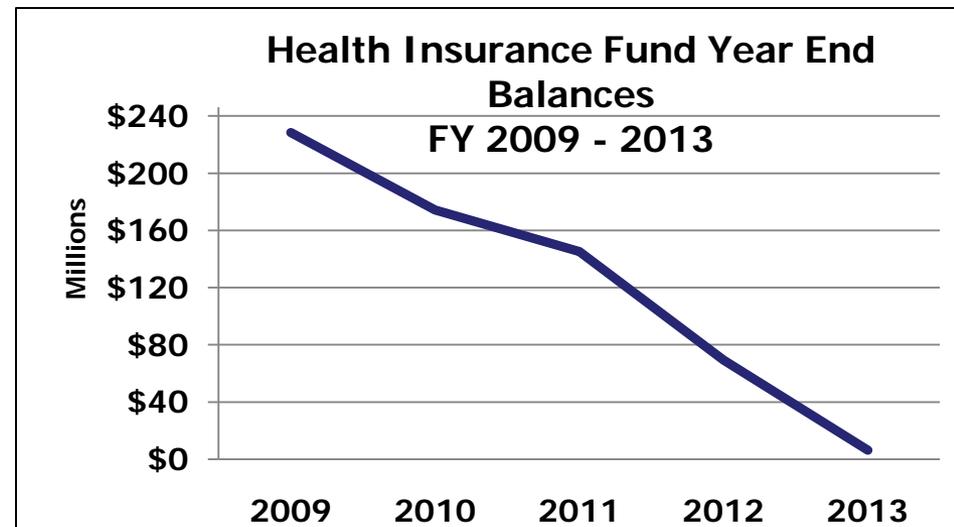
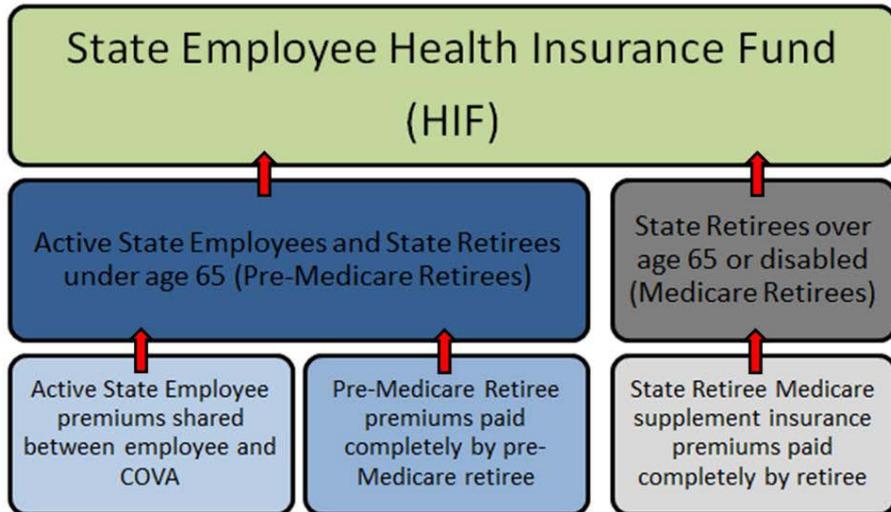
- Increases the Emergency Room Co-pay Change
- Establishes a Retail Maintenance Network

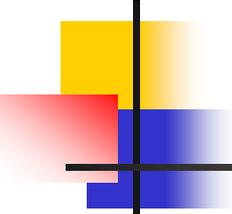
Item	Plan Design	Change	Savings
1	Emergency Room - co-pay	Increase co-pay from \$125 to \$150	\$0.9 million
2	Mandatory Retail Maintenance Network – No co-pay change	Mandatory Mail/Retail Maintenance Network with 90 day Retail co-pay equal to 2 times the 30 day retail	\$10.4 million

Year End Balances

Health Insurance Fund

- FY 2009 – \$228.4 million at year end
- FY 2012 – down 70 percent to \$69.4 million
- FY 2013 – projected at \$6.3 million





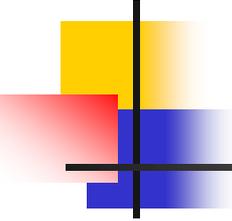
HIF Line of Credit

- **Contingency Reserve** – covered under Line of Credit
 - \$76 million for Active Employees to be included in Line of Credit
- **Incurred But Not Reported (IBNR)** – rebuild over 5 years with unfunded balance included in Line of Credit
 - \$91 million IBNR for Active Employees
 - \$17.5 million to be funded the first year
 - \$74 million to be included in Line of Credit
- **Line of Credit** – increase to \$150 million from \$50 million

COVA Care Basic FY 2014 Rates

- Assumes 1 week IBNR paid by both Employer and Employee
- Includes health care reform costs
- Does not include savings from plan design changes

PLAN	Current Monthly Cost			Proposed Monthly Change			Proposed Monthly Cost		
	Employee Only	Employee Plus One	Employee Plus 2 or More	Employee Only	Employee Plus One	Employee Plus 2 or More	Employee Only	Employee Plus One	Employee Plus 2 or More
COVA Care Basic									
Employee	\$50	\$116	\$165	\$5	\$16	\$23	\$55	\$132	\$188
Employer	\$429	\$766	\$1,126	\$78	\$143	\$208	\$507	\$909	\$1,334
Subsidy	\$22	\$45	\$64	-\$22	-\$45	-\$64	\$0	\$0	\$0
TOTAL PREMIUM	\$501	\$927	\$1,355	\$61	\$114	\$167	\$562	\$1,041	\$1,522
CDHP									
Employee	----	----	----	----	----	----	\$26	\$77	\$106
Employer	----	----	----	----	----	----	\$507	\$909	\$1,334
TOTAL PREMIUM	-----	-----	-----	-----	-----	-----	\$533	\$986	\$1,440



Resources

- Department of Human Resource Management
<http://www.dhrm.virginia.gov>
- Annual Health Benefits Report
<http://www.dhrm.virginia.gov/hbenefits/ohbcommunications/reports/annualreport2012.pdf>
- Review of State Employee Health Insurance Fund
<http://www.apa.virginia.gov/reports/HealthInsuranceFundSR2011.pdf>