

Virginia State Employee Health Insurance

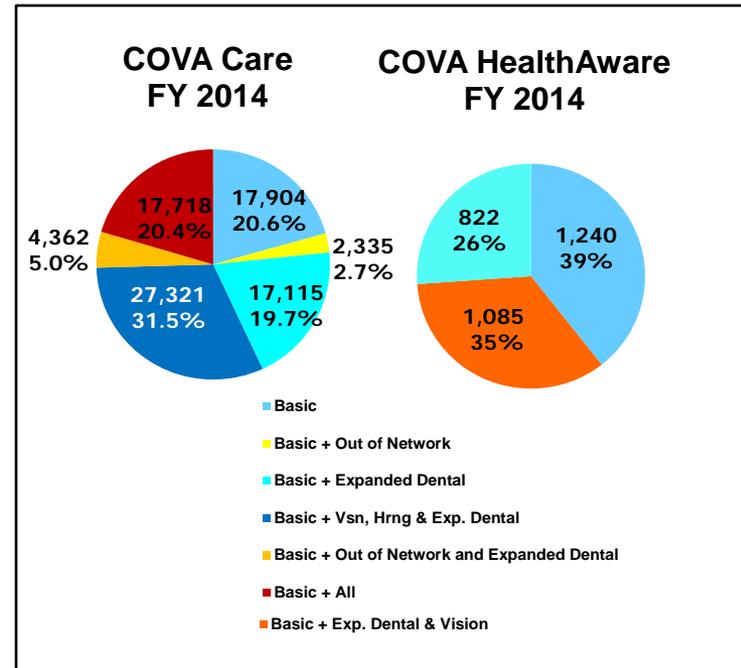
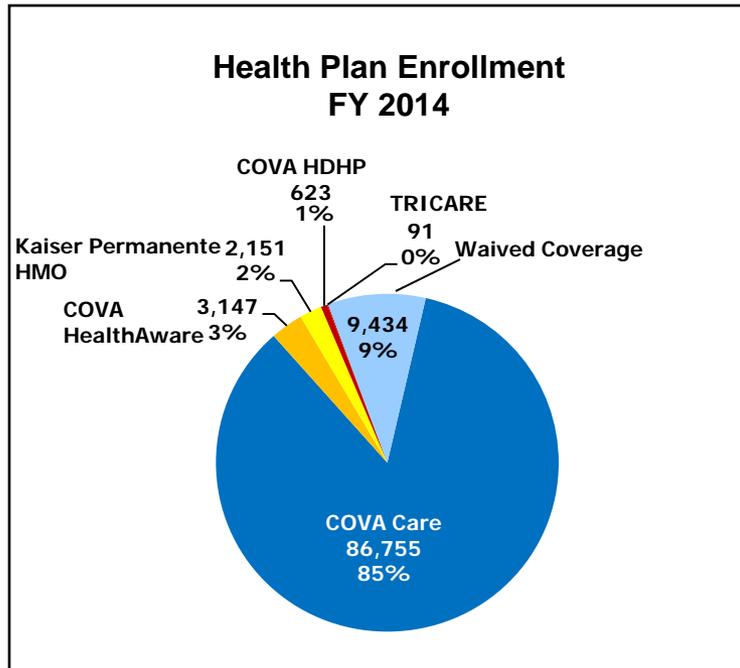
Virginia Department of Human Resource Management

Virginia Executive Institute Alumni Association
Virginia Department of Transportation Auditorium, Richmond, Virginia
April 29, 2014

FY 2014

Health Plan Enrollment

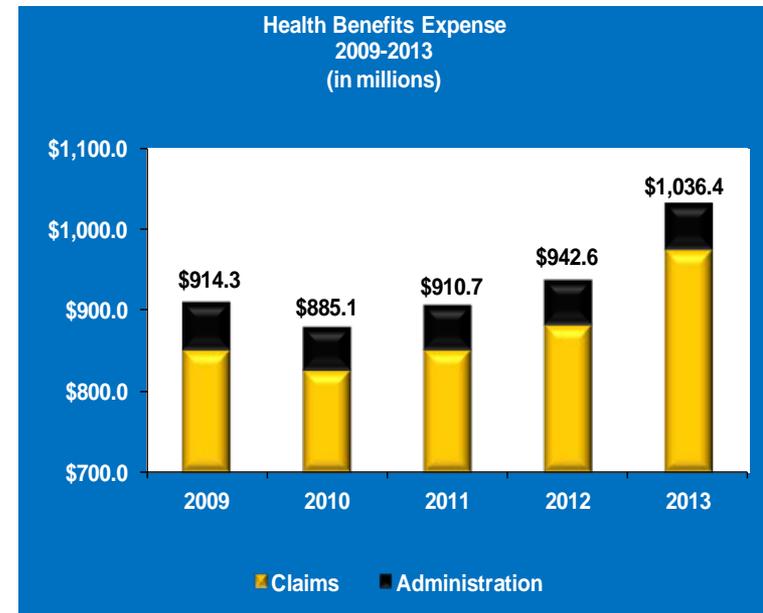
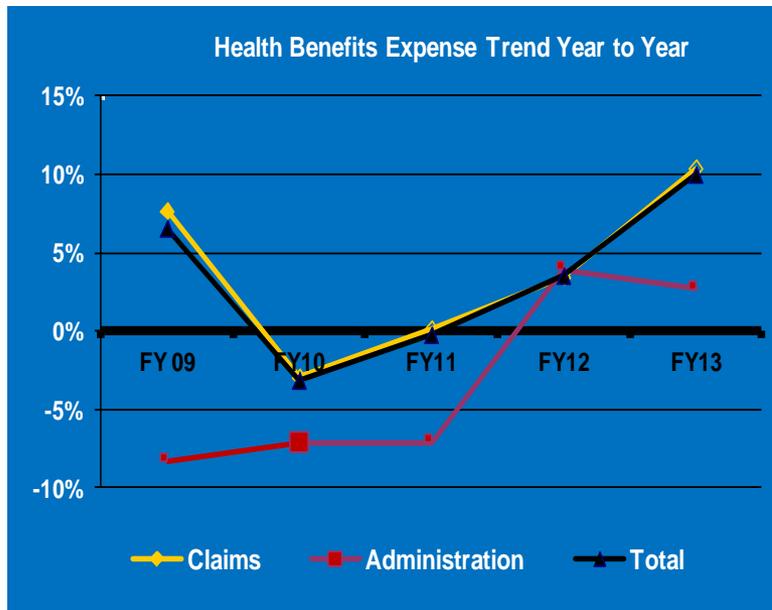
- 102,201 employees eligible for state health benefits
- 92,767 employees enrolled in all plans
- 200,197 members enrolled in all plans



FY 2013

Cost Trends

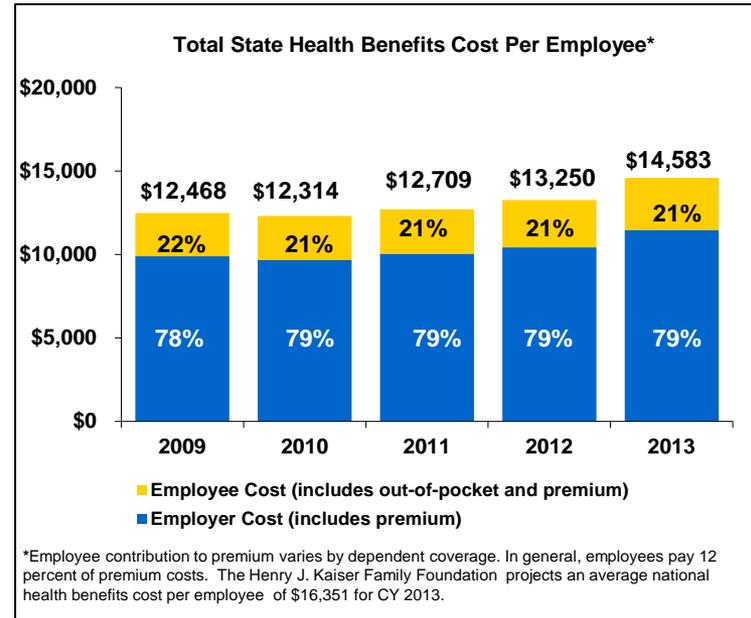
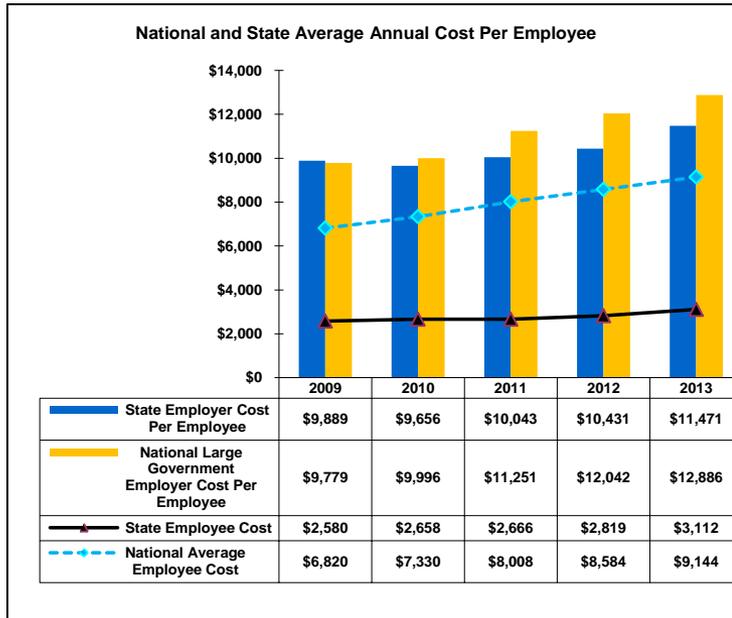
- Total program expense increased 9.9% in FY 13
- \$966.8 million total claims paid in FY 13
- 6.9 million total claims processed



FY 2013

Total Cost Per Employee

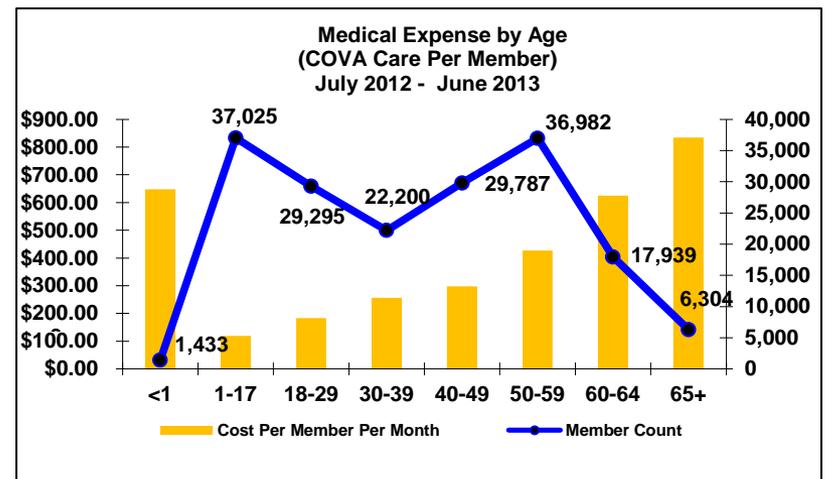
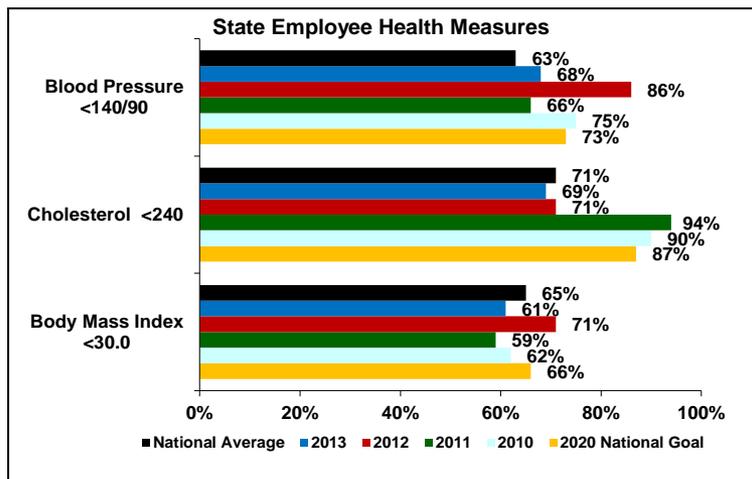
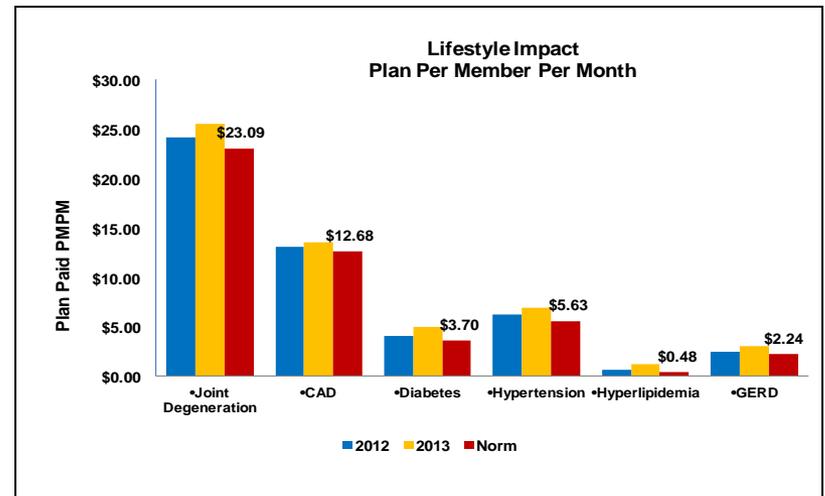
- \$14,583 total cost per employee in FY 13
- 10.1% increase in FY 13 from prior year



FY 2013

Cost Drivers

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



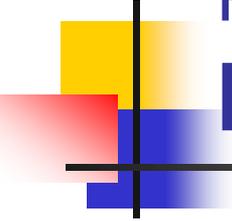
FY 2013

Top Ten Claims Expense

- \$619 million of total plan expense
- 64% 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. <i>Musculoskeletal</i> 2. <i>V-Codes</i> —health services not classified as disease or injury 3. <i>Neoplasms</i> —tumors 4. <i>Circulatory</i> 5. <i>Ill-defined symptoms</i> —undetermined causes 6. <i>Digestive</i> 7. <i>Genitourinary</i> 8. <i>Nervous system</i> /sense organs 9. <i>Accidental injury</i> 10. <i>Respiratory</i>	1. Coronary artery disease 2. Breast cancer 3. Cerebrovascular disease 4. Diabetes 5. Hypertension 6. Obesity 7. Lung cancer 8. Skin cancer 9. Oral cancer 10. Substance abuse	1. <i>Nexium</i> -stomach acid 2. <i>Humira</i> -rheumatoid arthritis 3. <i>Enbrel</i> -rheumatoid arthritis 4. <i>Crestor</i> -high cholesterol 5. <i>Cymbalta</i> -depression 6. <i>Montelukast Sodium</i> -asthma/COPD 7. <i>Ambilify</i> -depression 8. <i>Copaxone</i> -multiple sclerosis 9. <i>Advair Diskus</i> -asthma/COPD 10. <i>Escitalopram Oxalate</i> -depression
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



Pilot Launched 10/1/13

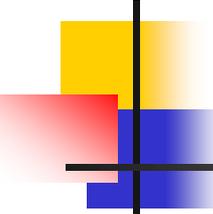
Medication Therapy Management

- Applies to COVA Care, COVA HealthAware, and COVA HDHP
- MTM network – Mirixa
- 100% of cost paid by health plan
- 1 comprehensive annual visit with up to 3 follow-up visits
- Eligibility
 - 3 or more of 8 disease states
 - Asthma
 - COPD
 - Depression
 - Diabetes
 - Heart Failure
 - High Blood Pressure
 - High Cholesterol
 - Osteoporosis
 - 7 or more chronic medications

Plan Design Changes FY 2015

Pilot Onsite Health Center

- Planned pilot for Capitol Square area
- Provide employees convenient access to primary and preventive care
- Impact productivity with less work time lost
- Improve employee morale
- Offer health coaching support on site
 - Managing chronic medical conditions
 - Improving health behaviors
- Generate cost savings over time
- \$754,100 for start-up and implementation from the HIF



Plan Design Changes FY 2015

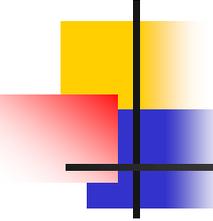
Value Based Insurance Design (VBID)

- Applies to COVA Care and COVA HealthAware
- Reduces barriers to high value treatment for certain conditions
- Asthma/COPD and Hypertension VBIDs
 - Waive co-pay or coinsurance for prescription drugs on tiers 1 and 2
 - Requirements
 - Minimum 90-day compliance period
 - On-going medication compliance
 - Appropriate quarterly engagement in disease management program
 - Annual wellness exam
 - Flu shot for Asthma/COPD

Changes FY 2015

Plan Design Changes

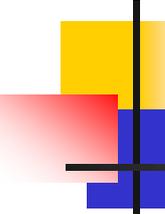
Item	Plan	Plan Design	Change	Cost
1	COVA Care COVA HealthAware COVA HDHP	New onsite health center in Capitol Square	Offer primary and preventive care, and health coaching support	<ul style="list-style-type: none"> • 1st year- \$55,000 • 5 years – (\$3.6 million)
2	COVA Care COVA HealthAware	Prescription drug VBID- Asthma/COPD	Drug co-pays and coinsurance waived for Tiers 1 and 2 if compliant	\$495,000
3	COVA Care COVA HealthAware	Prescription drug VBID- Hypertension	Drug co-pays and coinsurance waived for Tiers 1 and 2 if compliant	\$4,290,000
4	COVA Care	Prescription drug-co-pay changes for tiers 2-4	Increase co-pay \$5 for retail and \$10 for mail	(\$9,120,000)



Changes FY 2015

Premium Rewards

- Applies to COVA Care and COVA HealthAware
 - Eligible employees/retirees and/or spouses
- Continue reduction of \$17/\$34 per month if they do not opt out of MyActiveHealth portal
- Other employees have chance to earn Premium Rewards for FY 2015 plan year



Changes FY 2015

COVA HealthAware “Do Rights”

- Earned by employees/retirees and spouses for completing healthy activities
- Receive \$50 each for up to 3 “do rights”
 - Maximum \$150 per person
 - Added to Health Reimbursement Arrangement (HRA)
 - In addition to HRA funds of \$600/\$1,200 annually
- Expanded “do rights” list options
 - Annual wellness exam
 - Annual dental exam
 - Annual flu shot
 - Use MyActiveHealth tracker 3 times per month in a quarter
 - Annual vision exam
 - Complete one MyActiveHealth online coaching module

FY 2015

Rates

- Assumes ~1 week IBNR paid by both employer and employee
- Includes health care reform costs
- Includes 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	\$55	\$130	\$186	\$3	\$7	\$10	\$58	\$137	\$196
Employer	\$502	\$901	\$1,321	\$27	\$47	\$69	\$529	\$948	\$1,390
TOTAL PREMIUM	\$557	\$1,031	\$1,507	\$30	\$54	\$79	\$587	\$1,085	\$1,586
COVA HealthAware Basic									
Employee	\$9	\$44	\$59	\$0	\$3	\$3	\$9	\$47	\$62
Employer	\$502	\$901	\$1,321	\$27	\$47	\$69	\$529	\$948	\$1,390
TOTAL PREMIUM	\$511	\$945	\$1,380	\$27	\$50	\$72	\$538	\$995	\$1,452

FY 2015

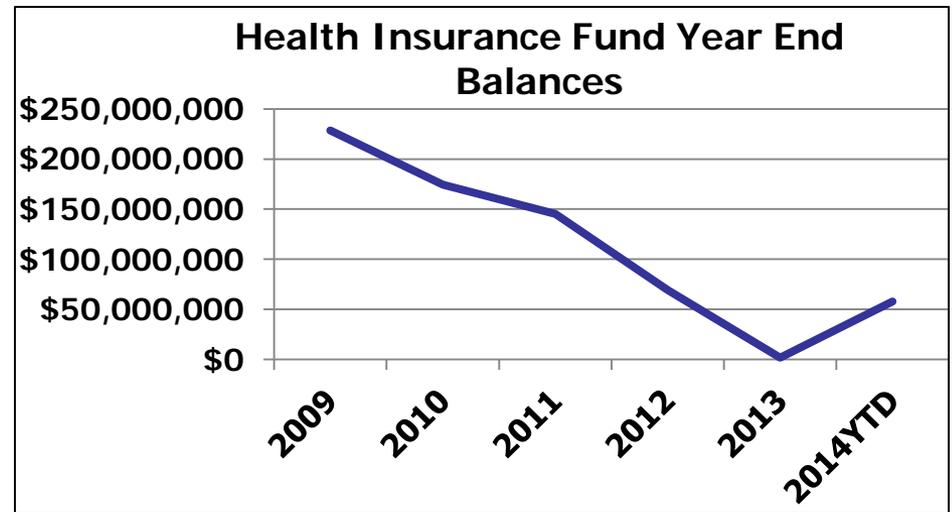
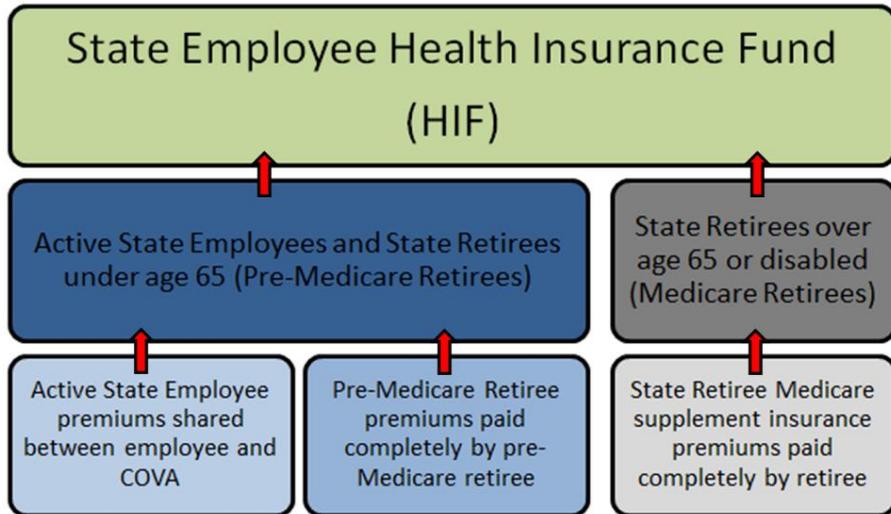
Premium Rewards

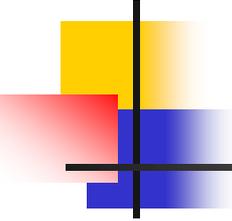
MONTHLY PREMIUMS		Employee Only	Employee Plus One		Employee Plus Two Or More	
Health Care Plan	Reward Earner	Employee	Employee or Spouse	Employee and Spouse	Employee or Spouse	Employee and Spouse
COVA Care	Employee Premium	\$75	\$171	\$171	\$230	\$230
	<i>Rewards</i>	<u>-\$17</u>	<u>-\$17</u>	<u>-\$34</u>	<u>-\$17</u>	<u>-\$34</u>
	Employee Premium with Rewards	\$58	\$154	\$137	\$213	\$196
COVA HealthAware	Employee Premium	\$26	\$81	\$81	\$96	\$96
	<i>Rewards</i>	<u>-\$17</u>	<u>-\$17</u>	<u>-\$34</u>	<u>-\$17</u>	<u>-\$34</u>
	Employee Premium with Rewards	\$9	\$64	\$47	\$79	\$62

FY End Balances

Health Insurance Fund

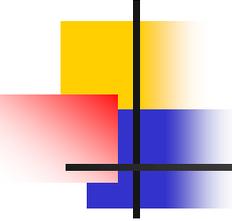
- FY 2009 – \$228.4 million
- FY 2012 – \$69.4 million
- FY 2013 – \$1.8 million
- FY 2014 – \$57.8 million at 12/31/13





Health Insurance Funding

- **Contingency Reserve** – covered under line of credit
 - \$81.1 million for Active Employees included in line of credit
- **Incurred But Not Reported (IBNR)** – rebuild over 5 years with unfunded balance included in line of credit
 - \$105 million IBNR for Active Employees
 - \$17.5 million – 1st installment funded in FY 2014
 - \$24.5 million – 2nd installment to be funded in FY 2015
 - \$63 million – IBNR gap, which varies each year, included in line of credit
- **Line of Credit**
 - \$150 million



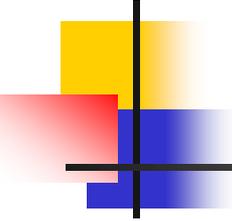
Compensation

2014	Regular Session			Special Session		
ACTION	McDonnell Budget	House	Senate	McAuliffe Budget	House	Senate
Base Pay Increase	0%	0%	1% on Dec. 10, 2014	2% on Mar. 25, 2015	1% on Jun. 10, 2015	2% on Mar. 25, 2015
Bonus	2% plus 1% perf. bonus on Dec. 1, 2014	2% on July 1, 2015	1% on Dec. 1, 2015	0%	1% on Jan. 1, 2015	0%
High Turnover Jobs Base Pay Increase	2% for 19 specified positions on Jul. 25, 2014	2% for 19 specified positions on Dec. 10, 2014, but no bonus	2% for District Ct. Dep. Clerks Jul. 25, 2014	2% for 19 specified positions on Mar. 25, 2015	2% for 19 specified positions on Dec. 10, 2014, but no bonus	2% for 19 specified positions on Mar. 25, 2015

2014 U.S.A. Collegiate Cycling Road National Championships

- See details at www.dgs.virginia.gov





Resources

- Department of Human Resource Management
<http://www.dhrm.virginia.gov>
- Annual Salary Survey Report to the General Assembly
<http://www.dhrm.virginia.gov/reports/AnnualSalaryReport2013.pdf>
- Annual Health Benefits Report
<http://www.dhrm.virginia.gov/hbenefits/ohbcommunications/reports/annualreport2013.pdf>
- Review of State Employee Health Insurance Fund
<http://www.apa.virginia.gov/reports/HealthInsuranceFundSR2011.pdf>