North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Comparative Analysis of State Health Plans

Board of Trustees Meeting

January 26, 2016

A Division of the Department of State Treasurer

Presentation Overview

- Executive Summary
- Selected States for Comparison
- Comparative Analysis Methodology
- Comparative Analysis
  - Comparator States
- States Incorporating Value Based and other Innovative Strategies
- Emerging Conclusions

Executive Summary

Purpose

- To update the previous environmental scan (last completed November 2014) of other state health plans and compare to the North Carolina State Health Plan

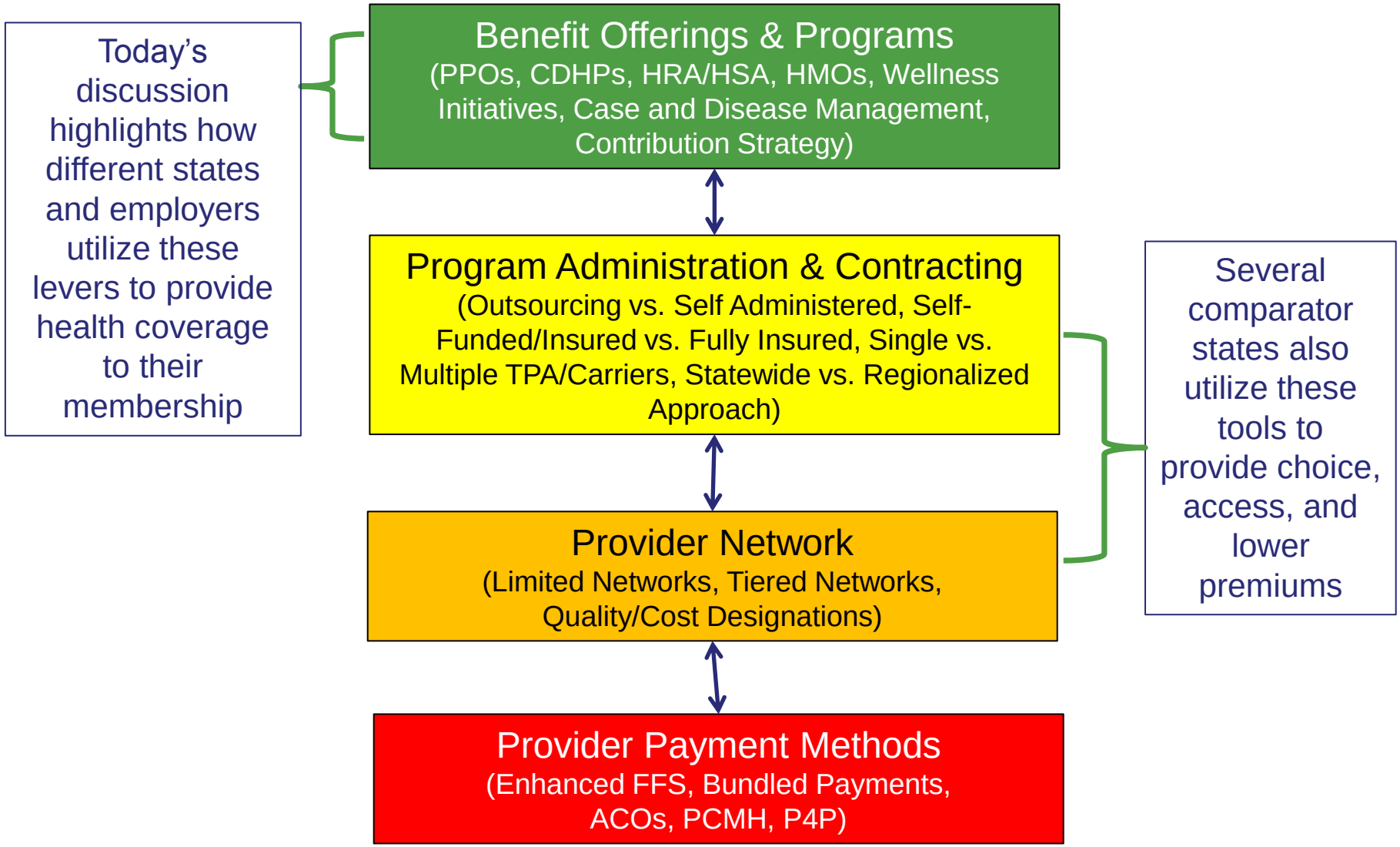
Approach

- The Plan investigated the following factors:
  - Plan richness (analysis by Segal)
  - Premium cost sharing (analysis by Segal)
  - Healthy lifestyle benefits
  - Number of coverage choices

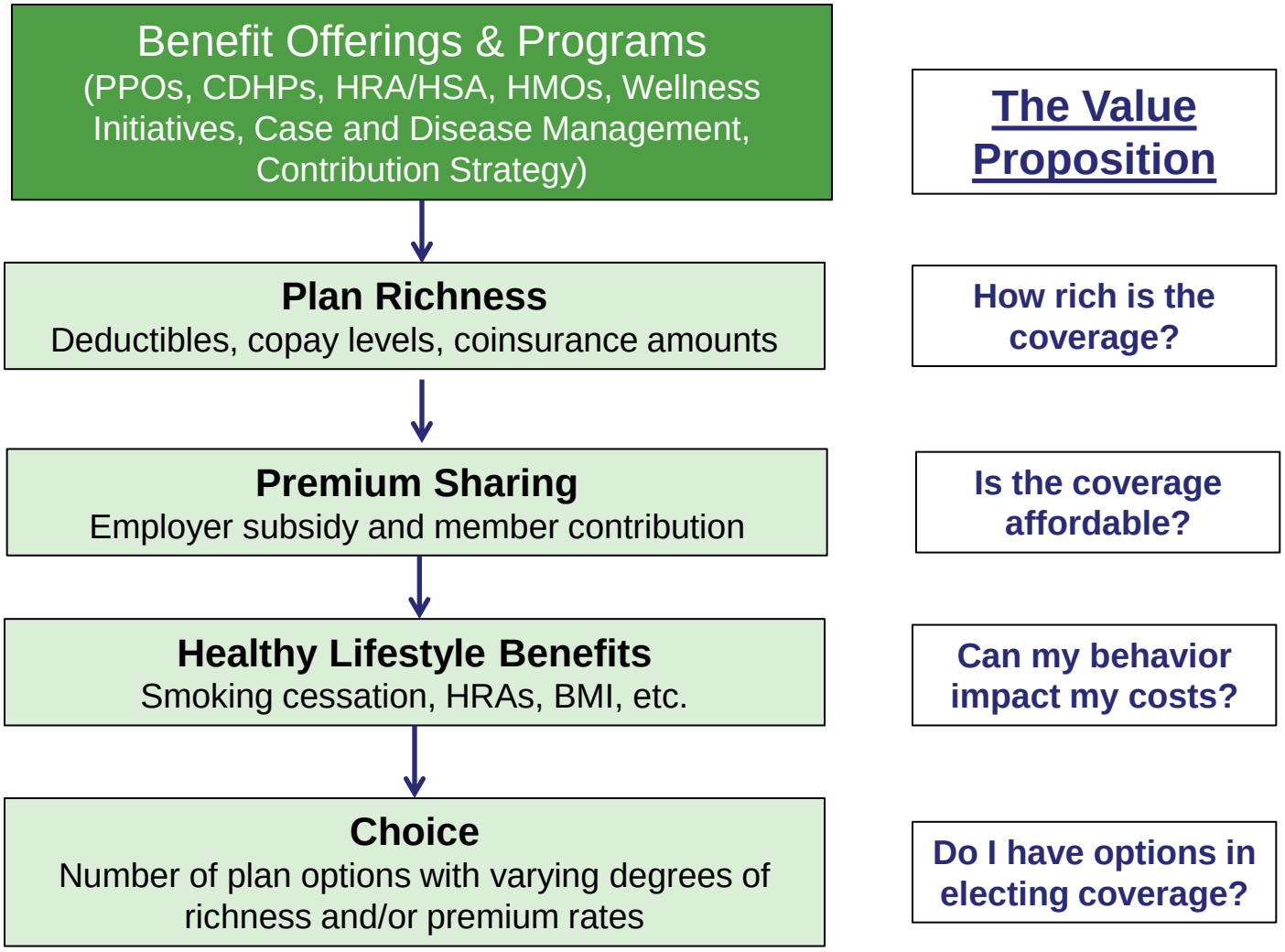
Key Findings (*related to other state health plans*)

- Comparatively, the Plan provides employees/retirees rich and affordable health benefits. However, coverage for dependents does not compare favorably
  - There does seem to be a slight reduction in other plans' subsidies
- Healthy lifestyle benefits continue to be used to manage costs and/or incent engagement
  - States are requiring more participation to receive credits
- States are continuing to incorporate VBID-like components into their designs
- States are using multiple approaches to manage cost growth

Methods to Address the Triple Aim & the Cost of Health Benefits



Value Proposition to Members and Points of Comparison



Selected Comparator States

Comparator States
(lowest and highest premium offerings)

Based on proximity to NC

- Georgia
- Kentucky
- Tennessee
- South Carolina
- Virginia

Based on size of state population and other factors

- Arizona
- Maryland
- Michigan
- Ohio
- Wisconsin

States with Promise Based Initiatives

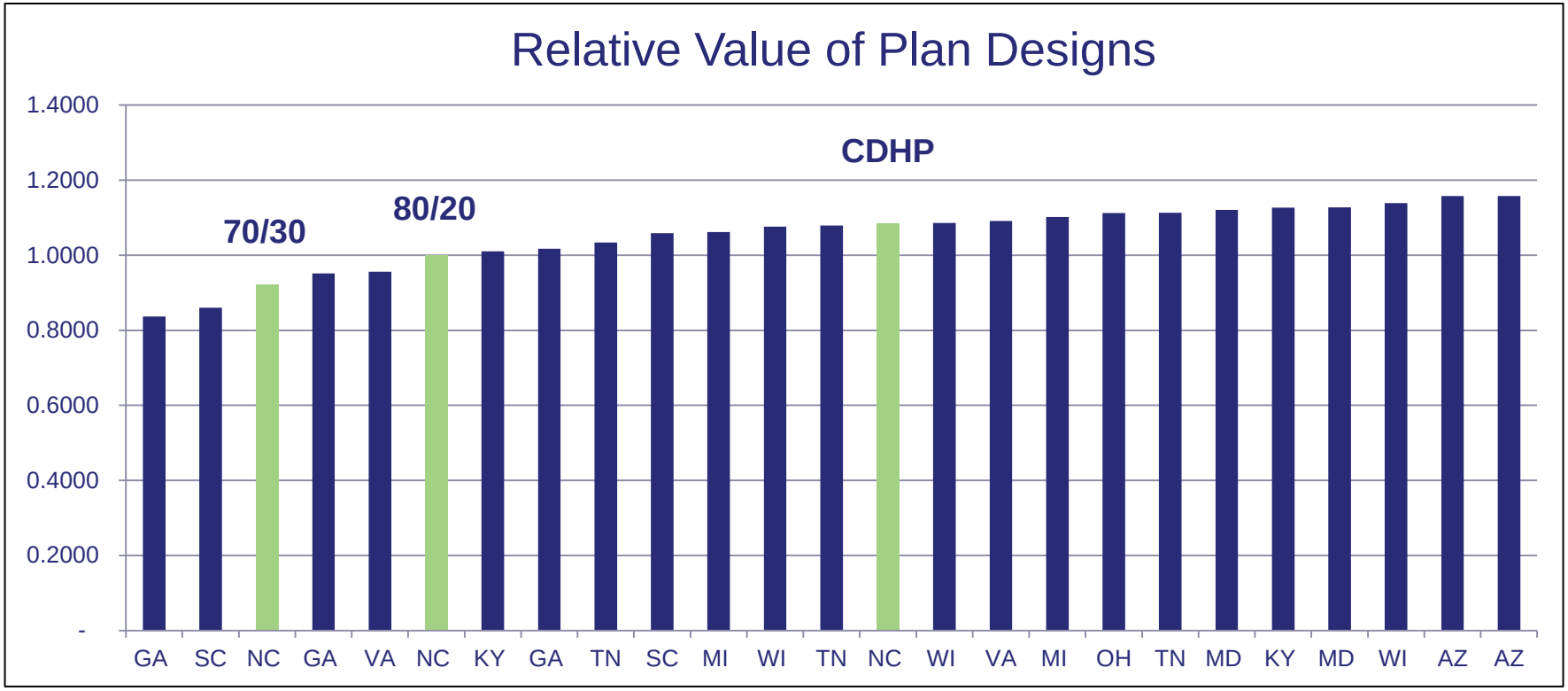
- Tennessee
- Kentucky
- Connecticut

Comparing Health Benefits – Plan Richness

Step One: How much does the average person pay out-of-pocket when they utilize their benefit?

- Comparing the actuarial value, or plan value, of each state's offerings provides a method to understand the average portion of claims a benefit design would pay for:
  - deductible,
  - coinsurance,
  - out-of-pocket maximums,
  - copays, and
  - out-of-network benefits (some states offer closed network plans)
- As many individuals make their benefit design election based on premium cost, we looked at the highest and lowest premium offerings available in the comparison states and benchmarked them against the 80/20 plan
- For NC the CDHP and 70/30 plans were included in the analysis

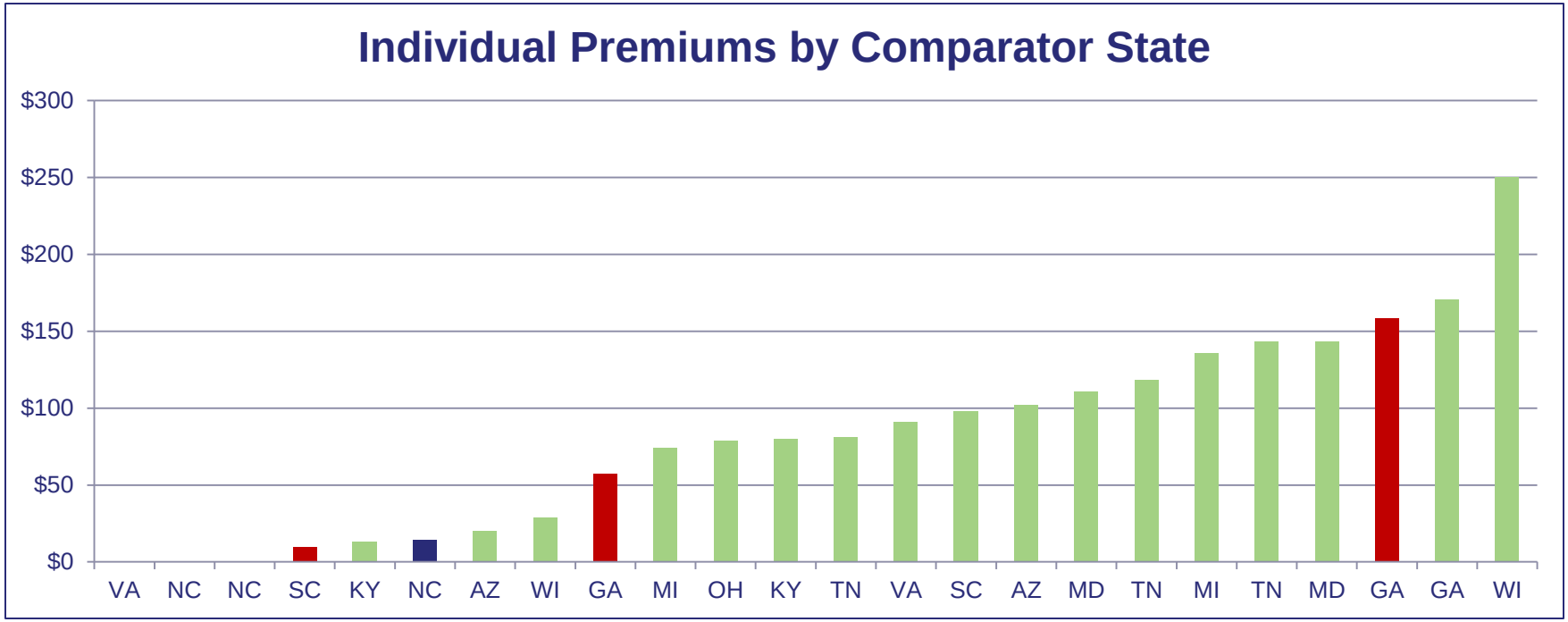
Relative Plan Richness Comparison (2016)



Segal Company – January 2016

- Excluding the CDHP, the State Health Plan's options are in the lower half of states in terms of relative plan value, which does not include premium contributions where SHP was among the lowest
- The premiums for the highest value plans range from $26 - $138 a month

Individual Premium Comparison



- The chart above shows the individual premiums members in various states pay for coverage
  - **Red** bars are less rich than the Enhanced 80/20 and the **green** bars are richer benefits
- Members in other states may receive richer benefits but pay significantly higher premiums in some cases

Financing Health Benefits

- Each state government finances health coverage for their membership differently
  - Most states provide direct subsidies for dependent coverage
    - Fixed subsidy by tier or dependent
    - Percentage of total premium
  - Some states have collective bargaining that impacts decision making

- NC's contribution strategy differs from most other states
  - Significant subsidies for employee and retiree only coverage
  - Employees and retirees pay full premium cost for dependents, but the State's contribution does provide an indirect subsidy

Comparing Health Benefits – Premium Sharing

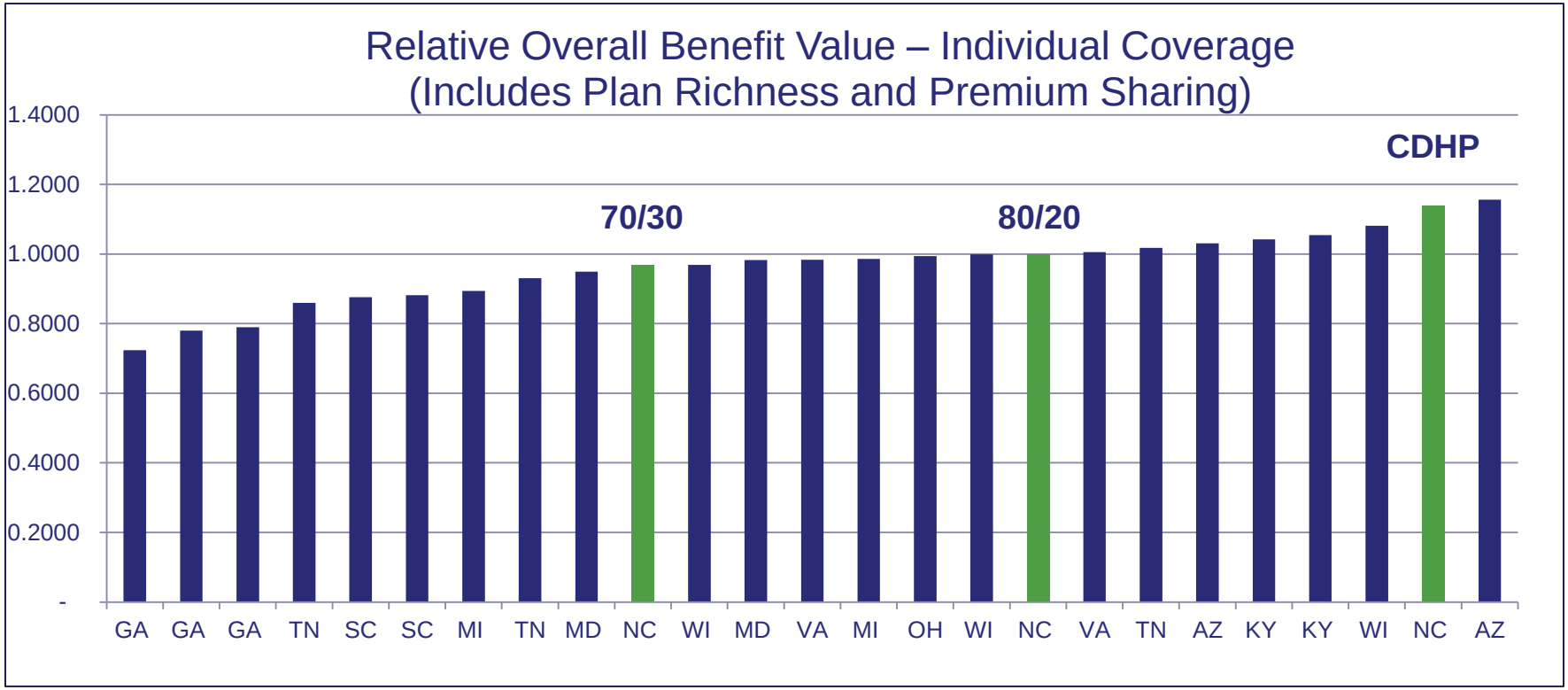
Step Two: How can employer subsidies and member premiums be incorporated?

- In addition to determining the value of the plan design, which represents the out-of-pocket exposure, the analysis included the individual's premium share to reflect average person's total cost exposure
  - The percentage of premium paid by each state for each plan combined with relative plan value determines the *Relative Overall Benefit Value* of the benefit offering

Caveat:

- Plan values are proxies for the anticipated average portion claims that the benefit would cover; the actual experience of low and high utilizers will create varying results

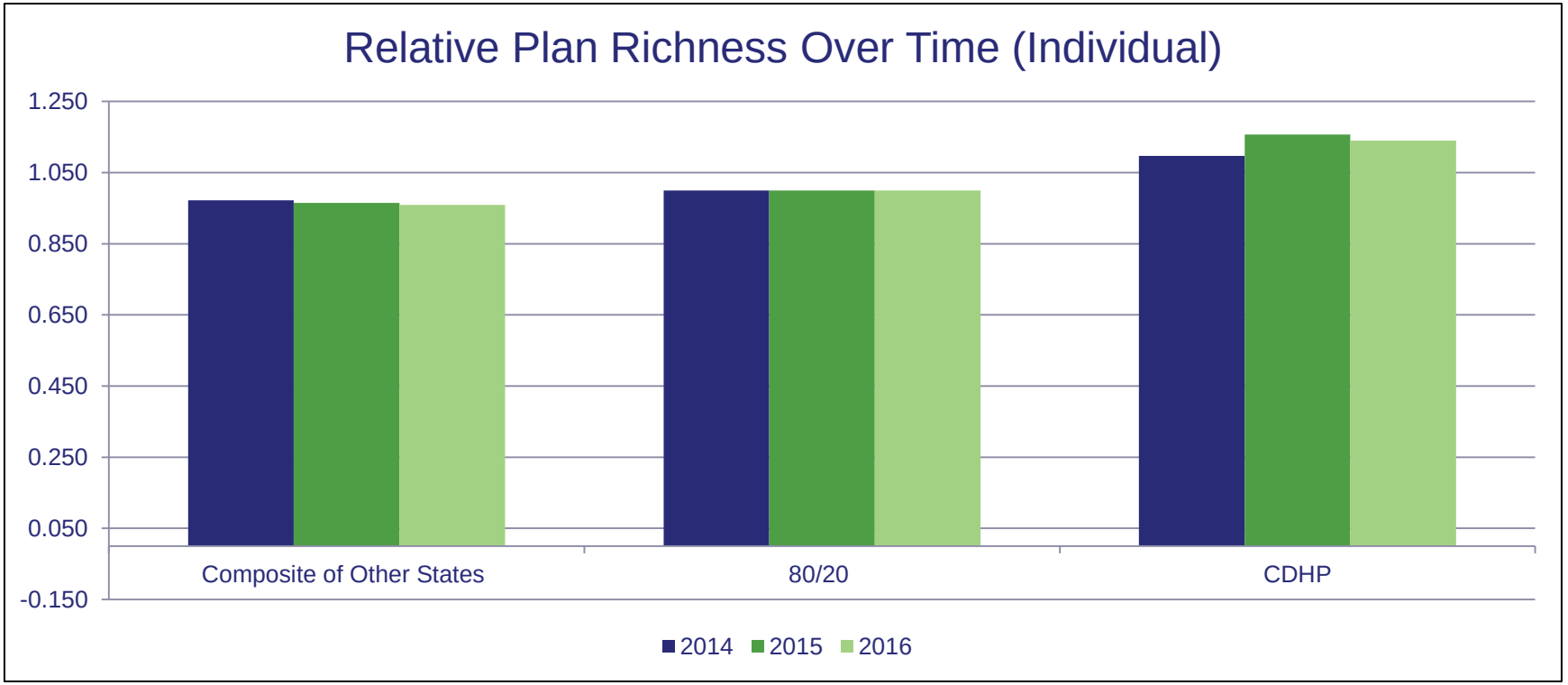
Relative Overall Benefit Value – Individual Coverage



Segal Company January 2016

- North Carolina's subsidy approach provides members with lower individual premiums; the state subsidy for individual coverage in other states is about 85% while in NC the minimum is 95%
- In terms of overall value, the CDHP is one of the richest plans available

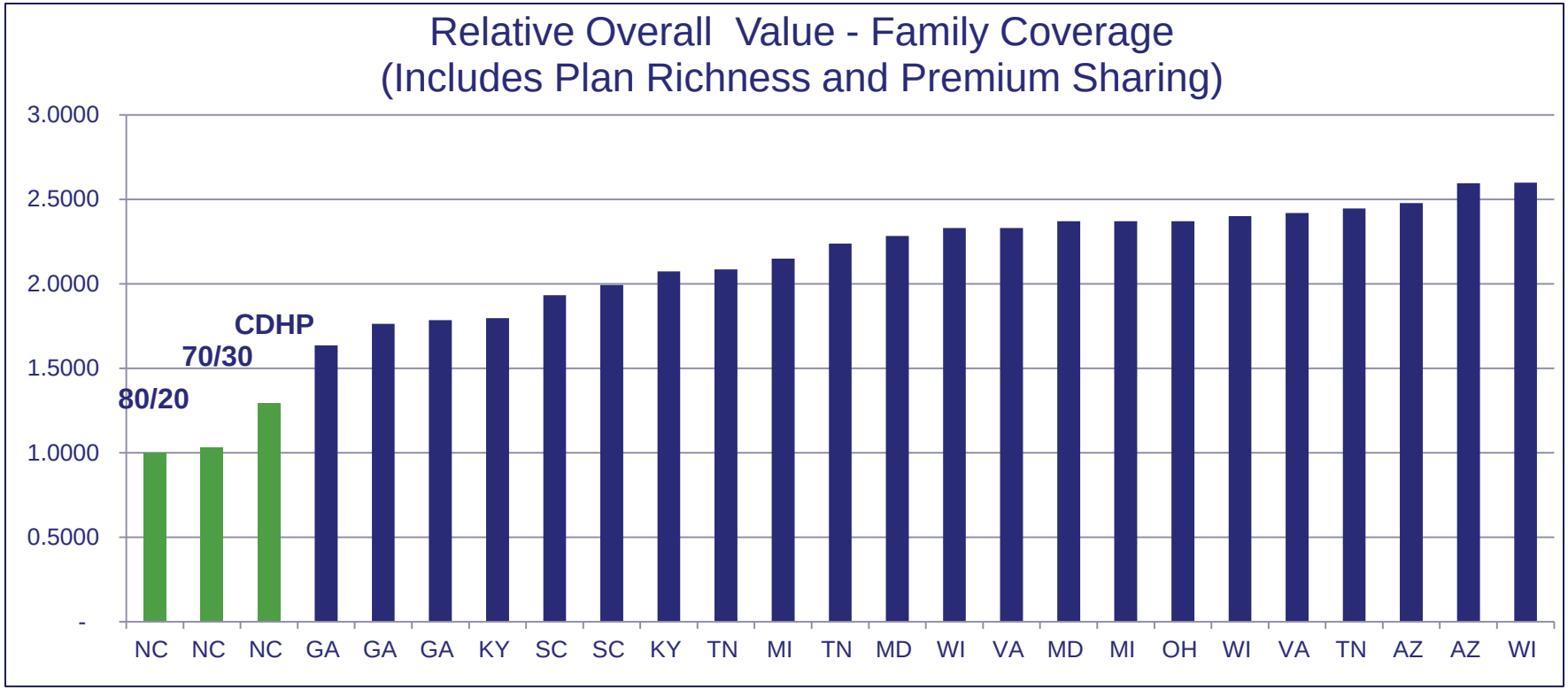
Value Changes Over Time (Individual)



Segal Company January 2016

- Compared to the Enhanced 80/20, other states are offering less rich individual plans over time
- The CDHP has increased in value over time

Relative Overall Benefit Value – Family Coverage

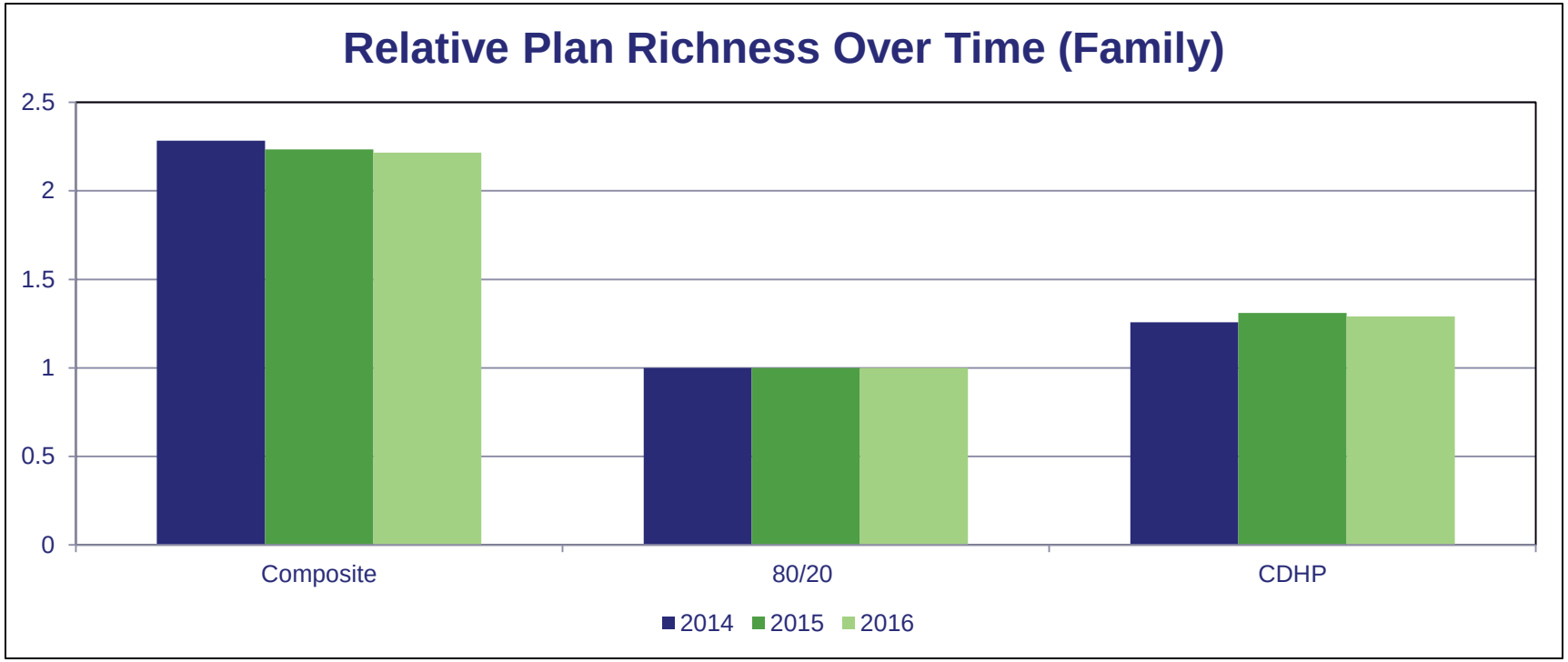


Segal Company January 2016

Historically, NC has not provided direct subsidies for dependent coverage while the median family subsidy of benchmarked states was 83% of total family premium (no change from previous analysis)

- NC contributes between 40% and 47% of the cost of family premiums (through the State's employer contribution)

Value Changes Over Time (Family)



Segal Company January 2016

- Compared to the Enhanced 80/20, other states are offering less rich family coverage over time; however, they remain substantially richer (driven by premium)
- The CDHP has increased in value over time

Trends in Comparative Analysis

Coverage Level	States ranked less favorable	States ranked more favorable
Individual	• Lower employer subsidy • Higher out-of-pocket costs • Higher coinsurance percentage for employees	• Lower deductibles • Use of closed networks • Out-of-pocket maximum versus coinsurance maximums • More favorable mail order differential in Rx (2x copay versus 3x copay)
Family	• Higher premiums • Less generous coverage	• **Dependent subsidies** • Lower deductibles • Use of closed networks • Out-of-pocket maximum versus coinsurance maximums • More favorable mail order differential in Rx (2x copay versus 3x copay)

Healthy Lifestyle Benefits Comparison

- State health plans continue to incorporate healthy lifestyle benefits into their plan design to address the growing costs of health care and to increase member engagement

- All but two of the comparator states include wellness incentives, either premium credits, cash, or HRA credit

- There has not been significant change in the number of steps or dollars associated with each state from the previous analysis

Healthy Lifestyle Benefit Grid (updated 2016)

	NC	GA	SC	KY	TN	VA	AZ	MD	MI	OH	WI
Smoking Credit	**$40 monthly**	**$80 monthly**	**$40 monthly**	**$40 monthly**	**Yes**	No	No	No	No	No	No
HA/WBA	**$20 monthly**	**Incentive ($)**	No	**Yes**	**Yes**	**$17 monthly**	**Yes**	**Yes**	No	**$50**	No
PCP	**$20 monthly**	No	No	No	No	No	No	**Yes**	No	No	No
Biometric screening	**No**	**Incentive ($)**	No	**Yes**	**Yes**	**$17 monthly**	**Yes**	No	No	**$75**	No
Activities/ Coaching	**No**	**Incentive ($)**	No	**Yes**	**Yes**	No	**Yes**	No	No	**$200**	No
Enrollment	**No**	No	No	**Yes**	**Yes**	No	No	No	No	No	No

Providing Meaningful Member Choice

- States take unique approaches to designing their health offerings.
- Approaches include:
  - Multiple vendors
    - Statewide or regional
      - 73% of comparator states utilize more than one TPA/carrier in their active population with many providing different rates based on the TPA/carrier provider network
        - This remains constant from the previous analysis
  - Number of offerings
    - The average state had four offerings for actives (up from three), with Georgia having the most with seven and Ohio having the least with one
    - Two increased their number of plan offerings
  - Differentiation in offerings
    - Members have unique coverage and price sensitivities

Employee Choice by State (2016)

State	Number of Offerings	Multiple TPA/Carriers	Regional Offerings or Rates
NC	Three	No	No
GA	Seven	Yes	Yes
SC	Two	No	No
KY	Four	No	No
TN	**Four***	Yes	Yes
VA	Four	Yes	Yes
AZ	Three	Yes	No
MD	Five	Yes	Yes
MI	Two	Yes	Yes
OH	One	Yes	No
WI	**Four***	Yes	Yes

**change from previous year*

Value-Based Initiatives in State Health Plans

- Staff examined three states that are incorporating different components of Value-Based Insurance Design (VBID)
  - There are several ways a plan can incent value
  - There does not appear to be a consistent model or approach for implementing value based design

- Value-driven design components include:
  - Tiered networks and benefits by network
  - Tying enrollment to participation in programs
  - Reducing or removing copays
  - Emphasizing Patient Centered Medical Home (PCMH)
  - End of life care

Innovative Plan Design Solutions: Tennessee

- Offers employees four plan offerings through two TPAs/carriers
- To enroll in the lower premium, more comprehensive offerings members must complete:
  - Well Being Assessment (WBA) within 3 months
  - Biometric screening within 6.5 months
  - Coaching calls, if identified
  - Keep contact information current
  - Failure to complete in the timeframe results in removal from the enhanced benefits
- Rules are modified for new hires to allow for some flexibility

Innovative Plan Design Solutions: Kentucky

- Offers employees four plan offerings
  - To enroll in the two most generous offerings members must complete a Health Assessment or a Biometric screening within the first half of the year
  - Failure to complete the activity makes a member ineligible for the richer benefits the following year
- Separate smoker credit for all four plans

Value-Based Incentives: Connecticut

- Connecticut's Health Enhancement Program (HEP) allows members the opportunity to:
  - Reduce deductibles for the year
  - Reduce monthly premiums
  - Receive lower/no cost care for select drugs and office visits
  - $100 payment for complying with all HEP requirements
- Participation Requirements:
  - Multi-year stair step approach
  - All age appropriate screenings and wellness exams
  - One dental cleaning
  - If a member has a chronic condition they must participate in education and counseling programs

Emerging Conclusions

- SHP is near the front of the curve in terms of integrating value based components which provide members the opportunity for richer benefits
- Plans are developing programs that give members broad choice in the type of plans they can select
- Plans are differentiating by:
  - Plan design
  - Wellness credits
  - Multiple TPAs
  - Narrow network options
- Plans are looking to incent certain behaviors and members can generate more value within benefit offerings by engaging
- Several states utilize multiple TPA/carriers to offer coverage; this trend is growing in the select states

Emerging Conclusions *continued*

- Based on relatively fixed funding, changing any aspect of a health plan will have a direct impact on other levers
  - Increasing benefit richness would increase member premiums
  - Reducing dependent premiums would increase individual premiums
- Legislative mandate to reduce premiums (i.e. the state's employer contribution) limits flexibility around improving all benefits

Next Steps/Questions

- Where should the Plan offerings be positioned in 2017? And as a foundation for 2018 and 2019?
- Where do we have opportunities in the market?
- Where should changes be considered to demonstrate different value proposition to members?
- Would changing the vendor arrangement provide the opportunity for greater flexibility?

Appendix

Out-of-Pocket Comparison

In-network Plan Benefits[1]	NC	GA	KY	SC	TN	VA
Deductible • Single • Family	$700 to 1,500 $2,100 to 4,500	$1,300 to 3,500 $2,600 to 6,450	$500 to 1,750 $1,000 to 3,500	$445 to 3,600 $890 to 7,200	$450 to 800 $1,150 to 2,050	$0 to 1,750 $0 to 3,500
Co-insurance	70% to 85%	70% to 85%	70% to 85%	80% to 85%	80% to 90%	80% to $100
Maximum[2] • Single • Family • Rx	$3,000 to 3,793 $9,000 to 11,379 Separate/Include	$4,000 to 6,450 $8,000 to 12,900 Include	$2,500 to 3,500 $5,000 to 7,000 Separate/Include	$2,540 to 6,000 $5,080 to 12,000 Included	$2,300 to 2,600 $4,600 to 5,200 Separate	$1,500 to 5,000 $3,000 to 10,000 Separate/Include
Office • PCP • SCP	$30 to ded/coin $70 to ded/coin	$35 to ded/coin $45 to ded/coin	$25 to ded/coin $45 to ded/coin	$12 to ded/coin $12 to ded/coin	$25 to 30 $45 to 50	$25 to ded/coin $40 to ded/coin
Inpatient Surgery	$233, ded/coin to ded/coin	$250 to ded/coin	Ded/coin	Ded/coin	Ded/coin	$300 to ded/coins
Rx • Tier 1 • Tier 2 • Tier 3	$12 to ded/coin $40 to ded/coin $64 to ded/coin	$20 to ded/coin $50 to ded/coin $90 to ded/coin	$10 to ded/coin $35 to ded/coin $55 to ded/coin	$9 to ded/coin $38 to ded/coin $63 to ded/coin	$5 to 10 $35 to 45 $85 to 95	$15 to ded/coin $25 to ded/coin $40 to ded/coin

1. Ded/coin = subject to deductible and coinsurance
2. NC uses coinsurance maximums on two plans, most other plans are out-of-pocket maximums

Out-of-Pocket Comparison- *continued*

In-network Plan Benefits[1]	NC	AZ	MD	MI	OH	WI
Deductible • Single • Family	 $700 to 1,500 $2,100 to 4,500	 $0 to 1,300 $1,000 to 2,500	 $0 $0	 $400 $800	 $200 $400	 $200 to 1,700 $400 to 3,400
Co-insurance	70% to 85%	90% to 100%	90% to100%	90% to 100%	80%	90%
Maximum[2] • Single • Family • Rx	 $3,000 to 3,793 $9,000 to 11,379 Separate/Include	 N/A to $2,000 N/A to $4,000 Include	 $1,500 to $2,000 $2,000 to $3,000 Separate	 N/A to $2,000 N/A to $4,000 Include	 $1,500 $3,000 Include	 $800 to 3,500 $1,600 to 7,000 Separate/Include
Office • PCP • SCP	 $30 to ded/coin $70 to ded/coin	 $15 to ded/coin $15 to ded/coin	 $15 $15 to $30	 $20 $20	 $20 $20	 Ded/coin Ded/coin
Inpatient Surgery	$233, ded/coin to ded/coin	$150 to ded/coin	$0 to ded/coin	$0 to ded/coin	Ded/coin	Ded/coin
Rx • Tier 1 • Tier 2 • Tier 3	 $12 to ded/coin $40 to ded/coin $64 to ded/coin	 $10 $20 $40	 $10 $15 $25	 $10 $30 $60	 $10 $25 $50	 $5 to ded/coin $15 to ded/coin $35to ded/coin

1. Ded/coin = subject to deductible and coinsurance
2. SHP uses coinsurance maximums on two plans, most other plans are out-of-pocket maximums

Comparative Analysis Methodology

Step one

- Plan staff and Segal discussed relevant states to use in comparative analysis
- Plan staff compiled benefit design components such as deductibles, copays, coinsurance for both individual/family coverage and in-network/out-of-network benefits
  - Premium contributions were also collected

Step two

- Segal ran the data inputs through their rate manual to develop expected costs of the benefit on PMPM basis
  - A rate manual is a tool that actuaries use to assign PMPMs based on underwriting guidelines and projected utilization
  - The expected costs are purely meant to compare benefit design values only and do not reflect expected utilization changes of different plan designs, geographic factors, age, etc.

Comparative Analysis Methodology

Step three

- The resulting PMPM costs were compared to the 80/20 plan to develop relative values
  - Benefit designs with a relative value greater than 1.0 are projected, on average, to pay for more covered services than the 80/20 plan; conversely plan designs with a relative value less than 1.0 are, on average, projected to pay less for covered services than the 80/20 plan
  - Example: Based on benefit design, the State of Arizona's PPO offering's relative value is 1.2142, or projected to be 21.142% more rich than the 80/20

Step four

- Employer share of premium was multiplied by relative value to create effective/adjusted relative value
  - The employer share of premium was calculated; employee share divided by total premium
  - Example: Arizona pays 83.246% of employee only premium; therefore the adjusted relative value is 1.0041 (.83246 x 1.2142)
    - Values may not equal due to rounding

Comparative Analysis Methodology

Step five

- Adjusted Relative Values were re-normalized to compare each plan's adjusted relative value to the Plan's 80/20 adjusted relative value
  - Example:
    - (Arizona PPO's Adjusted Value = 1.0041) divided by (80/20 Adjusted Value = 0.9714 (1.00 Relative Value x 97% Premium Share))
    - Arizona PPO's Adjusted Relative Value = 1.0337