



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Biennium Planning

Board of Trustees Meeting

January 24, 2013

A Division of the Department of State Treasurer

Presentation Overview

- Biennium Planning Discussions from Previous Meetings
- Proposed Benefit Design Offerings
 - New Design Features & Products
 - Design Options: Actives & Non-Medicare Retirees
 - Design Options: Medicare Primary Retirees
- Updated Forecast Scenario Modeling
 - Premium Increases
 - State Funding Requirements
 - Monthly Member Premiums
- Decision Points for Friday Meeting

Biennium Planning: Previous Meetings

Biennium Planning Discussions from Previous Meetings

September Meeting: Initial Scenario Modeling



November Meeting: Benefit Design Considerations



Baseline Financial Forecast

September Modeling:

- Reduced trend assumption from 9.5% to 8.5%
- Incorporated Express Scripts Medicare Prescription Drug Plan (PDP) for Medicare primary retirees
 - Employer Group Waiver Plan Plus Wrap (EGWP +) to replace Retiree Drug Subsidy (RDS) program

Additional Changes:

- Remove Certain Exclusions for Dental Services
 - Coverage for accidental injuries, congenital deformity, and diseases due to tumor or infection
- Primary Care Copay for Behavioral Health Services
- Affordable Care Act (ACA) Transitional Reinsurance Fee

ACA Transitional Reinsurance Program Fees

- Supplemental payments to insurers with high risk pools in individual and group markets
- Funding: Plan Sponsors will pay per member per month (PMPM) fee for their active and non-Medicare primary covered lives

Three year program with declining PMPM fee, effective 2014 calendar year (CY)

Year	Targeted Federal Assistance	PMPM (<i>estimated</i>)	Projected Cost
CY 2014	\$10 billion	\$5.25	\$33.5 million
CY 2015	\$6 billion	\$3.15	\$20.0 million
CY 2016	\$4 billion	\$2.10	\$13.2 million

September Scenario Modeling

Change Benefit Year



Convert from Fiscal Year to Calendar Year



Impact on Cash Flow and Reserves

Why Convert to Calendar Year

- Alignment of the health benefit with other programs
 - Flexible Spending Accounts
 - Medicare
- Facilitate annual enrollment process
 - Communication and timing of benefit changes & rate increases

Mechanics of Conversion

Convert plan benefit year from Fiscal Year to Calendar Year, effective January 1, 2014

- Modify benefit period and member cost sharing requirements during conversion
- Operate a 6-month “short plan year” or benefit period from July 1st to Dec 31st of 2013
 - Deductibles & out of pocket maximums = ½ of annual amounts
 - Increased claims costs associated with reduced cost sharing
- Operate on Calendar Year after conversion
 - Move scheduled premium increases from July 1st to Jan 1st

Forego premium increase July 1, 2013

Balance to Target Stabilization Reserve at end of Calendar Year

September Scenario Modeling

Medicare Advantage



Offer Fully Insured Medical Only Plan



Spousal/Dependent Premium Reduction



Combine with Prescription Drug Plan (PDP)

Medicare Retiree Plan Types

Medicare Carve Out

Coordination of Benefits (COB)

Medicare Pays First

Plan's PPO Benefit Design
(e.g. cost-sharing)
Applies to Remaining Balance

Medicare Advantage

Replaces Traditional Medicare
Parts A & B: Hospitalization and
Physician & Outpatient Services

May include Prescription Drug
Coverage (Part D)

PPO or HMO Plans with Enhanced
Benefits

Reduced Cost Sharing; Preventive;
Disease & Case Management;
Fitness Memberships

Medicare Advantage Plan

Offer fully insured Medicare Advantage (MA) medical only plan, effective January 1, 2014

- Medicare-eligible members
- Reduced medical claims cost
 - Fully insured premium estimated to be less than cost of current self insured carve out option
- Premium reduction for eligible spouses/dependents
- Enhanced benefits relative to current coverage
- Contracts with Humana and United Health Care
 - Considering standard plan and buy-up options

Combine with Prescription Drug Benefit

Consider integrating pharmacy benefits within the Medicare Advantage plan (MA-PDP)

- Improved experience for members
 - Less confusion than with split medical and pharmacy benefit
- Integrated medical and pharmacy management by MA vendors
- Additional savings potential for Plan and members
 - Reduced pharmacy claims cost
 - Fully insured premium is estimated to be less than cost of self insured PDP (EGWP Plus Wrap plan)
 - Premium reduction for eligible spouses/dependents
- Mitigates some cash flow impacts of self insured PDP

Combine with Prescription Drug Benefit

Other Considerations – MA-PDP

- May lessen flexibility
 - Formulary management
 - Utilization management programs
- Potential differences in benefit design and cost sharing
 - Coverage for specialty drugs
- Choice = MA-EGWP + **or** MA-PDP
 - Disruption/confusion by moving to MA-PDP soon after implementing MA-EGWP +
 - Members will need to renew all existing prior authorizations

September Scenario Modeling

Enhance Benefits



Preventive Services



100% Coverage for PPO Options

Enhance Benefits

Enhance PPO plan options by providing 100% coverage for preventive services, effective January 1, 2014

- No copays, deductibles or coinsurance
- Increased claims cost
 - Associated with elimination of member cost sharing for preventive services
- Determine applicable preventive services

Initial proposal applied enhanced preventive benefit to
Standard 80/20 Plan

Revised modeling applies coverage to Basic 70/30 Plan

September Scenario Modeling

Increase Reserves



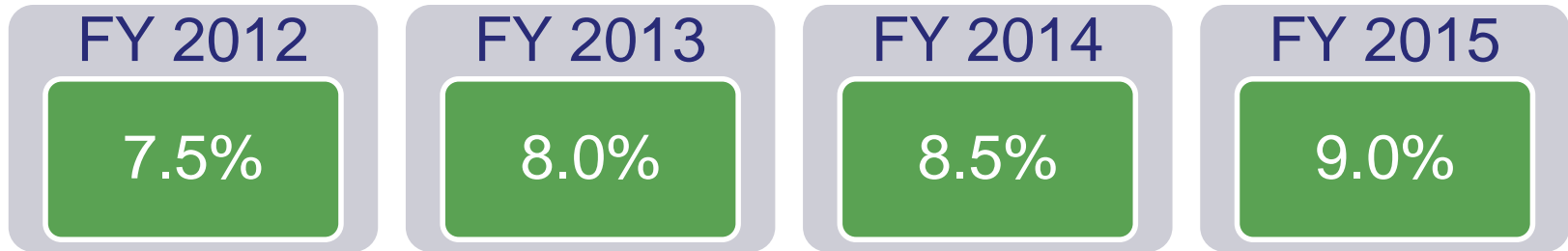
Target Stabilization Reserve from 7.5% to 9.0%



Balance at End of Calendar Year

Increase Reserves

Increase Target Stabilization Reserve (TSR) from 7.5% of net claims to 9.0% by 2015



- More closely align reserve target with year end unpaid claims liability (IBNR, Incurred But Not Reported)
- Additional cushion
 - Address adverse claims experience
 - Manage variations in cash flow
- Stabilize premium increases

Analysis of TSR vs. IBNR

Year-ending Cash Balance, TSR and IBNR Claims Liability

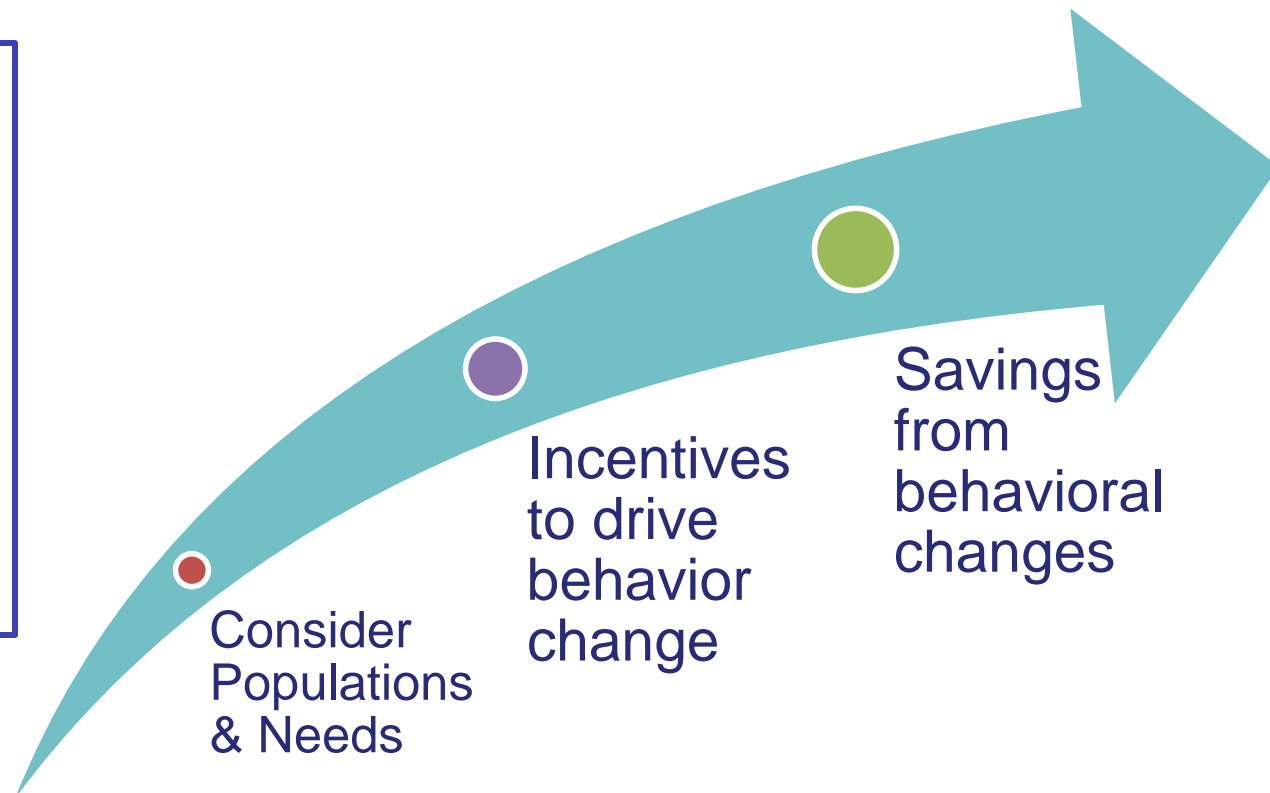
A	B	C	D	E	F	G	H	I
	Actual Cash Balance as of June 30th	Actual Paid Claims Fiscal Year	Target Stabilization Reserve, 7.5% of Actual Paid Claims	IBNR Claims Liability as of June 30th	IBNR as % of Actual Paid Claims	Cash Balance Over/(Under) TSR	Cash Balance Over/(Under) IBNR	TSR Over/(Under) IBNR
FY 2007-08 *	\$139,744,496	\$2,155,977,023	\$161,698,277	\$263,242,208	12.21%	(\$21,953,781)	(\$123,497,712)	(\$101,543,932)
FY 2008-09	\$189,901,048	\$2,459,579,317	\$184,468,449	\$258,150,386	10.50%	\$5,432,599	(\$68,249,338)	(\$73,681,937)
FY 2009-10	\$121,484,030	\$2,394,225,189	\$179,566,889	\$253,329,263	10.58%	(\$58,082,859)	(\$131,845,233)	(\$73,762,374)
FY 2010-11 ^	\$269,856,217	\$2,483,694,744	\$186,277,106	\$224,217,105	9.03%	\$83,579,111	\$45,639,112	(\$37,939,999)
FY 2011-12	\$502,247,475	\$2,454,808,343	\$184,110,626	\$244,059,588	9.94%	\$318,136,849	\$258,187,887	(\$59,948,962)
			FY 08 to 12 average		10.40%	\$65,422,384	(\$3,953,057)	(\$69,375,441)
* Held \$62.8 million in FY 2007-08 medical and pharmacy claims for payment in FY 2008-09.								
^ First year Blue Card IBNR calculated separately, approximately \$10 million								

- The traditional TSR benchmark of 7.5% of paid claims underestimates the IBNR year-end claims liability
- Based on recent experience, the TSR benchmark should be increased
 - TSR of 9% - 10% needed for adequate IBNR reserve

Benefit Design Considerations

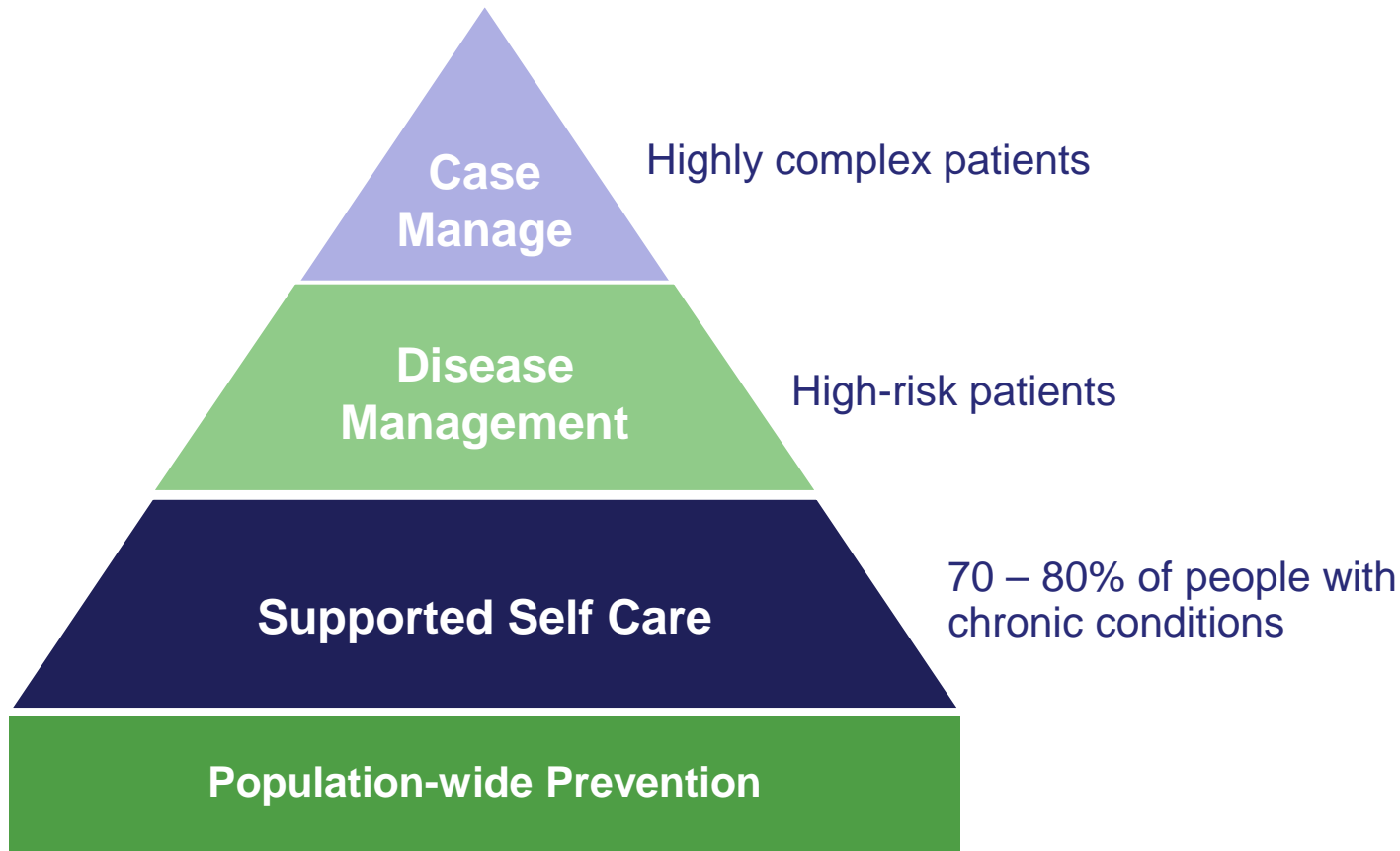
In November the Board reviewed design elements to promote healthy lifestyles

How can benefit design elements be used to lower trend and slow the increases in future funding requirements?



Different Populations-Different Needs

Four key groups must be addressed in any design:

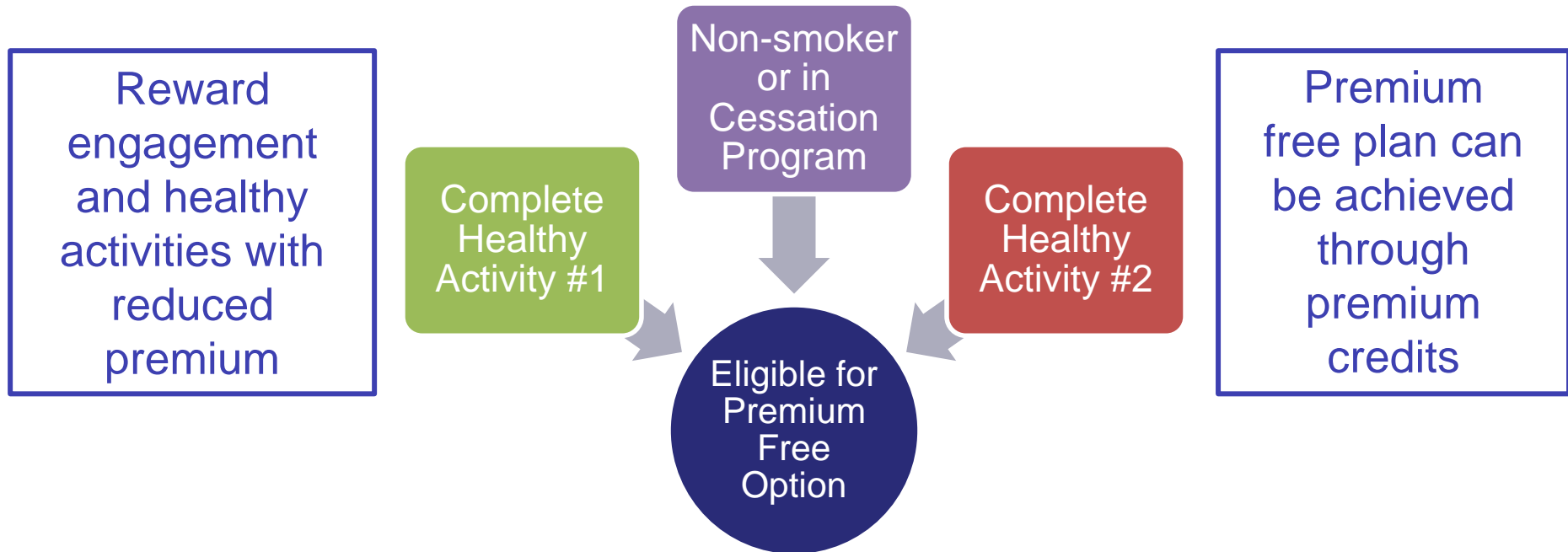


Programs need to be structured to support the wide range of population needs.

Incenting Healthy Behaviors

Establish “wellness premium” to encourage engagement in wellness programs and healthy activities

- Subscriber premium credits earned for completing healthy activities



Healthy Activities Will Evolve/Increase Year to Year to Create a Process of Population Health Improvement

Tiered or Limited Provider Networks



Tiered and limited networks offer fewer, but more strictly managed high quality providers

- Passive or voluntary alternative to broader main network
- Members receive reduced or waived copayments for using selected providers
 - Incent selection of higher quality and better value providers
- **Implementation Options:**
 - Selected providers in main network
 - BCBSNC's Blue Select Network
 - Hospitals and/or specialists
 - Procedure-based distinctive provider network
 - Bariatric surgery, heart bypass surgery, knee and hip replacement
 - BCBSNC's Blue Distinction Centers



Patient Centered Medical Homes (PCMH)

Improve care coordination to improve patient outcomes

Increase engagement in disease and case management services

- Incent high-risk members to select a primary care physician (PCP) or medical home
- Offer premium credit for PCP selection
- Offer copay reduction for utilizing PCP/PCMH
 - Reduce financial barrier



Consumer Directed Health Plan (CDHP)



Engage members in shopping for health care services

- Member responsible for all costs up to deductible & pays a fixed percentage of costs (coinsurance) after that up to a specified out of pocket maximum
 - Combine with health savings account (HSA) or health reimbursement account (HRA) to offset higher deductible
 - No copays to promote “consumer” awareness regarding costs
- Preventive benefits covered at 100% without impacting account balance

Consumer Directed Health Plan (CDHP)

Design promotes smarter health care purchasing decisions by members



- Reduce utilization of health services (and cost increases) without shifting cost to members
- Higher utilization of disease and case management programs
- Offer CDHP as a third option along with the Basic (70/30) and Standard (80/20) plans
 - Apply “wellness premium” and credits for healthy activities
 - Consider increased account funding
 - PCP/PCMH use
 - Tiered or limited network use

Proposed Benefit Design Offerings

New Plan Design Features & Products: Premium Credits

Premium Credit Requirements – All Non-Medicare Primary Plan Designs

- **Smoker Surcharge** - Subscriber Surcharge must be paid if either the subscriber or the spouse does not attest to being a non-smoker or to being a smoker in a smoking cessation program.
- **PCP Selection** - PCP Selection premium must be paid unless all family members select a PCP during annual enrollment. While a member can change a PCP at any time or select a PCP for the first time after annual enrollment, a valid PCP must be selected for each family member during annual enrollment to qualify for the premium credit.
- **Health Assessment (HA)** – HA premium must be paid if the subscriber does not complete an HA between July 1, 2013 and the end of annual enrollment. Health Assessments taken prior to July 1, 2013 may not count towards the HA premium reduction.

New Plan Design Features & Products: CDHP

High Deductible Health Plan with a Health Reimbursement Account (HRA) (Not Available for Medicare Primary Retirees)

- **High Annual Deductibles** – There are no copays on this plan
 - **\$1500 Individual Deductible**
 - **\$4500 Family Deductible**
- **Preventive services** - Covered at 100%
- **Plan Funded HRA** – Provides coverage to offset high deductible
 - **\$500 funded for Employee**
 - **\$1500 funded for Employee + 1**
 - **\$2000 funded for Employee + Family**
- **Additional HRA Funds**
 - Members who visit their PCP or access the Blue Select network may have an opportunity to earn additional HRA funds

Additional PCP Incentive for Base and Buy-Up Plans

- **PCP Copay Reduction** - In addition to receiving a premium credit, members who elect a PCP during annual enrollment, will receive a \$15 copay reduction when they visit the PCP listed on their ID Card. The copay reduction will also apply if the member visits another provider within the practice. The copay reduction will not apply if the member sees a provider outside the practice or if the member elects a PCP for the first time after annual enrollment.

***Blue Select Rewards –**

- **Special Copay Reduction** – Members who utilize a Blue Select provider will receive a \$10 copay reduction.
- **Copay Waiver** – Members who utilize a Blue Select hospital will have their inpatient hospital copay waived.

*We are unable to incorporate BCBSNC's Blue distinction centers into the incentive based plan design at this time. We will revisit this option in the future.

Plan Design Options for Actives/Non-Medicare Eligible Retirees

Employees and Non-Medicare Eligible Retirees can earn premium credits on all Plan Design Options

	Base Plan 70/30	Buy-Up Plan 80/20	Consumer Driven Health Plan 85/15
	Premium Credits		
Premium Reductions	Smoker Surcharge \$40	Smoker Surcharge \$40	Smoker Surcharge \$40
	PCP Election Each family member must elect a PCP \$20	PCP Election Each family member must elect a PCP \$25	PCP Election Each family member must elect a PCP \$20
	Health Assessment (HA) Subscriber must complete HA \$20	Health Assessment (HA) Subscriber must complete HA \$25	Health Assessment (HA) Subscriber must complete HA \$20

While a member can select or change a PCP after annual enrollment, only members who select a PCP during annual enrollment can earn the premium credit and PCP copay reduction.

Both the Base and the Buy-Up plan designs are copay based plans.

The CDHP is a deductible and coinsurance plan design with a Health Reimbursement Account (HRA) layered on top to offset the Member's deductible.

There are additional copays on the Base and Buy-Up Plans not shown here.

The CDHP is always deductible/coinsurance based.

Plan Design Options - Active Employees and Non-Medicare Primary Retirees			
	Base Plan 70/30	Buy-Up Plan 80/20	Consumer Driven Health Plan 85/15
Out-Of-Pocket Costs			
PCP Office Visit	\$35 Co-Pay <i>\$15 PCP co-pay reduction for members who visit the PCP listed on their card</i>	\$30 Co-Pay <i>\$15 PCP co-pay reduction for members who visit the PCP listed on their card</i>	Deductible/15% Coinsurance <i>Members have opportunity to earn additional HRA funds when they visit the PCP listed on their card</i>
Specialist Visit	\$81 Co-Pay Co-pay Reduced by \$10 when a Blue Select Provider is utilized	\$70 Co-Pay Co-pay Reduced by \$10 when a Blue Select Provider is utilized	Deductible/15% Coinsurance <i>Members have opportunity to earn additional HRA funds when they utilize a Blue Select Provider</i>
Inpatient Hospital Confinement	\$291 Co-Pay/Annual Deductible/30% Coinsurance Co-Pay waived when confinement is in a Blue Select Hospital	\$233 Co-Pay/Annual Deductible/20% Coinsurance Co-Pay waived when confinement is in a Blue Select Hospital	Deductible/15% Coinsurance <i>Members have opportunity to earn additional HRA funds when they utilize a Blue Select Provider</i>
Annual Deductibles	\$933 Individual \$2799 Family	\$700 Individual \$2100 Family	\$1500 Individual \$4500 Family (HRA Account balances may offset a percentage of deductible)
Coinsurance or Out-of-Pocket Maximums	\$3,793 Individual Coins Max \$11,379 Family Coins Max	\$3,210 Individual Coins Max \$9,630 Family Coins Max	\$3,000 Individual OOP Max \$9,000 Family OOP Max

Plan Design Options for Actives/Non-Medicare Eligible Retirees

While all three plan designs offer 100% coverage for preventive services, the CDHP Plan also covers a portion of the deductible(s) via the HRA Account.

Plan Design Options - Active Employees and Non-Medicare Primary Retirees			
	Base Plan 70/30	Buy-Up Plan 80/20	Consumer Driven Health Plan 85/15
First Dollar Coverage			
HRA Account Contributions	NA	NA	\$500 Employee Only Account \$1000 Employee + 1 Account \$1500 Employee + Family Account (Additional incentive HRA funds may be earned)
Preventive Services	100% Coverage for all Preventive Services performed by a Network Provider in a non-hospital setting	100% Coverage for all Preventive Services performed by a Network Provider in a non-hospital	100% Coverage For All Preventive Services provided by a Network Provider in a non-hospital setting

Plan Designs Features and Products: Medicare Primary Retirees

Medicare Advantage - While we will not be able to finalize the specific details of the Medicare Advantage Plan Designs until the rates are available from CMS later this spring, each vendor will provide a Base and Buy-Up Option.

- **Base Plan** will be modeled after the current 80/20 PPO which means the overall out-of-pockets for the Medicare Advantage Plan and the 80/20 PPO, which is a Medicare “Secondary” plan, should be the same.
- **Buy-Up Plan** will offer lower copays and deductibles.

Traditional Plan Option - Retirees electing to opt-out of Medicare Advantage will have the option of electing the current 70/30 PPO Plan on the BCBSNC platform. As a reminder, the 70/30 PPO plan provides secondary coverage for traditional Medicare and is offered at no cost to the Retiree (zero employee premium).

Important: The Medicare Advantage Plans on the following pages are not finalized.

Plan Designs Features and Products: Medicare Primary Retirees

Plan Design Options - Medicare Primary Retirees			
	Traditional Plan (BCBSNC) 70%	Base Medicare Advantage 80%	Buy-Up Medicare Advantage 100%
	Out-Of-Pockets		
PCP Office Visit	\$35 Co-Pay	\$20 Co-Pay	\$10 Co-Pay
Specialist Visit	\$81 Co-Pay	\$40 Co-Pay	\$35 Co-Pay
Urgent Care	\$87 Co-pay	\$50 Co-Pay	\$35 Co-Pay
Emergency Room	\$291 Co-Pay/Annual Deductible/30% Coinsurance	\$65 Co-Pay	\$50 Co-Pay
Inpatient Hospital Confinement	\$291 Co-Pay/Annual Deductible/30% Coinsurance	\$160/day (Days 1 -10) Zero after	\$150/day (Days 1 -10) Zero after
Skilled Nursing Facility	Annual Deductible/30% Coinsurance (Maximum of 100 days per benefit period)	\$0 per day, days 1 - 20 \$50 per day, days 21 - 100	\$0 per day, days 1 - 20 \$50 per day, days 21 - 100
Annual Deductibles	\$933 Individual \$2799 Family	\$0	\$0

Plan Designs Features and Products: Medicare Primary Retirees

Plan Design Options - Medicare Primary Retirees			
	Traditional Plan (BCBSNC) 70%	Base Medicare Advantage 80%	Buy-Up Medicare Advantage 100%
	Out-Of-Pockets		
Outpatient Hospital Services	Annual Deductible/30% Coinsurance	\$125 Co-Pay	\$50 Co-Pay
Outpatient Surgery	Annual Deductible/30% Coinsurance	\$250 Co-Pay	\$100 Co-Pay
Outpatient Lab & X-ray	Annual Deductible/30% Coinsurance	\$40 Co-Pay	\$25 Co-Pay
MRI, CT & Pet Scans	Annual Deductible/30% Coinsurance	\$100 Co-Pay	\$50 Co-Pay
Physical, Speech, Occupational Therapy	\$64 Co-Pay	\$20 Co-Pay	\$10 Co-Pay
Chiropractic Visits	\$64 Co-Pay	\$20 Co-Pay	\$10 Co-Pay
Preventive Services	\$35 Co-Pay	Covered 100%	Covered 100%
Coinsurance or Out-of-Pocket Maximums	\$3,793 Individual Coins Max \$11,379 Family Coins Max	\$4,000 Individual OOP Max (There is no family maximum)	\$2,600 Individual OOP Max (There is no family maximum)

Plan Designs Features and Products: Medicare Primary Retirees

Plan Design Options - Medicare Primary Retirees			
	Traditional Plan (BCBSNC) 70%	Base Medicare Advantage 80%	Buy-Up Medicare Advantage 100%
Out-Of-Pockets			
Additional Services			
Fitness	Not covered	Silver Sneakers	Silver Sneakers
Routine Eye Exam	Not covered	\$40 Co-Pay	\$35 Co-Pay
Routine Hearing Exams	Not covered	\$40 Co-Pay	\$35 Co-Pay
Routine Dental Services	Not covered	\$40 Co-Pay	\$35 Co-Pay
Part B Drugs			
Immunosuppressive, Oral Chemotherapy, Anti-nausea, Inhalation Solutions, Hemophilia Clotting Factors, Antigens, OP Injectable Medications Administered in a Physician's	\$35 office copay	20% Coinsurance	TBD
Part D - Retail Drugs			
Generic	\$12	\$10	\$5
Preferred Brand	\$40	\$40	\$30
Non-Preferred Brand	\$64	\$64	\$40
Specialty Drugs	25% (\$100 Max)	25% (\$100 Max)	25% (\$95 Max)
Maintenance Drugs (Up to 90 Day Supply)			
Generic	\$36	\$24	\$10
Preferred Brand	\$120	\$80	\$60
Non-Preferred Brand	\$192	\$128	\$80
Specialty Drugs	25% (\$300 Max)	25% (\$300 Max)	25% (\$190Max)

Plan Design Options: Retirees

The Plan has an obligation to offer a “noncontributory” or “premium-free” plan to retirees

Noncontributory Coverage – The following persons are eligible for coverage under the Plan, on a noncontributory basis, subject to the provisions Of G.S. 135-48.43:

- (1) *Retired teachers, State employees, members of the General Assembly, and retired law enforcement officers who retired under the Law Enforcement Officers’ Retirement System prior to January 1, 1985. Except as otherwise provided in this subdivision, on and after January 1, 1988, a retiring employee or retiree must have completed at least five years of contributory retirement service with an employing unit prior to retirement from any State supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. For Employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to a requirement that the future retiree have 20 or more years of retirement service credit in order to be covered by the provisions of this subdivision.*
- (2) *Surviving spouses of:*
 - a. *Deceased retired employees, provided the death of the former plan member occurred prior to October 1, 1986; and*
 - b. *Deceased teachers, State employees, and members of the General Assembly who are receiving a survivor’s alternate benefit under any of the State-supported retirement programs, provided the death of the former plan member occurred prior to October 1, 1986.*

Noncontributory Offer Scenarios

- **Early Retirees (Non-Medicare Primary)**
 - In addition to the incentive plan designs, offer the current premium-free Traditional 70/30 PPO Plan
- **Medicare Primary Retirees**
 - Allow the Base Medicare Advantage plan to serve as the premium-free plan
 - In addition to the premium-free Base Medicare Advantage plan, offer the Traditional 70/30 PPO plan as a Medicare Advantage alternative

Updated Forecast Scenario Modeling

Review Initial Scenarios
Modeling Wellness Initiatives

Updated Summary of Initial Forecast Scenarios

	Premium Increases			General Fund Requirements				
	Date	Biennium		Fiscal Year		Total		
		2013-15	2015-17	2013-14	2014-15		Dec 2015 cash	# weeks expenses
1 1Q Baseline Update 8.5% trend, EGWP	July 1st	1.1%	15.4%	\$20.3 m	\$40.6 m	\$60.9 m		
2 Add ACA Transitional Reinsurance Fee	July 1st	1.6%	14.9%	\$29.8 m	\$59.9 m	\$89.7 m		
3 Modify Dental & Behavioral Health Effective July 1, 2013	July 1st	1.7%	14.8%	\$32.6 m	\$65.5 m	\$98.1 m		
4 Convert to Calendar Year Forego July 1, 2013 increase								
Balance Reserve End of FY	Jan 1st	3.2%	19.0%	\$30.6 m	\$92.4 m	\$123.0 m	\$77.7 m	1.1
Balance Reserve End of CY	Jan 1st	5.1%	12.7%	\$48.2 m	\$146.5 m	\$194.7 m	\$242.5 m	3.4
5 Offer Medicare Advantage Plan Effective Jan 1, 2014								
Balance Reserve End of CY	Jan 1st	4.2%	13.1%	\$40.1 m	\$121.7 m	\$161.8 m	\$238.8 m	3.4
6 100% Preventive Benefits Applies to 70/30 & 80/20 Effective Jan 1, 2014								
Balance Reserve End of CY	Jan 1st	5.3%	12.7%	\$50.6 m	\$154.0 m	\$204.6 m	\$242.8 m	3.4
7 Increase Stabilization Reserve From 7.5% of claims to 9.0% by 2015								
Balance Reserve End of CY	Jan 1st	5.9%	12.0%	\$55.8 m	\$169.9 m	\$225.7 m	\$291.3 m	4.1

Modeling Wellness Initiatives

Board “Consensus” Scenario

- Offer CDHP Option
- Apply Smoker Surcharge = \$40
- Apply Wellness Premium = \$40 (\$20 PCP Selection & \$20 Health Assessment)
- Subscriber Premium Credits: Opportunity to earn up to \$80
- PCP Copay Reduction: Members selecting PCP during annual enrollment receive a \$15 copay reduction when they visit the PCP listed on their ID Card
- Tiered Network Rewards:
 - Inpatient Copay Waiver for Members using Blue Select hospital
 - Specialist Copay Reduction: Members using Blue Select provider will receive a \$10 copay reduction

Board Consensus Scenario

Compared to Updated Initial Scenario Design

Date	Premium Increases		General Fund Requirements		Total
	Biennium		Fiscal Year		
	2013-15	2015-16	2013-14	2014-15	

1 **Design Scenario Before Wellness Initiatives** Jan 1st 5.9% 12.0% \$55.8 m \$169.9 m \$225.7 m

2 **Board Consensus Wellness Initiatives** Jan 1st 4.2% 10.0% \$40.2 m \$121.9 m \$162.1 m

Summary of Financial Impact

	2014	2015	2016	2017	Total
CDHP Plan Option	\$4.2 m	\$11.1 m	\$21.1 m	\$34.5 m	\$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	\$52.9 m	\$81.2 m	\$121.8 m	\$167.9 m	\$423.8 m
PCP Copay Reduction	(\$17.6) m	\$1.6 m	\$22.6 m	\$45.2 m	\$51.8 m
Tiered Network Rewards	\$3.6 m	\$4.2 m	\$4.7 m	\$5.3 m	\$17.8 m
Total	\$43.1 m	\$98.1 m	\$170.2 m	\$252.9 m	\$564.3 m

Additional Modeling Scenarios

Variations of Board Consensus Scenario

- MA-PDP in lieu of MA-EGWP +
- Maintain Current Premium Free 70/30 Plan Option
 - No Smoker Surcharge or Wellness Premium
 - No Preventive Benefit Enhancement
 - Retiree Only Version
 - Actives & Retirees Version
- Increase Premium Credits for 80/20 Plan Option
 - PCP Selection from \$20 to \$25
 - HA Completion from \$20 to \$25
 - Reduces base employee/retiree premium

Variation of Board Consensus Scenario

MA-PDP in lieu of MA-EGWP +

	Date	Premium Increases		General Fund Requirements		Total
		Biennium		Fiscal Year		
		2013-15	2015-16	2013-14	2014-15	
1 Board Consensus Wellness Initiatives	Jan 1st	4.2%	10.0%	\$40.2 m	\$121.9 m	\$162.1 m
2 With MA-PDP	Jan 1st	3.4%	10.7%	\$32.7 m	\$99.0 m	\$131.7 m

Summary of Financial Impact

Impact of Switching from MA-EGWP+ to MA-PDP

	2014	2015	2016	2017	Total
Revenue Impact	(\$76.4) m	(\$116.8) m	(\$121.8) m	(\$126.8) m	(\$441.8) m
Expenditure Impact	(\$110.6) m	(\$139.8) m	(\$141.3) m	(\$142.7) m	(\$534.4) m
Net Impact	\$34.2 m	\$23.0 m	\$19.4 m	\$15.9 m	\$92.5 m

Variation of Board Consensus Scenario

Maintain Current Premium Free 70/30 Plan Option for Retirees

Date	Premium Increases		General Fund Requirements		Total
	Biennium		Fiscal Year		
	2013-15	2015-16	2013-14	2014-15	

1 Board Consensus Wellness Initiatives	Jan 1st	4.2%	10.0%	\$40.2 m	\$121.9 m	\$162.1 m
2 70/30 Premium Free for Retirees	Jan 1st	4.3%	10.2%	\$41.2 m	\$124.8 m	\$166.0 m

Summary of Financial Impact

Board Consensus Wellness Initiatives

	2014	2015	2016	2017	Total
CDHP Plan Option	\$4.2 m	\$11.1 m	\$21.1 m	\$34.5 m	\$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	\$52.9 m	\$81.2 m	\$121.8 m	\$167.9 m	\$423.8 m
PCP Copay Reduction	(\$17.6) m	\$1.6 m	\$22.6 m	\$45.2 m	\$51.8 m
Tiered Network Rewards	\$3.6 m	\$4.2 m	\$4.7 m	\$5.3 m	\$17.8 m
Total	\$43.1 m	\$98.1 m	\$170.2 m	\$252.9 m	\$564.3 m

70/30 Premium Free for Retirees

CDHP Plan Option	\$4.2 m	\$10.9 m	\$20.7 m	\$33.9 m	\$69.7 m
Smoker Surcharge/Wellness Premiums & Credits	\$46.7 m	\$71.7 m	\$108.1 m	\$149.3 m	\$375.8 m
PCP Copay Reduction	(\$15.6) m	\$1.4 m	\$19.6 m	\$38.7 m	\$44.1 m
Tiered Network Rewards	\$3.2 m	\$3.7 m	\$4.1 m	\$4.5 m	\$15.5 m
Total	\$38.5 m	\$87.7 m	\$152.5 m	\$226.4 m	\$505.1 m

Net Impact	(\$4.6) m	(\$10.4) m	(\$17.7) m	(\$26.5) m	(\$59.2) m
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Variation of Board Consensus Scenario

Maintain Current Premium Free 70/30 Plan Option for All

Date	Premium Increases		General Fund Requirements		Total
	Biennium		Fiscal Year		
	2013-15	2015-16	2013-14	2014-15	

Board Consensus Wellness Initiatives	Jan 1st	4.2%	10.0%	\$40.2 m	\$121.9 m	\$162.1 m
70/30 Premium Free for Actives & Retirees	Jan 1st	4.8%	10.8%	\$45.9 m	\$139.6 m	\$185.5 m

Summary of Financial Impact

Board Consensus Wellness Initiatives

	2014	2015	2016	2017	Total
CDHP Plan Option	\$4.2 m	\$11.1 m	\$21.1 m	\$34.5 m	\$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	\$52.9 m	\$81.2 m	\$121.8 m	\$167.9 m	\$423.8 m
PCP Copay Reduction	(\$17.6) m	\$1.6 m	\$22.6 m	\$45.2 m	\$51.8 m
Tiered Network Rewards	\$3.6 m	\$4.2 m	\$4.7 m	\$5.3 m	\$17.8 m
Total	\$43.1 m	\$98.1 m	\$170.2 m	\$252.9 m	\$564.3 m

70/30 Premium Free for Actives & Retirees

CDHP Plan Option	\$4.3 m	\$9.7 m	\$18.0 m	\$29.4 m	\$61.4 m
Smoker Surcharge/Wellness Premiums & Credits	\$14.8 m	\$26.0 m	\$44.8 m	\$66.4 m	\$152.0 m
PCP Copay Reduction	(\$11.9) m	\$1.1 m	\$16.1 m	\$33.3 m	\$38.6 m
Tiered Network Rewards	\$2.2 m	\$2.5 m	\$2.7 m	\$3.0 m	\$10.3 m
Total	\$9.4 m	\$39.3 m	\$81.6 m	\$132.1 m	\$262.3 m

Net Impact	(\$33.7) m	(\$58.8) m	(\$88.6) m	(\$120.8) m	(\$302.0) m
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Variation of Board Consensus Scenario

Increase Premium Credits 80/20 Plan Option

Date	Premium Increases		General Fund Requirements		Total
	Biennium		Fiscal Year		
	2013-15	2015-16	2013-14	2014-15	

1 Board Consensus Wellness Initiatives	Jan 1st	4.2%	10.0%	\$40.2 m	\$121.9 m	\$162.1 m
2 With 80/20 Premium Credit	Jan 1st	4.8%	9.7%	\$45.3 m	\$137.5 m	\$182.8 m

Summary of Financial Impact

Board Consensus Wellness Initiatives

	2014	2015	2016	2017	Total
CDHP Plan Option	\$4.2 m	\$11.1 m	\$21.1 m	\$34.5 m	\$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	\$52.9 m	\$81.2 m	\$121.8 m	\$167.9 m	\$423.8 m
PCP Copay Reduction	(\$17.6) m	\$1.6 m	\$22.6 m	\$45.2 m	\$51.8 m
Tiered Network Rewards	\$3.6 m	\$4.2 m	\$4.7 m	\$5.3 m	\$17.8 m
Total	\$43.1 m	\$98.1 m	\$170.2 m	\$252.9 m	\$564.3 m

With 80/20 Premium Credit

CDHP Plan Option	\$4.2 m	\$11.1 m	\$21.1 m	\$34.5 m	\$70.9 m
Smoker Surcharge/Wellness Premiums & Credits	\$28.5 m	\$58.4 m	\$100.7 m	\$148.4 m	\$336.0 m
PCP Copay Reduction	(\$17.6) m	\$1.6 m	\$22.6 m	\$45.2 m	\$51.8 m
Tiered Network Rewards	\$3.6 m	\$4.2 m	\$4.7 m	\$5.3 m	\$10.3 m
Total	\$18.7 m	\$75.3 m	\$149.1 m	\$233.4 m	\$469.0 m

Net Impact	(\$24.4) m	(\$22.8) m	(\$21.1) m	(\$19.5) m	(\$95.3) m
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Summary All Modeling Scenarios

	Premium Increases			General Fund Requirements		
	Date	Biennium		Fiscal Year		Total
		2013-15	2015-16	2013-14	2014-15	
1 Design Scenario Before Wellness Initiatives with MA-PDP	Jan 1st	5.9%	12.0%	\$55.8 m	\$169.9 m	\$225.7 m
	Jan 1st	5.1%	12.7%	\$0.5 m	\$1.5 m	\$2.0 m
2 Board Consensus Wellness Initiatives with MA-PDP with 80/20 Premium Credit with Both	Jan 1st	4.2%	10.0%	\$40.2 m	\$121.9 m	\$162.1 m
	Jan 1st	3.4%	10.7%	\$32.7 m	\$99.0 m	\$131.7 m
	Jan 1st	4.8%	9.7%	\$45.3 m	\$137.5 m	\$182.8 m
	Jan 1st	4.0%	10.4%	\$37.9 m	\$114.7 m	\$152.6 m
3 70/30 Premium Free for Retirees with MA-PDP with 80/20 Premium Credit with Both	Jan 1st	4.3%	10.2%	\$41.2 m	\$124.8 m	\$166.0 m
	Jan 1st	3.5%	11.0%	\$33.7 m	\$102.0 m	\$135.7 m
	Jan 1st	4.8%	9.9%	\$45.8 m	\$139.2 m	\$185.0 m
	Jan 1st	4.0%	10.6%	\$38.4 m	\$116.4 m	\$154.8 m
4 70/30 Premium Free for Actives & Retirees with MA-PDP with 80/20 Premium Credit with Both	Jan 1st	4.8%	10.8%	\$45.9 m	\$139.6 m	\$185.5 m
	Jan 1st	4.1%	11.5%	\$38.5 m	\$116.7 m	\$155.2 m
	Jan 1st	5.4%	10.5%	\$51.3 m	\$156.1 m	\$207.4 m
	Jan 1st	4.6%	11.2%	\$43.9 m	\$133.3 m	\$177.2 m

Decision Points

Finalize Plan Design for Legislative Funding Proposal

Benefit Design Decisions Needed

1. Convert to Calendar Year Jan 1, 2014
2. Increase Target Stabilization Reserve
 - a. Percentage
 - b. Time Period for Increase
3. Offer Medicare Advantage
 - a. MA Only
 - b. MA-PDP
4. Offer CDHP

Still to be Determined: Final Benefit Designs for Medicare Advantage and Consumer Directed Health Plan Options

Benefit Design Decisions Needed

5. Structure for Wellness Initiatives
 - a. Add Smoker Surcharge Wellness Premiums & Credits
 - i. Amount for each plan option
 - b. Modify or Maintain Current 70/30 Plan Option
 - i. Retirees
 - ii. Actives
 - iii. Cover Preventive Benefits at 100%
 - c. Offer Copay Reductions
 - i. PCP Visits
 - ii. Tiered Networks