



Employees Group Insurance Division

*Office of Management and
Enterprise Services*

Education Metro Area Business Managers Meeting

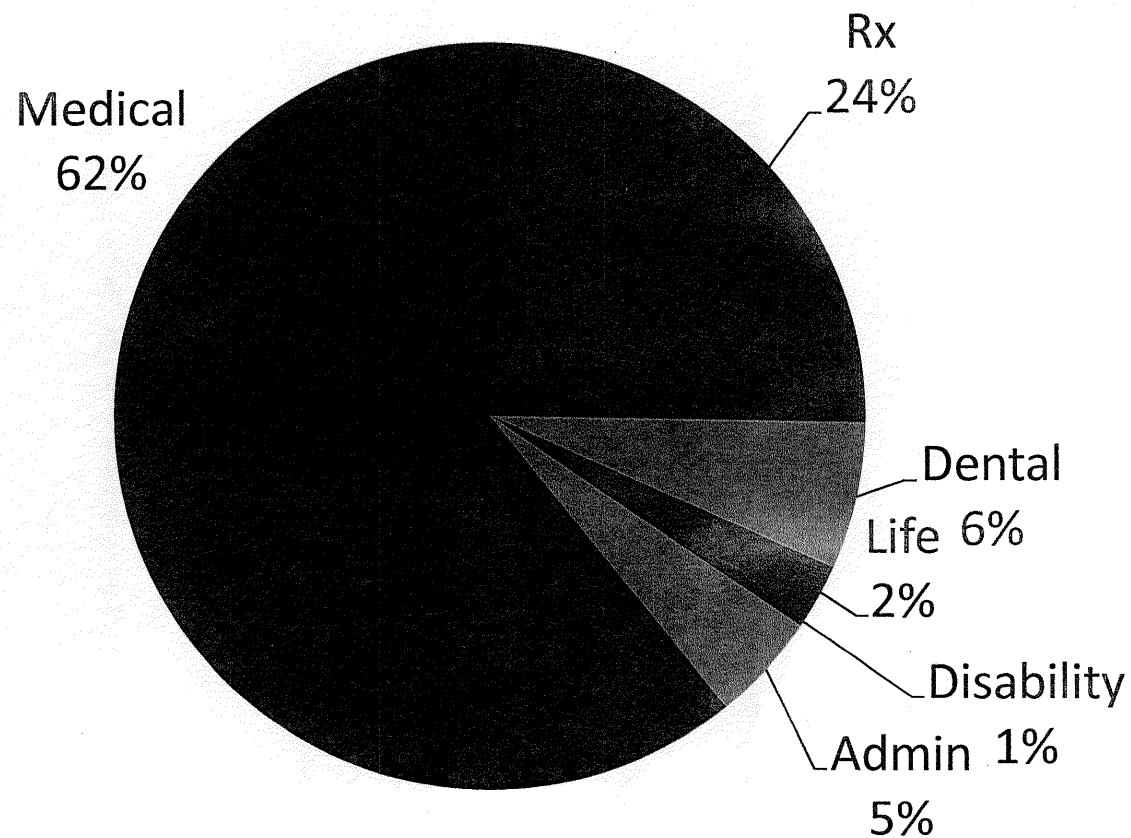
April 4, 2013



**Employees Group
Insurance Division**
*Office of Management and
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HealthChoice 2013 Projected Costs

Total Costs \$917 million



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HealthChoice Active/Pre-Medicare 2013 Health Premium Components

Medical	\$ 311.87	67.2%
Rx	89.00	19.2%
Total Claim Costs	400.87	86.4%
Pre-Medicare Blend	40.34	8.7%
Total Medical & Rx Costs	441.21	95.1%
TPA Costs (Claims Processing)	10.34	2.2%
Agency Personnel	7.00	1.5%
Contracted Professional Services	3.06	0.7%
Other Administrative Costs	2.38	0.5%
Total Administrative Costs	22.78	4.9%
Premium	\$ 463.99	100.0%



Administrative Costs

- For 2010, the Plan's administrative costs per primary member per month was \$21.52.

State	Cost	State	Cost
Georgia	\$27-\$30	Nevada	\$33.00
Indiana	\$40.06	New Jersey	\$35.75
Kansas	\$35.05	North Carolina	\$22.19
Louisiana	\$27.00	Oklahoma	\$21.52
Mississippi	\$29.00	Tennessee	\$26.54
Montana	\$36.00	Utah	\$23.51
Nebraska	\$31.50	Virginia	\$45.00

Source: Administrative cost information was obtained from Staff's survey of other state plans and from the Plan's consulting actuaries.



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Health Plan Census

as of 02/28/13

	Billing Units			Total Covered
	Primary	Spouse	Children	Lives
HealthChoice				
Education	49,964	2,229	8,027	66,707
State	21,820	10,065	9,532	49,631
Local Gov't	7,811	546	714	9,608
Pre-Medicare Retiree	8,153	1,231	484	10,020
	87,748	14,071	18,757	135,966
Medicare Retiree	30,067	4,461	52	34,581
Total HealthChoice	117,815	18,532	18,809	170,547
HMO				
Education	10,853	524	2,043	15,143
State	12,332	5,360	5,879	28,819
Local Gov't	626	99	148	966
Pre-Medicare Retiree	1,522	179	91	1,820
	25,333	6,162	8,161	46,748
Medicare Retiree	2,432	408	3	2,843
Total HMO	27,765	6,570	8,164	49,591
Total				
Education	60,817	2,753	10,070	81,850
State	34,152	15,425	15,411	78,450
Local Gov't	8,437	645	862	10,574
Pre-Medicare Retiree	9,675	1,410	575	11,840
	113,081	20,233	26,918	182,714
Medicare Retiree	32,499	4,869	55	37,424
Total	145,580	25,102	26,973	220,138

Note: Education includes public schools and career tech employees



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HealthChoice Annual Claims Distribution

% of membership	% of claim costs
2%	50%
10%	81%
18%	90%
Remaining 82%	10%

- Relatively few members account for the vast majority of the costs.
- Per Aon Hewitt, this is a typical distribution of claims for all insurance plans.



Financial Condition of HealthChoice Plans

As of December 31, 2012
(Unaudited)

(in millions)

Assets	<u>\$449</u>
Liabilities	\$ 131
Required Capital	\$ 164
Retained Earnings	<u>\$ 154</u>
Fund Equity	<u>\$ 318</u>
Total Liabilities & Equity	<u>\$449</u>

- HealthChoice maintains Required Capital based on the National Association of Insurance Commissioners' risk-based capital formula.



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Q1 – Will implementation of ACA affect the answers to “Common Questions on Flexible Benefit Allowance” published by the Department of Education?

- School’s legal departments should evaluate contracts to determine if variable scheduled employees will fall under the pay or play provisions of ACA.
- Refer to handout – *Affordable Care Act – “Pay or Play” as of March 2013.*



Q2 – Does the HealthChoice High Option plan meet the 60% minimum value threshold requirement?

- Yes.
- AON Hewitt, EGID's actuarial consulting firm, has tested HealthChoice's plan offerings.
- AON Hewitt has determined that all plans meet or exceed the required threshold.
- The HealthChoice High Option plan design is generally in line with Gold plan design coverage, paying in excess of 80% of total expected costs.



Q3 – What other guidance do you have as the ACA is fully implemented in coming months?

- Plan sponsor responsibility versus employer responsibility.
- Refer to handout – *Affordable Care Act – Resources for Major Provisions Affecting School Districts as of March 2013.*



Q9 – Can EGID offer a plan that would meet the “adequate and affordable” criteria without the district having to contribute?

- Based on 2012 Federal Poverty Level (FPL) measurements, 9.5% of FPL translates to less than \$90 per month.
- Per AON Hewitt’s analysis, any plan that could be purchased for \$90 per month would be well below the required 60% essential coverage threshold.



Q4 – Can EGID provide ten month premium payment schedules that are for a full twelve months' coverage?

- Refer to handout – *10-Month Premium Rate Schedule*.
- Payment schedule versus billing cycle.
 - Coverage is provided and billed in one month units.
 - Reconciliation issues for mid-year hires/terminations and coverage changes.



Q5 – Why is the current EGID plan year (calendar) better than having the plan year coincide with school districts fiscal years?

- State law requires EGID to be on a calendar year.
- EGID contracts with CMS as an Employer Group Waiver Plan for Medicare Part D.
- The current fiscal impact of changing to a non-calendar year under CMS requirements would be a reduction of \$4.2 million in payments.
- This would increase HealthChoice's Medicare Supplement premiums by approximately \$10 per member per month.



Q6 – HealthChoice premiums have increased over 70% in ten years. What has EGID done to control health insurance costs?

- EGID annual premium increase has averaged 6.0% compared to the national trend per AON Hewitt of 9.5%-10.0% over the last 10 years.
- EGID has been able to use \$180 million in plan surplus over the last 10 years to mitigate cost increases and reduce premiums.
- EGID reviews its provider payment strategies to help control costs.
 - Recent examples include changes in pricing methodology for injectable drugs and dialysis services effective 01/01/13 for an approximate \$15 million savings.
 - Management and consultants are currently reviewing inpatient hospital payment strategies.



Q6 – Control Insurance Costs Continued

- Negotiated deeper discounts with independent local pharmacies that resulted in annual plan and member savings of approximately \$35 million.
- Wellness initiatives:
 - Lower or no cost for wellness visits;
 - HelpCheck \$200 incentive payments;
 - Incentives for tobacco cessation.



Q7 – Does the Time Magazine article “Bitter Pill – Why Medical Bills Are Killing Us” accurately describe the financial environment within which EGID must operate?

- Excessive hospital billing practices
 - EGID has contracts with network providers that agree to accept HealthChoice fee schedules.
 - The fee schedules are evaluated and compared to industry benchmarks for other commercial plans and Medicare.



Q7 – “Bitter Pill” continued

Provider billing examples

Description	Article Example		HealthChoice	
	Billed	Medicare Paid	Provider Billed	Paid
Complete Blood Count (CBC)	\$157.61	\$11.02	\$264.22	\$27.55
CT Scan	\$7,997.54	\$544.00	\$9,163.25	\$965.16



Q7 – “Bitter Pill” continued

- Hospital/provider consolidation
 - “Consolidation by providers is increasing their leverage over insurance companies.”
 - As the self-funded health plan representing one of the largest employer groups in every county in the state, EGID has significant pricing leverage with providers.
- Trend to move procedures to more profitable outpatient setting.
 - HealthChoice’s data analytics indicate that inpatient trends have remained relatively flat over the last few years while outpatient trends have increased.
 - Leading cost driver for outpatient trends were injectable drugs and dialysis which were reduced effective 01/01/13.



Q7 – “Bitter Pill” continued

- Administrative costs
 - The article cites a major commercial payer’s administrative cost “amounts to about 29% of the claims of the \$23.7 billion it pays out in claims.”
 - HealthChoice’s administrative costs historically average 5% of claim costs.



Q7 – “Bitter Pill” continued

- Some claims could be subject to the industry billing practices described in the article.
 - 8% of medical claims (certain out-of-network and outpatient services) are paid based on a discount off of billed charges.
 - As a self-funded non-profit plan that is administered “by the members for the members”, decisions to allow out-of-network treatment are based strictly on the best interests of the patient and not the “bottom line”.
 - EGID contracts with third party claim audit firms to investigate and recover inappropriate or excessive charges.



Q8 – HealthChoice Premiums

- HealthChoice (*blended*) member only premium - \$463.99

	Active Only		Blended
Midwestern Region		Southeastern Region	
State Plan 1	557.18	State Plan 1	675.33
State Plan 2	573.89	State Plan 2	602.88
State Plan 3	585.03	State Plan 3	613.08
State Plan 4	497.24		
Southeastern Region			
Large Municipality	570.94		
Average	556.86	Average	630.43

Source: AON Hewitt

Note: The premium rates above reflect the cost of plan designs comparable to the HealthChoice High Option plan.



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Q8 – HealthChoice Premiums continued

- Adverse selection is a major cost driver in the spouse premium rate.
 - 4% of education employees cover their spouse compared to 46% of state employees.
 - 16% of education employees cover dependent children compared to 44% of state employees.
- The disparity in dependent participation reflects the difference in the state and education benefit allowance.



Q8 – HealthChoice Premiums continued

Education Member Participation

	<u>HealthChoice</u>			<u>HMO Plans</u>			<u>Non Participants</u>			<u>Total</u>		
	<u>Member</u>	<u>Cummulative</u>		<u>Member</u>	<u>Cummulative</u>		<u>Member</u>	<u>Cummulative</u>		<u>Member</u>	<u>Cummulative</u>	
Under 25	1,329	1,329	3%	259	259	3%	680	680	5%	2,268	2,268	3%
25 - 30	5,157	6,486	14%	1,113	1,372	14%	1,594	2,274	18%	7,864	10,132	15%
31 - 35	4,721	11,207	24%	1,034	2,406	25%	1,383	3,657	29%	7,138	17,270	25%
36 - 40	5,303	16,510	36%	1,112	3,518	36%	1,620	5,277	42%	8,035	25,305	37%
41 - 45	6,009	22,519	48%	1,289	4,807	49%	1,851	7,128	56%	9,149	34,454	50%
46 - 50	5,910	28,429	61%	1,261	6,068	62%	1,718	8,846	70%	8,889	43,343	63%
51 - 55	6,587	35,016	75%	1,389	7,457	76%	1,428	10,274	81%	9,404	52,747	77%
56 - 60	7,002	42,018	90%	1,431	8,888	91%	1,190	11,464	90%	9,623	62,370	90%
61 - 64	2,728	44,746	96%	605	9,493	97%	455	11,919	94%	3,788	66,158	96%
Over 64	1,707	46,453	100%	297	9,790	100%	775	12,694	100%	2,779	68,937	100%
Total	<u>46,453</u>			<u>9,790</u>			<u>12,694</u>			<u>68,937</u>		
Male	25%			26%			17%			24%		
Female	75%			74%			83%			76%		

- The Non Participants are typically younger than enrolled members.



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