North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Comparative Analysis of State Health Plans

Board of Trustees Meeting

March 28, 2014

A Division of the Department of State Treasurer

Presentation Overview

- Executive Summary
- Selected States for Comparison
- Comparative Analysis Methodology
- Comparative Analysis
- Key Initiatives in Other States
- Emerging Conclusions

Executive Summary

Purpose

- As part of the Strategic Planning process, the Strategic Planning Workgroup and Board of Trustees requested an environmental scan of state health plans in other states to compare the North Carolina State Health Plan

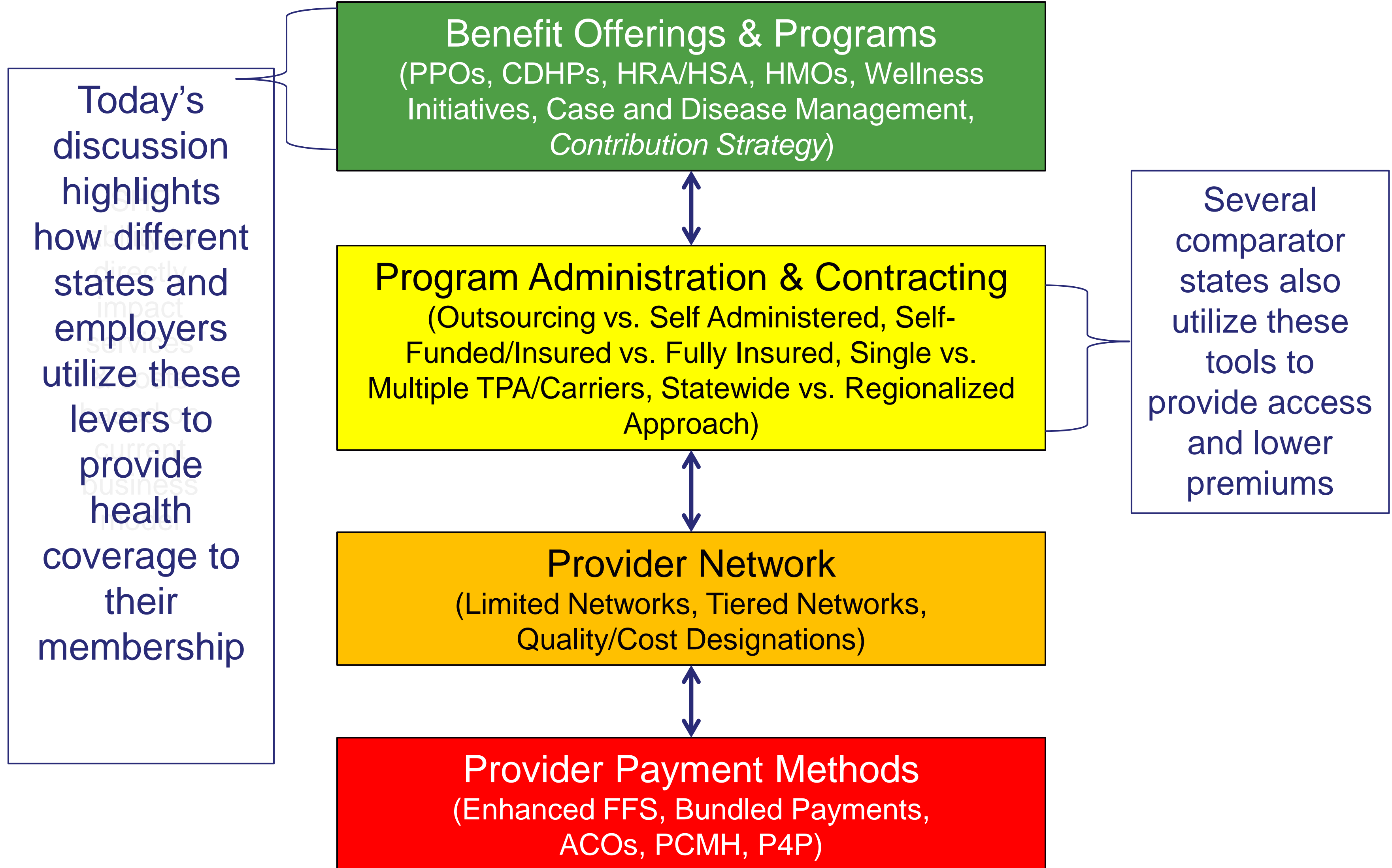
Approach

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

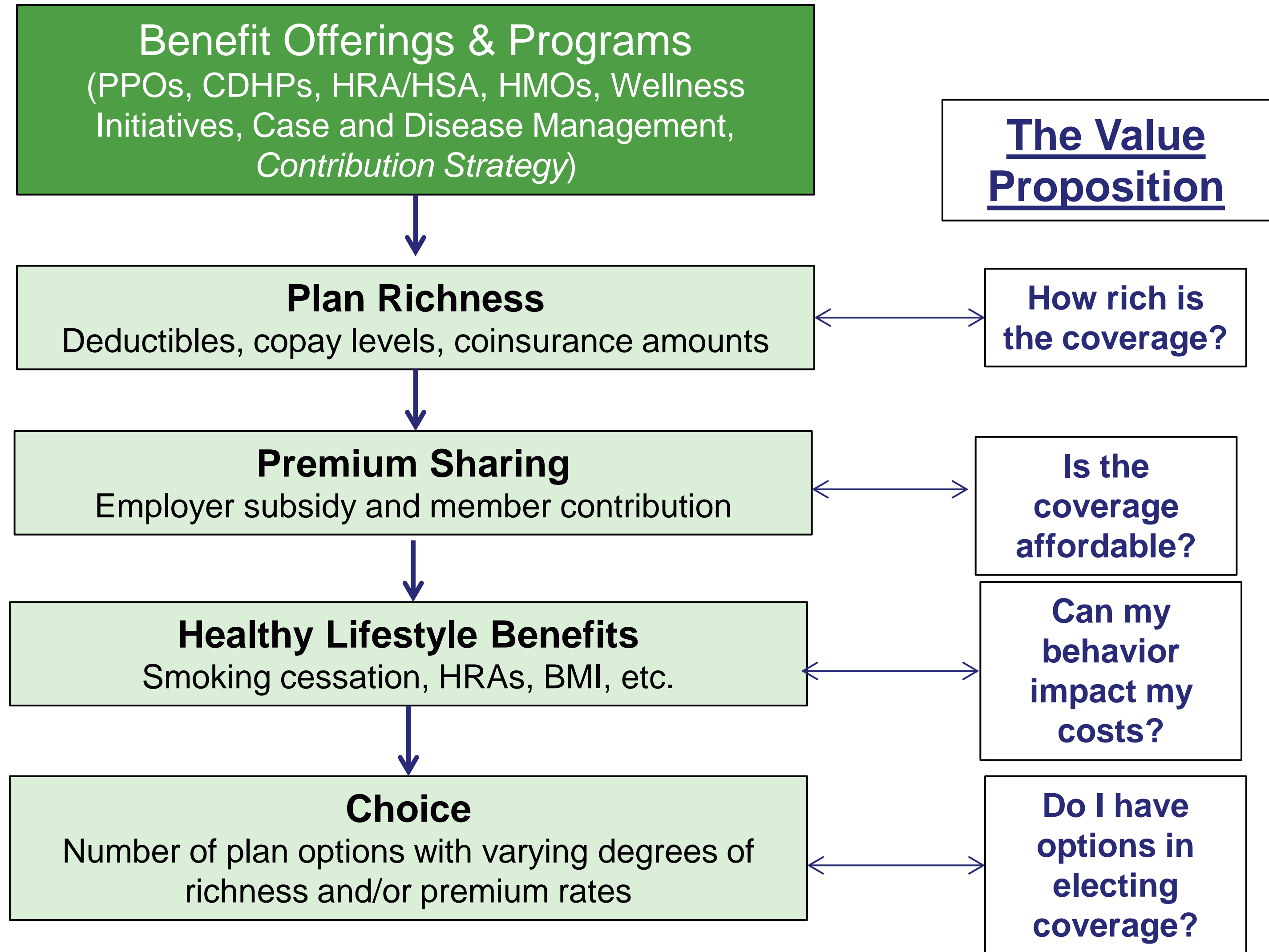
Key Findings (*related to other state health plans*)

- Comparatively, the Plan provides employees/retirees generous and affordable health benefits. However, coverage for dependents does not compare favorably
- Healthy lifestyle benefits are becoming more common among state health plans
  - The $40/$50 monthly premium credit is in the middle in terms of amounts at stake
  - Tobacco cessation benefits are the most popular among state plans who utilize healthy lifestyle credits
- Most states provide health coverage to their members in at least one significantly different manner than the Plan but there isn't uniformity in the differences
  - Dependents are directly subsidized

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
  - Included pre and post 2010 designs
- Ohio
- Wisconsin

Case studies

Financing premiums
- Illinois
- Wisconsin

Plan design
- Tennessee
- Kentucky

Healthy lifestyle benefits
- Connecticut
- Utah

Comparing Health Benefits

- **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

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	$1,500 to 2,500 $3,000 to 5,000	$500 to 1,750 $2,500 to 3,500	$250 to 3,600 $500 to 7,200	$450 to 800 $1,150 to 2,050	$225 to 1,750 $450 to 3,500
Co-insurance	70% to 85%	75% to 80%	70% to 80%	80% to 85%	80% to 90%	80%
Maximum[2] • Single • Family • Rx	$3,000 to 3,793 $9,000 to 11,379 Separate/Include	$4,000 to 6,000 $8,000 to 12,000 Include	$2,500 to 3,500 $5,000 to 7,000 Separate/Include	$2,000 to 6,000 $4,000 to 12,000 Included	$1,550 to 1,900 $4,000 to 5,000 Separate	$1,500 to 5,000 $3,000 to 10,000 Separate/Include
Office • PCP • SCP	$30 to ded/coin $70 to ded/coin	Ded/coin Ded/coin	$25 to ded/coin $45 to ded/coin	$15 to ded/coin $45 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	Ded/coin	Ded/coin	$200 to 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	Ded/coin Ded/coin Ded/coin	$10 to ded/coin $35 to ded/coin $55 to ded/coin	$4 to ded/coin $40 to ded/coin $80 to ded/coin	$5 to 10 $35 to 45 $85 to 95	$15 to ded/coin $25 to ded/coin $50 to ded/coin

1. Ded/coin = subject to deductible and coinsurance
2. NC uses coinsurance maximums on two plans, all 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	 $500 to 1,250 $1,000 to 2,500	 $0 $0	 $0 to 400 $0 to 800	 $200 $400	 $0 to 200 $0 to 400
Co-insurance	70% to 85%	90% to 100%	100%	90% to 100%	80%	90%
Maximum[2] • Single • Family • Rx	 $3,000 to 3,793 $9,000 to 11,379 Separate/Include	 $1,000 to 2,000 $2,000 to 4,000 Include	 $1,000 $2,000 Separate	 N/A to $1,500 N/A to $3,000 Include	 $1,500 $3,000 Include	 $500 to 800 $1,000 to 1,600 Separate/Include
Office • PCP • SCP	 $30 to ded/coin $70 to ded/coin	 $15 to Ded/coin $15 to Ded/coin	 $15 $25	 $10 to 20 $10 to 20	 $20 $20	 Ded/coin Ded/coin
Inpatient Surgery	$233, ded/coin to ded/coin	$150	$0	$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	 $5 $15 $25	 $5 to 10 $10 to 30 $10 to 60	 $10 $25 $50	 $5 $15 $50

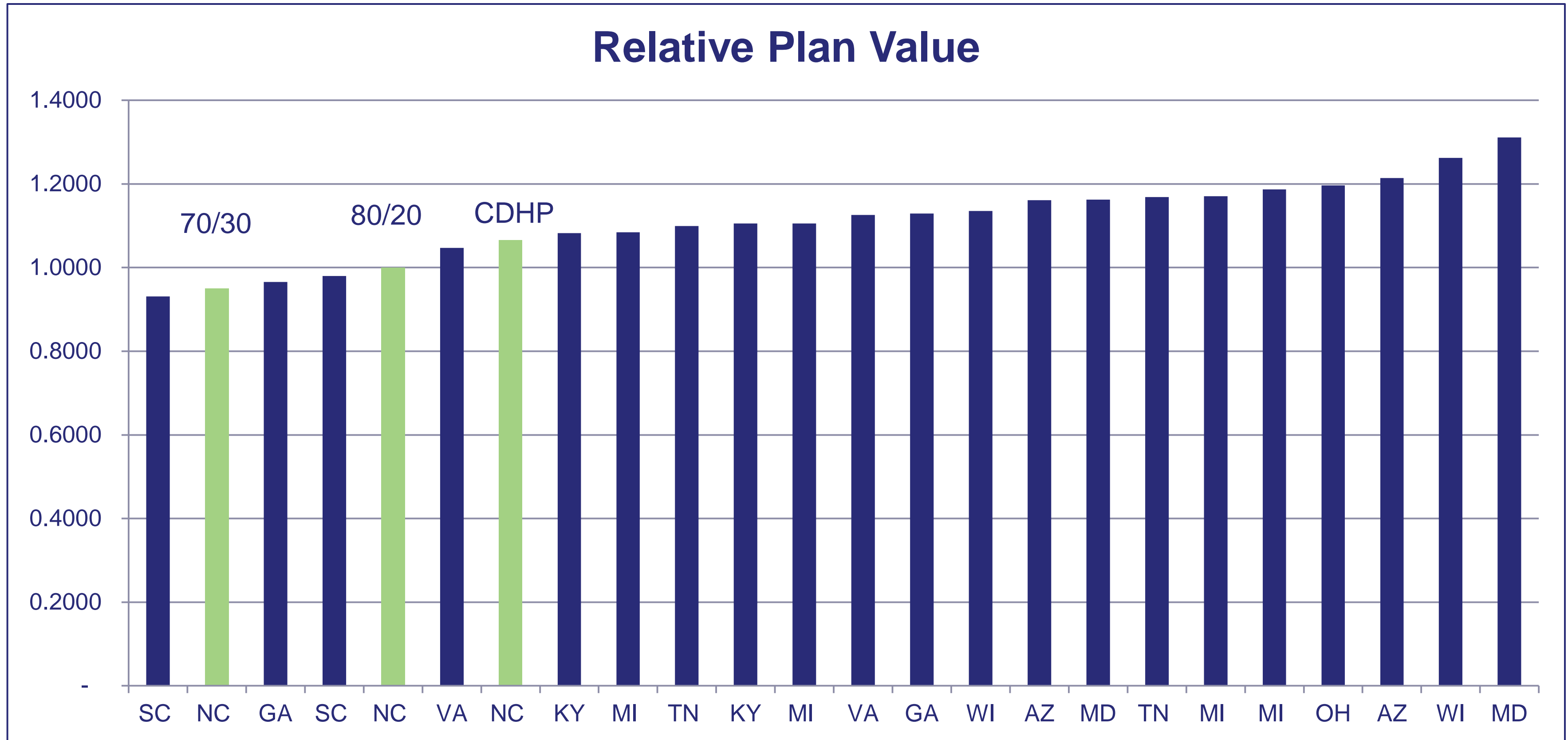
1. Ded/coin = subject to deductible and coinsurance
2. SHP uses coinsurance maximums on two plans, all other plans are out-of-pocket maximums

Relative Values of the Benefits

State Name	Value of Plan Relative to 80/20
SC	0.9312
NC (70/30)	**0.9499**
GA	0.9655
SC	0.9796
NC (80/20)	**1.0000**
VA	1.0472
NC (CDHP)	**1.0652**
Kentucky	1.0825
TN	1.0995
Kentucky	1.1053
VA	1.1261
GA	1.1292
TN	1.1685

- The higher the relative value, the richer the benefit package as compared to the 80/20 plan for the average person utilizing the benefit
  - Generally, higher value plans have lower deductibles, lower copays/coinsurance, lower out-of-pocket maximums, etc.
  - Values are based on multiple scenarios and should not be construed to reflect every person's medical experience
    - Particularly true for very low and very high utilizing members

Relative Plan Richness Comparison



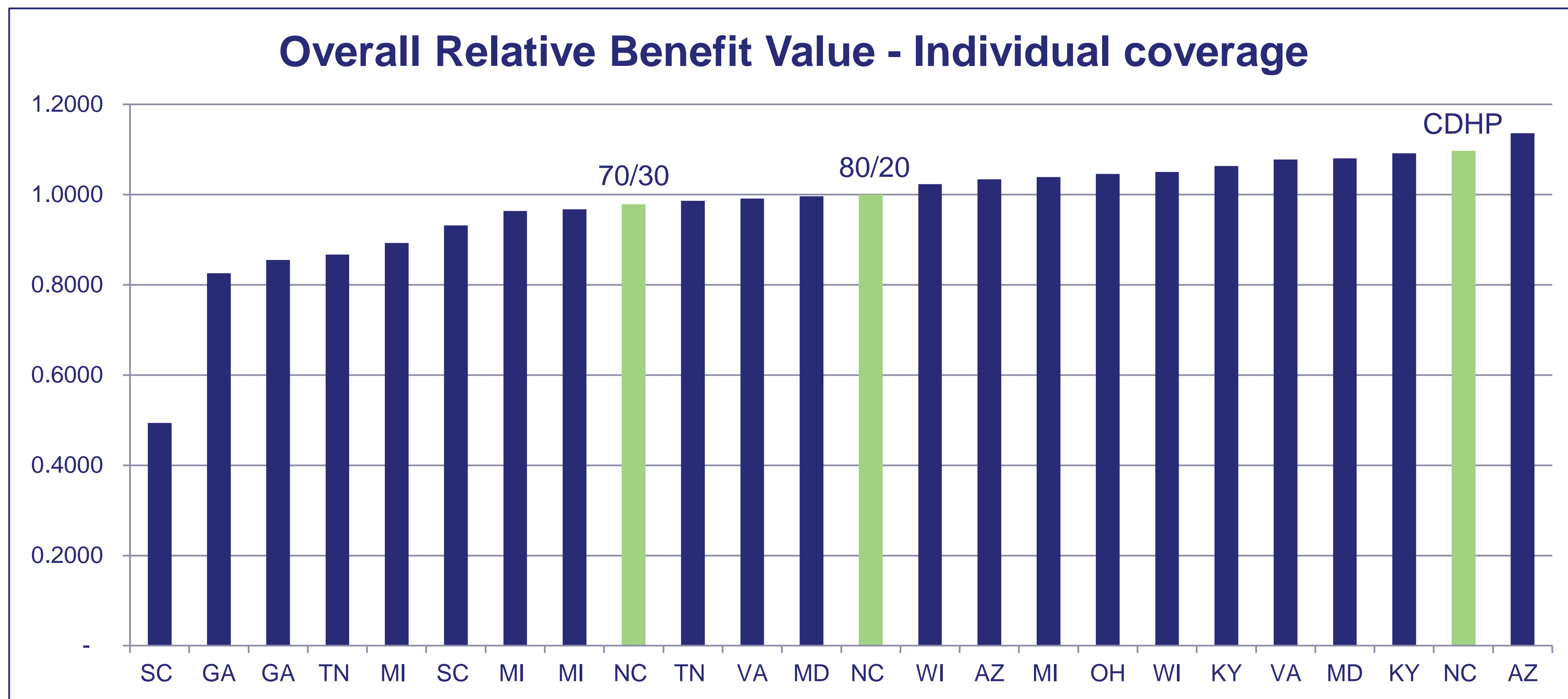
Segal Company – March 2014

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

Incorporating Member Premiums

- **Step Two: How do you incorporate member premiums?**
  - In addition to determining the value of the benefit, 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 for by each state for each plan combined with relative plan value determined the overall relative 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

Plan Richness and Premium Cost Comparison – Individual Coverage



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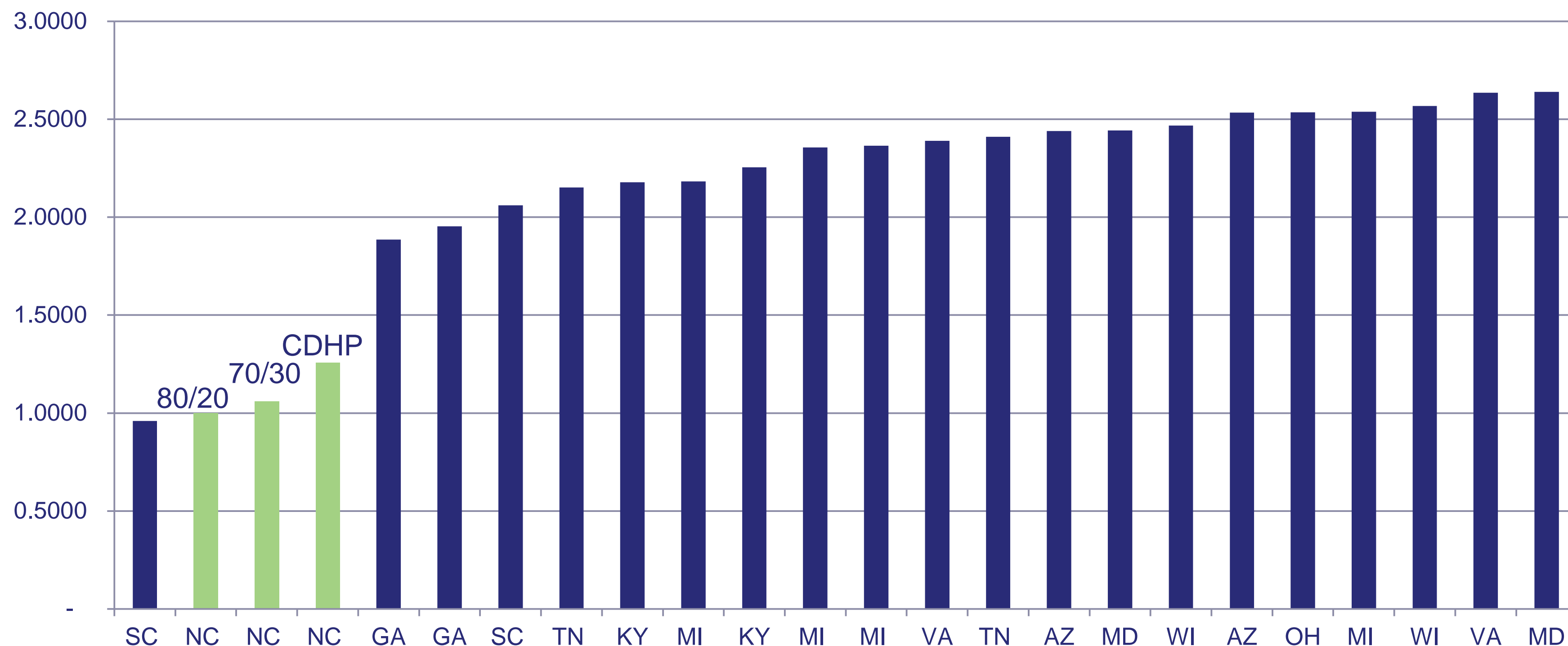
When the analysis includes premium contributions, the State Health Plan's offerings provide a higher level of value than based solely on plan richness

- NC provides 100% of employee only premiums for two plans and a comparatively low premium for the 80/20
- CDHP moves near the top in terms of overall value, and the 80/20 and 70/30 plans move toward the middle

Plan Richness and Premium Cost Comparison – Family Coverage



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Historically, NC has not provided direct subsidies for dependent coverage while the median family subsidy of benchmarked states was 81% of total family premium

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

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)

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 premium
  - Some states have collective bargaining that impacts decision making

- NC's contribution strategy differs from most other states
  - Significant changes could potentially impact expected Plan costs and the long-term sustainability of the Plan
    - Positively or negatively

Healthy Lifestyle Benefits Comparison

- State health plans are beginning to incorporate healthy life benefits into their plan design to address the growing cost of health care and to increase member engagement
- 60% of comparator states had at least one healthy living benefit in place
  - Two states (KY and TN) require healthy action steps to enroll in the most generous benefit offerings
  - 50% of states utilize Health Assessments (HA) or Well Being Assessments (WBA) as part of their healthy lifestyle benefit
  - Healthy lifestyle benefits range from $17 to $80 per month
  - Georgia provides up to $480 in Health Reimbursement Account (HRA) contributions for completing all healthy action steps

Healthy Lifestyle Benefit Grid

	NC	GA	SC	KY	TN	VA	AZ	MD	MI	OH	WI
Smoking Credit	**$20 monthly**	**$80**	**$40 monthly**	**$40 monthly**	No	No	No	No	No	No	No
HA/WBA	**$10 monthly**	**HRA ($)**	No	**Yes**	**Yes**	**$17 monthly**	No	No	No	**$50**	No
PCP	**$10 monthly**	No	No	No	No	No	No	No	No	No	No
Biometric screening	**No**	**HRA ($)**	No	No	**Yes**	**$17 monthly**	No	No	No	**$75**	No
Activities/ Coaching	**No**	**HRA ($)**	No	**Yes**	**Yes**	No	No	No	No	**$200**	No
Enrollment	**No**	No	No	**Yes**	**Yes**	No	No	No	No	No	No

Providing Member Choice

- States take unique approaches to designing their health offerings. Approaches include:
  - Multiple vendors
    - Statewide or regional
      - 60% of comparator states utilize more than one TPA/carrier in their active population
  - Number of offerings
    - The average state had three offerings for actives, with Maryland having the most with eight and Ohio having the least with one
  - Differentiation in offerings
    - Members have unique coverage and price sensitivities

Employee Choice by State

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

Innovative Health Care Financing Solutions: Illinois

- Premiums vary by employee salary (dependent premiums do not):

Annual Salary	Employee Monthly Health Contributions	
$30,200 & below	Managed Care: $68.00	Quality Care: $93.00
$30,201 - $45,600	Managed Care: $86.00	Quality Care: $111.00
$45,601 - $60,700	Managed Care: $103.00	Quality Care: $127.00
$60,701 - $75,900	Managed Care: $119.00	Quality Care: $144.00
$75,901 - $100,000	Managed Care: $137.00	Quality Care: $162.00
$100,001 & above	Managed Care: $186.00	Quality Care: $211.00

- Deductibles vary by employee salary:

Employee's Annual Salary	Member Plan Year Deductible	Family Plan Year Deductible Cap
$60,700 or less	$350	$875
$60,701 - $75,900	$450	$1,125
$75,901 and above	$500	$1,250

Innovative Health Care Financing Solutions: Wisconsin

Tier	Individual Premium	Family Premium
Tier One	$88.00	$219.00
Tier Two	$129.00	$324.00
Tier Three	$239.00	$596.00

- Wisconsin utilizes regional HMO offerings and one plan option that is available throughout the state
- In theory, plans are tiered based on their efficiency and quality of care
  - In practice, all HMOs are in tier one and the statewide plan is tier three

Innovative Plan Design Solutions: Tennessee and Kentucky

Tennessee

- Offers employees two plan offerings through two TPAs/carriers with regional rates
- To enroll in the lower premium, more comprehensive offering members must complete Well Being Assessment (WBA) and a biometric screening
  - In coming years members will have additional action steps in place

Kentucky

- Offers employees four plan offerings
- To enroll in the two most generous offerings members must complete a Health Assessment, keep contact information current, and complete healthy activities
- Separate smoker credit for all four plans

Innovative Healthy Lifestyle Programs: Connecticut

- The State of Connecticut provides members with a Health Enhancement Program (HEP)
  - Members who participate receive:
    - Reduced monthly premiums
    - Eliminated in-network deductible
    - If members have one of five chronic conditions they additionally receive
      - Waived copays for visits related to the condition
      - Reduced copays for related drugs
      - <u>Mandatory disease education and counseling programs</u>
  - Members enrolled in HEP must participate in age appropriate wellness and diagnostic screenings and receive one dental cleaning per year

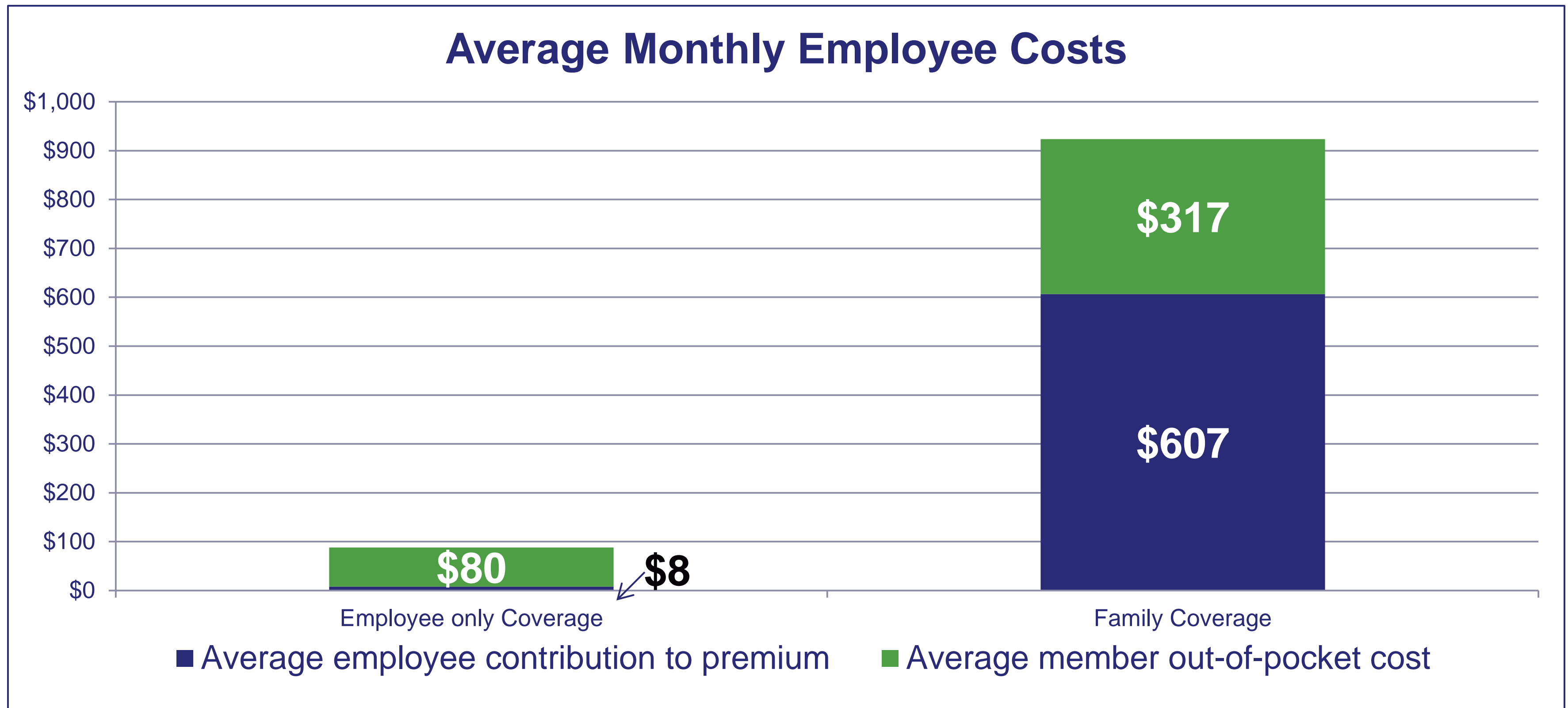
Innovative Healthy Lifestyle Programs: Utah

- The Utah State Employee Health Plan provides employees the opportunity to earn rebates for the completion of wellness activities and working to improve their chronic conditions
- Employees can earn rebates for:
  - Biometric screening
  - Blood pressure improvement
  - BMI improvement
  - Diabetes management
  - Health assessment
  - Lipid management

Emerging Conclusions

- If you've seen one state health plan, you've seen one state health plan
- States are addressing the four value propositions differently but some key themes include:
  - Direct subsidies for dependents but higher individual premiums
  - Moving toward utilization of healthy lifestyle credits
  - States are adding consumer directed offerings or higher deductible offerings
- Several states utilize multiple TPA/carriers to offer coverage, however, Georgia just reduced their partners to one
- 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

The Current Structure of SHP Benefits



1. Average employee premium based on January 2014 enrollment in all plans and actual wellness credits completed for actives only
2. Average family premium based on CY 2013 Segal Dashboard and active family size of 3.96 members (January 2014 enrollment figure) for actives only

Manipulating the Levers of SHP Contribution Structure

Assuming the annual subsidy strategy from the General Assembly doesn't change

- Increasing plan richness
  - Reduces OOP cost sharing
  - Increases employee contributions
- Reducing plan richness
  - Increases OOP cost sharing
  - Reduces employee contributions
- Using employee only dollars on dependent coverage
  - Increases employee only premiums
  - Creates budget uncertainty in near-term
- Increasing healthy lifestyle credits
  - Reduces employee premiums for some members
  - Increases employee premiums for some members

Next Steps/Questions

- Where should the Plan be positioned in three years? Five years?
- Where should changes be considered to improve the value proposition to members?
- In the likely absence of new funds from the General Assembly what can be impacted?
  - Based on state budget constraints it is not realistic to expect a fundamental change in how the Plan is funded
    - Competing interests for General Fund dollars
    - Any requests and changes would have to be part of a longer-term, multiple step approach
    - Employee only contributions would need to increase to subsidize dependent coverage tiers
  - Does it make sense to reduce individual benefits to increase dependent subsidies?
- How can alternative payment strategies be incorporated to free up additional resources for increasing the value proposition?
- How does moving toward a PCMH approach that focuses on improving member health fit in with these strategic questions?

Appendix

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 Value 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