



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Proposed Benefit Design Changes for 2017

Board of Trustees Meeting

February 5, 2016

A Division of the Department of State Treasurer

Presentation Overview

- Review Long-term Outlook & Legislative Actions
- Rationale for Modifying Recommendation Timeline
- Recommended Benefit Design Changes for CY 2017
- Long-Term Benefit Strategy
- Board Discussion and Vote

Long-Term Outlook & Legislative Actions

Long-Term Outlook

- Last summer (2015), when the State budget for the 2015-17 fiscal biennium was being debated, the projected required increase to employer and employee/dependent premiums for CY 2018 and CY 2019 was 14.8%
 - This is a function of the Plan's financial model (7% medical trend, 8.5% pharmacy trend) and having a significant cash balance that is assumed to be spent down over the forecast period
 - Using the cash balance to offset larger premium increases in CY 2016 and CY 2017 represents using one-time funding which requires larger increases in the out years
- The Board of Trustees, the General Assembly, and stakeholders have expressed concerns that double digit premium increases are not acceptable

Recent Legislative Actions

2015 Appropriations Act, House Bill 97, SL 2015-241 includes:

- A provision requiring the Treasurer and Board to take “sufficient measures” to reduce the project increase in employer contributions for the 2017-19 fiscal biennium
- A provision requiring the Plan to maintain a reserve/cash balance equal to 20% of annual expenses or \$680M through June 30, 2017
- Funding to increase the employer contribution by 3.4% for CY 2016 and CY 2017
 - Greater than August 2015 updated forecast of 2.83%
 - 2nd biennium for which the General Assembly provided larger than required increases
 - Employee/dependent contributions for CY 2016 increased by 2.83%

Financial Challenge - Defining “Sufficient Measures”

- While the General Assembly has not defined an amount that would constitute “sufficient measures,” we have modeled the following scenarios:

2018 and 2019 Increases to Employer Contribution	Cumulative Savings Needed by end of 2019
7.4%*	\$459 million
8.0%	\$402 million

* 7.4% increases would represent a 50% reduction in the increases estimated in the Certified Budget projection (14.88%; 10-13-2015 Segal estimates)

- The projected savings requirements are lower than previous estimates due to favorable experience and re-assessing projected savings needs
- If the GA determines the Plan has not taken “sufficient measures” to reduce growth in employer contribution for 2018 and 2019, member-paid premiums would need to increase by **37%** to maintain the 20% legislative reserve requirement through June 30, 2017

Rationale for Modifying Recommendation Timeline

Rationale for Modifying Timeline

- In January, Plan staff proposed a series of changes to the benefit designs and plan offerings, including:
 - Moving to two plan approach with clear high and low options
 - Requiring participation in an enhanced engagement model to achieve favorable premiums in the high value plan
 - Phase out of the Enhanced 80/20 Plan
 - Introduction of a base premium on all benefit offerings
- Based on stakeholder, legislative, and board member feedback, the Plan staff recommends delaying decisions regarding the long-term benefit strategy to allow time to better communicate the potential changes and rationale to interested parties in order to fully discuss and evaluate the long-term proposal and consider other alternatives

Recommended Benefit Design Changes for CY 2017

Proposed 2017 Benefit Design Changes

- Plan staff recommends moving forward with the previously proposed benefit designs for CY 2017 with the following changes:
 - Lower increases to base premiums in CY 2017
 - No reduction in cost sharing in the CDHP
- The following components remain:
 - Establish base premiums for all plan options for active employees
 - Cost-sharing increases in the Traditional 70/30 and Enhanced 80/20 plan options
- The proposed changes would save approximately **\$100M** in CY 2017, which is approximately 22-25% of the assumed amount needed by CY 2019 to meet the sufficient reduction provisions

Proposed Base Premium Strategy

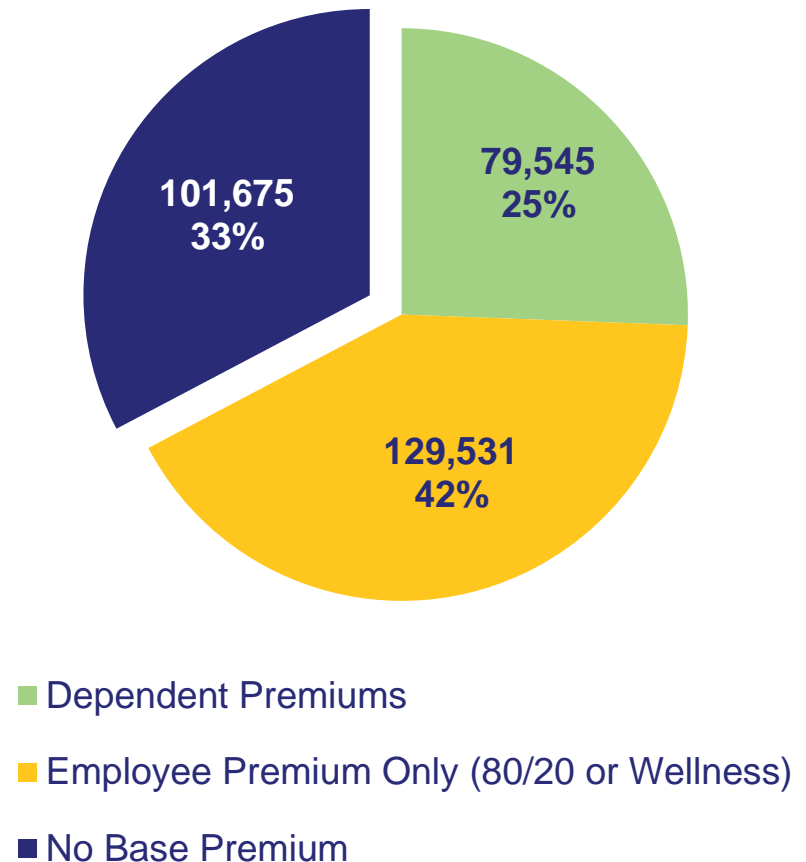
Plan Option	CY 2016 Premium (EE Only)	CY 2017 Premium (EE Only)
Enhanced 80/20	\$14.20 (\$24.20 Base)	\$25.00 (\$35.00 Base) Loss of Grandfather status
Traditional 70/30	\$0.00	\$15.00
CDHP	\$0.00	\$10.00

Requires Board Approval

Current Employee Premium Structure

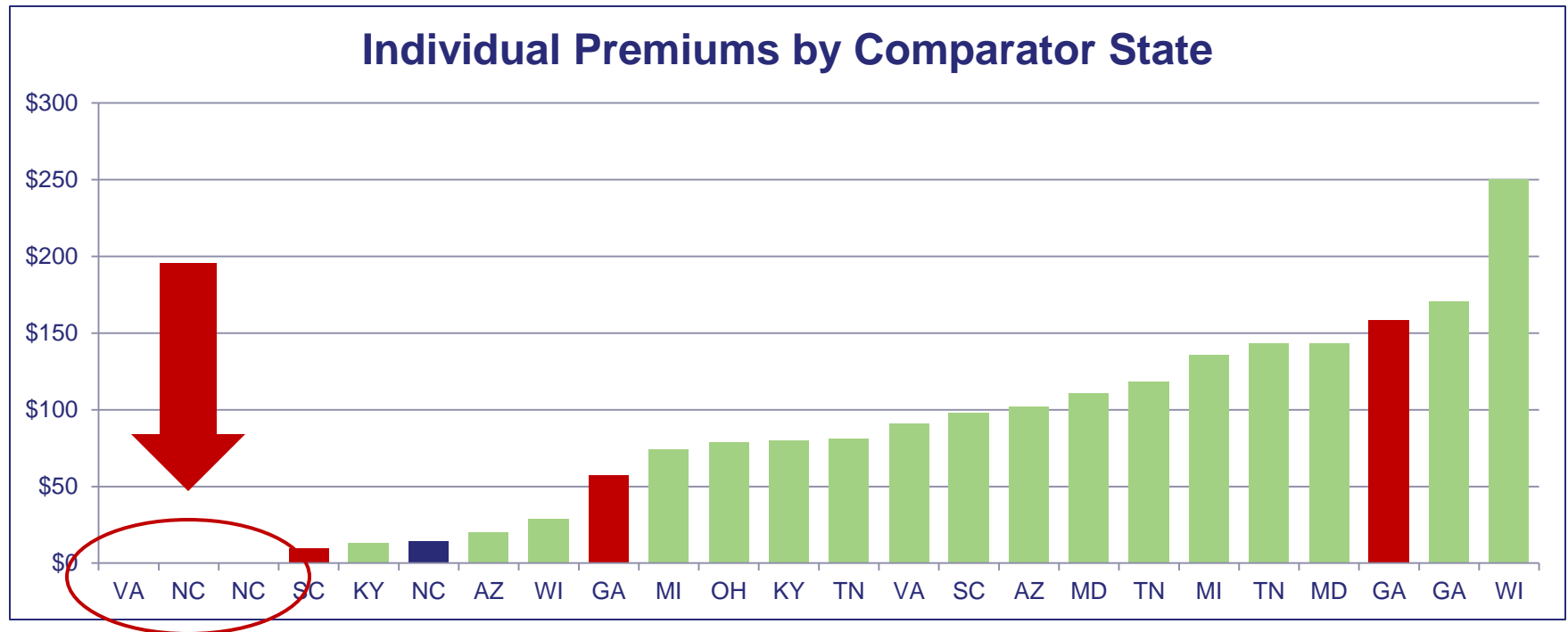
- Currently almost one-third of active employees pay no premium for their coverage
- Another 42% pay only employee premiums for the Enhanced 80/20 Plan and/or Wellness Premiums
- Just over one-quarter of active employees pay dependent premiums
 - *These employees are impacted the most by large across-the-board increases to existing premiums*

Number of Active Employees
Paying Premiums
December 2015



Employee Premium Structure Relative to Comparator States

- The *Comparative Analysis of State Health Plans* presentation (January 26, 2016; page 9) showed that only one other comparator state (Virginia) has a \$0 employee premium offering



Rationale for Adding Employee Premiums

- Employee premiums spread the impact of required savings over the entire population of active employees
- Other savings options include increased member cost-sharing or increases to the existing member-paid premiums, but those do not impact members equally
 - Increasing cost-sharing disproportionately impacts members who need/use more services
 - Increasing the existing member-paid premiums disproportionately impacts members who carry dependents on the plans
- Given the level of cost restructuring the Plan is being asked to achieve, a balanced approach is needed to spread a portion of the costs over the entire population of employees
 - The addition of employee premiums to all plans will minimize the negative impact on dependent premiums and the Plan's less healthy members

Proposed CY 2017 Healthy Activities & Premium Credits

Healthy Activity	CDHP	Enhanced 80/20	Traditional 70/30
Non-Tobacco User or QuitlineNC Enrollment <i>(applies to subscriber only, attestation regarding spousal tobacco use not required)</i>	\$40	\$40	\$40
Primary Care Provider Selection <i>(applies to subscriber and enrolled dependents)</i>	\$20	\$25	N/A
Health Assessment Completion <i>(applies to subscriber only)</i>	\$20	\$25	N/A
Total Credits Available	\$80	\$90	\$40

Requires Board Approval

Proposed Benefit Design – CDHP

	CY 2016 CDHP Non-Grandfathered	CY 2017 CDHP Non-Grandfathered
Deductible HRA	\$1,500 \$600	\$1,500 \$600
Coinsurance Percentage	15%	15%
ACA Preventive Services	Covered at 100%	Covered at 100%
Medical Coinsurance	N/A	N/A
Rx Max	N/A	N/A
OOP Max	\$3,500	\$3,500
PCP	Ded/Coins. + \$25 HRA credit if selected PCP	Ded/Coins. + \$25 HRA credit if selected PCP
Specialist	Ded/Coins. + \$20 HRA credit if B.O.D	Ded/Coins. + \$20 HRA credit if B.O.D
Inpatient B.O.D Non-B.O.D	Ded/Coins. + \$200 HRA Credit Ded/Coins.	Ded/Coins. + \$200 HRA Credit Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.
Urgent Care	Ded/Coins.	Ded/Coins.
ER Copay	Ded/Coins.	Ded/Coins.
Drugs	Ded/Coins. CDHP Maintenance Medications are deductible exempt	Ded/Coins. CDHP Maintenance Medications are deductible exempt

Proposed Benefit Design – Enhanced 80/20 Plan

	CY 2016 Enhanced 80/20 Grandfathered	CY 2017 Enhanced 80/20 Non-Grandfathered
Deductible	\$700	\$840
Coinsurance Percentage	20%	20%
ACA Preventive Services	Covered at 100%	Covered at 100%
Medical Coinsurance Max	\$3,210	\$3,850
Pharmacy Max	\$2,500	\$3,000
Out of Pocket Max	N/A	N/A
Selected PCP	\$15	\$15
PCP	\$30	\$36
B.O.D Specialist	\$60	\$60
Non-B.O.D Specialist	\$70	\$84
Inpatient Hospital B.O.D Non-B.O.D	\$0, then Ded/Coins. \$233, then Ded/Coins.	\$0, then Ded/Coins. \$280, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.
Urgent Care	\$87	\$95
ER Copay	\$233, then Ded/Coins.	\$280, then Ded/Coins.
Drugs		
Tier 1	\$12	\$14
Tier 2	\$40	\$45
Tier 3	\$64	\$70
Tier 4	25% up to \$100	10% up to \$100
Tier 5	25% up to \$132	25% up to \$103
Tier 6	N/A	25% up to \$133

Requires Board Approval

B.O.D = Blue Options Designated

Proposed Benefit Design – Traditional 70/30 Plan

	CY 2016 Traditional 70/30 Grandfathered	CY 2017 Traditional 70/30 Grandfathered
Deductible	\$1,054	\$1,080
Coinsurance Percentage	30%	30%
ACA Preventive Services	Cost-Sharing Applies	Cost-Sharing Applies
Medical Coinsurance Max	\$4,282	\$4,388
Pharmacy Max	\$3,294	\$3,360
Out of Pocket Max	N/A	N/A
PCP Copay	\$39	\$40
Specialist Copay	\$92	\$94
Inpatient Hospital	\$329, then Ded/Coins.	\$337, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.
Urgent Care	\$98	\$100
ER Copay	\$329, then Ded/Coins.	\$337, then Ded/Coins.
Drugs		
Tier 1	\$15	\$16
Tier 2	\$46	\$47
Tier 3	\$72	\$74
Tier 4	25% up to \$100	10% up to \$100
Tier 5	25% up to \$132	25% up to \$103
Tier 6	N/A	25% up to \$133

Requires Board Approval

Proposed CY 2017 Benefit Comparison

	CDHP Non-Grandfathered	Enhanced 80/20 Non-Grandfathered	Traditional 70/30 Grandfathered
Deductible HRA	\$1,500 \$600	\$840 N/A	\$1,080 N/A
Coinsurance Percentage	15%	20%	30%
ACA Preventive Services	Covered at 100%	Covered at 100%	Cost-Sharing Applies
Medical Coinsurance	N/A	\$3,850	\$4,388
Rx Max	N/A	\$3,000	\$3,360
OOP Max	\$3,500	N/A	N/A
Selected PCP PCP	Ded/Coins. + \$25 HRA credit Ded/Coins.	\$15 \$36	\$40 \$40
B.O.D Specialist Non-B.O.D Specialist	Ded/Coins. + \$20 HRA credit Ded/Coins.	\$60 \$84	\$94 \$94
Inpatient B.O.D Non-B.O.D	Ded/Coins. + \$200 HRA Credit Ded/Coins.	\$0, then Ded/Coins. \$280, then Ded/Coins.	\$337, then Ded/Coins. \$337, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	Ded/Coins.	\$95	\$100
ER Copay	Ded/Coins.	\$280, then Ded/Coins.	\$337, then Ded/Coins.
Drugs Tier 1 Tier 2 Tier 3 Tier 4 Tier 5 Tier 6	Ded/Coins. CDHP Maintenance Medications are deductible exempt	\$14 \$45 \$70 10% up to \$100 25% up to \$103 25% up to \$133	\$16 \$47 \$74 10% up to \$100 25% up to \$103 25% up to \$133

Proposed Changes to Pharmacy Tiers

- In CY 2017, and beyond generic/lower cost versions of specialty medications will be entering the market
 - There will be two to three drugs entering in CY 2016
- Beginning in CY 2017, Plan staff recommends incenting members to utilize these lower cost medications by adding a new Tier Four which would incorporate these lower cost drugs
 - The current Tier Four would shift to Tier Five
 - The current Tier Five would shift to Tier Six

Requires Board Approval

Proposed Changes to Pharmacy Tiers

Traditional 70/30 Plan

CY 2016		CY 2017	
Tiers	Member Cost Share	Tiers	Member Cost Share
Tier 1	\$15	Tier 1	\$16
Tier 2	\$46	Tier 2	\$47
Tier 3	\$72	Tier 3	\$74
Tier 4 (Preferred Specialty)	25% up to \$100	Tier 4 (Low cost/Generic Specialty)	10% up to \$100
Tier 5 (NP Specialty)	25% up to \$132	Tier 5 (Preferred Specialty)	25% up to \$103
Tier 6	N/A	Tier 6 (NP Specialty)	25% up to \$133

Enhanced 80/20 Plan

CY 2016		CY 2017	
Tiers	Member Cost Share	Tiers	Member Cost Share
Tier 1	\$12	Tier 1	\$14
Tier 2	\$40	Tier 2	\$45
Tier 3	\$64	Tier 3	\$70
Tier 4 (Preferred Specialty)	25% up to \$100	Tier 4 (Low cost/Generic Specialty)	10% up to \$100
Tier 5 (NP Specialty)	25% up to \$132	Tier 5 (Preferred Specialty)	25% up to \$103
Tier 6	N/A	Tier 6 (NP Specialty)	25% up to \$133

Requires Board Approval

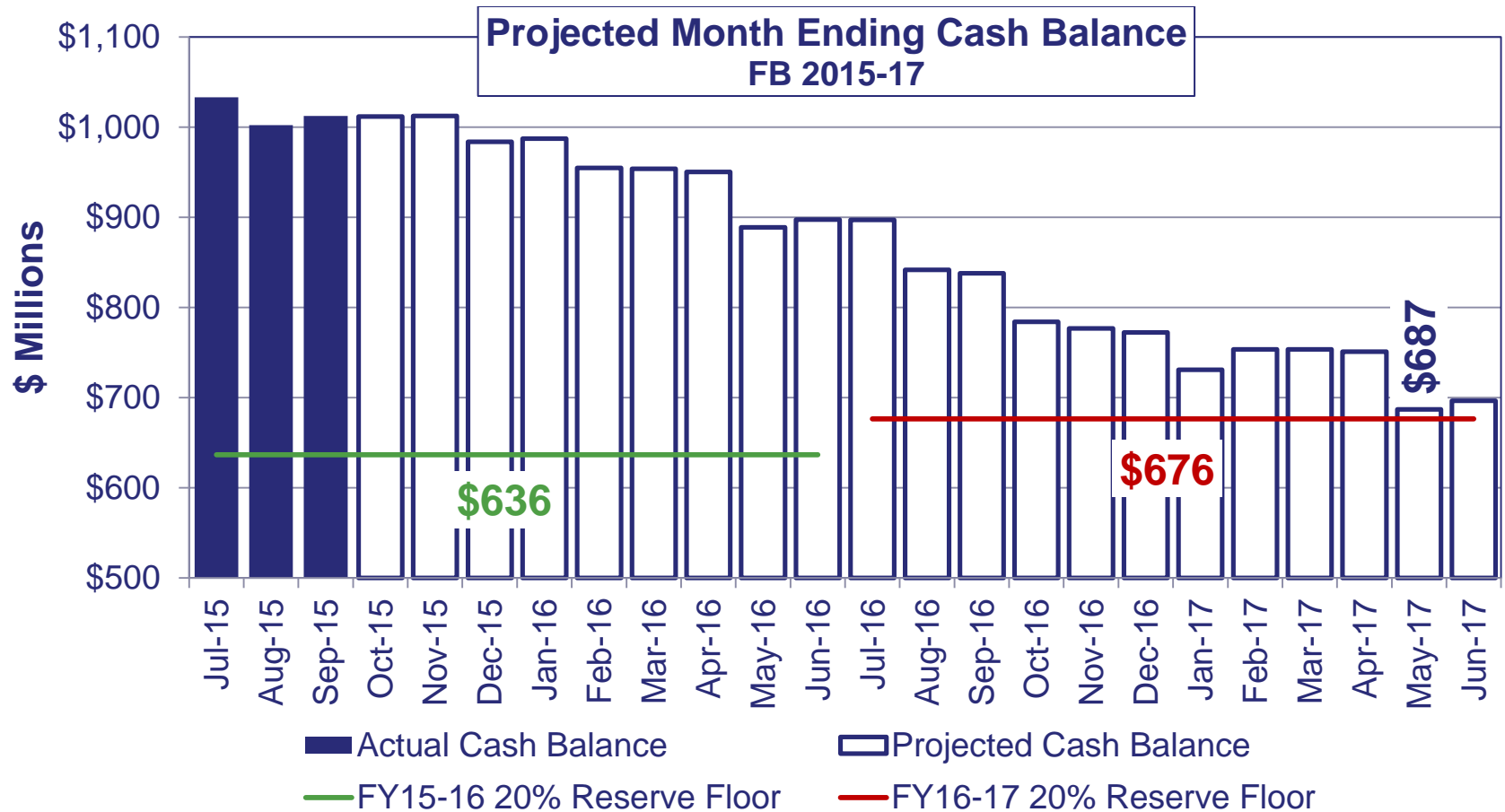
Financial Impact of Recommended Benefit Design Changes

Projected Premium Increases and Reductions in State Contributions

	2018	2019	2020	2021
Premium Increases				
Baseline Model (Segal 11/24/15)	12.17%	12.17%	7.33%	7.33%
Staff Recommendation (Segal 2/3/16)	8.25%	8.25%	9.54%	9.54%
Jan. 26 Staff Proposal (Segal 1/20/16)	8.93%	8.93%	5.84%	5.84%
Reductions in Employer Contributions (Relative to Baseline Forecast)				
Staff Recommendation	\$104.5 m	\$229.4 m	\$177.1 m	\$114.9 m
Jan. 26 Staff Proposal	<u>\$86.3 m</u>	<u>\$190.2 m</u>	<u>\$250.3 m</u>	<u>\$317.2 m</u>
Difference	\$18.4 m	\$39.2 m	(\$73.2 m)	(\$202.3 m)

When compared to the January 26th proposal, the current recommendation, if continued after 2017, generates more savings in the short term and less in the longer-term

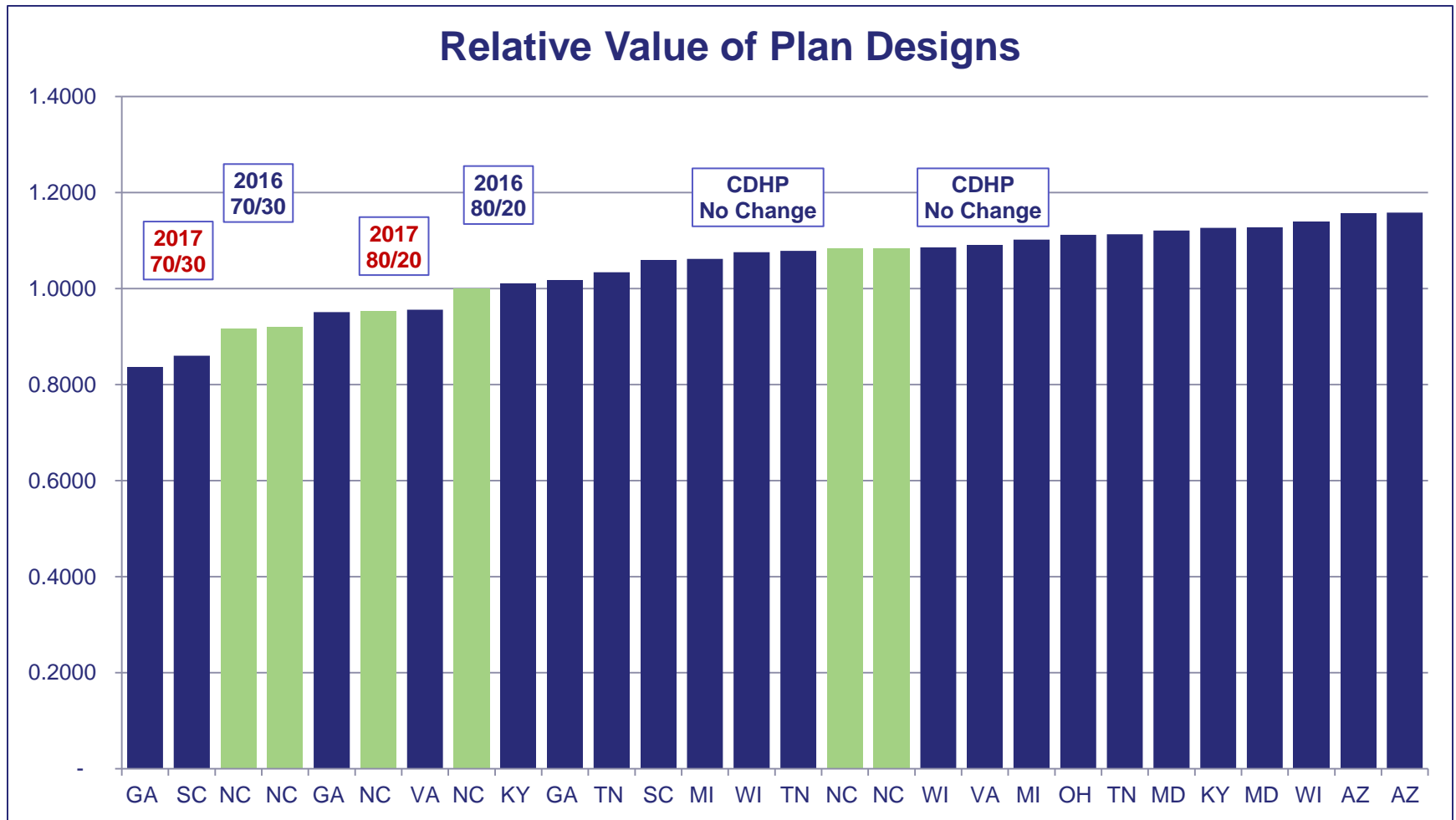
Projected Cash Balance/20% Legislative Reserve Floor Recommended Benefit Design Changes



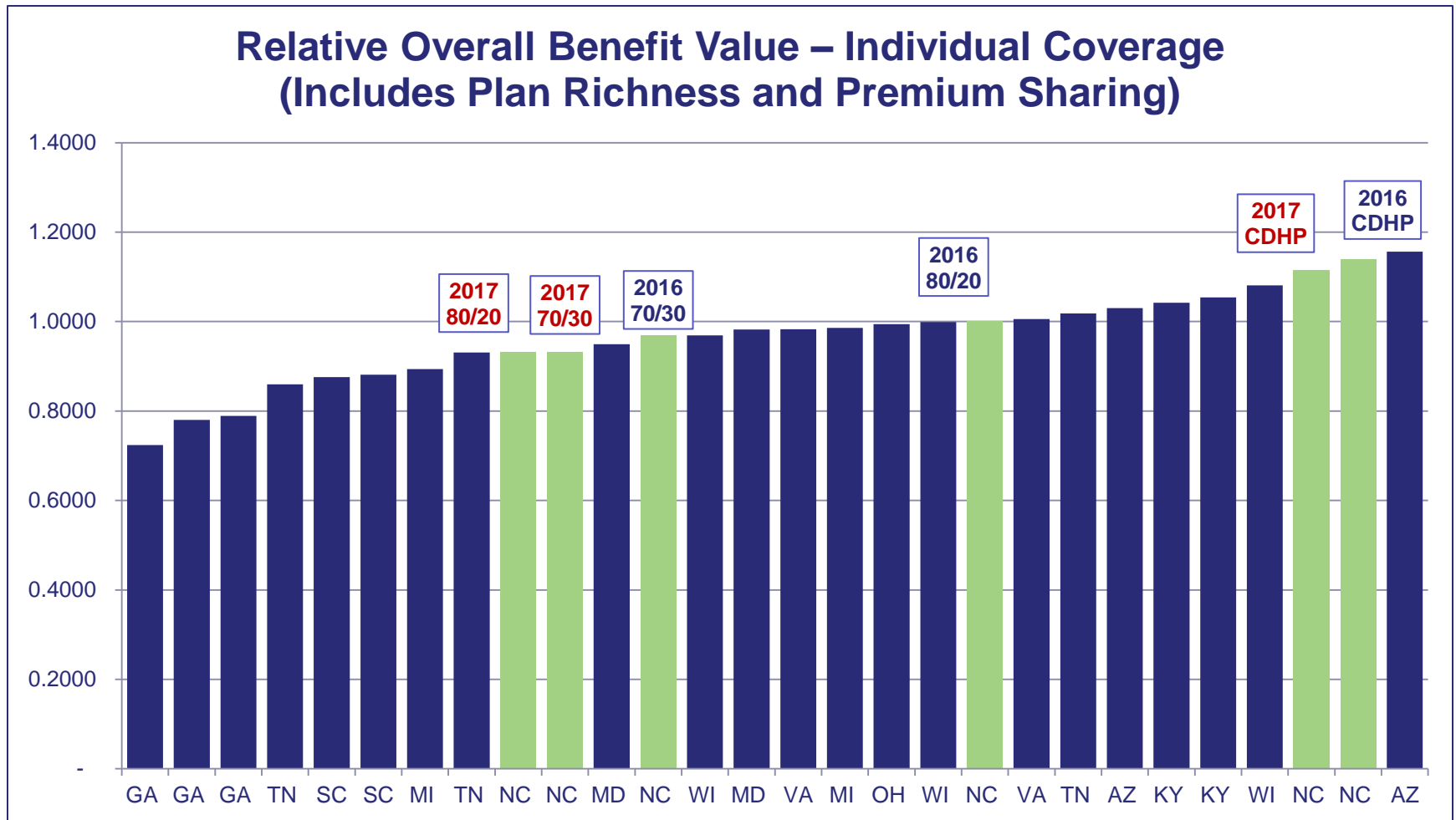
The staff recommendation keeps the projected cash balance above 20% of expenses through the current fiscal biennium.

State Health Plan Value Comparison

CY 2016 and Proposed CY 2017 Benefits



State Health Plan Relative Overall Value Comparison CY 2016 and Proposed CY 2017 Benefits



Plan Options for Retirees

Base Premium Strategy for Retirees

- If the Board approves adding a base premium to all the options for non-Medicare primary members, there will be different implications for retirees
 - G.S. 135-48.40(a) requires the Plan to offer a “noncontributory” or premium free plan to retirees
- **Non-Medicare Retirees:** The Traditional 70/30 will remain a premium free option for individual coverage
- **Medicare Retirees:** The Traditional 70/30 will remain a premium free option for individual coverage

Proposed Premium Strategy for Non-Medicare Retirees

Plan Option	CY 2016 Premium (EE Only)	CY 2017 Premium (EE Only)
Enhanced 80/20	\$14.20 (\$24.20 Base)	\$25.00 (\$35.00 Base) Loss of Grandfather status
Traditional 70/30	\$0.00	\$0.00
CDHP	\$0.00	\$10.00

Traditional 70/30 plan will remain premium free for non-Medicare retirees

1. Assumes all credits earned, if applicable
2. Lowest premium in **BOLD**

Proposed Premium Strategy for Medicare Retirees

Plan Option	CY 2016 Premium (EE Only)	CY 2017 Premium (EE Only)
Medicare Advantage Base Plan	\$0.00	\$0.00
Traditional 70/30 (Low Plan)	\$0.00	\$0.00
MA Enhanced Plan	\$66.00	TBD

Traditional 70/30 plan will remain premium free Medicare retirees

1. Lowest premium in **BOLD**

Long-Term Benefit Strategy

Next Steps Towards the Long-Term Strategy

- Plan staff will continue discussions with Board members and stakeholders regarding an enhanced engagement model, the proposal to move to two plan options and potential transition strategies associated with such a move, and other options and alternatives
- Plan staff will continue to investigate alternative strategies to achieve cost savings and allow more time to determine the savings requirements with the General Assembly
- Future changes to benefits and premium structure should be driven by the Strategic Plan as well as funding available for the employer contribution
- Savings achieved through provider contracting and procurements could offset benefit/premium changes

Enhanced Engagement Model Concept Outline

Vision for 2020

	Low Plan (70/30)	High Plan (CDHP)
Starting Monthly Premium	\$130	\$255
Tobacco Cessation Program/Non-Tobacco User Premium Credit	\$80	\$80
Enhanced Engagement Component Premium Credit - Complete/agree to complete all required engagement steps	No	\$125
Premium with All Credits Earned	\$50	\$50
Provider Network (broad, narrow, tiered)	TBD	TBD
Preventive Coverage	100%	100%
Benefit Design	High Copays	CDHP
Expected Plan Value	Bronze	Gold
Incentives for Health Engagement	None	HRA Credits

Rationale for Enhanced Engagement Model

- Generates long-term savings by incenting **engagement** and rewarding engaged members
 - Provides a “high” option to more clearly demonstrate the value of engagement
 - Provides ongoing incentive opportunities in the high option for members achieving enhanced engagement levels
 - Ramps up engagement requirements and opportunities in future years
 - Continues to offer a basic benefit for members who prefer not to engage
- Reduces administrative complexity

What do we mean by Engagement?

1. Making healthy lifestyle choices (physical activity and nutrition)
2. Using appropriate medical services (medication adherence, PCP as medical home, etc.)
3. Participating in Plan-sponsored programs (case and disease management, health coaches, QuitlineNC, etc.)
4. Making informed choices about providers (use of Blue Options Designated providers, use of transparency tools, etc.)

An enhanced engagement model supports all three areas of the Board's Strategic Plan

Rationale for CDHP as the High Option

- Currently, the CDHP is our highest valued plan and therefore makes sense as the high-value plan in a 2-plan structure
 - Richest coinsurance
 - Lowest out-of-pocket maximum
- CDHP promotes consumerism
 - As a deductible/coinsurance based plan, participants have a financial incentive to gain better understanding of the cost of healthcare and can help to reduce costs by choosing lower-cost, higher-quality providers and forgoing low value treatment
- It is easier to provide year-round engagement opportunities offering additional Health Reimbursement Account (HRA) funds as incentives
 - Harder to provide meaningful incentives in copay based plan
- HRA funds can also be used to encourage the used of value-based services

Potential Progression of Premium Strategy

Plan Option	CY 2016 Premium (EE Only)	CY 2017 Premium (EE Only)	CY 2018 Premium (EE Only)	CY 2019 Premium (EE Only)	CY 2020 Premium (EE Only)
Enhanced 80/20	\$14.20 (\$24.20 Base)	\$25.00 <i>(\$35.00 Base)</i> Loss of Grandfather status	\$60.00	\$75.00	Not Offered
Traditional 70/30 (Low Plan)	\$0.00	\$15.00	\$35.00	\$50.00	\$50.00
CDHP (High Plan)	\$0.00	\$10.00	\$15.00	\$20.00	\$50.00

1. Assumes all credits earned
2. Lowest premium in **BOLD**
3. Amounts in **Red** differ from Jan 26th proposal

Potential Wellness Premium Credit Progression – CDHP

Active Employee/Non-Medicare Retiree Only Coverage

Wellness Design	2015	2016	2017	2018	2019	2020
Starting Employee/Retiree Premium	\$40	\$80	\$90	\$135	\$180	\$255
Monthly Earnable Premium Credits	2015	2016	2017	2018	2019	2020
Non-Tobacco User or QuitlineNC Enrollment	\$20	\$40	\$40	\$60	\$60	\$80
Select PCP	\$10	\$20	\$20	Engagement Activity		
Complete Health Assessment	\$10	\$20	\$20	Engagement Activity		
CDHP Engagement Activities (next page)	-	-	-	\$60	\$100	\$125
Total Available Monthly Premium Credits	\$40	\$80	\$80	\$120	\$160	\$205
Net Employee/Retiree Premium (All Credits)	\$0	\$0	\$10	\$15	\$20	\$50

The premium amounts referenced on this slide are subject to change pending employer contributions set by the NC General Assembly and Board approval at a later date.

Potential CDHP Enhanced Engagement Criteria

	CY 2018	CY 2019	CY 2020
Engagement	<ul style="list-style-type: none"> • PCP Selection • Health Assessment • Agree to enroll in Case and Disease Management if identified 	<ul style="list-style-type: none"> • PCP Selection • Health Assessment • Agree to enroll/continue in Case and Disease Management if identified • Agree to get/complete age appropriate preventive screenings 	<ul style="list-style-type: none"> • PCP Selection • Health Assessment • Agree to enroll/continue in Case and Disease Management if identified • Agree to get/complete age appropriate preventive screenings
Participation During the Year	<ul style="list-style-type: none"> • Participate in Case and Disease Management if identified 	<ul style="list-style-type: none"> • Participate/continue Case and Disease Management if identified • Complete preventive screenings 	<ul style="list-style-type: none"> • Participate/continue Case and Disease Management if identified • Complete preventive screenings

Potential Wellness Premium Credit Progression – Traditional 70/30 Active Employee Only Coverage

Wellness Design	2015	2016	2017	2018	2019	2020
Starting Employee/Retiree Premium	\$0	\$0	\$55	\$95	\$110	\$130
Monthly Earnable Premium Credits	2015	2016	2017	2018	2019	2020
Non-Tobacco User or QuitlineNC Enrollment	-	-	\$40	\$60	\$60	\$80
Select PCP	-	-	-	-	-	-
Complete Health Assessment	-	-	-	-	-	-
Total Available Monthly Premium Credits	\$0	\$0	\$40	\$60	\$60	\$80
Net Employee/Retiree Premium (All Credits)	\$0	\$0	\$15	\$35	\$50	\$50

The premium amounts referenced on this slide subject to change pending employer contributions set by the NC General Assembly and Board approval at a later date.

Potential Wellness Premium Credit Progression – Enhanced 80/20 Active Employee/Non-Medicare Retiree Only Coverage

Wellness Design	2015	2016	2017	2018	2019	2020
Starting Employee/Retiree Premium	\$64	\$104	\$125	\$120	\$135	Not Offered
Monthly Earnable Premium Credits	2015	2016	2017	2018	2019	2020
Non-Tobacco User or QuitlineNC Enrollment	\$20	\$40	\$40	\$60	\$60	Not Offered
Select PCP	\$15	\$25	\$25	N/A	N/A	Not Offered
Complete Health Assessment	\$15	\$25	\$25	N/A	N/A	Not Offered
Total Available Monthly Premium Credits	\$50	\$90	\$90	\$60	\$60	Not Offered
Net Employee/Retiree Premium (All Credits)	\$14	\$14	\$25	\$60	\$75	Not Offered

The premium amounts referenced on this slide are subject to change pending employer contributions set by the NC General Assembly and Board approval at a later date.

Potential Benefit Progression – CDHP

2020 High Plan

	CY 2016 – 2017 CDHP Non-Grandfathered	CY 2018 – 2019 CDHP Non-Grandfathered	CY 2020 CDHP Non-Grandfathered
Deductible HRA	\$1,500 \$600	\$1,750 \$600	\$2,000 \$700
Coinsurance Percentage	15%	15%	15%
ACA Preventive Services	Covered at 100%	Covered at 100%	Covered at 100%
Medical Coinsurance	N/A	N/A	N/A
Rx Max	N/A	N/A	N/A
OOP Max	\$3,500	\$3,750	\$4,250
Selected PCP PCP	Ded/Coins. + \$25 HRA credit Ded/Coins.	Ded/Coins. + \$25 HRA credit Ded/Coins.	Ded/Coins. + \$25 HRA credit Ded/Coins.
B.O.D Specialist Non-B.O.D Specialist	Ded/Coins. + \$20 HRA credit Ded/Coins.	Ded/Coins. + \$20 HRA credit Ded/Coins.	Ded/Coins. + \$20 HRA credit Ded/Coins.
Inpatient B.O.D Non-B.O.D	Ded/Coins. + \$200 HRA Credit Ded/Coins.	Ded/Coins. + \$200 HRA Credit Ded/Coins.	Ded/Doins. + \$200 HRA Credit Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	Ded/Coins.	Ded/Coins.	Ded/Coins.
ER Copay	Ded/Coins.	Ded/Coins.	Ded/Coins.
Drugs	Ded/Coins. CDHP Maintenance Medications are deductible exempt	Ded/Coins. CDHP Maintenance medications are deductible exempt	Ded/Coins. CDHP Maintenance medications are deductible exempt

Proposed Benefit Progression – Traditional 70/30

2020 Low Plan

	CY 2016 Traditional 70/30 Grandfathered	CY 2017* Traditional 70/30 Grandfathered	CY 2020 Traditional 70/30 Non-Grandfathered
Deductible	\$1,054	\$1,080	\$3,500
Coinsurance Percentage	30%	30%	30%
ACA Preventive Services	Cost-Sharing Applies	Cost-Sharing Applies	Covered at 100%
Medical Coinsurance Max	\$4,282	\$4,388	N/A
Pharmacy Max	\$3,294	\$3,360	N/A
Out of Pocket Max	N/A	N/A	~\$7,000
PCP Copay	\$39	\$40	\$50
Specialist Copay	\$92	\$94	\$100
Inpatient Hospital	\$329, then Ded/Coins.	\$337, then Ded/Coins.	\$500, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	\$250, then Ded/Coins.
Urgent Care	\$98	\$100	\$125, then Ded/Coins.
ER Copay	\$329, then Ded/Coins.	\$337, then Ded/Coins.	\$500, then Ded/Coins.
Drugs			
Tier 1	\$15	\$16	\$20
Tier 2	\$46	\$47	\$50
Tier 3	\$72	\$74	Ded/Coins.
Tier 4	25% up to \$100	10% up to \$100	10% up to \$150
Tier 5	25% up to \$132	25% up to \$103	25% up to \$200
Tier 6	N/A	25% up to \$133	Ded/Coins.

*In 2018 and 2019, cost-sharing will be increased to the limits allowed to maintain Grandfather status under ACA

Potential Benefit Progression – Enhanced 80/20

Phase-Out by 2020

	CY 2016 Enhanced 80/20 Grandfathered	CY 2017 Enhanced 80/20 Non-Grandfathered	CY 2018 and 2019 * Enhanced 80/20 Non-Grandfathered
Deductible	\$700	\$840	\$924
Coinsurance Percentage	20%	20%	20%
ACA Preventive Services	Covered at 100%	Covered at 100%	Covered at 100%
Medical Coinsurance Max	\$3,210	\$3,850	\$4,235
Pharmacy Max	\$2,500	\$3,000	\$3,300
Out of Pocket Max	N/A	N/A	N/A
Selected PCP	\$15	\$36	\$15
PCP	\$30		\$40
B.O.D Specialist	\$60	\$60	\$60
Non-B.O.D Specialist	\$70	\$84	\$92
Inpatient Hospital	\$0, then Ded/Coins. \$233, then Ded/Coins.	\$0, then Ded/Coins. \$280, then Ded/Coins.	\$308, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	Ded/Coins.	Ded/Coins.
Urgent Care	\$87	\$95	\$100
ER Copay	\$233, then Ded/Coins.	\$280, then Ded/Coins.	\$308, then Ded/Coins.
Drugs			
Tier 1	\$12	\$14	\$15
Tier 2	\$40	\$45	\$45
Tier 3	\$64	\$70	\$75
Tier 4	25% up to \$100	10% up to \$100	10% up to \$100
Tier 5	25% up to \$132	25% up to \$103	25% up to \$103
Tier 6	N/A	25% up to \$133	25% up to \$135

Potential 2020 Benefit Comparison

	CY 2020 CDHP Non-Grandfathered	CY 2020 Traditional 70/30 Non-Grandfathered
Deductible HRA	\$2,000 \$700	\$3,500 N/A
Coinsurance Percentage	15%	30%
ACA Preventive Services	Covered at 100%	Covered at 100%
Medical Coinsurance Rx Max OOP Max	N/A N/A \$4,250	N/A N/A ~\$7,000
PCP	Ded/Coins. + \$25 HRA credit if selected PCP	\$50
SCP	Ded/Coins. + \$20 HRA credit if B.O.D	\$100
Inpatient B.O.D Non-B.O.D	Ded/Doins. + \$200 HRA Credit Ded/Coins.	\$500, then Ded/Coins. \$500, then Ded/Coins.
Outpatient Hospital	Ded/Coins.	\$250, then Ded/Coins.
Urgent Care	Ded/Coins.	\$125, then Ded/Coins.
ER Copay	Ded/Coins.	\$500, then Ded/Coins.
Drugs Tier 1 Tier 2 Tier 3 Tier 4 Tier 5 Tier 6	Ded/Coins. CDHP Maintenance medications are deductible exempt	\$20 \$50 Ded/Coins. 10% up to \$150 25% up to \$200 Ded/Coins.

Financial Impact

Three-Year Phase-Out of Enhanced 80/20 Plan

Projected Premium Increases and Reductions in State Contributions

	2018	2019	2020	2021
Premium Increases				
Baseline Model	12.17%	12.17%	7.33%	7.33%
Staff Recommendation	8.25%	8.25%	9.54%	9.54%
3-Year 80/20 Phase-Out* (Segal 2/2/16)	5.71%	5.71%	10.48%	10.48%
Reductions in Employer Contributions (Relative to Baseline Forecast)				
Staff Recommendation	\$104.5 m	\$229.4 m	\$177.1 m	\$114.9 m
3-Year 80/20 Phase-Out*	<u>\$172.3 m</u>	<u>\$374.0 m</u>	<u>\$306.9 m</u>	<u>\$225.9 m</u>
Difference	(\$67.8 m)	(\$144.6 m)	(\$129.8 m)	(\$111.0 m)

The forecast for the Three-Year Phase-Out of the 80/20 plan detailed above was based on plan design and premium figures that are slightly different from the ones described in this document. Modeling the plan designs in this document would have resulted in slightly higher premium increases and slightly lower savings figures.

Board Discussion and Vote

Benefit Design Changes for 2017 – Recommendation

Plan staff recommends approval of the revised proposal for CY 2017 benefit changes, including:

1. Changes to base premium rates outlined on slides 11, 28, and 29 *
2. Healthy activities and premium credits outlined on slide 15
3. Changes to member cost-sharing in the Traditional 70/30 and Enhanced 80/20 plans outlined on slides 17 and 18
4. Changes to the pharmacy tiers in the Traditional 70/30 and Enhanced 80/20 plans outlined on slides 20 and 21

** Note the Board will be asked to approve complete premium rate schedules for all plan offerings and coverage tiers at a later date.*