

PERS Plan Design

2009-2011



Wellness Forum 2008



Challenges

GEORGE
CLOONEY

MARK
WAHLBERG



In the Fall of 1991,
the *Andrea Gail* left Gloucester, Mass.
and headed for the fishing grounds
of the North Atlantic.

Two weeks later, an event
took place that had never occurred
in recorded history.

A WOLFGANG PETERSEN FILM

THE
PERFECT STORM

Retirement earnings DOWN
Health Premiums UP

Active State Renewal Rate

NDPERS 2007- 2009 Allocation and 2009-2011 Projection	NDPERS 2009-2011 Planning Projections			
	7.5% Trend	10% Trend	12.5% Trend	15% Trend
1999-2001 buy down rate	\$349.72	\$349.72	\$349.72	\$349.72
2001-2003 reserve option rate	\$409.09	\$409.09	\$409.09	\$409.09
2003-2005 reserve option rate	\$488.70	\$488.70	\$488.70	\$488.70
2005-2007 reserve option rate	\$553.94	\$553.94	\$553.94	\$553.94
2007-2009 rate	\$658.08	\$658.08	\$658.08	\$658.08
2007-2009 % increase	18.8%	18.8%	18.8%	18.8%
Expected 2007-2009 BCBS rate	\$760.49	\$796.28	\$832.88	\$870.31
Expected available surplus in 2007-2009 (\$1 million)?	\$1.67	\$1.67	\$1.67	\$1.67
Expected 2009-2011 buy down rate	\$758.82	794.61	831.21	\$868.64
2009-2011 \$ increase	\$100.74	\$136.53	\$173.13	\$210.56
2009-2011 % increase	15.3%	20.7%	26.3%	32.0%
Total additional funds *	\$27,804,000	\$37,862,000	\$47,784,000	\$58,115,000
Total additional general funds**	\$16,683,000	\$22,609,000	\$28,670,000	\$34,869,000

* - For biennium assuming 11,500 FTE's

** - Assumed to be 60% of total funds

Expected was between \$794.61 to \$831.21

BCBS Bid

Renewal Bid

\$838.20



\$180.12

Present Rate

27.37%

\$658.08

Expected

\$794.61 to \$831.21



\$8.26

Trend

- Plan is projected to take a loss for 2007-09
 - Trend is between 10%-12% for 2009-11
 - Increase is substantial, however not inconsistent with other ND plans
-
- Is continuing to fund the same approach the best strategy?
 - Would funding a new strategy at the same level be more effective?

Plan Design

Programs/Scope of Coverage



All pricing information is estimates subject to final confirmation in the renewal.

Plan Design Considerations

- Wellness
- Provider Programs
- Premium reduction strategies

Wellness Objectives?

Area	Objective
<i>Scope of Coverage</i>	PERS should update the plan to invest more in preventive care and wellness
<i>Employer Based Wellness</i>	PERS needs to take the wellness efforts to the next step which means more support for the employer effort and more encouragement for plan members
<i>Disease Management</i>	Disease management should continue in the plan but duplication should be minimized/illuminated
<i>Special Programs</i>	Special programs should be encouraged and members should be rewarded for participating
<i>BCBS programs</i>	New BCBS programs provide an opportunity to get members involved

Constraints

- All resources will needed to maintain existing plan
- Adding wellness components to the plan will need to be cost neutral

#1 Wellness Concept – Disease management

- Health Dialog will be difficult to maintain
 - Legislative NDPHA program will provide disease management for members with Diabetes. If successful can be extended
 - BCBS will be starting their program in Jan 2009
- Savings will be \$3.88 per active member contract
- Will lose HRA, general health coaching and web site.

#2 Wellness Concept – Scope of Benefits

- Wellness coverage that should be added:
 - CDC immunizations .86
 - Preventive Care 5.84
 - \$200 dollar @ 100% then ded & co-insurance
 - Influenza @100% .10
 - 7 Well Child care visits .12
 - LRD visit .72
- 7.88

#2 - Preventive Care Benefit - \$200

- Benefits include:
 - One routine physical examination per Member per Benefit Period.
 - Routine diagnostic screenings.
 - Routine screening procedures for cancer.

#2 Wellness concept – Scope of Benefits

- Other benefits:
 - Circumcision .18
 - Chiro (1 copay per day) .22
- .40

#3 Wellness Concept– Scope of Benefit

- Standardize plan to BCBS in the following areas:

The following items would be a benefit decrease and produce a rate savings:

- 1.) change office visits for well child care from coinsurance to copay then 100% = **\$0.93 per contract per month reduction** (this assumes the Medicare benefits would remain at current benefits)
- 2.) change PT, OT, ST services from deductible then coinsurance to copay then coinsurance = **\$0.97 per contract per month reduction** (this assumes the Medicare benefits would remain at current benefits) (copays assumed are \$20 PPO in-area, \$25 PPO basic plan, \$15 EPO in-network, \$25 EPO self-referral)
- 3.) Maintenance Drugs apply two copays per prescription order or refill for a 35-100 day supply = **\$1.20 per contract per month reduction**

Savings - \$3.40 (revised 8/2008)

#4 Wellness Concept - BCBS

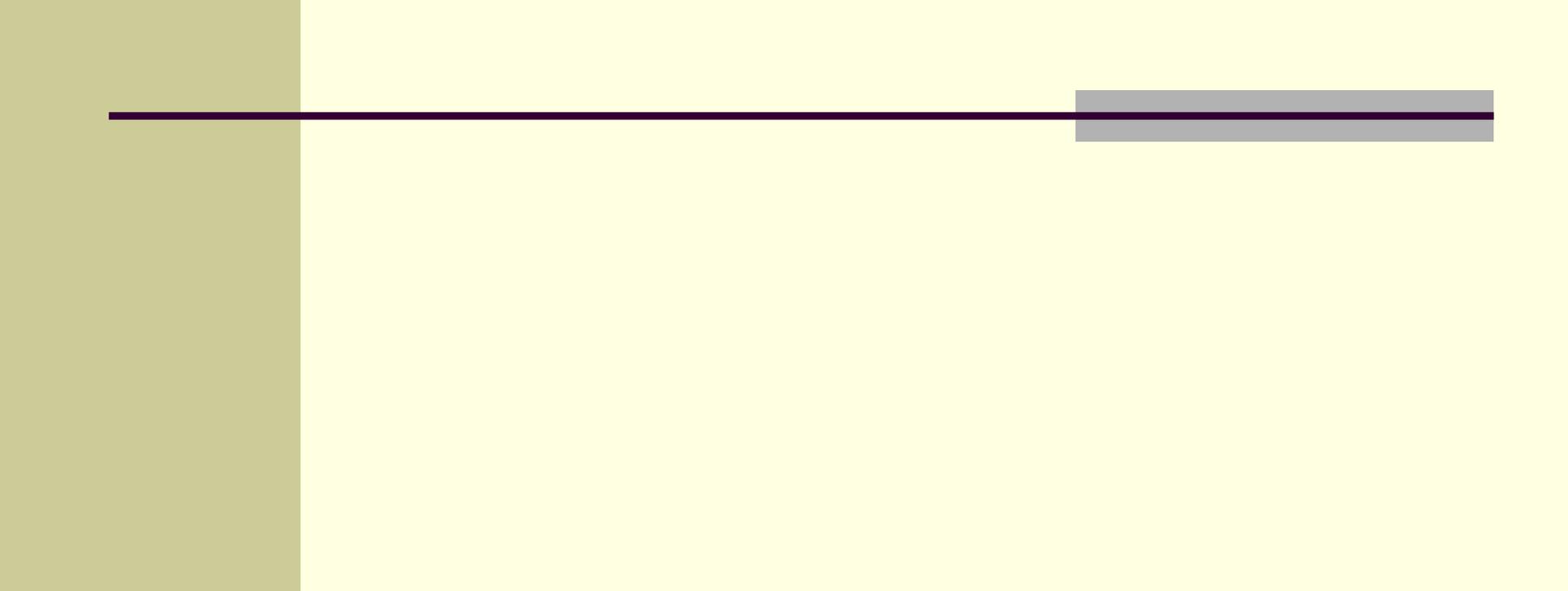
- BCBS has started a new wellness program with Healthways called MyHealth Center. They offer a website, HRA, points systems, health resources, etc
- Will be added as part of BCBS adm expense.

#4

Activity	Points	Rules	Affected by weekly maximum?	Notes
INITIATION LEVEL				
Initial enrollment	1200	Once per enrollee	No	
HRA completion	1200	Once per year	No	Only one bonus per year
Setting up a fitness plan	400	Once per year	No	
Setting up a nutrition plan	400	Once per year	No	
Setting up a stress management plan	400	Once per year	No	
ACTIVITY LEVEL				
Smoking cessation - Login into program	25	Per login (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Participate in community	25	Per message post in forums or club (Subject to weekly max of 125 pts.)	Yes	Unlimited message posts are possible, but only once per day will be rewarded.
Web login	25	Per login (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Ask a web coaching question	25	Per question asked (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on fitness plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on nutrition plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on stress management plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - weight	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - blood pressure	25	Weekly only (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - cholesterol	25	Quarterly only (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points

Does it met the objectives

Area	Objective		
Scope of Coverage	PERS should update the plan to invest more in preventive care and wellness		#2 & 3
Provider programs	PERS should maintain provider programs that help the plan.		#1
Employer Based Wellness	PERS needs to take the wellness efforts to the next step which means more support for the employer effort and more encouragement for plan members		#4
Disease Management	Disease management should continue in the plan but duplication should be minimized/eliminated		#1
Special Programs	Special programs should be encouraged and members should be rewarded by participating		#4
BCBS programs	New BCBS programs provide an opportunity to get members involved		#4



Provider Programs

Objectives

- Engage in partnerships with providers that will benefit the plan and members

Provider Programs

- PPO

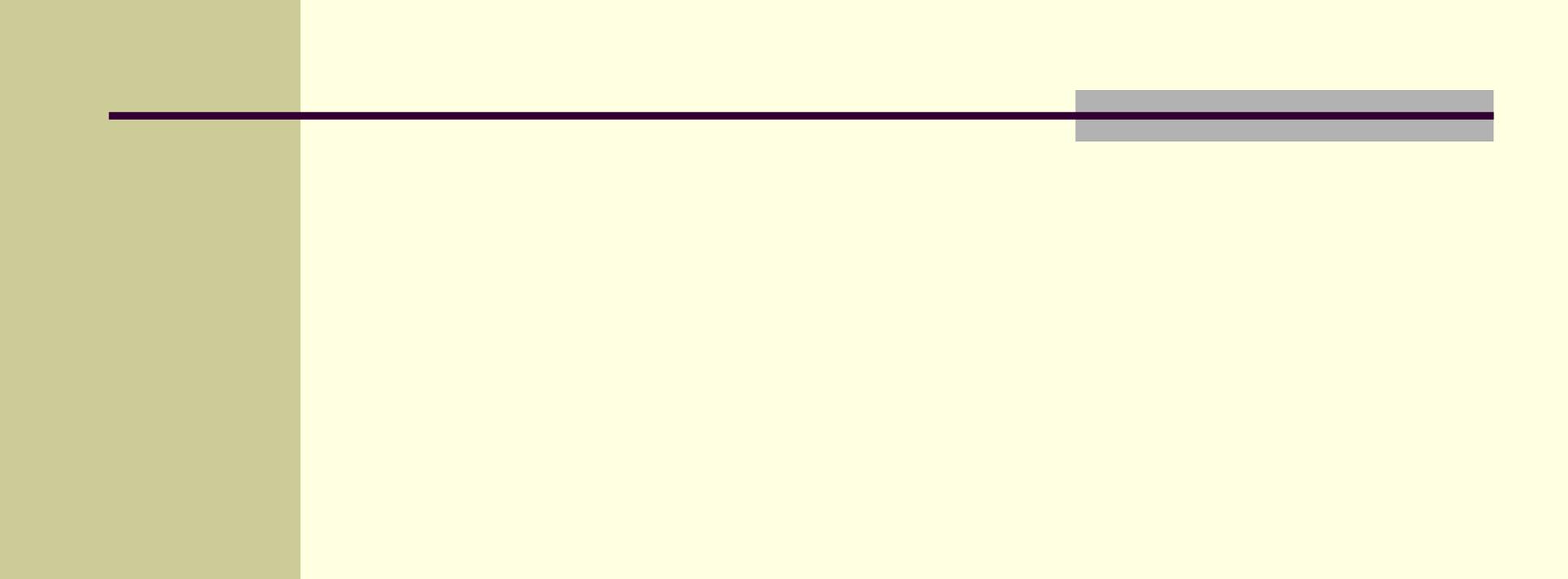
- Provider Agrees to discount
- PERS plan provides an incentive to member to use their services

- EPO

- Risk based contract
- PERS plan provides an incentive to member to use their services

#1 Wellness concept – Provider Programs

- EPO is no longer meeting its mission.
 - Providers are no longer willing to participate based upon original terms or modified terms.
 - EPO has been criticized since it is only available in certain areas
 - Loss will affect 40% of members
 - Savings will be 2% but should be reinvested in member benefits that benefit both the member and the plan



Premium Reduction strategies

Plan design changes

Option A	Increase individual coinsurance by \$250 and family by \$500
Alternative 1	Increase individual deductibles by \$50 on EPO and \$100 on PPO and Basic plans. Increase family deductible by \$150 on EPO and \$300 on PPO and Basic Plans
Alternative 1.A	Both Alternative 1 and Option A
Alternative 2	Increase individual deductibles by \$300 on EPO and \$350 on PPO and Basic plans. Increase family deductible by \$900 on EPO and \$1050 on PPO and Basic Plans
Alternative 2.a	Both Alternative 2 and Option A
Alternative 3	HDHP with \$1250 individual deductible and \$2,500 family deductible

Health Plan Options

- Option A - Increase individual coinsurance by \$250 and family by \$500**

	Existing Plan	Option A
BCBS bid	\$846.64	\$839.00
Deductions		
Remove 1% Contingency	(\$8.44)	(\$8.36)
Sub total	\$838.20	\$830.64
	27.37%	26.22%

Health Plan Options

■ **Alternative 1 - Increase individual deductibles by \$50 on EPO and \$100 on PPO and Basic plans. Increase family deductible by \$150 on EPO and \$300 on PPO and Basic Plans**

	Existing Plan	Alt 1
BCBS bid	\$846.64	\$837.88
Deductions		
Remove 1% Contingency	(\$8.44)	(\$8.36)
Sub total	\$838.20	\$829.52
	27.37%	26.05%

Health Plan Options

Alternative 1.A - Both Alternative 1 and Option A

	Existing Plan	Alt 1 - A
BCBS bid	\$846.64	\$830.64
Deductions		
Remove 1% Contingency	(\$8.44)	(\$8.28)
Sub total	\$838.20	\$822.36
	27.37%	24.96%

Health Plan Options

■ **Alternative 2 - Increase individual deductibles by \$300 on EPO and \$350 on PPO and Basic plans. Increase family deductible by \$900 on EPO and \$1050 on PPO and Basic Plans**

	Existing Plan	Alt 2
BCBS bid	\$846.64	\$810.56
Deductions		
Remove 1% Contingency	(\$8.44)	(\$8.08)
Sub total	\$838.20	\$802.48
	27.37%	21.94%

Health Plan Options

Alternative 2.A - Both Alternative 2 and Option A

	Existing Plan	Alt 2 - A
BCBS bid	\$846.64	\$803.70
Deductions		
Remove 1% Contingency	(\$8.44)	(\$8.02)
Sub total	\$838.20	\$795.68
	27.37%	20.91%

HDHP

Product Description: High Deductible Health Plan with \$1,250 CYD single and \$2,500 family (comprehensive) deductible; 80%/20% coinsurance with \$1,250 maximum per single and \$2,500 maximum per family; deductibles and coinsurance apply to all services including prescription drugs.

HDHP

	Existing Plan	Alt 3 HDHP
BCBS bid	\$846.64	\$751.90
Deductions		
Remove 1% Contingency	(\$8.44)	(\$7.50)
Sub total	\$838.20	\$744.40
	27.37%	13.12%

HDHP

“Individual Choice Scenario”

Election to participate in HDHP made by the individual. Election may not be changed for two years. Risk charge of 2.0% added to all premium rates (both PPO/EPO and HDHP). Renewal rate for current PERS benefit design (net of \$2.80 PERS fee): \$860.72 composite pcpm (EPO & PPO). Rate for HDHP product as described above: \$764.08 composite pcpm. “Cost neutral” annual employer contribution to HSA (equal to premium differential): \$557.13 per single, \$1,353.80 per family.

\$764.08

Conclusion

- Near term is a challenge
- Plan design changes will reduce premiums but not a lot
- Only way to truly reduce costs is to purchase less
- Longer term outlook
 - Wellness efforts
 - Disease management
- We can make a difference by
 - Increasing awareness & understanding
 - Motivating action



With your help - Earnings up and reduce Health Insurance increases³⁴