



**Wisconsin Department of Employee Trust Funds
HDHP Design and Implementation Considerations**

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Strategic considerations for HDHP design and implementation

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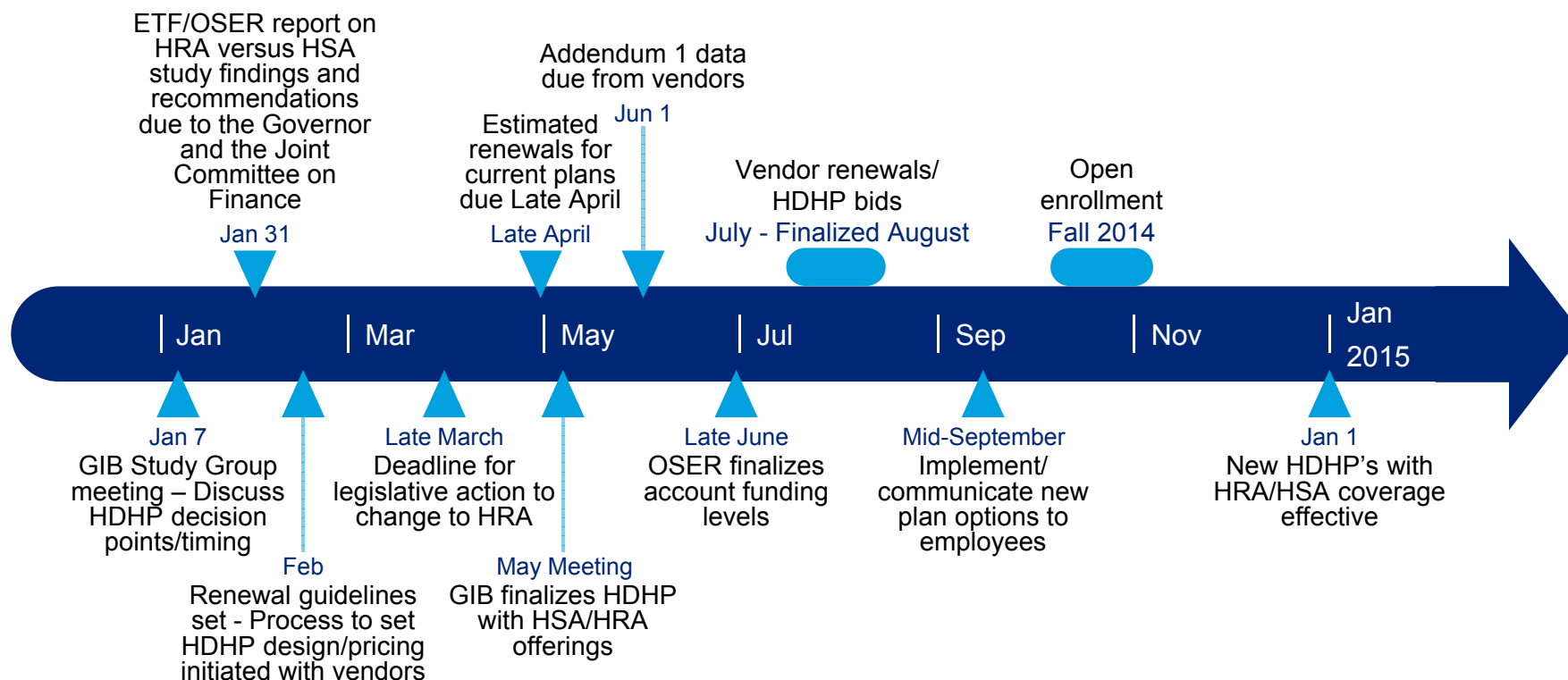
HDHP with HSA mandate

In addition to the health care coverage plans offered under s. 40.51 (6), beginning on January 1, 2015, the group insurance board shall offer to all state employees the option of receiving health care coverage through a high-deductible health plan (HDHP) and the establishment of a health savings account (HSA).

- The state shall make contributions into each employee's HSA in an amount specified by the director of the office of state employment relations (OSER).
- The group insurance board (GIB) shall ensure that the HDHP may be used in conjunction with a HSA.
- The GIB may contract with any person to provide administrative and other services relating to HSAs.
- The GIB may collect fees from state agencies to pay all administrative costs relating to the establishment and operation of HSAs.
- Beginning on January 1, 2015, to the extent practical, any agreement with any insurer or provider to provide health care coverage to state employees under s. 40.51 (6) shall require the insurer or provider to also offer a HDHP that may be used in conjunction with a HSA.



HDHP design and implementation timeline

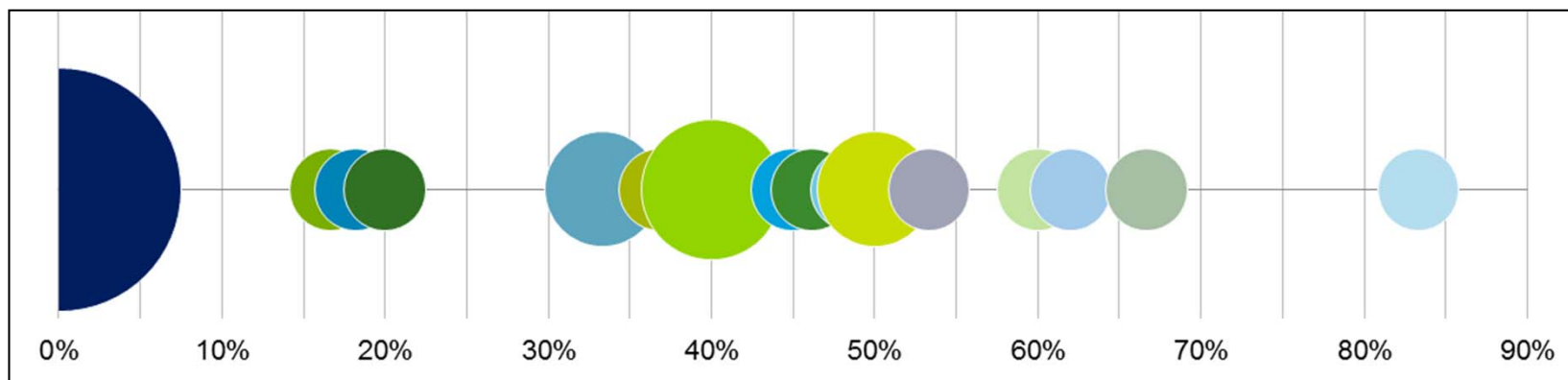




What other states are doing

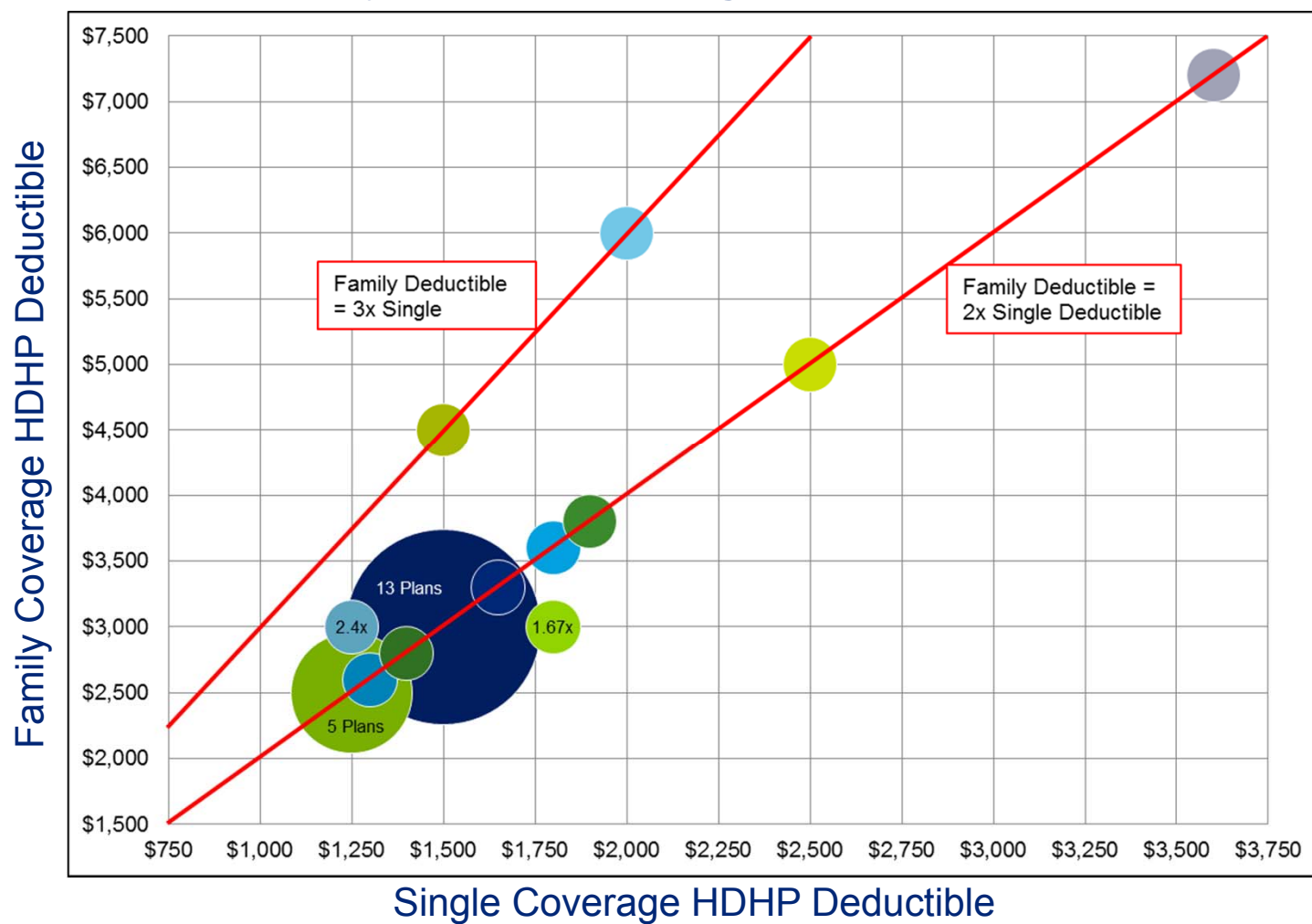
- Currently 29 states offer some type of HDHP arrangement:
 - 9 states: HDHP only
 - 6 states: HDHP+HRA
 - 14 states: HDHP+HSA
- Plan designs for the HDHP plans and, if applicable, the HRA or HSA vary state by state, though some common design themes have been observed.

Ratio of Single Coverage HSA/HRA Funding Level to HDHP Deductible



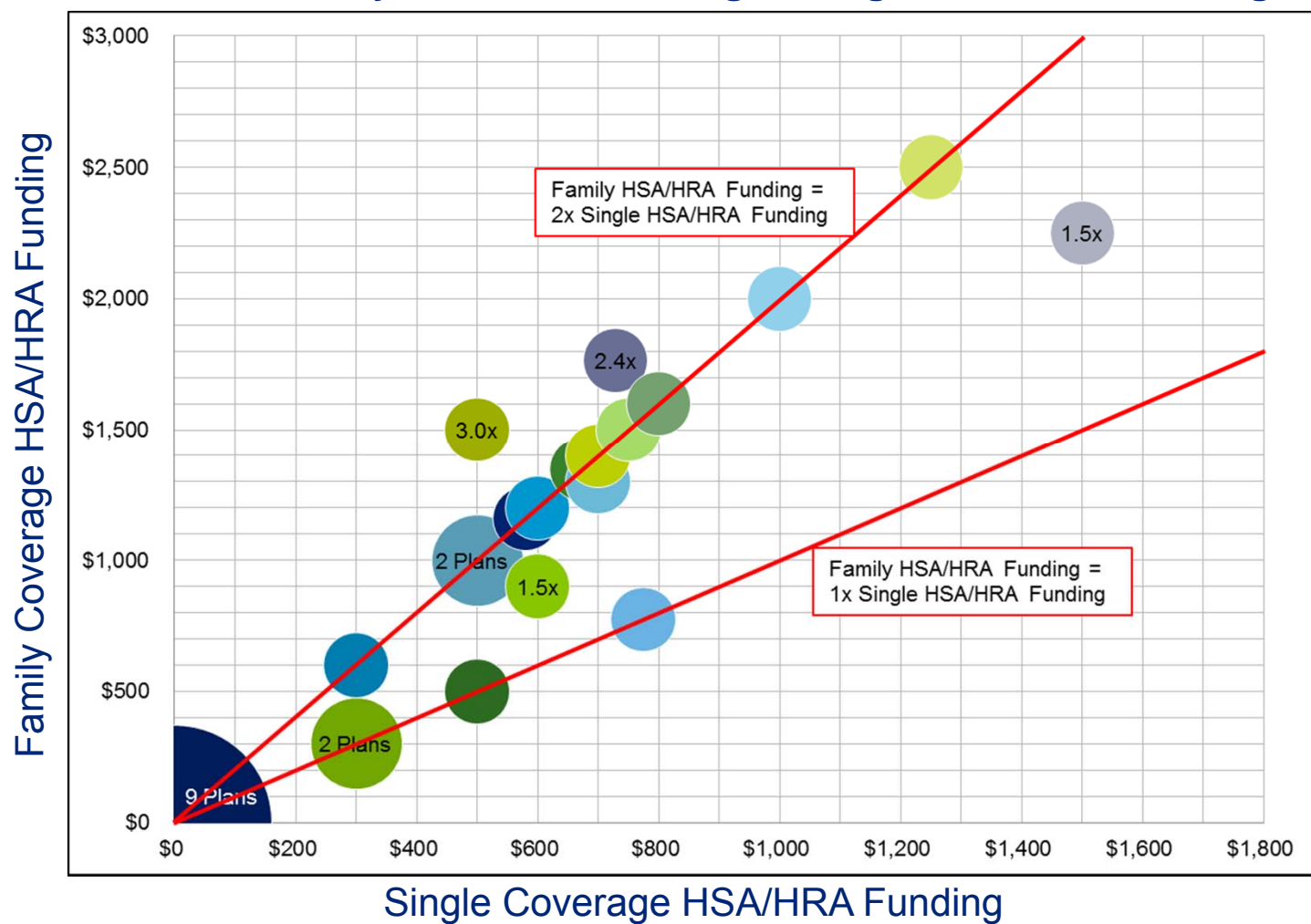
What other states are doing

Ratio of Family Deductible to Single Deductible for HDHP Plans



What other states are doing

Ratio of Family HSA/HRA Funding to Single HSA/HRA Funding





Key HDHP plan design objectives

- Cost neutral design financial impact to State
 - Net of employee contributions
 - Cost neutral design includes value of entire HSA
- Employee contribution differential desired between HMO and HDHP+HSA options
 - Significant enough to drive enrollment (target of 5% migration to HDHP+HSA)
- HDHP+HSA plan provisions
 - HSA funding set at levels such that combination of contribution levels, HDHP deductible levels, and HSA funding levels produce cost-neutral design compared to Uniform HMO
 - Maximum out-of-pocket amounts at \$2,500 single, \$5,000 family
 - Adjustments for expected adverse selection and average utilization changes not included in estimated HDHP+HSA premiums
- HDHP+HSA plan design scenarios
 - Deductible set at \$1,500 single/\$3,000 family, versus \$2,000 single/\$4,000 family
 - Contributions set at approximately 75% of HMO contributions, 60% of HMO contributions, and 35% of HMO contributions (with HSA funding set in each case to then produce a cost-neutral design)



Actuarial considerations

HDHP plan design: 2015 Cost neutral HSA plan design – Scenario 1

Key Plan Design Provision	Current Uniform HMO	Illustrative HDHP+HSA
Deductible (Single/Family)	\$0 / \$0	\$1,500 / \$3,000
HSA (Employer Funded)		\$710 / \$1,420
Maximum Out-of-Pocket (S/F) (Includes Deductible) Medical Drug Max OOP	\$500 / \$1,000 Med \$410 / \$820 Drug	\$2,500 / \$5,000 Combined
Preventive Care	100%	100%
Office Visits	90%	90%
Emergency Room	\$75 copay	90%
All Other Medical Services	90%	90%
Prescription Drugs: Level 1 Formulary Generic Level 2 Formulary Brand Level 3 Non-Formulary	\$5 copay \$15 copay \$35 copay	90% 90% 90%
Estimated Premium Rates (2015)	\$729 / \$1,817 / \$1,440	\$658 / \$1,628 / \$1,295
Employee Contributions (Tier 1)	\$95 / \$235 / \$187	\$71 / \$176 / \$140
HSA Funding (Monthly)		\$59 / \$119 / \$98
Net Employer Cost (\$)	\$624 / \$1,582 / \$1,253	\$646 / \$1,570 / \$1,253
Net Employer Cost (% of Total) *	86.8% / 87.1% / 87.0%	90.1% / 89.9% / 89.9%
Estimated Relative Value (2015)	0.950	HDHP: 0.855 HSA: 0.064 Total: 0.919
Employee Contribution Value	(0.123)	(0.092)
Estimated Net Relative Value	0.827	0.827

- HDHP deductible of \$1,500 single, \$3,000 family.
- Employee contributions for the HDHP option set at approximately 75% of the employee contribution for the HMO plan.
- Assumed rate increase 2014 to 2015: 7.5%
- 85% of HSA accrual estimated to be used in 2015; remaining 15% rolled over/used for other expenses (“leakage”).

Single / Family / Average

* Net Employer Cost (% of Total) =
Net Employer Cost / (Estimated HDHP
Premium + HSA Funding)



Actuarial considerations

HDHP plan design: 2015 Cost neutral HSA plan design – Scenario 2

Key Plan Design Provision	Current Uniform HMO	Illustrative HDHP+HSA
Deductible (Single/Family)	\$0 / \$0	\$1,500 / \$3,000
HSA (Employer Funded)		\$510 / \$1,020
Maximum Out-of-Pocket (S/F) (Includes Deductible) Medical Drug Max OOP	\$500 / \$1,000 Med \$410 / \$820 Drug	\$2,500 / \$5,000 Combined
Preventive Care	100%	100%
Office Visits	90%	90%
Emergency Room	\$75 copay	90%
All Other Medical Services	90%	90%
Prescription Drugs:		
Level 1 Formulary Generic	\$5 copay	90%
Level 2 Formulary Brand	\$15 copay	90%
Level 3 Non-Formulary	\$35 copay	90%
Estimated Premium Rates (2015)	\$729 / \$1,817 / \$1,440	\$658 / \$1,628 / \$1,295
Employee Contributions (Tier 1)	\$95 / \$235 / \$187	\$57 / \$141 / \$112
HSA Funding (Monthly)		\$42 / \$85 / \$70
Net Employer Cost (\$)	\$624 / \$1,582 / \$1,253	\$643 / \$1,572 / \$1,253
Net Employer Cost (% of Total) *	86.8% / 87.1% / 87.0%	91.9% / 91.8% / 91.8%
Estimated Relative Value (2015)	0.950	HDHP: 0.855 HSA: 0.046 Total: 0.901
Employee Contribution Value	(0.123)	(0.074)
Estimated Net Relative Value	0.827	0.827

- HDHP deductible of \$1,500 single, \$3,000 family.
- Employee contributions for the HDHP option set at approximately 60% of the employee contribution for the HMO plan.
- Assumed rate increase 2014 to 2015: 7.5%
- 87% of HSA accrual estimated to be used in 2015; remaining 13% rolled over/used for other expenses (“leakage”).

Single / Family / Average

* Net Employer Cost (% of Total) =
Net Employer Cost / (Estimated HDHP
Premium + HSA Funding)



Actuarial considerations

HDHP plan design: 2015 Cost neutral HSA plan design – Scenario 3

Key Plan Design Provision	Current Uniform HMO	Illustrative HDHP+HSA
Deductible (Single/Family)	\$0 / \$0	\$1,500 / \$3,000
HSA (Employer Funded)		\$170 / \$340
Maximum Out-of-Pocket (S/F) (Includes Deductible) Medical Drug Max OOP	\$500 / \$1,000 Med \$410 / \$820 Drug	\$2,500 / \$5,000 Combined
Preventive Care	100%	100%
Office Visits	90%	90%
Emergency Room	\$75 copay	90%
All Other Medical Services	90%	90%
Prescription Drugs:		
Level 1 Formulary Generic	\$5 copay	90%
Level 2 Formulary Brand	\$15 copay	90%
Level 3 Non-Formulary	\$35 copay	90%
Estimated Premium Rates (2015)	\$729 / \$1,817 / \$1,440	\$658 / \$1,628 / \$1,295
Employee Contributions (Tier 1)	\$95 / \$235 / \$187	\$33 / \$82 / \$65
HSA Funding (Monthly)		\$14 / \$28 / \$23
Net Employer Cost (\$)	\$624 / \$1,582 / \$1,253	\$639 / \$1,574 / \$1,253
Net Employer Cost (% of Total) *	86.8% / 87.1% / 87.0%	95.1% / 95.0% / 95.0%
Estimated Relative Value (2015)	0.950	HDHP: 0.855 HSA: 0.015 Total: 0.870
Employee Contribution Value	(0.123)	(0.043)
Estimated Net Relative Value	0.827	0.827

- HDHP deductible of \$1,500 single, \$3,000 family.
- Employee contributions for the HDHP option set at approximately 35% of the employee contribution for the HMO plan.
- Assumed rate increase 2014 to 2015: 7.5%
- 90% of HSA accrual estimated to be used in 2015; remaining 10% rolled over/used for other expenses (“leakage”).

Single / Family / Average

* Net Employer Cost (% of Total) =
Net Employer Cost / (Estimated HDHP
Premium + HSA Funding)



Actuarial considerations

HDHP plan design: 2015 Cost neutral HSA plan design – Scenario 4

Key Plan Design Provision	Current Uniform HMO	Illustrative HDHP+HSA
Deductible (Single/Family)	\$0 / \$0	\$2,000 / \$4,000
HSA (Employer Funded)		\$880 / \$1,760
Maximum Out-of-Pocket (S/F) (Includes Deductible) Medical Drug Max OOP	\$500 / \$1,000 Med \$410 / \$820 Drug	\$2,500 / \$5,000 Combined
Preventive Care	100%	100%
Office Visits	90%	90%
Emergency Room	\$75 copay	90%
All Other Medical Services	90%	90%
Prescription Drugs:		
Level 1 Formulary Generic	\$5 copay	90%
Level 2 Formulary Brand	\$15 copay	90%
Level 3 Non-Formulary	\$35 copay	90%
Estimated Premium Rates (2015)	\$729 / \$1,817 / \$1,440	\$648 / \$1,597 / \$1,272
Employee Contributions (Tier 1)	\$95 / \$235 / \$187	\$71 / \$176 / \$140
HSA Funding (Monthly)		\$73 / \$147 / \$122
Net Employer Cost (\$)	\$624 / \$1,582 / \$1,253	\$650 / \$1,568 / \$1,253
Net Employer Cost (% of Total) *	86.8% / 87.1% / 87.0%	90.1% / 89.9% / 89.9%
Estimated Relative Value (2015)	0.950	HDHP: 0.839 HSA: 0.080 Total: 0.919
Employee Contribution Value	(0.123)	(0.092)
Estimated Net Relative Value	0.827	0.827

- HDHP deductible of \$2,000 single, \$4,000 family.
- Employee contributions for the HDHP option set at approximately 75% of the employee contribution for the HMO plan.
- Assumed rate increase 2014 to 2015: 7.5%
- 84% of HSA accrual estimated to be used in 2015; remaining 16% rolled over/used for other expenses (“leakage”).

Single / Family / Average

* Net Employer Cost (% of Total) =
Net Employer Cost / (Estimated HDHP
Premium + HSA Funding)



Actuarial considerations

HDHP plan design: 2015 Cost neutral HSA plan design – Scenario 5

Key Plan Design Provision	Current Uniform HMO	Illustrative HDHP+HSA
Deductible (Single/Family)	\$0 / \$0	\$2,000 / \$4,000
HSA (Employer Funded)		\$680 / \$1,360
Maximum Out-of-Pocket (S/F) (Includes Deductible) Medical Drug Max OOP	\$500 / \$1,000 Med \$410 / \$820 Drug	\$2,500 / \$5,000 Combined
Preventive Care	100%	100%
Office Visits	90%	90%
Emergency Room	\$75 copay	90%
All Other Medical Services	90%	90%
Prescription Drugs:		
Level 1 Formulary Generic	\$5 copay	90%
Level 2 Formulary Brand	\$15 copay	90%
Level 3 Non-Formulary	\$35 copay	90%
Estimated Premium Rates (2015)	\$729 / \$1,817 / \$1,440	\$648 / \$1,597 / \$1,272
Employee Contributions (Tier 1)	\$95 / \$235 / \$187	\$57 / \$141 / \$112
HSA Funding (Monthly)		\$57 / \$113 / \$94
Net Employer Cost (\$)	\$624 / \$1,582 / \$1,253	\$648 / \$1,569 / \$1,253
Net Employer Cost (% of Total) *	86.8% / 87.1% / 87.0%	91.9% / 91.8% / 91.8%
Estimated Relative Value (2015)	0.950	HDHP: 0.839 HSA: 0.062 Total: 0.901
Employee Contribution Value	(0.123)	(0.074)
Estimated Net Relative Value	0.827	0.827

- HDHP deductible of \$2,000 single, \$4,000 family.
- Employee contributions for the HDHP option set at approximately 60% of the employee contribution for the HMO plan.
- Assumed rate increase 2014 to 2015: 7.5%
- 86% of HSA accrual estimated to be used in 2015; remaining 14% rolled over/used for other expenses (“leakage”).

Single / Family / Average

* Net Employer Cost (% of Total) =
Net Employer Cost / (Estimated HDHP
Premium + HSA Funding)



Actuarial considerations

HDHP plan design: 2015 Cost neutral HSA plan design – Scenario 6

Key Plan Design Provision	Current Uniform HMO	Illustrative HDHP+HSA
Deductible (Single/Family)	\$0 / \$0	\$2,000 / \$4,000
HSA (Employer Funded)		\$340 / \$680
Maximum Out-of-Pocket (S/F) (Includes Deductible) Medical Drug Max OOP	\$500 / \$1,000 Med \$410 / \$820 Drug	\$2,500 / \$5,000 Combined
Preventive Care	100%	100%
Office Visits	90%	90%
Emergency Room	\$75 copay	90%
All Other Medical Services	90%	90%
Prescription Drugs:		
Level 1 Formulary Generic	\$5 copay	90%
Level 2 Formulary Brand	\$15 copay	90%
Level 3 Non-Formulary	\$35 copay	90%
Estimated Premium Rates (2015)	\$729 / \$1,817 / \$1,440	\$648 / \$1,597 / \$1,272
Employee Contributions (Tier 1)	\$95 / \$235 / \$187	\$33 / \$82 / \$65
HSA Funding (Monthly)		\$28 / \$56 / \$47
Net Employer Cost (\$)	\$624 / \$1,582 / \$1,253	\$643 / \$1,571 / \$1,253
Net Employer Cost (% of Total) *	86.8% / 87.1% / 87.0%	95.1% / 95.0% / 95.0%
Estimated Relative Value (2015)	0.950	HDHP: 0.839 HSA: 0.031 Total: 0.870
Employee Contribution Value	(0.123)	(0.043)
Estimated Net Relative Value	0.827	0.827

- HDHP deductible of \$2,000 single, \$4,000 family.
- Employee contributions for the HDHP option set at approximately 35% of the employee contribution for the HMO plan.
- Assumed rate increase 2014 to 2015: 7.5%
- 88% of HSA accrual estimated to be used in 2015; remaining 12% rolled over/used for other expenses (“leakage”).

Single / Family / Average

* Net Employer Cost (% of Total) =
Net Employer Cost / (Estimated HDHP
Premium + HSA Funding)



Actuarial considerations

Promoting enrollment: HSA funding versus employee contributions

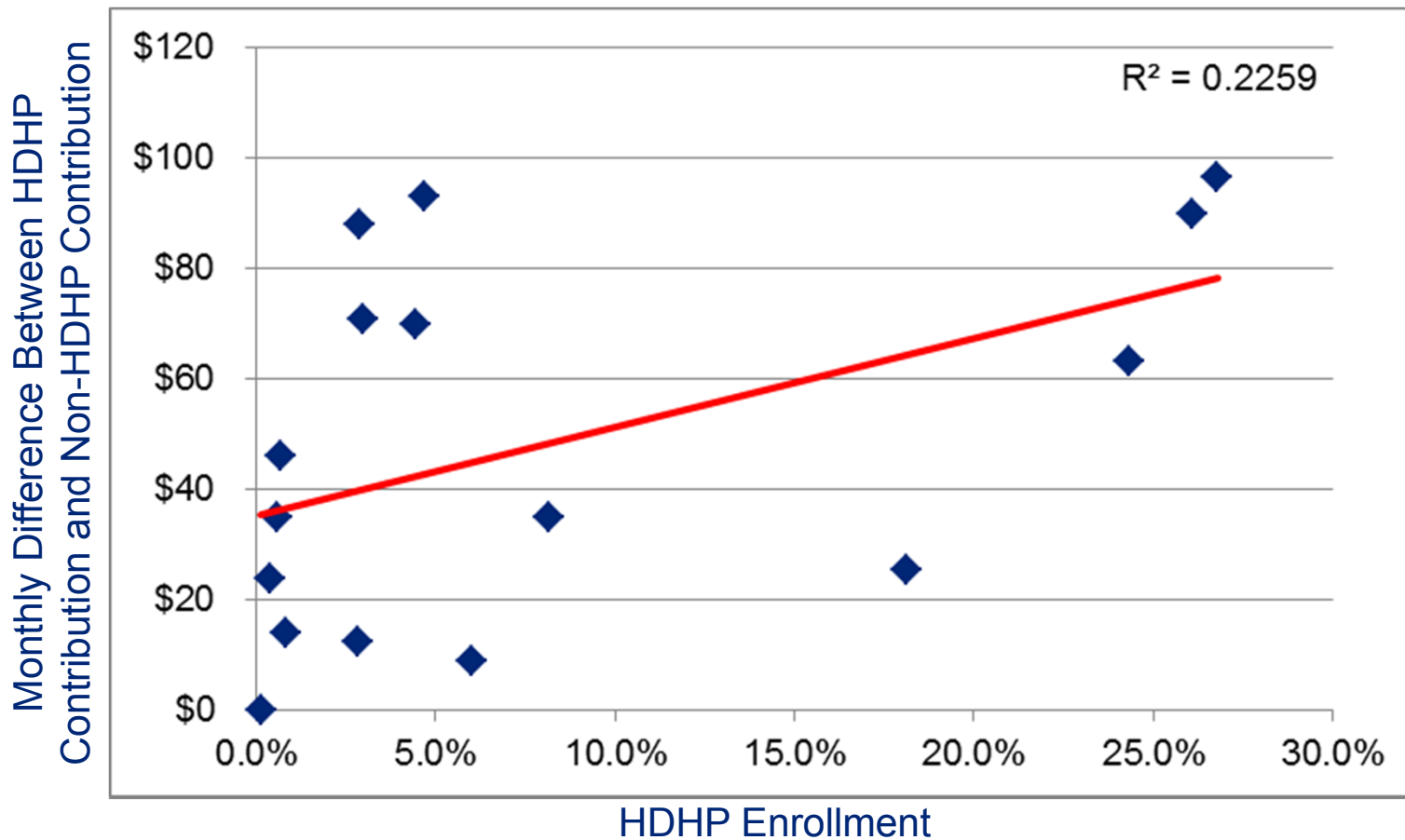
- Deloitte statistically compared enrollment results in the HDHP plan options versus non-HDHP plan options for the 29 states that offer some type of HDHP arrangement:
 - Correlation between HDHP enrollment and the dollar difference between the HDHP plan option and the non-HDHP plan option
 - Correlation between HDHP enrollment and the percentage difference between the HDHP plan option and the non-HDHP plan option
 - Correlation between HDHP enrollment and HSA/HRA employer funding levels
- Regression analyses were performed for the single and family levels of coverage for the above variables in order to discover which, if any, of the above demonstrated strong correlation (as measured by the R^2 regression analysis result).
- Results for single coverage versus family coverage were consistent.

Actuarial considerations

Promoting enrollment: HSA funding versus employee contributions



Difference in Monthly Contribution for Single Coverage Between HDHP Plan Options and Non-HDHP Options (Single Coverage)





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