State of Wisconsin Group Insurance Board

Department of Employee Trust Funds

2016 Plan Design Recommendations

May 19, 2015

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Segal Consulting

Introduction

- The authority of the Wisconsin Group Insurance Board (GIB) was recently expanded to provide additional oversight and strategic direction for the state employee health insurance program.
- Segal was retained by the GIB in November 2014 to conduct a full review of the State's health insurance program for employees and retirees.
- The primary objective of the project is to analyze data from a variety of sources to develop and recommend strategies to improve health outcomes and increase the efficient delivery of quality health care to participants in the state employee health insurance program.
- Segal's first report was delivered in March of 2015 and presented to the GIB on March 25th. The first of two reports anticipated by the contract, it focused on analysis and recommendations for consideration for calendar year 2016. The second report to be issued later in 2015 will include findings, recommendations and strategies for consideration for 2017 and future years.
- This presentation outlines the changes recommended for 2016 requiring GIB approval and the associated impact on ETF and the membership.

Report 1 Benchmarking

- Report 1 from March 2015 included benchmarking and comparisons with
  - State health plans regionally: Minnesota, Iowa, Illinois, Indiana, Michigan
  - State health plans nationally
  - Federal Employees Health Benefit Program plans offered in Wisconsin
- Comparisons based on 2014 data
- Conclusions include:
  - ETF Uniform Benefit Design (UBD) has the highest actuarial value at 96%
    - UBD benefits match, or exceed, virtually every benefit compared (deductible, copay, etc)
  - UBD premiums vary significantly among health plans
    - Lowest premiums compare favorably with benchmarks for similar plans
    - Highest premiums do not compare favorably
  - Standard Plan also higher than benchmarks with an actuarial value of 93%
  - HDHP/HSA premium does not compare favorably with other benchmark plans and has an actuarial value of 83%
- Savings opportunities exist that allow the:
  - UBD and Standard Plan to remain competitive compared to benchmarks
  - HDHP/HSA to become a more attractive option

2016 Recommendations

- The State's budget has assumed savings in the next biennium with a targeted reduction of $81 million. That would include $54 million for CY16 and an additional $27 million in CY17.
- With the 40% Excise Tax looming in 2018, savings achieved in 2016 and 2017 will minimize the changes that may be necessary in 2018.
- With this in mind, we developed recommendations for the Board's consideration and possible approval for 2016, which include changes to:
  - Medical Benefits
    - Uniform Benefit Design (UBD)
    - Standard Plan
    - High Deductible Health Plan with HSA (HDHP/HSA)
  - Pharmacy Benefits
  - Update Health Plan negotiation
  - Opt-out Incentive

2016 Recommendations
Medical

- HMO/PPO plans have high actuarial values and provide benefits that are higher than other plans offered locally and regionally
  - UBD actuarial value is 96%
  - Standard Plan actuarial value is 93%
- HDHP/HSA has a lower actuarial value, and minimal enrollment
  - HDHP actuarial value is 83% (does not include HSA)
  - Current premium ratio to UBD is overstated at 0.875 and included HSA
    - Does not account for changes in behavior that would reduce utilization
  - 2015 enrollment is about 400 subscribers
- Introducing additional cost sharing in the HMO/PPO plans and increasing the State's contribution to the HDHP's HSA will:
  - Increase enrollment in the (now more attractive, and still lower cost) HDHP
  - Adjust State HSA contribution to be in line with market levels
  - Increase member responsibility in the HMO/PPO plans while continuing to provide an attractive and competitive benefit level
  - HMO/PPO plans remain above Platinum level and HDHP approaches Platinum

2016 Recommendations
Medical

- Recommended changes for 2016:
  - **UBD:** Introduce $250 annual deductible and increase annual maximum out-of-pocket from $500 to $1,000. Family rates would be twice these figures. Convert office visit cost sharing from coinsurance to copays ($15 for Primary Care and $25 for Specialists). Primary Care copays would also apply to PT/OT/ST/Chiro.
  - **Standard Plan:** Increase annual deductible from $200 to $250 and increase annual maximum out-of-pocket from $800 to $1,000. Family rates would be twice these figures.
  - **HDHP/HSA:** Increase the State's annual Health Saving Account (HSA) contribution from $170 to $750. Family rates would be twice these figures. Net cost would be budget neutral to ETF.
- New deductible and max out-of-pocket would still be competitive
  - UBD and Standard Plan remain Platinum Plans
  - HDHP/HSA is a high value Gold Plan
- Changes for both active and retired
- Overall savings:
  - 4.0% to 4.5%—mid-point estimate of $50 million.

2016 Recommendations
Uniform Benefit Design

	2015	2016	Savings/(Costs) (in $Millions)	Members Impacted
Annual Deductible				
Single	None	$250	$20 1.7% of total costs	30-40%
Family	None	$500		
Annual Maximum Out-of-Pocket				
Single	$500	$1,000	$14 1.2% of total costs	15-25%
Family	$1,000	$2,000		
Office Visit Copays				
Primary Care Physician	10%	$15	$10 0.8% of total costs	75-85%
Specialist	10%	$25		
Therapy Copays				
Chiropractic	10%	$15	$6 0.5% of total costs	10-15%
Physical Therapy, Speech Therapy and Occupational Therapy	10%	$15		
Actuarial Value	**96%**	**92%**	**$50** 4.2% of total costs	

Member Impact

- Majority of savings from higher cost sharing ($48 million)
- Higher users of services most impacted
- Employee costs will double overall but will still remain among the lowest in region

* Office Visit Copays are not subject to the annual deductible and have an annual Maximum Out-of-Pocket of $1,000.
** For services provided outside the PPO network, deductible and maximum out-of-pocket is 2x network levels.

2016 Recommendations
Standard Plan

	2015	2016	Savings/(Costs) (in $Millions)	Members Impacted
Annual Deductible				
Single	$200	$250	$0.1 0.008% of total costs	40-50%
Family	$400	$500		
Annual Maximum Out-of-Pocket				
Single	$800	$1,000	$0.2 0.017% of total costs	20-30%
Family	$1,600	$2,000		
Actuarial Value	**93%**	**91%**	**$0.3** 0.025% of total costs	

Member Impact

- Normalize the plan design to be closer to HMO
- Savings from higher cost sharing
- Higher users of services most impacted
- Employee costs will increase about 30% but will remain competitive in region

2016 Recommendations
HDHP/HSA

	2015	2016	Savings/(Costs) (in $Millions)
High Deductible Health Plan			
No Changes to Medical			
Annual State HSA Deposit			
Single	$170	$750	($0.3) 0.025% of total costs
Family	$340	$1,500	
Actuarial Value	**83%**	**87%**	**($0.3)** 0.025% of total costs

Member Impact

- Significant benefit improvement for all users
- Enrollment shift from UBD/Standard to HDHP/HSA projected to be budget neutral to ETF in aggregate due to movement to lower cost option
- Cost from HSA increase to current population (418 contracts)
- Now a more attractive benefit alternative for State employees

2016 Recommendations
Pharmacy

Level		2015	2016	Savings/(Costs) (in $Millions)	Members Impacted
Level 1		$5	$5	$7 0.5% of total costs	30-40%
Level 2		$15	20% ($50 max)		
Level 3		$35	40% ($150 max)		
Level 4 – Preferred **Level 4 – Non-preferred**		$15 $50	$50 40% ($200 max)		
Out-of-Pocket Limits*	Level 1&2	$410	$600	$1 0.1% of total costs	10-20%
	Level 4	$1,000	$1,200		
ACA MOOP* (Medical & Rx)		$6,600	$6,600		
Actuarial Value (UBD)		92%	89%	$8 0.6% of total costs	

Member Impact

- Primary cost savings comes from additional members costs
- Percentage based Brand design keeps pace with trend
- Further incents use of generic and lower cost brands - savings to ETF and member
- Raise Out-of-Pocket limit toward benchmark

* Family MOOPs are 2x Single Employee levels.

2016 Recommendations
Health Plan Negotiations

- Premium costs, risk and care management for UBD plans vary widely.
- All plans currently on Tier 1—implying all HMOs are the lowest cost/most efficient
- HMO Negotiations & Renewal Process
  - Work with ETF to modify the tiering process
  - Update addenda to collect additional financial exhibits and require CFO/Actuary signature
  - Require detailed data submission to match addenda
- New tiering strategy may result in some Plans in Tier 2 or Tier 3 for 2016, resulting in higher employee premiums for those plans
  - Premiums for Tier 1 Plans may be reduced so that overall employee premium share remains at current level, which is competitive
  - Adjust premium ratio between HDHP and UBD to reflect HDHP only:
    - HDHP Actuarial Value ratio: 0.88 (82%/93%)
    - Less Utilization Impact: (0.04)
    - Preliminary HMO Ratio: 0.84 (does not includes HSA)
- Overall process should save additional 1- 2% or $10-20 Million

2016 Recommendations
Opt-out Incentive

- Opt-out incentive considered to have negligible financial impact overall
  - Currently 5% of employees opt-out
  - Meaningful incentive (~$2,000 annually) needed to attract additional opt-outs
  - Incentive paid to current opt-outs currently receiving no benefits (3,249)
  - Lower risk employees will take the incentive
  - Breakeven point at 7.6% opt-out rate

Opt-Outs	Opt-Out %	Incentive Cost	Plan Savings	Net Cost/(Savings)
3,249	5.0%	$6.5	$0	$6.5
3,589	5.5%	7.2	2.1	$5.1
4,099	6.3%	8.2	5.1	$ .1
4,948	7.6%	9.9	10.3	$(0.4)
5,797	8.9%	11.5	15.4	$(3.9)
6,647	10.2%	13.3	20.5	$(7.2)

- Doubling the current rate would generate $7.2M in savings (not considered likely)

2016 Recommendations
Summary

- With all the suggested changes the plans will still remain competitive within the region

	Savings/(Costs) (in $Millions)
Medical	$50
Uniform Benefit Design	$50
Standard Plan	$0.3
HDHP/HSA	($0.3)
Pharmacy	$8
Increase Levels 2-4 Cost Sharing	$7
Out-of-Pocket Increase	$1
Health Plan Negotiations	$10
Total Calendar 2016	$68 4.8% of total costs

- Changes apply to actives and retirees
- An opt-out credit could be implemented but is likely cost neutral

Questions & Discussion

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