

2025 Group Health Insurance Program Rates and Reserves



Item 4B – Group Insurance Board

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Action Needed

The Department of Employee Trust Funds (ETF) recommends that the Group Insurance Board (Board) approve the recommended health, pharmacy, and dental rates presented by the Board's actuary, Segal, for plan year 2025.

ETF requests Board approval to make any additional, minor adjustments to health plan service areas after they are finalized.

Negotiations Process

- Preliminary bids and utilizations data submitted by health plans and bid tools submitted by pharmacy and dental benefit administrators
- Segal analyzed information and gave tiering recommendations
- ETF met with health plans about changes needed to achieve Tier 1 status
- Health plans submitted best and final offers (BAFOs)

County Qualifications

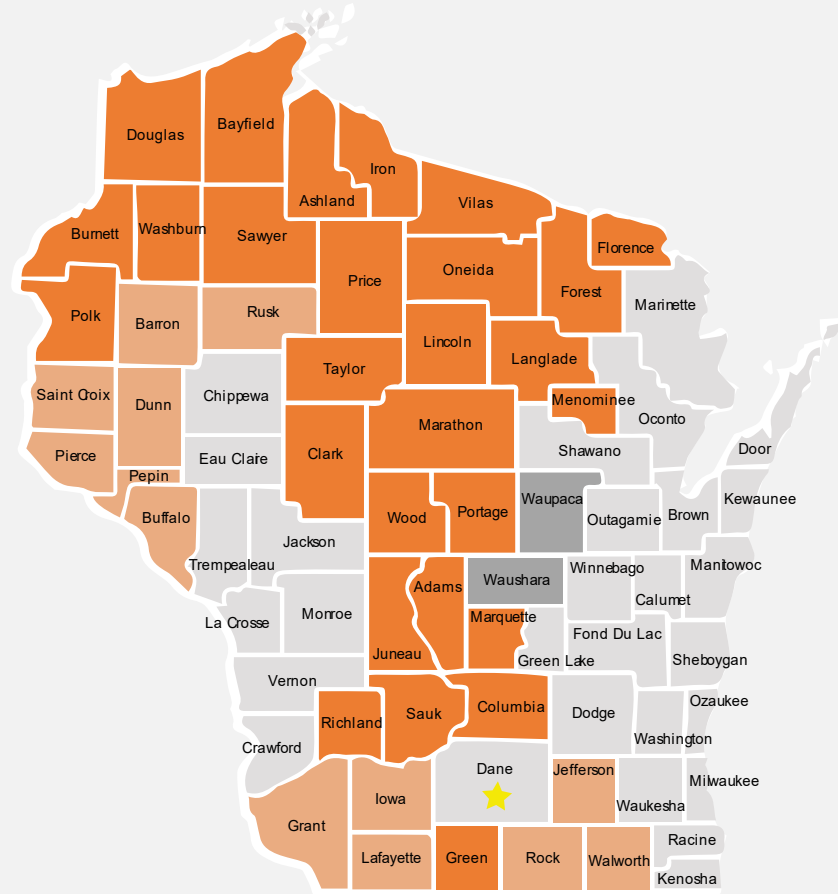
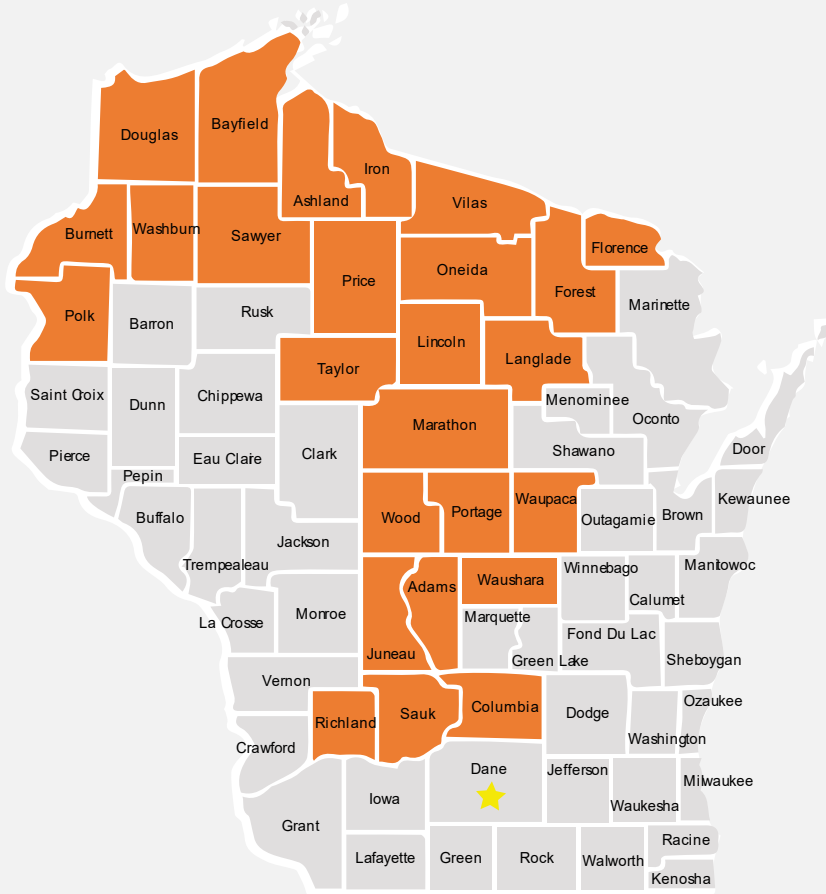
State Program

- Only one county in the State program with no qualified Tier-1 health plans
- State Maintenance Plan (SMP) will be available in Florence County

Local Program

- SMP counties continue to increase for 2025
- 41 counties total
- Approximately 7,000 Local members newly eligible for SMP

Local SMP Counties, 2024 and 2025



Access/SMP Contract Terms

Access and SMP plans administered by a single vendor (Dean Health Plan)

If loss ratios are lower than 90% the vendor credits 50% of excess premium amounts to the Board

If loss ratios are above 90% the Board pays 100% of the premium deficiency

This term may be reassessed for future Access/SMP contracts

Reserve Balances

- Takes into consideration as part of the rate setting process
- Informs the Board of a projected reserve surplus or deficit to assist in the decision to use the reserves in premium setting
- Actual balances are significantly lower than projected during 2024 rate setting and remain below target

Health Insurance Program Reserves as of 12/31/2023 (preliminary)

State (in millions)

Health Reserves	Medical ⁽²⁾	Wellness	Pharmacy	Dental	Total ⁽¹⁾	% change from prior year
<i>Fund Balance, January 1, 2023</i>	\$81.0	\$3.8	\$37.3	\$23.0	\$145.2	-31.0%
Investment Income	\$5.7	(\$0.1)	\$3.8	\$1.1	\$10.4	142.8%
Contributions	\$1,269.0	\$11.5	\$218.3	\$61.2	\$1,560.0	4.6%
Benefit Expense	(\$1,261.5)	(\$7.8)	(\$312.1)	(\$59.7)	(\$1,641.1)	9.6%
ETF Administrative Expense ⁽³⁾	(\$19.4)	\$0.0	\$0.0	\$0.0	(\$19.4)	23.6%
TPA Administrative Expense	(\$0.9)	(\$6.2)	(\$10.5)	(\$1.2)	(\$18.8)	1.6%
<i>Fund Balance, December 31, 2023</i>	\$74.0	\$1.2	(\$63.3)	\$24.4	\$36.3	-75.0%

Local (in millions)

Health Reserves	Medical ⁽²⁾	Wellness	Pharmacy	Dental	Total ⁽¹⁾	% change from prior year
<i>Fund Balance, January 1, 2023</i>	(\$4.1)	\$0.4	\$18.0	\$0.1	\$14.4	-16.3%
Investment Income	\$0.0	\$0.0	\$1.5	\$0.0	\$1.4	158.3%
Contributions	\$211.5	\$1.6	\$40.2	\$2.4	\$255.7	12.5%
Benefit Expense	(\$211.7)	(\$1.2)	(\$42.9)	(\$2.5)	(\$258.2)	15.4%
ETF Administrative Expense ⁽³⁾	(\$2.7)	\$0.0	\$0.0	\$0.0	(\$2.7)	28.6%
TPA Administrative Expense	(\$0.1)	(\$0.9)	(\$1.0)	\$0.0	(\$2.0)	0.0%
<i>Fund Balance, December 31, 2023</i>	(\$7.1)	\$0.0	\$15.8	(\$0.1)	\$8.6	-40.3%

(1) Amounts may not foot due to rounding.

(2) Medical benefit expense reflects premiums paid to health insurance plan providers, including two plans that are retrospectively rated in which premiums are accrued based on the estimated ultimate cost of the experience.

(3) ETF administrative expense allocated to medical only.

Fees Added to Health Insurance Premiums

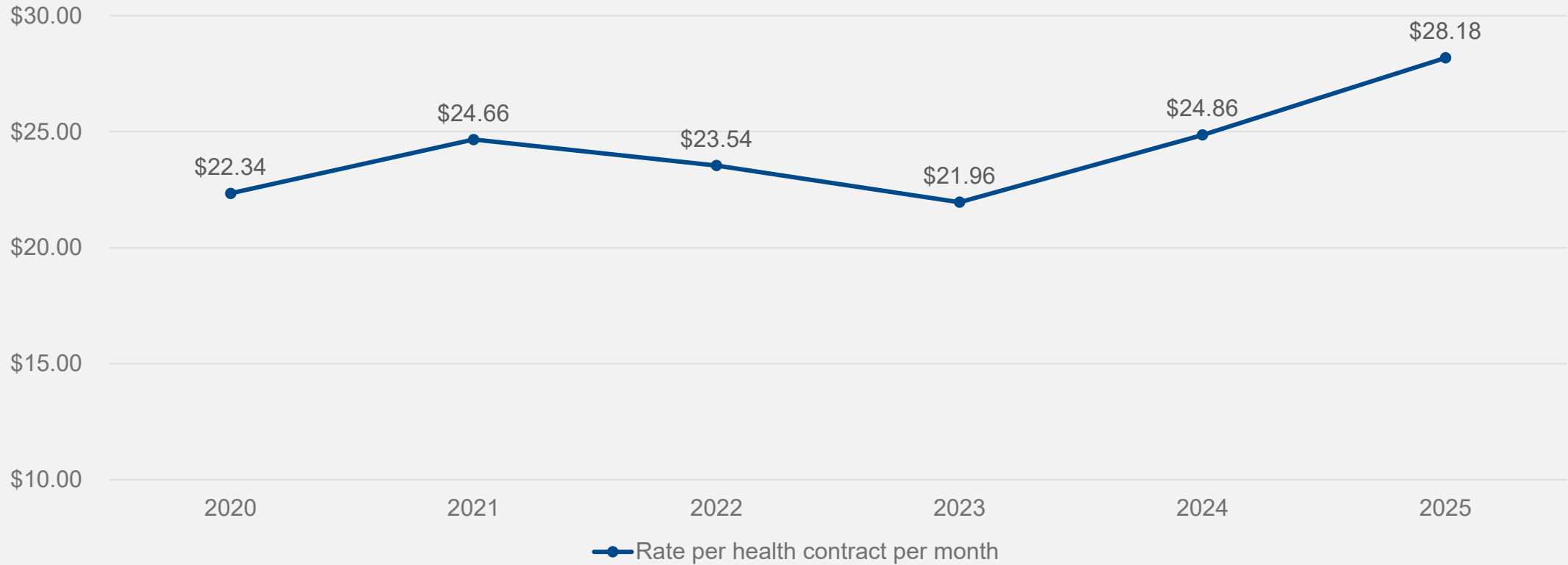
ETF administrative costs

- Staff salaries
- Compliance audits
- Actuarial services
- System costs (e.g., Insurance Administration System, Data Warehouse)

Wellness program costs

- Wellness and disease management program administration
- Coaching
- Biometric screenings
- Incentive payments

Health Insurance Administrative Fee History



2025 Rates

State program

- State program's overall increase is 6.9%
- Medical increase = 6.2%

Local program

- Local program's overall increase is 10.4%
- Medical increase = 10.2%
- Again, experiencing higher rate increases than State

Dental

- Dental rates increased by 2%

Medicare Advantage

- Medicare Advantage increase for both State and Local members is 37.9%
- Remains the lowest-cost Medicare plan option
- Only slightly higher than initial rate offered to members at the start of the program in 2019

Pharmacy

- Pharmacy rates increased for both State (10.6%) and Locals (11.5%)

Impact to Member Premiums

Difficult to quantify overall

Active employees in the State program

- Premium share increases typically correlate with increases projected for non-Medicare portion of the State program
- Increase of 5.8% for this year

Active employees in the Local program

- Uses a calculation of 88% of the average premium of all Tier 1 health plans in the county, because employers cannot contribute more than this toward their employees' insurance per state law
- Increase of 6%-7.9% for non-SMP plans

Impact to Member Medicare Premiums

Medicare-enrolled retirees

- Medicare-enrolled retirees in both State and Local programs pay any changes to their premium directly
- Increases are plan specific
- State increase of 0.8%-15%
- Local increase of 1.6%-30.6%

Medicare Advantage

- Increase of 37.9%
- Still the lowest-cost plan option for retirees

Medicare Plus

- Increase of 5%

Local SMP Rates

Increase in enrollment along with the earlier rate setting schedule creates challenges for premium setting for this group

- Experience data for larger group of SMP members in 2024 is not yet available
- ETF expects even more growth in SMP in 2025 with addition of 11 more Local SMP counties
- Dean unaware of addition of 11 counties until after submitting their bid
 - Dean's bid may not be sufficient to cover claims, possibly leaving Board liable for another large settlement in 2025

Local SMP Rates Options

Option 1

- **Pay Dean a higher rate increase than requested**
- 15% rate increase (above 8.4% cap)

Option 2

- **Add a Plan Stabilization Charge (PSC) to the Local SMP premium**
- Pay rate bid by Dean, but charge the full 15% increase to members

Option 3

- **Make no changes to the Local SMP rate**
- The Board could charge only the 8.4% increase rate

Overall Rate and Reserve Options

Option 1

- Accept premiums with no stabilization increase

Option 2

- Add a stabilization increase, targeting low end of reserve range

Option 3

- Add a stabilization increase, targeting midpoint by 2026

Option 4

- Add a stabilization increase, targeting midpoint by 2027

ETF Recommendations

- Option 4: Add stabilization increases to State and Local Rates, targeting the midpoint of the reserve range by 2027.
- Do not add separate Local SMP stabilization charge; include in the overall increase for locals (Local SMP Option 3).