



MEMORANDUM

TO: Health Care Commission
Duane Goossen, Chair
Sandy Praeger
Nancy Ruoff
John Staton

FROM: Doug Farmer

DATE: January 22, 2010

SUBJECT: **2011 Plan Design and Rates**

Each year, we review the health plan offerings, the plan experience, and plan finances as we develop recommendations for consideration by the Health Care Commission (HCC). Plan year 2011 presents the HCC with financial challenges. The plan's financial outlook is that by 2012, plan reserves will be depleted and the plan may not have sufficient funds to pay expected claims expenses. This situation is very different from prior years' discussions when the fund balance was such that additional benefits could be considered without adversely impacting state agencies and employees.

Despite the plan's current financial condition, one plan design change for the HCC to consider is a change in the coverage of congenital defects requiring orthognathic surgery for correction. Currently, the State Employee Health Plan (SEHP) only covers repair of congenital defects to age 18. For treatment of the jaw, the bone structure is not mature by age 18 and therefore we would like the HCC to consider allowing repair of congenital defects of the jaw that require orthognathic surgery to age 23. The cost to extend this coverage is estimated to be \$60,000 annually.

The HCC has previously approved an increase in the Plan A coinsurance maximum of \$100 for single and \$200 for family beginning January 1, 2011. Based upon this, the new coinsurance maximum will be \$1,300 for single and \$2,600 for family. This change is anticipated to save the plan \$810,000. Increasing the coinsurance maximum by \$200 for single and \$400 for family would save an additional \$1,600,000. AON indicates that the average coinsurance maximum on their state book of business is \$1,250 for single and \$3,000 for a family plan.

Other potential areas for consideration include increasing the Plan A deductible from \$150 for single and \$300 per family to \$300 for single and \$600 for family. This change is estimated to save the plan \$4,900,000 for plan year 2011. AON indicates in their book of state business that the average deductibles are \$300 and \$600. The HCC might also want to consider raising the deductible amounts to a maximum of three family members instead of only two who are required to meet the deductible. In this scenario two people would each need to meet the deductible of \$300 each and if additional family members are covered under the plan, they would need to meet an additional \$300 deductible with the

combined experience of the remaining family members. Raising the office visit copays in Plan A by \$5 for primary care and specialist providers would save the plan \$1,800,000 annually.

Reducing the plan options available to members would also reduce the plan cost. Eliminating Plan A and moving all members into Plans B and C would save an estimated \$11,000,000. Eliminating Plans A and B and moving everyone to Plan C, the Qualified High Deductible Health Plan (QHDHP) with health saving account (HSA), would save \$15,000,000. With this option, the HCC would need to be aware that those active employees and/or their covered dependents with Medicare benefits would not be eligible for the HSA and employer contribution. Eliminating Plans A and C and moving all employees to Plan B would save \$10,900,000 annually. These plan savings estimates do not include any changes to the current plan designs.

DISCUSSION:

What type of plan options and changes would the HCC like the SEHP to consider for 2011?