



Landon State Office Building  
900 SW Jackson Street, Room 900-N  
Topeka, KS 66612

Department of Health  
and Environment  
*Division of Health Care Finance*

Phone: 785-296-3226  
Fax: 785-368-7180  
[www.kdheks.gov/hcf/sehp/default.htm](http://www.kdheks.gov/hcf/sehp/default.htm)

Robert Moser, MD, Secretary  
Kari Bruffett, Director

Sam Brownback, Governor

## **MEMORANDUM**

**TO:** Health Care Commission  
J. Scott Day  
Steve Dechant  
Sandy Praeger  
Nancy Ruoff  
Dennis Taylor

**FROM:** Mike Michael

**DATE:** May 31, 2012

**SUBJECT:** **Plan Design Changes for Plan Year 2013**

Each year, the State Employee Health Plan (SEHP) staff reviews the benefits offerings to be able to provide the Health Care Commission (HCC) with recommendations for consideration for the next plan year. The SEHP currently offers three (3) plan designs. Each plan has a unique design and unique member cost sharing features. Exhibit A (attached) summarizes the 2012 network-only cost sharing features of each plan.

As staff reviewed the current Plan C plan design compared to other High Deductible Health Plans (HDHPs) in the market, the current design has some limitations when compared to those open market plans. To be eligible to have a Health Savings Account (HSA), an HDHP must meet minimum standards set by the Internal Revenue Service (IRS). Exhibit B (attached) summarizes these requirements. Under IRS rules, because the current single deductible is not twice the IRS minimum required for an HDHP, the entire family deductible must be met before any claims are paid by the health plan. Other health plans have increased the single member deductible to twice the IRS's required single deductible and this allows one member of the family to meet the single deductible and have the health plan begin paying claims even if others in the family have no health care expenses. In addition, we found that, after the deductible is satisfied, other plans do not require the member to pay additional out-of-pocket costs, such as coinsurance, as the current Plan C requires. The new Plan C plan design is shown on Exhibit B alongside the current plan design.

In surveying the membership about Plan C, we received feedback from several members that they would like the HSA funded in January instead of the current method of small payments throughout the year. One of the major concerns for members in selecting Plan C was being able to pay for health care services that occur in the early part of the year before their accounts are fully funded. Another recommendation we received was to increase the HSA contribution provided. Based upon this

member feedback we have modeled changing the timing and the amount of the HSA contribution and have found that this can be done within the current employer contribution and maintain the required plan reserves. After looking at a number of options and discussing these with the Employee Advisory Committee, the recommendation was to increase the HSA contribution to \$1,500 for single and \$2,250 for member plus dependent coverage.

The benefits of Plans A and B have been standardized over time to have identical coverage for medical services. Staff is recommending that this same standardization occur with regard to Plan C as well. Currently, Plan C has different benefits available for Durable Medical Equipment (DME), infertility treatment and prosthetic coverage. A summary of the difference can be found on page 2 of Exhibit A. The current limits on Plan C for these services may be a deterrent to member enrollment in Plan C.

**Recommendation:**

Staff recommends replacing the current Plan C design with the new \$2,500/\$5,000 deductible design; funding the HSA accounts in January with the HSA contribution of \$1,500 for single and \$2,250 for member plus dependent coverage; and making the change to standardize the coverage for DME, infertility and prosthetic coverage.