



MEMORANDUM

TO: Health Care Commission
Steve Dechant
Sandy Praeger
Nancy Ruoff
John Staton
Dennis Taylor

FROM: Mike Michael

DATE: June 1, 2011

SUBJECT: **Plan C Plan Design Changes**

When the State Employee Health Plan (SEHP) released the original bid for a Qualified High Deductible Health Plan (QHDHP) with Health Savings Account (HSA), now known as Plan C, the program was an insured health plan with integrated medical and pharmacy benefits under one vendor. The original plan design was developed by the winning vendor and when the SEHP became a self-insured program the plan design of the prior vendor was maintained. One change that occurred is that the pharmacy program is now administered for all plans by Caremark. The pharmacy benefit under Plan C is subject to the overall plan deductible. After the deductible is met, members pay set copays for each 30-day supply of medication purchased. Plans A and B both incorporate a coinsurance plan design rather than a copay design.

The medical benefits of Plans A, B and C have been standardized over time to have similar coverage. Staff is recommending that this same standardization occur with regard to the pharmacy program. This would mean changing the copays to coinsurance. This would make member education about the pharmacy benefits consistent and easier for the members to understand. The plan impact of making this change is minimal. Staff reviewed the claims for Plan Year 2010 and found that approximately 74 contracts would have been affected by this change and the plan would have saved \$4,100 under a coinsurance plan design. For these 74 contract holders, the change would have resulted in an increased average cost of \$55 annually.

Each year, the Internal Revenue Service (IRS) establishes the maximum contribution amounts for HSAs. For Plan Year 2012, the IRS has established a maximum contribution of \$3,100 for employees with single coverage, up from \$3,050 this year, and for those with family coverage the maximum will be \$6,250, up from \$6,150 this year.

Recommendation:

Staff recommends adopting the coinsurance style prescription drug benefit as used for Plans A and B.