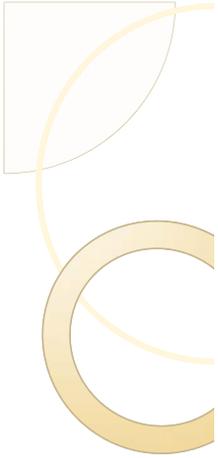


# HCC Meeting April 21, 2014

Discussion Materials

State Employee Health Plan

● **HEALTH  
REIMBURSEMENT  
ACCOUNTS**



## What is a Health Reimbursement Account (HRA)?

- An IRS sanctioned employer-funded accounts
- Employees are reimbursed tax free for qualified medical expenses
- An HRA may be offered with other types of health plans, including Health Care FSAs
- Different eligibility requirements than an HSA
  - Self-employed persons are not eligible for an HRA
- HRA may have an annual forfeiture feature or roll over
- Expense substantiation is required by a third party subject to IRS substantiation requirements



## Health Reimbursement Account (HRA)

- Requirements for HRAs include:
  - The account is 100% employer-funded
  - No employee contributions are allowed
  - Rollovers of unused amounts permitted, but not required
  - HRAs are not portable
  - Spend downs are allowed after termination of employment
  - Unused amounts cannot be converted to cash
  - Unused amounts cannot be assigned to a beneficiary



## Health Reimbursement Accounts (HRA)

- The following individuals are eligible to participate in an HRA:
  - Employees and their dependents with any type of medical coverage who are not self employed
- Employees and their dependents that are not currently eligible to use an HSA for care reimbursement may qualify under an HRA:
  - Members and dependents with Medicare
  - Military veterans
  - Dependent children over age 23



## Plan C HRA Option

- Adding a new Plan C option that includes an HRA allows the SEHP to:
  - Provide employees who are not eligible for the current Plan C/ HSA option an employer contribution to incent them to move to Plan C.



## Health Reimbursement Accounts (HRA)

- Discussion on adding an additional Plan C option with an HRA

State Employee Health Plan

 **HEALTH PLAN  
ENROLLMENT**



## SEHP Enrollment by Salary Tier

Plan	FT I <(\$28k)	FT 2 (\$28k - \$48k)	FT 3 (\$48+)	Total
A	2,825	12,833	9,264	24,972
B	285	1,302	720	2,307
C	469	3,151	3,778	7,398
Totals:	3,579	17,336	13,762	34,677

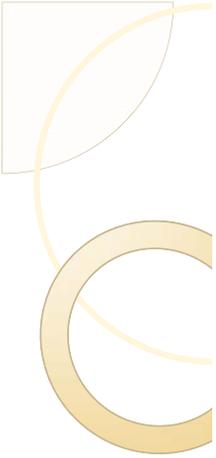


## SEHP Coverage Level by Salary Tier

Coverage Tier	FT I <(\$28k)	FT 2 (\$28k - \$48k)	FT 3 (\$48+)	Total
EE	1,927	8,775	5,880	16,582
E + Sp	496	2,428	2,278	5,202
E + C	640	3,163	2,203	6,006
E + Fam	516	2,970	3,401	6,887
Total:	3,579	17,336	13,762	34,677

State Employee Health Plan

 **PLAN B**



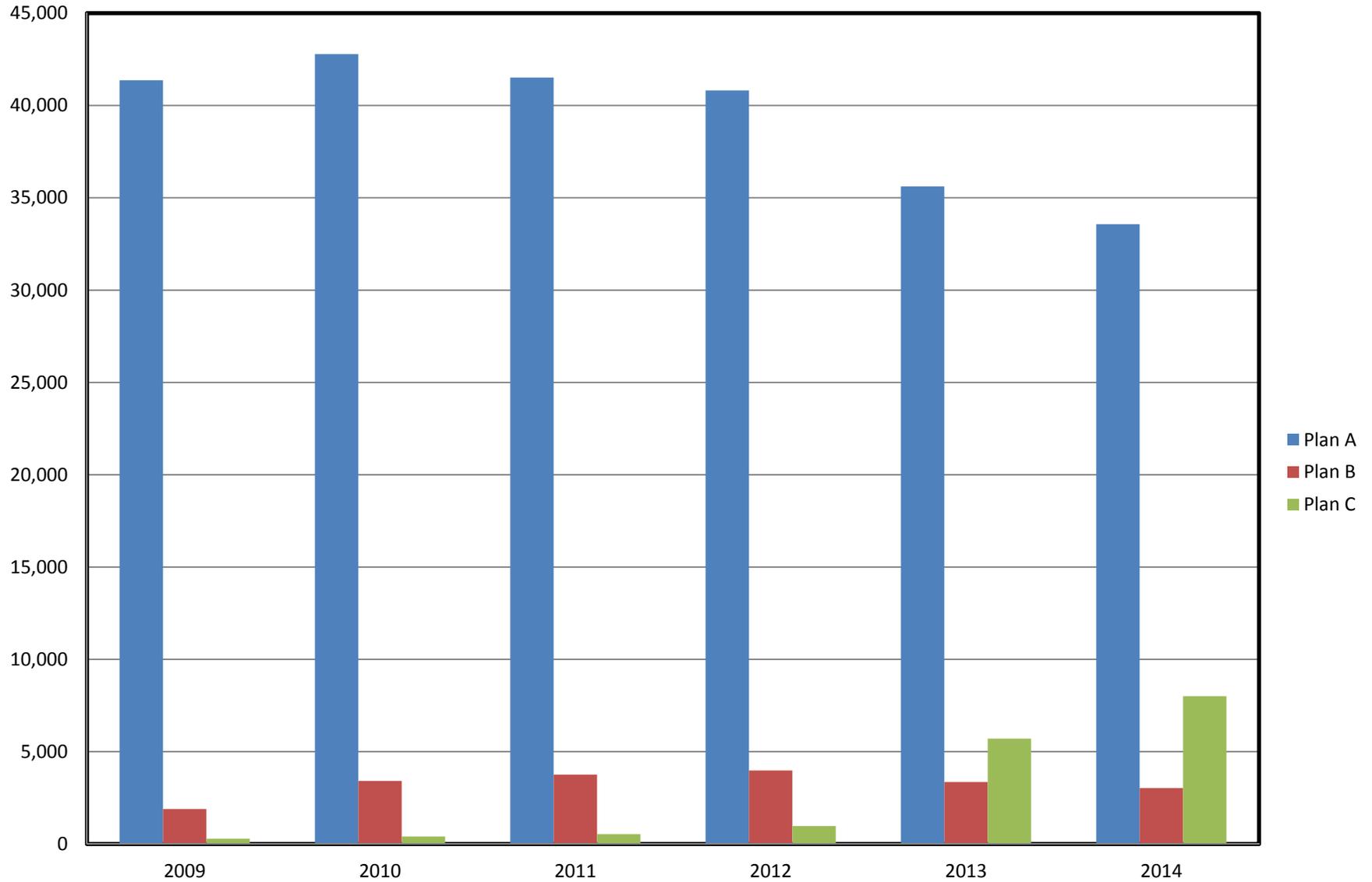
## Plan B

- Currently have three plan options:
  - Plan A (PPO)
  - Plan B (PPO)
  - Plan C (QHDHP/HSA)
- Review enrollment numbers for the past 6 years
- Discuss financial impact

## Plan Enrollment Numbers for the Prior 6 Years

<b>Plan Year</b>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>
<b>2009</b>	41,366	1,891	283
<b>2010</b>	42,782	3,415	407
<b>2011</b>	41,510	3,759	531
<b>2012</b>	40,811	3,982	972
<b>2013</b>	35,612	3,355	5,708
<b>2014</b>	33,573	3,026	8,004

# Plan Enrollment for the Prior 6 Years



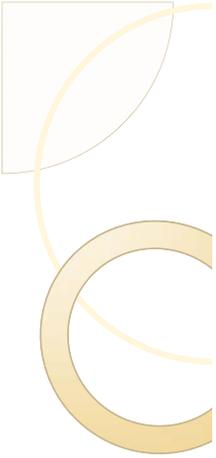
## Comparison of Plans A, B & C

Network Benefits	Plan A	Plan B	Plan C
Deductible	\$300 Single \$600 Family	\$150 Single \$300 Family	\$2,500 Single \$5,000 Family
Coinsurance	20%	35%	0%
Medical Out of Pocket Maximum	\$2,000 Single \$4,000 Family	\$3,650 Single \$7,300 Family	\$2,500 Single \$5,000 Family
Pharmacy Out of Pocket Maximum	\$2,750 Single \$5,500 Family	\$2,750 Single \$5,500 Family	Included with Medical
Preferred Lab	Yes	Yes	No
<b>Office Visits</b>			
Adults (age 19+)	PCP \$25 Copay Specialist \$45 Copay Urgent Care \$50 Copay	PCP \$20 Copay Specialist \$40 Copay Urgent Care \$50 Copay	Deductible & 0% Coinsurance
Children (≤ age 19)	PCP \$25 Copay Specialist \$45 Copay Urgent Care \$50 Copay	PCP \$10 Copay Specialist \$25 Copay Urgent Care \$50 Copay	Deductible & 0% Coinsurance
Financing Options	Health Care FSA	Health Care FSA	Health Savings Account Limited FSA

## Current Plan Contribution Comparison \*

Tier Level	Coverage	Plan A	Plan B	Plan C
1	Employee	\$27.04	\$26.59	\$21.02
1	Family	\$177.21	\$167.16	\$44.22
2	Employee	\$34.56	\$33.63	\$21.20
2	Family	\$191.37	\$180.41	\$45.49
3	Employee	\$42.10	\$40.69	\$21.79
3	Family	\$205.55	\$193.69	\$51.86

\* Twice monthly rates do not reflect the HQ incentive discount.

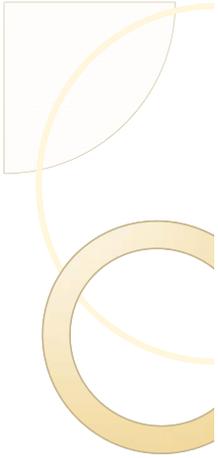


## Plan B

- Discussion on eliminating Plan B and only offering Plan A & Plan C
- Review the 10 year projection model

State Employee Health Plan

 **SALARY TIERS**



## Salary Tiers

- We currently have 3 Salary Tiers
- We worked with Aon and can report on 18 other states
- Five states currently base contributions on salary:
  - Kansas, Illinois, Maine, New Jersey, Rhode Island
- Thirteen states contributions the same for all salaries tiers:
  - Colorado, Florida, Indiana, Iowa, Kentucky, Missouri, Nebraska, Nevada, Ohio, Oklahoma, South Dakota, Tennessee, Wisconsin

## States with Salary Tiers

<b>States with salary banded contributions</b>	<b>State of Kansas</b>	<b>State of Illinois</b>	<b>State of Maine</b>	<b>State of New Jersey</b>	<b>State of Rhode Island</b>
Number of Tiers	3	5	3	Multiple tiers	3
Tier 1	<\$28,000	<\$30,200	<\$30K	Starting at \$20k spread at \$5k intervals to \$95k and above)	<\$47,741
Tier 2	\$28K-\$48K	\$30,201 - \$45,600	\$30K-\$80K		\$47,741-\$95,480
Tier 3	\$48K+	\$45,601 - \$60,700	\$80K+		\$95,481+
Tier 4		\$60,701 - \$75,900			
Tier 5		\$75,901+			

## Current Rates

Tier Level	Coverage	Plan A	Plan B	Plan C
1	Employee	\$27.04	\$26.59	\$21.02
1	Family	\$177.21	\$167.16	\$44.22
2	Employee	\$34.56	\$33.63	\$21.20
2	Family	\$191.37	\$180.41	\$45.49
3	Employee	\$42.10	\$40.69	\$21.79
3	Family	\$205.55	\$193.69	\$51.86

\* Twice monthly rates do not reflect the HQ incentive discount

## New 3 Tier Rates 30% - 40% - 30%

Tier Level	Coverage	Plan A	Plan B	Plan C
<b>&lt; \$39k</b>				
1	Employee	\$32.11	\$31.38	\$21.04
1	Family	\$186.38	\$176.62	\$44.97
<b>\$39k - \$60k</b>				
2	Employee	\$36.69	\$35.03	\$21.33
2	Family	\$196.88	\$184.91	\$48.81
<b>\$60k +</b>				
3	Employee	\$41.85	\$40.44	\$21.66
3	Family	\$204.30	\$192.51	\$51.55

\* Twice monthly rates do not reflect the HQ incentive discount

## New 3 Tier Rates 25% - 50% - 25%

Tier Level	Coverage	Plan A	Plan B	Plan C
<b>&lt; \$37k</b>				
1	Employee	\$31.64	\$30.95	\$21.04
1	Family	\$185.64	\$175.93	\$44.95
<b>\$37k - \$64k</b>				
2	Employee	\$36.68	\$35.02	\$21.35
2	Family	\$196.94	\$184.97	\$48.80
<b>\$64k +</b>				
3	Employee	\$41.88	\$40.48	\$21.68
3	Family	\$204.46	\$192.66	\$51.59

\* Twice monthly rates do not reflect the HQ incentive discount

## Contributions Per Period if Only One Salary Tier \*

Coverage	Plan A	Plan B	Plan C
Employee	\$32.68	\$32.55	\$23.25
Family	\$192.15	\$180.90	\$45.73

\* Twice monthly rates do not reflect the HQ incentive discount

# Salary Tiers

- Discuss the removal of the current salary tier structure

