

# LOCAL OPTION HEALTH INSURANCE PLAN

SB 364 - CHAFIN

WEBINAR  
AUGUST 2016



# SB 364 - CHAFIN

- **Local Option Health Insurance Plan**
  - Authorizes Virginia Department of Human Resource Management (**DHRM**) to **develop a plan** under the local option health insurance plan
    - In addition to The Local Choice (TLC) plans
  - Permits a plan **similar to the state employee health insurance plan**
  - Allows a **single rating group**
- Incorporates SB 384 (Vogel)
- Amends Va. Code §2.2-1204

# STATUS UPDATE

- **Work-in-Progress**
- Draft **subject to change**
- **Preliminary**
- Implemented only if **cost effective**



# COMMUNICATION

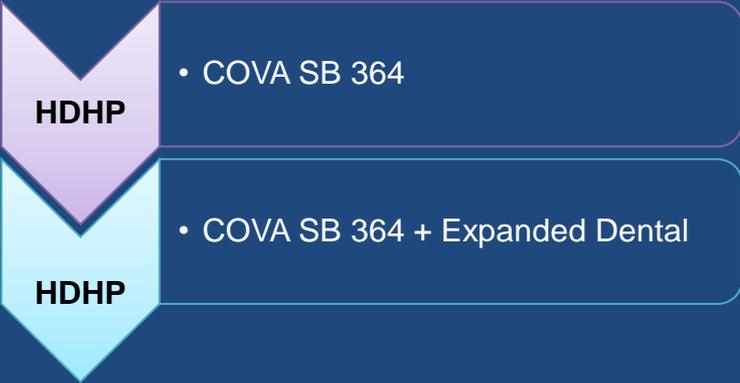
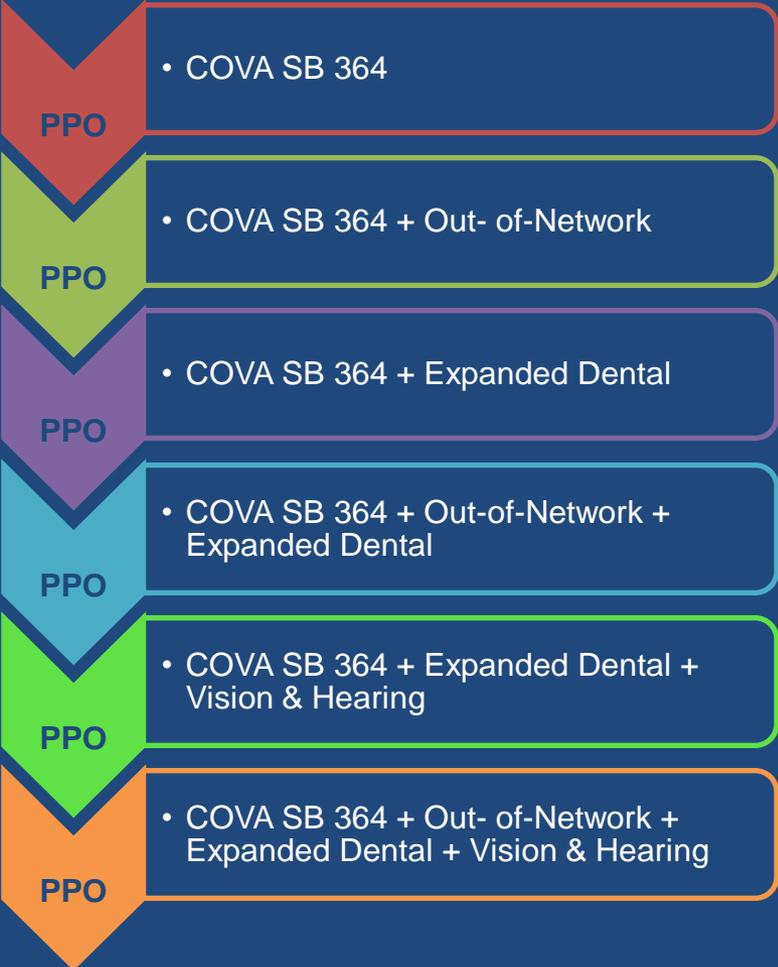
- **Outreach to legislators**
  - Identify interested constituents
- Hold **stakeholder meetings** across the state
  - Discuss program development
  - Identify interested groups
- **Ongoing communications**
- Link to sample material at

<https://www.dhrm.virginia.gov/docs/default-source/benefitsdocuments/2016-cova-materials.pdf>



# PLANS

- Same plans offered to state employees



# RULES & PLAN DESIGN

- Intend to make it as **similar** as possible to **COVA Care** and **COVA HDHP**
- Recognize that initially it is a **higher risk** pool
  - Voluntary participation
  - Multiple employers
  - New plan
- Understand **financial** impact
  - Protect program assets and participants
- Determine **eligibility**
- Consider **timing of certain programs**
- Establish **administrative guidelines**
- Develop **system processes** to facilitate eligibility and claims needs



# ELIGIBILITY

- **Employees**
  - local governments
  - schools
  - other political subdivisions eligible to participate in TLC
  - elected officials if eligible to participate in the entity's benefit plans
- **Dependents** of those employees



# INPUT REQUESTED - ELIGIBILITY NON-MEDICARE RETIREES

- **State** plan covers **Non-Medicare Retirees**
  - Covers employees retiring before they are eligible for Medicare
- **Aon Recommendation:** *Include eligibility of Non-Medicare Retirees to provide continuity of coverage*

## Include

- **Rate load** matches % of Non-Medicare Retirees in the pool
- Attract and retain employees
- Continuity of existing coverage
- Align with marketplace trend
- Managed by DHRM

## Do NOT Include

- Actives subsidize retirees
- Retirees cost twice as much as actives
- Potential OPEB liability

# COVERAGE

- **Same coverage** offered to state employees



# INPUT REQUESTED - PROGRAM

## TOTAL POPULATION HEALTH PROGRAM

- **Total Population Health program** is offered by the state plan
  - Improves health outcomes and patient engagement by proactively managing clinical and financial opportunities
  - Includes Health Risk Assessments, online tools and individual portal
- **Aon Recommendation:** *Do NOT offer until plan has more experience*

### Do NOT Include

- Adds no additional rate load
- Relies on traditional insurance carrier medical management programs and potential savings



### Include

- **Requires rate load of 4%**
- Improves overall health of population
- Increases participation engagement in care management programs
- Results in higher premium rates and could temper enrollment level
- Provides more complexity to program administration
- Realizes Return on Investment after several years

# OUT-OF-POCKET EXPENSES

- Same **out-of-pocket expenses** as the state employee health plan

State Out-of-Pocket Expenses - FY 2017		
Medical Overview In Network	COVA SB 364	COVA HDHP SB 364
Deductible - Individual/Family	\$300/\$600	\$1,750 / \$3,500
Coinsurance	20%	20%
OOP	\$1,500 / \$3,000	\$5,000 / \$10,000
PCP	\$25 Copay	20% after deductible
Specialist	\$40 Copay	20% after deductible
IP Facility	100% after \$300 Per Admission Copay	20% after deductible
OP Facility	100% after \$125 Facility Visit Copay	20% after deductible
Emergency Room	\$150 Copay	20% after deductible
Urgent Care	\$40 Copay	20% after deductible
<b>Pharmacy In Network</b>		
Generic	\$15 Copay	20% after deductible
Preferred Brand	\$30 copay	20% after deductible
Non-Preferred Brand	\$45 Copay	20% after deductible
Specialty	\$55 Copay	20% after deductible
Mail Order Rx	2x Retail	20% after deductible

# PREMIUMS

- **One self-insured risk pool**, separate from the state plan
- **Single set of annual rates** for all participating entities
- **Initial premium rates** determined by claim experience and demographics of all interested prospective entities
- **Subsequent renewals** determined by claim experience and demographics of the pool and new groups joining the plan
- Financially viable **new multiple employer plans** typically cost more than established single employer plans

State Premiums July 1, 2016-June 30, 2017		Premium		
		You Only	You Plus One	You Plus Two or More
<b>HEALTH CARE PLANS</b>				
<b>COVA Care</b>	Employee Pays	\$82	\$188	\$254
	State Pays	<u>\$595</u>	<u>\$1,066</u>	<u>\$1,563</u>
	<b>Total Premium</b>	<b>\$677</b>	<b>\$1,254</b>	<b>\$1,817</b>
<b>COVA Care + Out-of-Network</b>	Employee Pays	\$98	\$210	\$284
	State Pays	<u>\$595</u>	<u>\$1,066</u>	<u>\$1,563</u>
	<b>Total Premium</b>	<b>\$693</b>	<b>\$1,276</b>	<b>\$1,847</b>
<b>COVA Care + Expanded Dental</b>	Employee Pays	\$111	\$243	\$338
	State Pays	<u>\$595</u>	<u>\$1,066</u>	<u>\$1,563</u>
	<b>Total Premium</b>	<b>\$706</b>	<b>\$1,309</b>	<b>\$1,901</b>
<b>COVA Care + Out-of-Network + Expanded Dental</b>	Employee Pays	\$127	\$265	\$368
	State Pays	<u>\$595</u>	<u>\$1,066</u>	<u>\$1,563</u>
	<b>Total Premium</b>	<b>\$722</b>	<b>\$1,331</b>	<b>\$1,931</b>
<b>COVA Care + Expanded Dental + Vision &amp; Hearing</b>	Employee Pays	\$128	\$272	\$377
	State Pays	<u>\$595</u>	<u>\$1,066</u>	<u>\$1,563</u>
	<b>Total Premium</b>	<b>\$723</b>	<b>\$1,338</b>	<b>\$1,940</b>
<b>COVA Care + Out-of-Network + Expanded Dental + Vision &amp; Hearing</b>	Employee Pays	\$144	\$294	\$407
	State Pays	<u>\$595</u>	<u>\$1,066</u>	<u>\$1,563</u>
	<b>Total Premium</b>	<b>\$739</b>	<b>\$1,360</b>	<b>\$1,970</b>

# FINANCIAL PROVISIONS

- **Minimum enrollment** to be viable and sustainable
  - 5,000 employees
  - 10,000 members
- **Self-funded**, just like the state plan
- **Stop loss** to temper unfavorable claim experience and potentially significant rate increases
  - **Individual stop loss** to protect against large individual claims
  - **Aggregate stop loss** to protect against unexpected total claims



# INPUT REQUESTED – FINANCIAL PROVISIONS

## EMPLOYEE PARTICIPATION

- **State plan is mandatory** and has no minimum participation requirements
- **Local plan is voluntary** and % of employee participation varies
  - Requiring **minimum employee participation** reduces adverse selection
  - **Participation requirement** applies only to **active employees**
  - **No participation requirement** for **Non-Medicare retirees**
- **Aon Recommendation:** *Implement a minimum participation of 75% for active eligible employees for each employer*

### Include

- Reduces exposure to adverse selection
- Fosters a more balanced risk pool
- Minimizes rate fluctuations

### Do NOT Include

- **Requires rate load of 5% (first year)**
- Increases potential for adverse selection
- Increases greater rate fluctuation
- Impacts claim cost up to +25%

# INPUT REQUESTED – FINANCIAL PROVISIONS

## EMPLOYER CONTRIBUTIONS

- **State** plan is **mandatory** and has **same contribution rates** set for all agency employers
  - Required **employer** contribution of **88%** for **Employee Only** COVA Care premium
  - **Employee pays 100 %** of cost for **optional benefits**
- **Local** plan is **voluntary** and allows **some employer discretion** on the contribution rates
  - Requiring a **minimum employer contribution** reduces adverse selection
    - **75% minimum** employer contribution for **Full-Time Employees “Employee Only”** premium
    - **20% minimum** employer contribution for **Dependents** if the minimum participation requirement is less than 75% of eligible employees
    - **50% minimum** employer contribution for **Part-Time Employees**
    - **No minimum** employer contribution for **Non-Medicare Retirees**
  - Employers have the **discretion to fund higher levels**
- **Aon Recommendation:** *Implement minimum employer contributions*

### Include

- Reduces exposure to adverse selection
- Fosters a more balanced risk pool
- Facilitates effective program administration
- Minimizes rate fluctuations

### Do NOT Include

- **Requires rate load of 5% (first year)**
- Increases potential for adverse selection
- Greater rate fluctuation
- Increases financial uncertainty

# INPUT REQUESTED – FINANCIAL PROVISIONS COMMITMENT PERIOD

- Increase viability and sustainability of COVA SB 364 program with an initial **multiple year commitment period**
  - **Applies to all** groups no matter when they join the program
  - Can **leave** the plan at any time after the commitment period expires
  - Can **rejoin** the plan after a waiting period
- Implement a **premium rate cap** during the commitment period to protect the program from fluctuating rates during start up years

**Aon Recommendation:** *Require initial participation commitment for a 3 year period for each entity whenever they join the plan, and a 1 year waiting period before rejoining plan*

## Include

- Creates rate stability in the program
- Mitigates significant renewal increases via lower member group turnover
- Allows greater predictability of future year costs
- Facilitates delivery of competitive administrative fees
- Permits use of a rate increase cap for years two and three

## Do NOT Include

- **Requires rate load of 10% (first year)**
- Subjects program to higher level of adverse selection which increases rates
- Prohibits use of rate increase cap following year one
- Creates potential for high variability in rates (increases in excess of 25%) from one year to the next (after year one) due to fluctuations in covered population

# INPUT REQUESTED – FINANCIAL PROVISIONS

## ADVERSE EXPERIENCE ADJUSTMENT

- Include an **Adverse Experience Adjustment** to apply if an entity leaves the plan
  - Recover the leaving entity's share of any deficit over a specified period
  - Any accrued pool deficit will be billed to the entity 6 months after the date the entity leaves the pool
  - An estimate may be provided prior to the termination of the entity
  - Surpluses will be used to offset future program costs
- **Aon Recommendation:** *Include an Adverse Experience Adjustment and a 3 year lookback period*

### Include

- Promotes claim pool stability
- Facilitates program longevity
- Assures remaining entities will not be responsible for covering premium shortfalls attributable to other entities leaving the program

### Do NOT Include

- **Requires rate load of 10% (first year)**
- Spreads program deficits over a smaller population if entities leave the program without paying their portion
- Creates unfavorable rate situations
- Leads to continued membership erosion

# ADMINISTRATIVE GUIDELINES

- **Plan Year** runs from **July 1 to June 30** each year
  - Entities may join the plan anytime during the plan year
  - Entities that currently have plan years that begin after July 1 through December will have a “short” participation requirement
- Must provide complete sets of **requested data** before participating in the program
  - Census data
  - Claim experience
  - Enrollment
  - Plan design data
- **Pre-tax contributions** are permitted
- Must be the **only commercial health plan offered** to their employees
- **COBRA** general and election notifications will be administered by each entity for their employees
- **Flexible Spending Accounts** will be maintained by each entity, with DHRM offering a Plan Document Prototype
- **ACA Reporting** will be done by DHRM for full calendar year participation

# PRELIMINARY INTEREST

- Indication by groups of **preliminary interest** in program participation in order to participate the 1<sup>st</sup> year
- Identification of **minimum program participation**
  - If **minimum enrollment** is not met, the plan will **NOT** be implemented
- **Submission of information** for actuarial analysis to determine required funding of program
- Development of **preliminary rate range**



# PROCUREMENT

- **Determine if separate procurement needed**
  - If value of existing state health plan contract increases by more than 25%, a plan procurement will be required

## Current contractors

### WHO TO CONTACT QUICK REFERENCE

<b>Anthem Member Services</b> <i>(medical, pharmacy, optional vision/hearing)</i>	<b>1-800-552-2682</b> <a href="http://anthem.com/cova">anthem.com/cova</a>
<b>Anthem Behavioral Health and Employee Assistance Program (EAP)</b>	<b>1-855-223-9277</b> <a href="http://anthemEAP.com">anthemEAP.com</a> <i>(Company Name: Commonwealth of Virginia)</i>
<b>Anthem ID Card Order Line</b>	<b>1-866-587-6713</b>
<b>BlueCard</b> <i>(coverage outside Virginia)</i>	<b>1-800-810-2583</b> <a href="http://www.bcbs.com">www.bcbs.com</a>
<b>Delta Dental</b>	<b>1-888-335-8296</b> <a href="http://www.deltadentalva.com">www.deltadentalva.com</a>
<b>LiveHealth Online</b>	<a href="http://livehealthonline.com">livehealthonline.com</a>

# ELECTION TO PARTICIPATE

- **Sign up**
  - May require a Board resolution
- **Plan year would be the same as the state plan year**
  - FY July 1 to June 30
  - Short plan year may be needed the first year



# OPEN ENROLLMENT

- **Develop tools** for groups to educate employees
- **Provide formats** for written materials for groups to individualize and use as employee resources
- **Model process** after state plan open enrollment



# TENTATIVE TIMELINE

When	Who	What
Spring 2016	DHRM	Begin outreach to legislators and constituents
Summer 2016	DHRM	Develop program rules
August 2016	All	Conduct information webinars
September 14, 2016	Participants	Indicate preliminary interest to participate
October 14, 2016	Participants	Complete data submissions due to actuaries
January 2017	DHRM	Publish preliminary premium rates
February 2017	Participants	Indicate continuing interest in participating
August 2017	DHRM	Complete procurement if needed
October 2017	DHRM	Publish final premium rates
December 2017	Participants	Make binding election to participate
May 2018	All	Conduct open enrollment
July 1, 2018	All	Go Live!

# INPUT REQUESTED PLAN NAME

- Name this program!

- Please send any suggested names to [kathryn.brooks@dhrm.virginia.gov](mailto:kathryn.brooks@dhrm.virginia.gov)