

SB 364 Local Option Health Plan (SB 364 Plan) Frequently Asked Questions

Questions and answers are grouped according to subject. Many questions were on the same issue, and are covered in a single question and answer. **Additions to the list are shown in red.**

Background of SB 364 Plan

1. Why is DHRM offering the SB 364 plan for localities?

The SB 364 plan is being created because [2016 SB 364 \(Chafin\)](#) was signed into law and allowed DHRM to develop a local health plan option to operate with a single risk pool.

The SB 364 plan is being offered as an additional choice for schools, local governments and other political subdivisions. It will have one risk pool and therefore one set of rates. Its benefit design will be similar to that of state employee health plans.

2. Will The Local Choice Plan (TLC) still be offered?

Yes. DHRM intends to continue offering TLC.

TLC operates differently than the SB 364 plan. TLC has three rate pools and a different plan design. For details, please see <http://www.thelocalchoice.virginia.gov/>

3. Why not offer the state employee health plan to localities instead?

In the past, there have been a number of bills in the General Assembly to allow localities and local school groups to join the state employee health plan. Those bills did not pass.

Rules & Plan Design

1. How many plan design options will SB 364 offer?

There will be two base plan options, both of which are Preferred Provider Organization (PPO) plans—one will be based on the state employee health plan's COVA Care plan and the other will be based on the state plan's COVA HDHP (High Deductible Health Plan) plan. Both options will include buy-ups. Each participating group will be able to offer both base plan options and buy-ups

2. Can an employer offer both this plan and another commercial plan, such as TLC?

No. The SB 364 plan must be the only commercial plan that participating groups may offer their employees. Participating groups can offer either SB 364 or TLC to their employees, but not both.

3. How will the SB 364 plan compare to the state employee health plan and to TLC?

The SB 364 plan is intended to resemble the state employee health plan as closely as possible.

For a side-by-side chart comparing the benefit design of the SB 364 plan to those of the state plan and TLC, please see

<http://www.dhrm.virginia.gov/docs/default-source/benefitsdocuments/comparison-of-state-and-local-option-plans-090116.pdf>

4. What will be the plan's network?

It will be the same network of the third party administrator managing the state plan. Currently, the state's third party administrator is Anthem.

5. Is there a separate vendor for Pharmacy Benefit Management (PBM) or are pharmacy benefits provided through Anthem?

Anthem administers the contract, but subcontracts with Express Scripts for PBM services.

6. Will the SB 364 plan include a Health Savings Account (HSA)? If so, who will administer it?

No, an HSA will not be included. However, the SB 364 HDHP plan is HSA compatible and compliant with regulations. Individual employers may establish an HSA for their own employees. Also, individual employees will be eligible to open a personal HSA account on their own.

7. Will there be standalone benefits offered, such as dental and vision?

No. Standalone benefits, such as dental or vision, will not be offered through the SB 364 plan.

8. What will the SB 364 plan year be?

The SB 364 plan year will be July 1 through June 30.

Eligibility and Enrollment

1. Who is eligible for the proposed SB 364 plan?

Local governments, local schools and any other political subdivision eligible to participate in health coverage under Code of Virginia, §2.2-1204 will have the opportunity to join the SB 364 plan.

For the participating groups, eligible employees, non-Medicare retirees and their eligible dependents may be covered under the SB 364 plan. Elected officials eligible to be covered under a participating entity may be covered under the plan.

2. Is a spouse included in the definition of dependent?

Yes.

3. Will dependents be covered after age 26?

No. Dependents will be covered until the end of the calendar year in which they turn age 26. Continuation of coverage will be offered through COBRA.

4. Will part-time employees be covered?

Yes. Participating groups may elect to cover part-time employees. However, there is no requirement that part-time employees be covered.

5. Will retirees be covered?

Yes, non-Medicare eligible retirees will be covered. When retirees become eligible for Medicare, they will lose coverage through SB 364.

6. Will enrollment be required through a platform used by the state or can individual localities use their own enrollment platforms and provide enrollment files to vendor(s)?

Enrollment will be required through a platform used by the state.

7. Will the Department of Human Resource Management (DHRM) offer online enrollment for this plan?

Yes. DHRM expects that online enrollment will be available.

8. What membership options will the plan include?

SB 364 is projected to have three membership tiers: single, dual, and family. This is the same as the state employee health plan.

Coverage

1. In the plan based on COVA Care, other than ambulance services, outpatient diagnostics (lab & x-rays) and Infusion services what else does the 20% co-insurance apply to?

The plan will resemble as closely as possible the state's COVA Care plan. For complete details on state health plan benefits, please see the COVA Care Basic and COVA HDHP Summaries of Benefits and Coverage at <http://www.dhrm.virginia.gov/healthcoverage/summaryofbenefitsandcoverage>.

2. Could you clarify inpatient facility and outpatient facility costs under the state plan?

Currently, for inpatient facility costs, the employee/member is responsible for a \$300 copay and the plan pays 100% after the copay is met. For outpatient facility costs, the employee/member is responsible for a \$125 copay and the plan pays 100% after the copay is met. For more information, please see <http://www.dhrm.virginia.gov/docs/default-source/benefitsdocuments/ohb/Open-Enrollment-2016/2016-benefits-at-a-glance.pdf>

3. Is morbid obesity covered under the state plan and would it be covered under the SB 364 plan?

Yes. Based on the state employee health plan's current plan design, morbid obesity is covered and would be covered under the SB 364 plan. Benefit details are available here: <http://www.dhrm.virginia.gov/docs/default-source/benefitsdocuments/2016-cova-materials.pdf>

4. Is in-vitro fertilization covered under the state plan and would it be covered under the SB 364 plan?

No. Based on the state employee health plan's current plan design, in-vitro-fertilization is not covered and would not be covered under the SB 364 plan. Benefit details are available here: <http://www.dhrm.virginia.gov/docs/default-source/benefitsdocuments/2016-cova-materials.pdf>

5. Does the state plan's Employee Assistance Program (EAP) cover services such as training, mediation, and executive coaching, and will these services be included in the SB 364 plan?

The state's EAP includes training services on a number of popular topics. It does not include mediation or executive coaching services. The SB 364 EAP services will be similar to those offered to state employees.

6. Does the state plan cover orthodontics as part of dental benefits?

Yes. Orthodontics is a buy up covered at 50% with no deductible, and has a lifetime maximum of \$2,000 under the expanded dental option. It will be available as a buy-up under the SB 364 plan.

Premiums

1. Were the premiums referenced in the SB 364 webinar annual or monthly?

The premiums and contributions shown in the session were the monthly state employee health plan premiums, including employer contributions. The premiums for the new SB 364 program have not yet been determined.

2. How will premiums be determined?

The SB 364 premiums will be determined based on the experience of all the groups who provide the required data and elect to participate in the SB 364 program.

There will be a single pool, so that all participants in the SB 364 program will have the same premiums per plan option and membership tier. It will be based on the claims experience and demographics of the participating groups.

3. When will the premiums be released?

Preliminary SB 364 premiums will be released in January 2017. Final SB 364 premiums will be released in October 2017. There will be no further premium rate changes for the first plan year after the October 2017 rate setting.

4. Will the premiums be set to include a reserve balance?

Yes. When the premiums are established, they will include a margin for Incurred but Not Reported (IBNR) claims.

5. Will the rate loads referenced in the webinar be added to the premiums?

No. Since most participants in the webinar voted to accept Aon’s recommendations, the additional rate loads presented will not be included. These provisions will mitigate the impact of adverse selection.

6. What has been the annual rate increase experience for the state plan over the past five years?

In every year, benefit changes were made that may have had either positive or negative rate impacts. Special factors may also have affected the premiums. Here are the premium rate increases tied to the effective date (July 1) of each plan year, with special factors indicated:

July 2012 – Flat	(Premium subsidy reduced rates)
July 2013 – 14.6%	(End of premium subsidy and rebuilding IBNR reserves increased rates)
July 2014 – 5.2%	(Rebuilding IBNR reserves increased rates)
July 2015 – 2.5%	(No special factors)
July 2016 – 9.4%	(Impact of including drug costs in out-of-pocket limit increased rates)

7. Do employees contribute to premiums for COVA HDHP?

The employee share of the COVA HDHP for employee only coverage in the FY 2017 plan year is zero. The employer share for the same coverage for the FY 2017 plan year is \$511 per month.

8. How will retiree premium payments be handled?

DHRM will establish a process by which retiree health insurance premiums are paid and communicate this process to interested groups before a binding decision must be made to join the SB 364 plan.

Financial Provisions

1. How will the stop loss amounts be determined?

The stop loss amounts for individual and aggregate coverage will be determined when we know the size of the pool for this program and review the claims experience to understand claims volatility inherent in the population.

2. How would a single participant pool work and how might it benefit participating groups?

Under the single participant pool arrangement, there will be one set of rates charged to all employers by plan and membership tier. Under this type of arrangement, it is possible that some employers may subsidize other employers. Which employers are subsidizing others may also change from year-to-year as each employer's experience changes.

Larger groups minimize claims fluctuation and increase rate stability. In addition, the smaller employer can benefit from economies of scale driven by large risk pool with respect to administrative fees.

3. Why is the plan self-insured?

A fully-insured premium includes extra costs such as state premium taxes, agency and ACA fees, risk margins, and profit loads when compared to a self-insured premium. Because self-insured plans do not pay these extra administrative costs, the premium is lower, making the plan more affordable for participants.

4. What administrative fees will the state charge to participating groups?

Administrative fees will be determined during the final rate setting process, once there is a clearer picture of the size of the SB 364 program.

Employee Participation and Enrollment Requirements

1. What is the rationale for the minimum participation requirement? How will it work initially and in subsequent years?

The minimum participation requirement is essential for establishing plan fiscal viability and providing rate stability.

- A 75% participation rate is a standard insurer requirement in the Virginia marketplace. Because each group will be responsible for meeting minimum contribution requirements and will not be permitted to offer other commercial plans, this 75% requirement should be achievable for most employers.
- We understand that there may be special circumstances impacting current participation rates. We will work with employers to help them achieve a 75% participation rate. For example, the plan may consider discounting members in the 75% calculation who are covered in other state, TLC, or SB 364 plans or groups; or are in family units in which both spouses work at the same employer.
- If an employer does not achieve the required 75% after open enrollment, that employer may remain in the plan that year while seeking coverage elsewhere for the following year.
- Based on the feedback from the webinars, we are collecting benchmark data from all interested employers regarding current participation rates to see if further adjustments are needed.

2. Can you please explain the minimum enrollment requirements of 5,000 employees and 10,000 participants referenced in the webinar?

In order to be financially viable, the SB 364 plan must include 5,000 total employees and 10,000 total participants on day one. Without this critical mass, the potential for volatility would be too great. These thresholds are not set on individual employers; they are minimum numbers for the entire pool, regardless of how many employer groups participate.

If these thresholds are not met, then the SB 364 plan will not be offered.

3. When will employer groups be notified whether the plan will be offered?

Interested plans will be notified once elections are made in September 2016, February 2017 and December 2017.

Employer Contribution

1. Is there a mandatory minimum employer contribution level for employees?

Yes. The mandatory minimum employer contribution is 75% of the single employee premium. Employers may contribute more.

2. Is there a mandatory minimum employer contribution level for non-Medicare retirees?

No. There are no contribution requirements for non-Medicare retirees. Each participating group can decide if and how much it wishes to contribute to non-Medicare retiree premiums.

Commitment Period

1. What is the rationale for the three year commitment period?

The initial three year commitment period is essential for establishing plan fiscal viability and rate stability. This provides for initial rates and capped increase guarantees for the initial rate period.

2. Will there be an “out clause” based on specific performance measures such as network penetration?

No, there is no “out clause.” However, network adequacy will be reviewed and performance guarantees will be negotiated with the insurance carrier administering the SB 364 program.

Adverse Experience Adjustment (AEA)

1. What is an Adverse Experience Adjustment?

The plan provides for an AEA only to withdrawing employers. An AEA assures that remaining member groups will not be penalized for a terminating group’s departure. The adjustment requires any withdrawing employer to contribute its pro rata share of any operating loss during the look back period.

2. How will the adverse experience adjustment be administered?

Employer groups who participate and subsequently elect to terminate from the SB 364 program will be assessed an AEA based on their portion of the deficit, if any, during the look back period. An employer’s portion of the deficit is determined by their enrollment counts and not an employer’s actual claims experience.

Any surplus generated by an entity leaving the plan would be used to offset future program costs.

The actuaries will monitor and determine the adverse experience adjustment.

3. Why is the adverse experience adjustment needed?

The AEA is needed because SB 364 is a new, voluntary, multiple employer plan. This prevents an employer who leaves the plan from having a negative fiscal impact on other employers.

4. Does the state employee health plan have an adverse experience adjustment?

No, because the state employee health plan is a mandatory, not voluntary, plan.

Preliminary Interest and Data Request

1. What is the process to indicate preliminary, non-binding interest in participating in the SB 364 plan?

All local governments and local school groups will be sent a survey to indicate preliminary interest and agreement to provide required data. Other political subdivisions currently participating in TLC will also be sent this survey.

Interest in participation must be expressed by individuals/boards with the authority to make such a commitment.

2. What is the deadline for indicating preliminary, non-binding interest?

The final date to indicate preliminary interest is September 14, 2016 and this decision is non-binding. However, any group that does not express preliminary interest by September 14, 2016 and does not submit complete data by October 14, 2016 will not be allowed to join the plan for the first year.

3. What data will Aon be requesting from interested groups?

Aon will need specific data, including information about claims experience, enrollment, benefits plan design, census, premiums, and contributions.

For small employers without access to actual claims data, Aon will request copies of past renewals and all the additional data including information on benefit plan designs, census, premiums, and contributions.

4. How will the required data be collected?

With authorization from the group, Aon will work with the group's current carrier or consultant to obtain claims and enrollment information. The group will be responsible for providing other data, including information on benefit plan designs, census, premiums, and contributions. For groups currently participating in TLC, Aon will obtain benefit plan designs information from TLC.

5. If an eligible group does not join in year one but wants to join the plan in the future, will it be assessed a penalty?

No. There will not be a penalty for joining after the first year.

Procurement

1. Will DHRM be issuing a Request for Proposals (RFP) for the SB 364 plan?

The State currently has a contract with Anthem. We are in the first year of three possible one year renewals. If the increase for adding the SB 364 program exceeds 25% of the current value of the Anthem contract OHB 13-02, procurement will be required and an insurance carrier selected through that process.

2. Will DHRM be issuing an RFP for stop loss coverage for the SB 364 plan?

The process for establishing stop loss coverage is being developed.

Election to Participate

1. Will a board resolution be required for interested groups make a binding election to join the SB 364 plan?

A binding election for a group to join must be made by an individual/board with the authority to make such a commitment. A board resolution may be required.

Timeline

1. What is the timeline for showing preliminary and binding interest? When will final rates be available?

Below is the 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!

2. What will be the SB 364 plan effective date? When will communications be sent to employees enrolled in the SB 364 plan?

The effective date for the SB 364 plan is projected to be July 1, 2018.

Employees enrolled in the SB 364 plan will receive communications materials prior to Open Enrollment, and other communications throughout the year. For examples of state employee Open Enrollment materials, please visit <http://www.dhrm.virginia.gov/healthcoverage/open-enrollment>

General

1. Where can I find the study on public employee health programs in the Commonwealth?

The final report can be found here: http://www.dhrm.virginia.gov/docs/default-source/reports/review-of-the-public-employee-health-programs-in-the-commonwealth_11_16_2015.pdf

2. The webinar referenced a total population health component. Will you provide a cost/benefit analysis of this feature?

No. This program was introduced into the state employee health plan on July 1, 2013. It is too early to determine Return on Investment (ROI).

3. What is the current enrollment percentage in the state's COVA HDHP plan?

About 1% of eligible members are currently enrolled in the COVA HDHP.

4. Will employers receive quarterly claims data to analyze their utilization?

We will work with participating employers to determine their reporting needs.

5. Will DHRM handle Affordable Care Act (ACA) reporting for the SB 364 plan?

Yes. DHRM will do the ACA reporting for any group in SB 364 once the group has been covered under SB 364 for a full calendar year.

5. Would DHRM recommend this SB 364 plan or TLC?

The SB 364 program represents another option for eligible groups in addition to TLC. It is up to each group to decide which option is best for them.

6. If a group leaves TLC to join this SB 364 plan, will it have to pay any AEA charged under TLC?

Yes. If a group leaves TLC and moves to the SB 364 plan, it will be responsible for any applicable TLC AEA.

7. Our group currently has a \$10 million plus health insurance reserve (CFR) account with Anthem. Will we be permitted to maintain this reserve with Anthem if we transition to the SB 364 plan?

Your group will need to discuss this issue with Anthem.