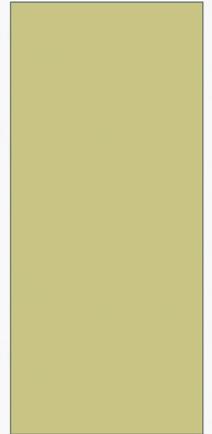


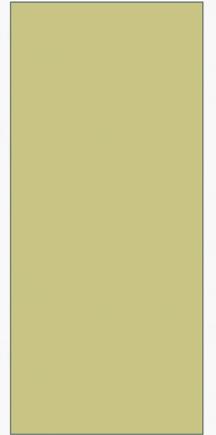
HEALTH BENEFITS

Department of Human Resource Management

**VIRGINIA GOVERNMENTAL EMPLOYEES' ASSOCIATION
ROANOKE, VIRGINIA
JUNE 6, 2015**

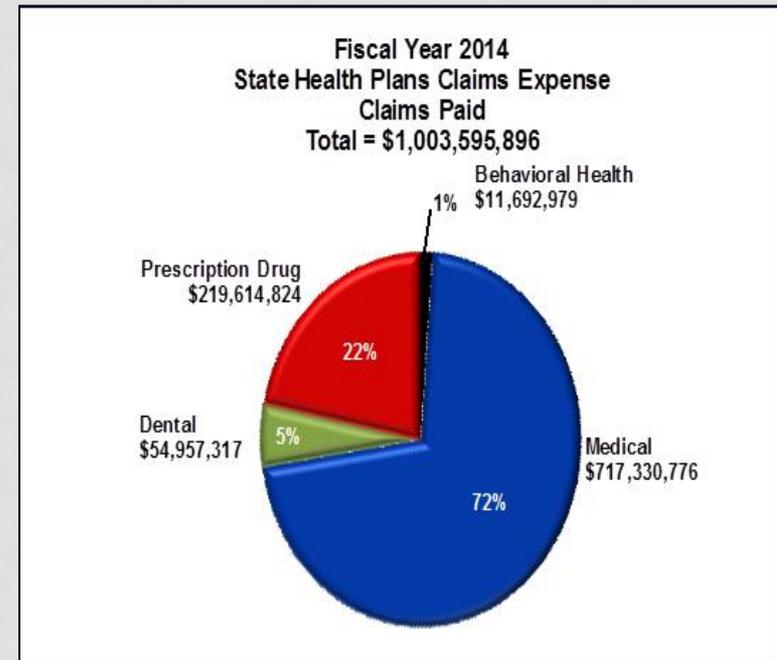
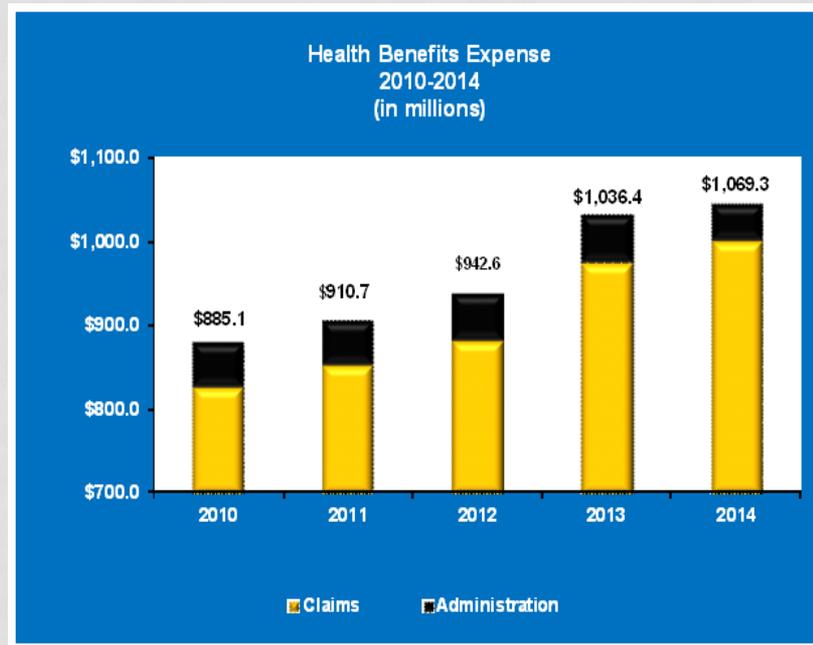


ACTIVE EMPLOYEES
& EARLY RETIREES



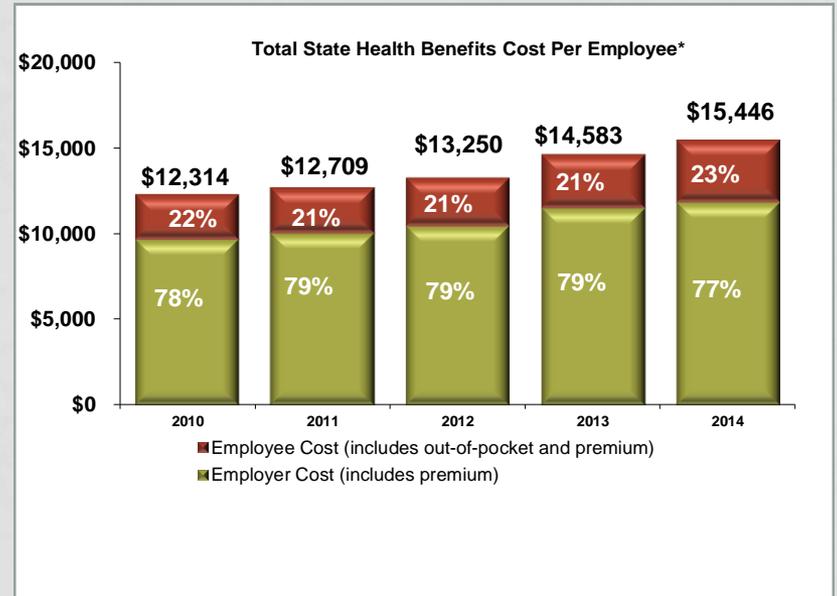
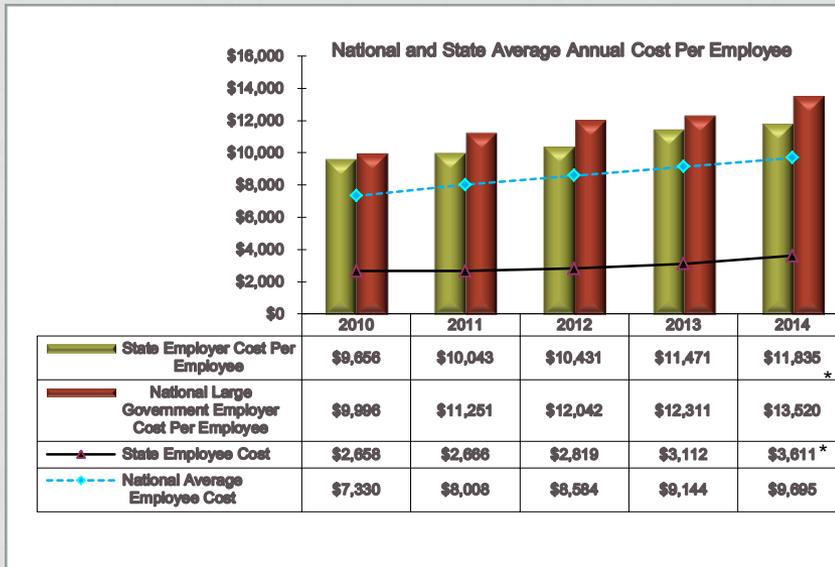
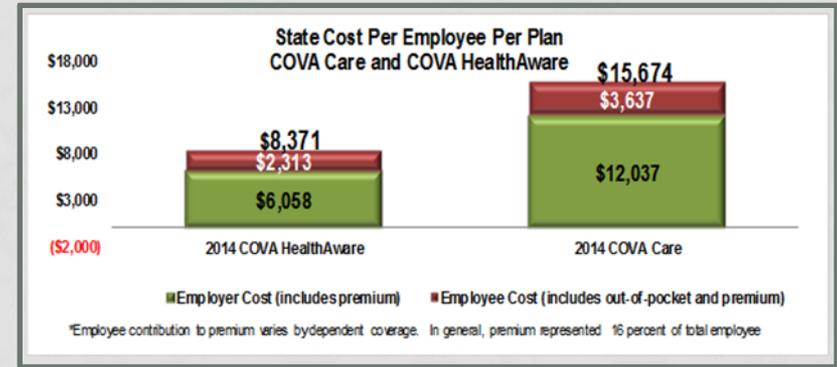
FY 2014 HEALTH BENEFITS PLAN COST TRENDS

- Total program expense increased 3.2% in FY 14
- \$1.0 billion total claims paid in FY 14
- 7.2 million total claims processed



FY 2014 HEALTH BENEFITS TOTAL COST PER EMPLOYEE

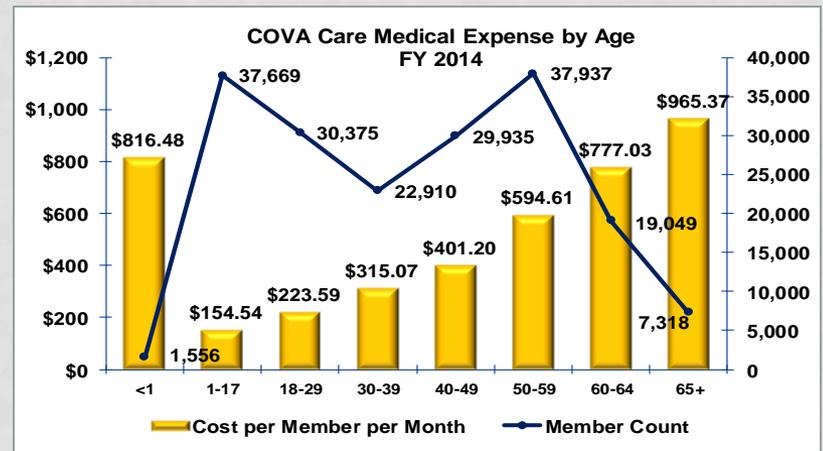
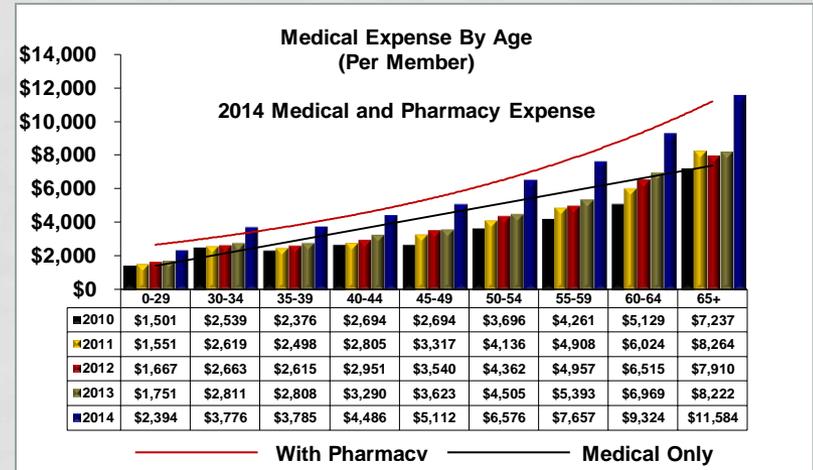
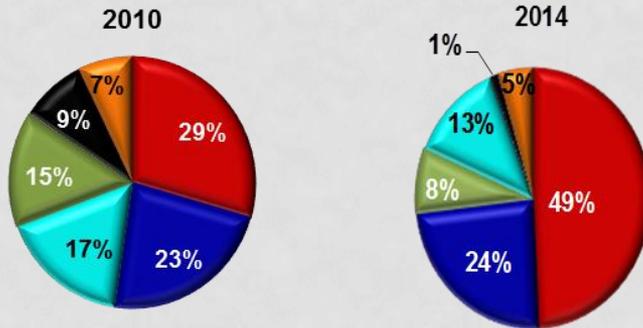
- \$15,446 total cost per employee
- 5.9% increase in FY 14 from prior year



FY 2014 HEALTH BENEFITS COST DRIVERS

- Expensive procedures
- Treatment of chronic conditions
- Prescription drug therapy cost
- Employee lifestyle
- Average employee age

Lifestyle Related



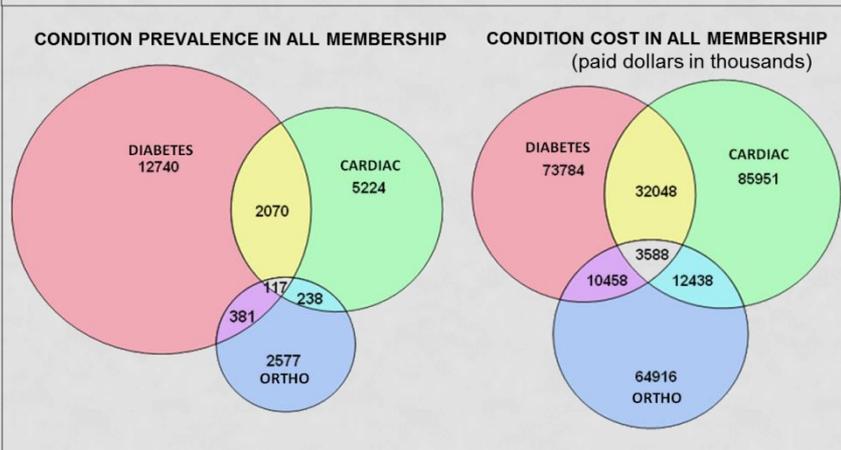
FY 2014 HEALTH BENEFITS

TOP TEN CLAIMS EXPENSE

TOP TEN CLAIMS EXPENSE

- \$749 million of total plan expense
- 80% of total plan expense
- Obesity related
 - Diabetes
 - Coronary artery disease
 - Hypertension
 - Musculoskeletal disorders
 - Digestive disorders
- High cost specialty drugs required
 - Rheumatoid arthritis
 - Multiple sclerosis

Top Major Conditions: Multiple Chronic Conditions



“Top Ten” Claims Expense

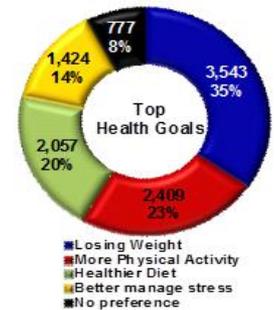
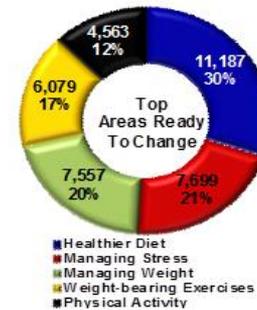
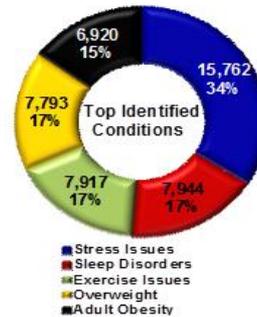
Medical Procedures	Chronic Conditions	Chronic Conditions Managed through Prev. Medicine	Prescription Drugs
<ol style="list-style-type: none"> 1. <i>V-Codes</i>—health services not classified as disease or injury 2. <i>Musculoskeletal</i> 3. <i>Neoplasms</i>—tumors 4. <i>Circulatory</i> 5. <i>Ill-defined symptoms</i>—undetermined causes 6. <i>Digestive</i> 7. <i>Genitourinary</i> 8. <i>Nervous system/sense organs</i> 9. <i>Accidental injury</i> 10. <i>Respiratory</i> 	<ol style="list-style-type: none"> 1. Diabetes 2. Hypertension 3. Depression 4. Multiple sclerosis 5. Asthma 6. Rheumatoid arthritis 7. Cirrhosis of the liver 8. Stress-related problems 9. Respiratory disease 10. Epilepsy 	<ol style="list-style-type: none"> 1. Coronary artery disease 2. Breast cancer 3. Cerebrovascular disease 4. Diabetes 5. Hypertension 6. Obesity 7. Skin cancer 8. Lung cancer 9. Substance abuse 10. Oral cancer 	<ol style="list-style-type: none"> 1. <i>Nexium</i> - stomach acid 2. <i>Humira</i> - rheumatoid arthritis 3. <i>Crestor</i> - high cholesterol 4. <i>Enbrel</i> - rheumatoid arthritis 5. <i>Abilify</i> - depression 6. <i>Lantus solostar</i> - diabetes 7. <i>Advair Diskus</i> - asthma/COPD 8. <i>Cymbalta</i> - depression 9. <i>AndroGel</i> - low testosterone 10. <i>Diovan</i> - high blood pressure
80.3% of Medical Services 82.0% of Medical Expense	8.9% of Medical Services 4.6% of Medical Expense	9.1% of Medical Services 11.9% of Medical Expense	4.3% of Prescriptions 21.2% of Pharmacy Expense
<p><i>Note: These areas may not be mutually exclusive. Prescription drug list excludes compounded pharmaceuticals.</i></p>			

TOTAL POPULATION HEALTH

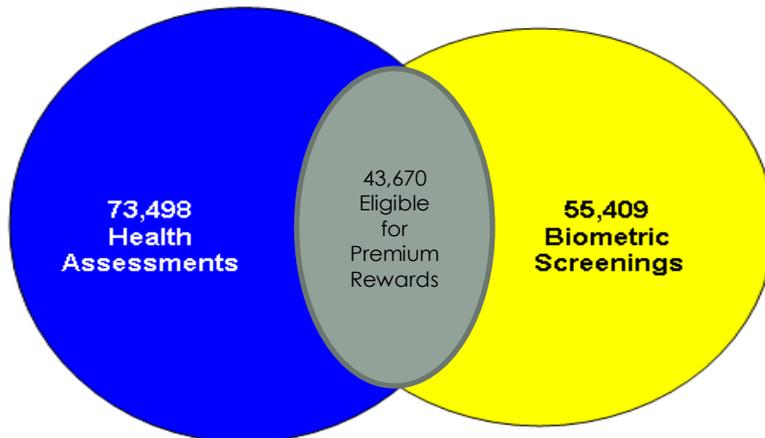
Tools

- Cost and quality tools
- Healthy lifestyle tools
- Financial rewards
- Education

Identified in Health Assessment



Health Assessments and Biometric Screenings



Weight of State Population

Body Mass Index (BMI)



Under Weight 18.5-144 (1%)



Healthy Weight 18.5-24.9 5,489 (25%)



Over Weight 25-29.9 6,061 (28%)



Obese 30-34.9 3,643 (17%)

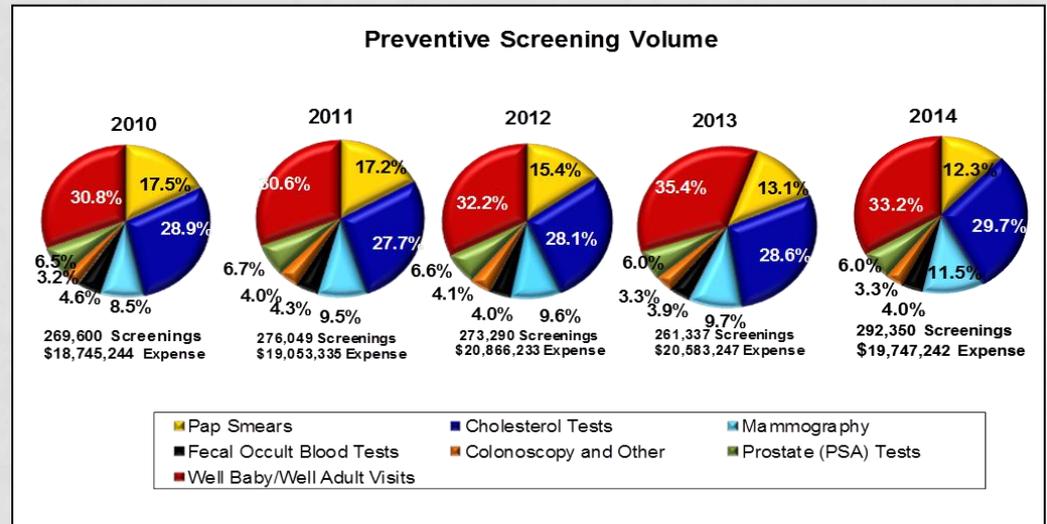
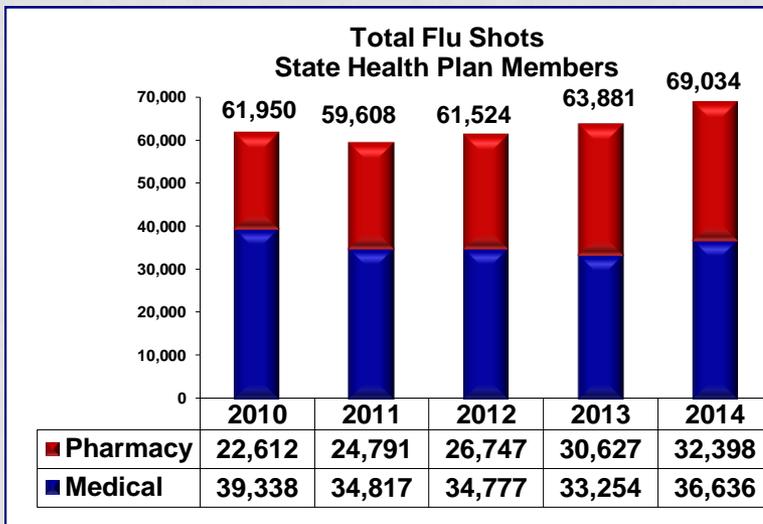


Morbid Obese 35+ 3,290 (15%)

WELLNESS & PREVENTIVE CARE

- **Top areas of focus**
 - Weight management
 - Nutrition
 - Stress management
- **Top areas of coaching**
 - Nutrition
 - Stress management
 - Exercise
 - Tobacco cessation

- **Focus of preventive care**
 - Flu shots onsite
 - Age appropriate screenings
 - Pap smears
 - Cholesterol
 - Mammograms
 - Colonoscopy
 - PSA test
 - Annual checkups

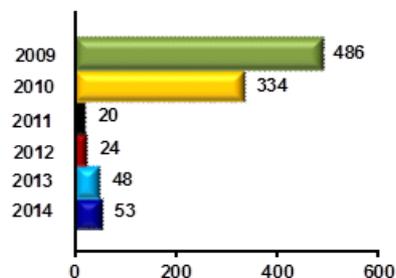


INCENTIVES & OUTCOMES

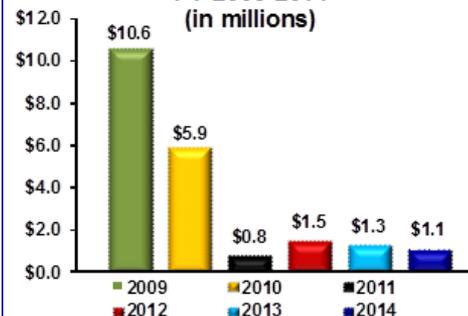
- **Bariatric Surgery**
 - **Program**
 - Weight management
 - Nutritional counseling
 - Personalized coaching
 - **Outcomes**
 - Weight loss
 - Improved nutrition
 - More positive coping skills
 - Increased activity
 - 90% reduction in cost

- **Maternity Management**
- **Value Based Insurance Design (VBID)**
 - Diabetes
 - Hypertension
 - Asthma/COPD
- **Medication Therapy Management**
- **Premium Rewards**
- **“Do Rights”**

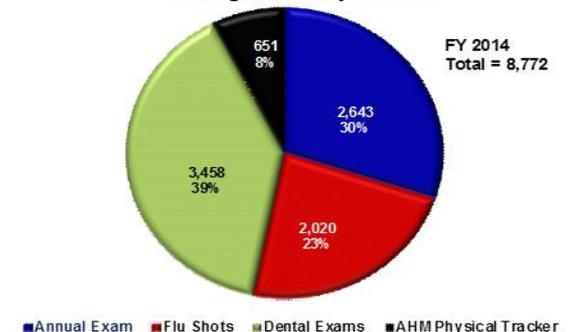
**Total Bariatric Surgeries
FY 2009 - 2014**



**Total Bariatric Surgery and
Obesity Medical Expense
FY 2009-2014
(in millions)**

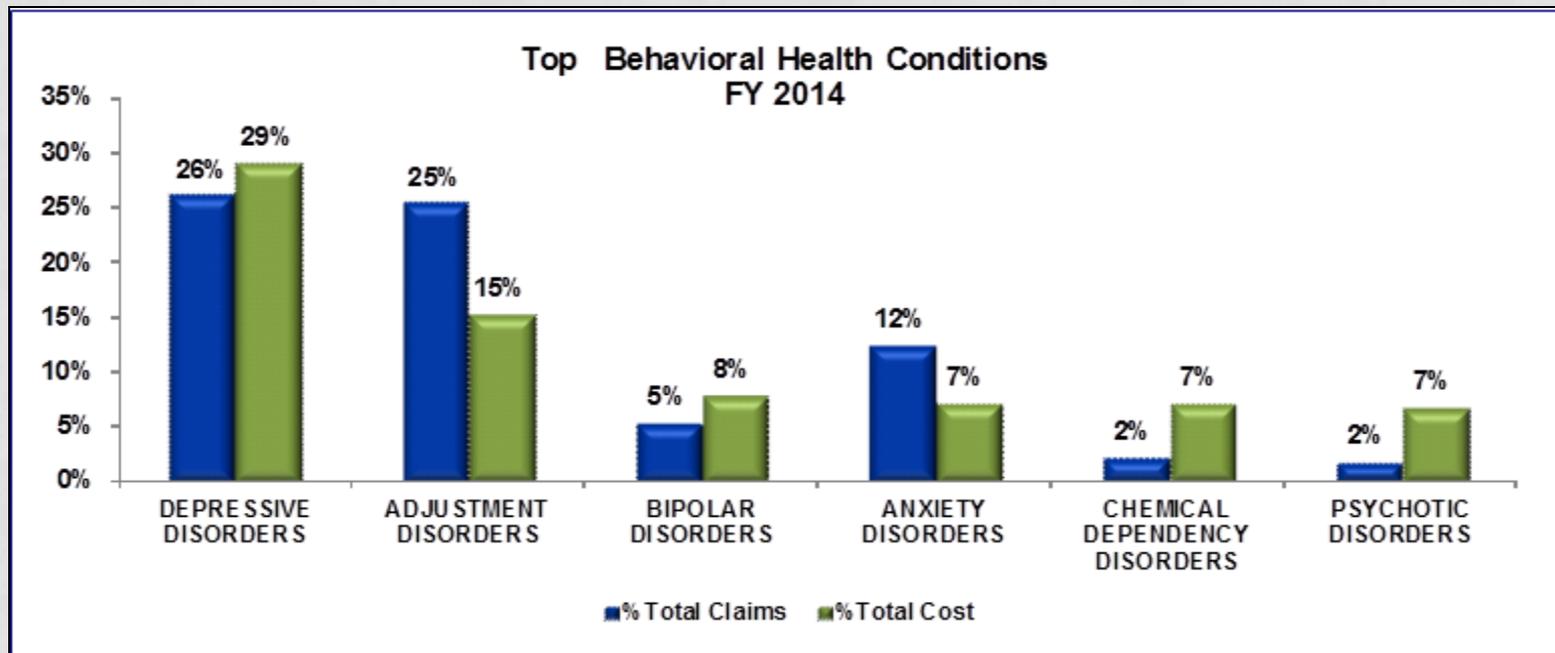


**COVA HealthAware
“Do Right” Healthy Activities**



EMPLOYEE WELL BEING

- Includes both physical and emotional health
- Employee Assistance Program (EAP)
 - 77% of users sought services for emotional and psychological concerns, family relationships, and legal issues
 - >100% increase in legal and financial services



FY 2015 HEALTH BENEFITS

PILOT ONSITE HEALTH CENTER

- Planned pilot for Capitol Square area on the mezzanine in the Monroe Building
- Provide employees convenient access to primary and preventive care
- Impact productivity with less work time lost
- Improve employee morale
- Offer health coaching support on site
 - Managing chronic medical conditions
 - Improving health behaviors
- Generate cost savings over time
- \$436,195 for start-up and implementation from the HIF
- \$1,614,919 total contract costs for Year 1

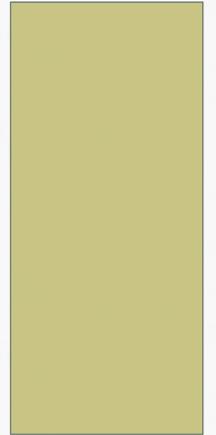
COMMONHEALTH

- Improve employee health and well being
- Improve morale
- Increase productivity
- Increase job satisfaction
- Improve problem solving and creativity
- Impact absenteeism and presenteeism
- Reduce sick/disability leave
- Lower health costs
- Improve overall culture

EMPLOYEE OPPORTUNITIES

- Take advantage of all health benefits
 - Complete the Health Assessment
 - Submit biometric screening results
 - Get the age appropriate screenings
 - Attend CommonHealth programs
 - Participate in the Governor's Walk the Skyline Challenge
 - Utilize the 15 minute Wellness Break

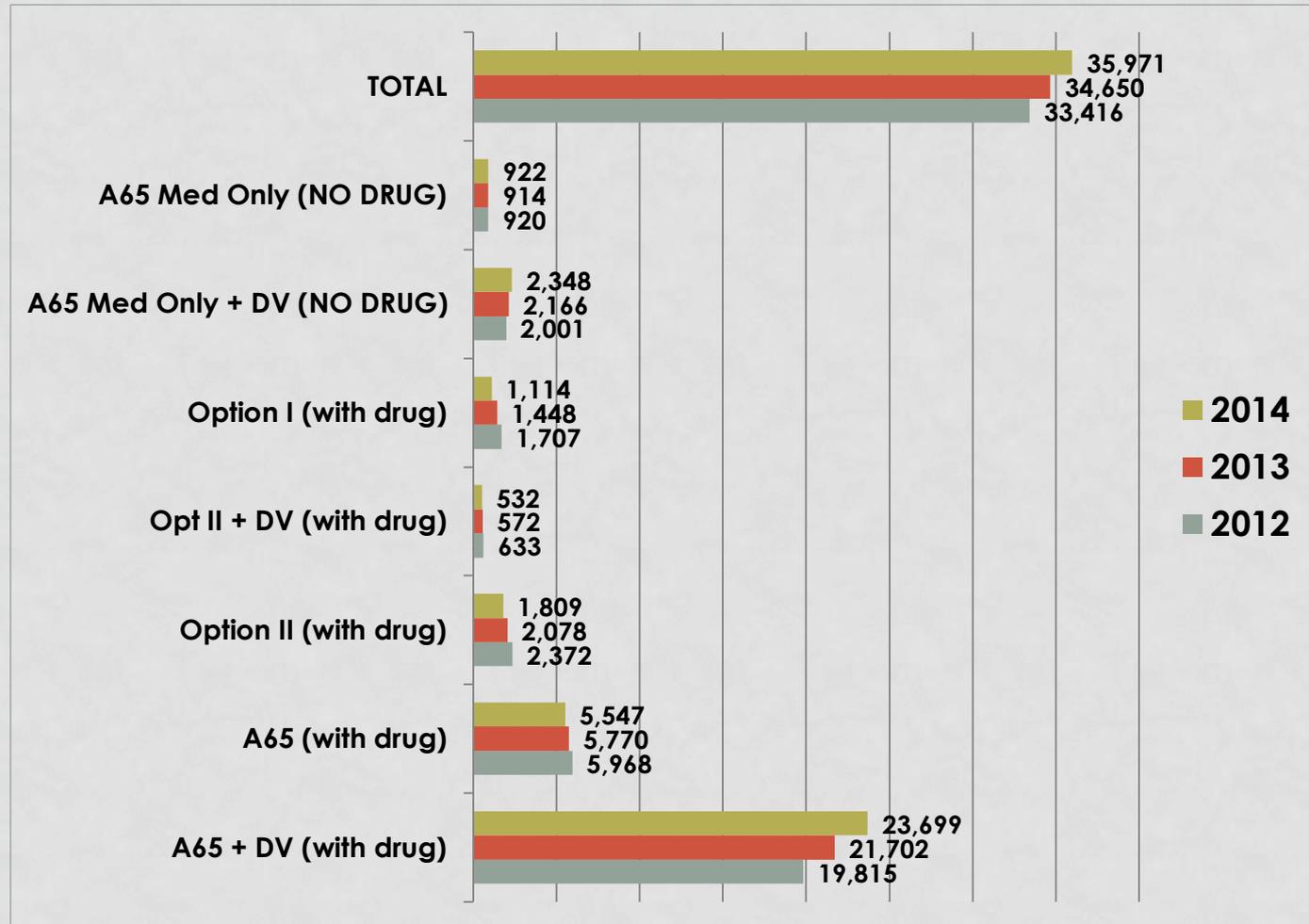
MEDICARE-ELIGIBLE
RETIREE GROUP



RETIREE PLAN ENROLLMENT

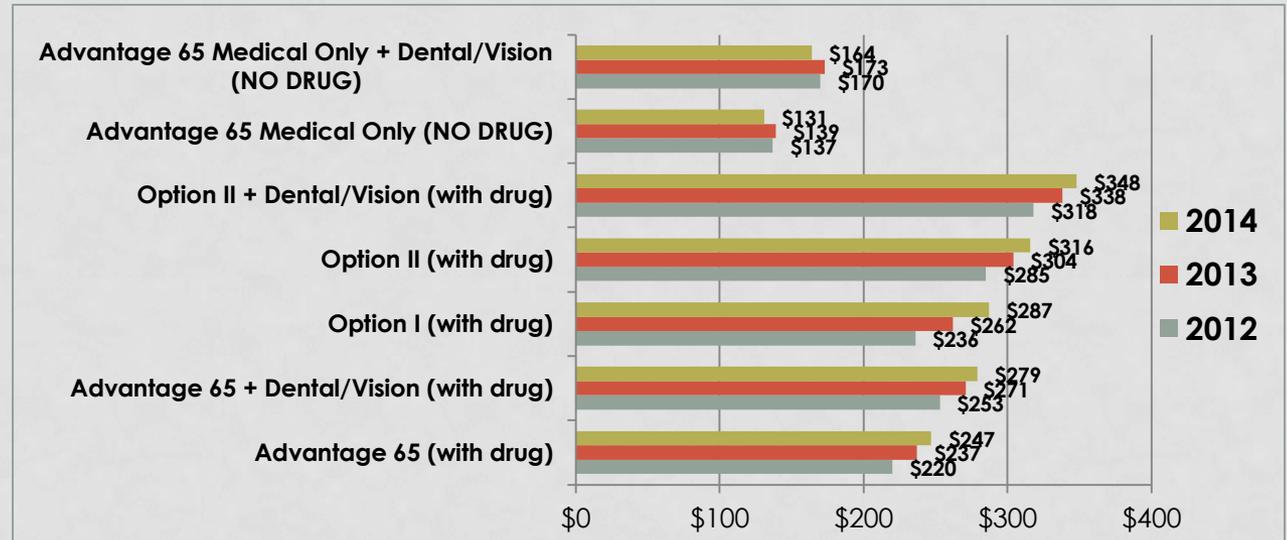
- 8% increase in total enrollment from 2012 to 2014
- 66% enrolled in Advantage 65 (A65) plus Dental and Vision with Drug in 2014, up 7% from 2012
- 3% enrolled in Option I in 2014, down 5% from 2012

ENROLLMENT BY PLAN



RETIREE PREMIUM TREND

- 3.5% decline in premium in 2014 compared to 2012 for Advantage 65 plus Dental/Vision, without drugs
- 10.3% increase in premium in 2014 compared to 2012 for Advantage 65 plus Dental/Vision, with drugs

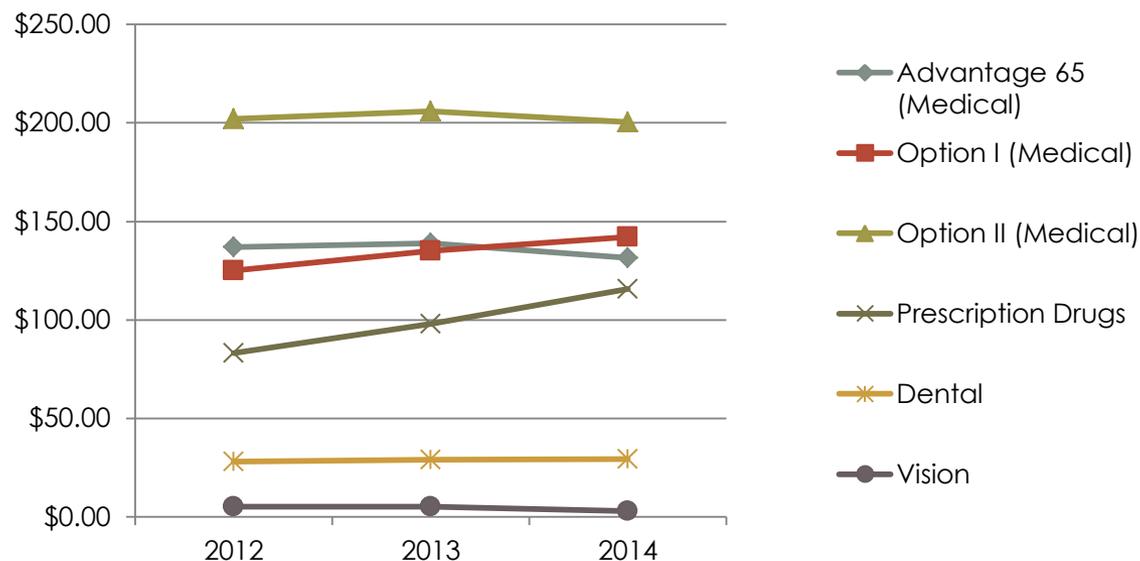


RETIREE PLAN	2012	% Change	2013	% Change	2014	% Change
Advantage 65 (with drug)	\$220	-3%	\$237	8%	\$247	4%
Advantage 65 + Dental/Vision (with drug)	\$253	-2%	\$271	7%	\$279	3%
Option I (with drug)	\$236	0%	\$262	11%	\$287	10%
Option II (with drug)	\$285	0%	\$304	7%	\$316	4%
Option II + Dental/Vision (with drug)	\$318	1%	\$338	6%	\$348	3%
Advantage 65 Medical Only (NO DRUG)	\$137	4%	\$139	1%	\$131	-6%
Advantage 65 Medical Only + Dental/Vision (NO DRUG)	\$170	4%	\$173	2%	\$164	-5%

RETIREE PREMIUM BY BENEFIT

- **Medical** - from 2012 to 2014
 - 4% decline in premium for Advantage 65
 - 1% decline in premium for Option II
 - 14% increase in premium for Option I
- **Drugs** – 40% increase in premium from 2012 to 2014
- **Dental** – 4% increase in premium from 2012 to 2014
- **Vision** – 42% decline in premium from 2012 to 2014

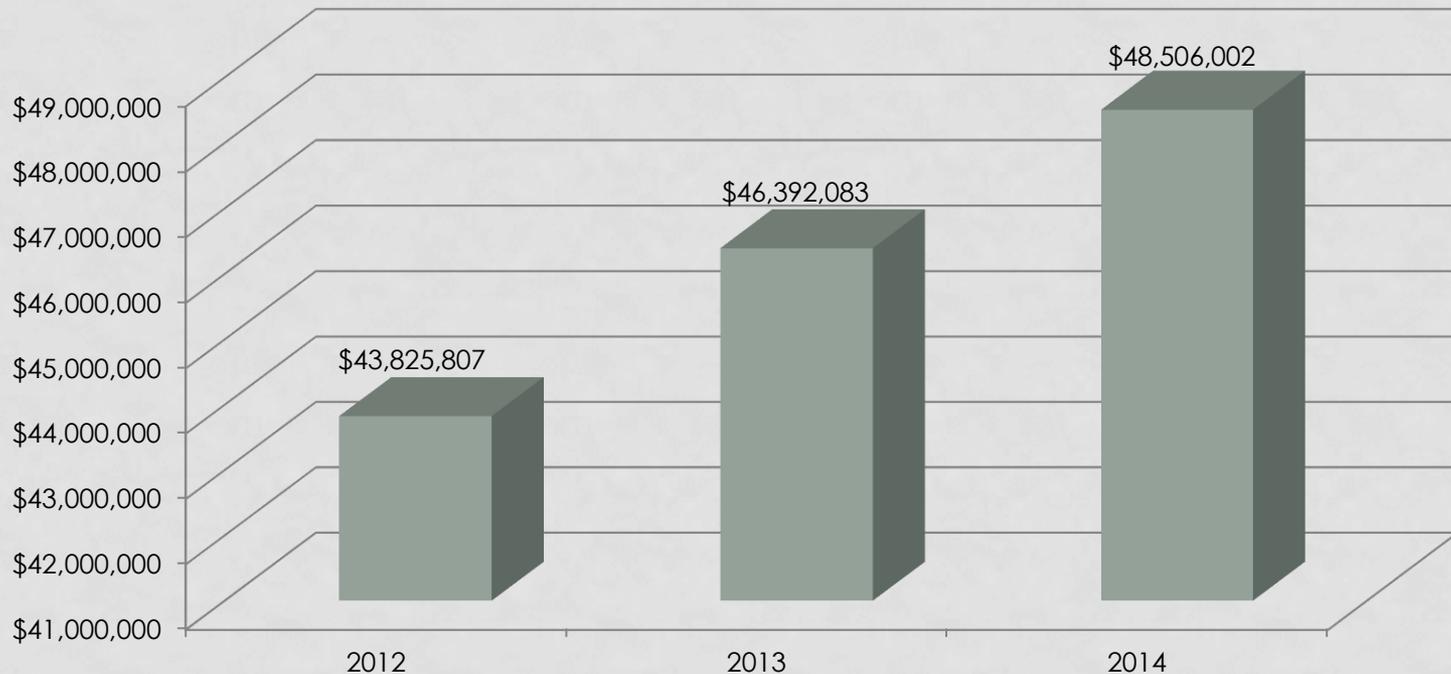
PREMIUM BREAKDOWN BY BENEFIT			
	2012	2013	2014
Medical - Advantage 65	\$137.00	\$139.00	\$131.40
Medical - Option I	\$125.00	\$135.00	\$142.10
Medical - Option II	\$202.00	\$206.00	\$200.50
Prescription Drugs	\$83.00	\$98.00	\$115.80
Dental	\$28.00	\$29.00	\$29.20
Vision	\$5.00	\$5.00	\$2.90



MEDICAL CLAIMS EXPENSE

- Plan is secondary payer of medical claims
- 11% increase in medical claims from FY12 to FY14

	2012	2013	2014
Total Medical Claims Expense	\$43,825,807	\$46,392,083	\$48,506,002



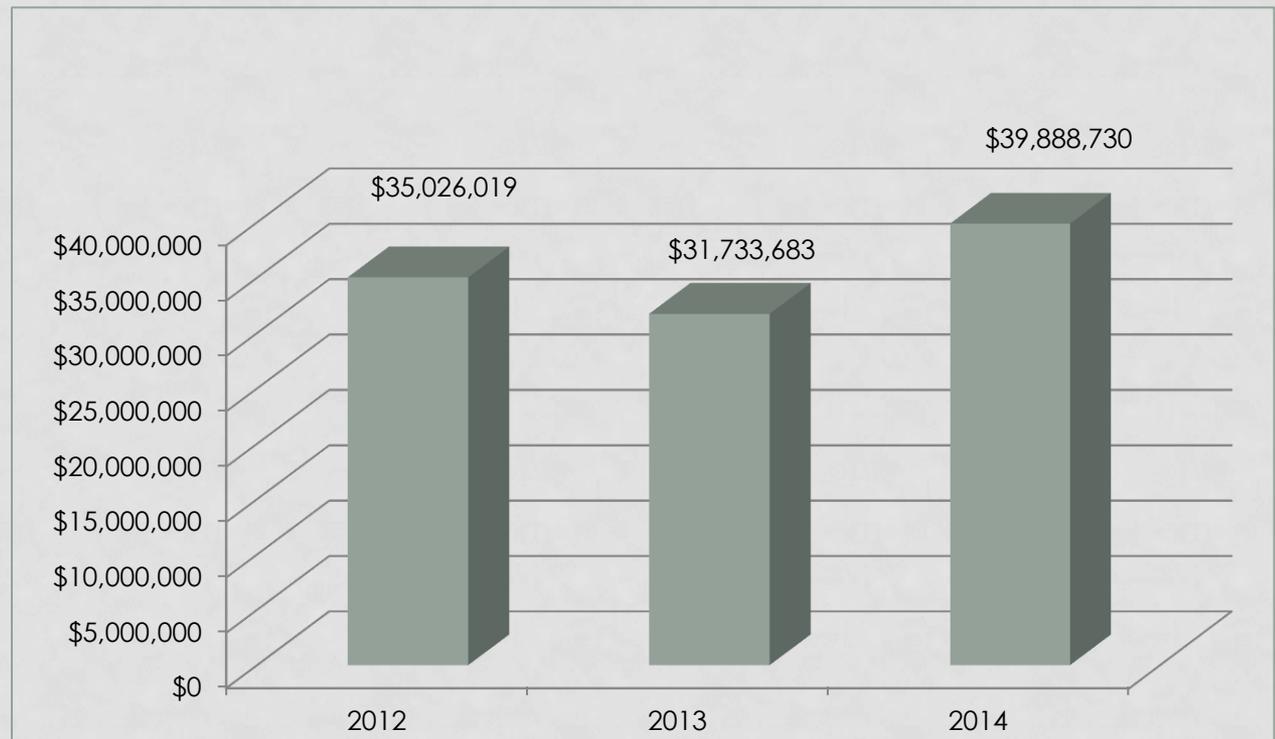
RETIREE ADJUSTED CLAIMS COST PRESCRIPTION DRUGS

Adjusted claims cost is the total drug cost, including taxes and administrative costs, minus:

- Network and mail discount savings
- Costs paid by participants (e.g., deductible, copayment, coinsurance)
- Low income subsidies paid by Medicare
- Medicare coverage gap discounts
- Federal subsidy
- Federal reinsurance
- Formulary rebates

• 14% increase in adjusted claims cost for drugs from 2012 to 2014

Prescription Drugs	2012	2013	2014
Adjusted Claims Cost	\$35,026,019	\$31,733,683	\$39,888,730

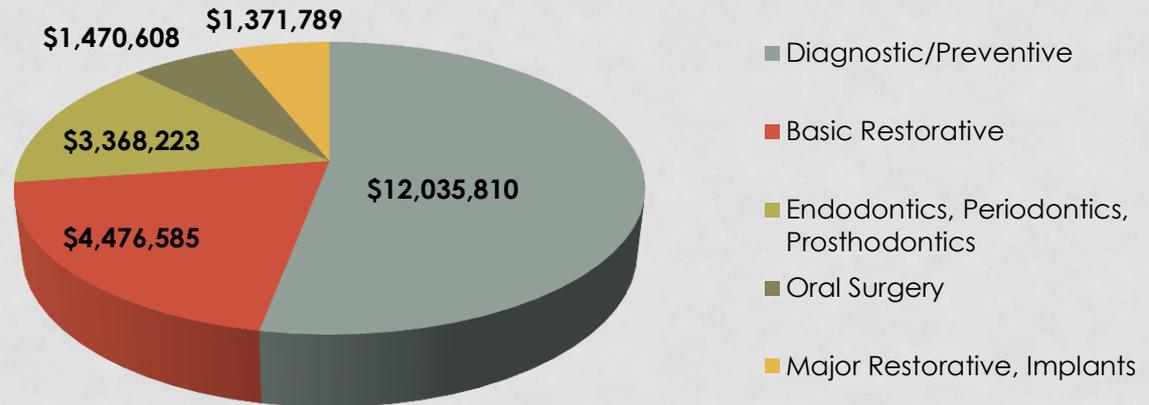


RETIREE DENTAL COSTS

- Dental benefit bundled with Vision
- Increase in all dental claims categories from 2012 to 2014
 - 30% increase in major restoration implants
 - 23% increase in oral surgery
 - 22% increase in diagnostic/preventive
 - 18% increase in basic restorative
 - 12% increase in endodontics, periodontics, prosthodontics

DENTAL	2012	2013	2014
Diagnostic/Preventive	\$3,626,469	\$3,969,001	\$4,440,340
Basic Restorative	\$1,398,204	\$1,428,094	\$1,650,287
Endodontics, Periodontics, Prosthodontics	\$1,046,510	\$1,145,327	\$1,176,386
Oral Surgery	\$440,775	\$488,734	\$541,099
Major Restorative, Implants	\$401,513	\$446,363	\$523,913
TOTAL DENTAL CLAIMS EXPENSE	\$6,913,471	\$7,477,519	\$8,332,025

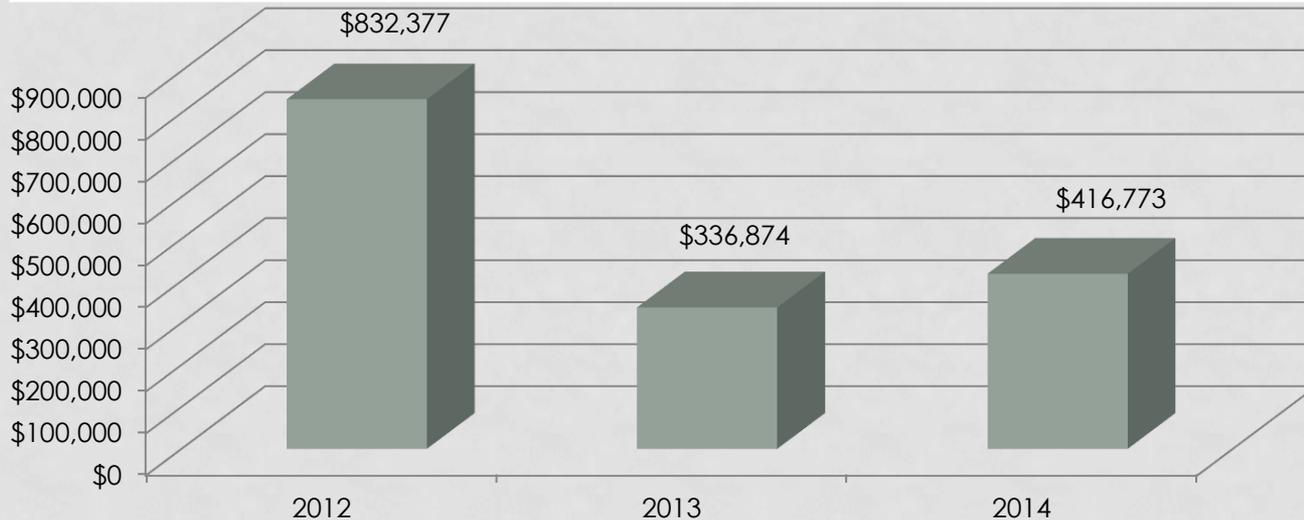
**Claims Grand Total by Service
2012, 2013, 2014**



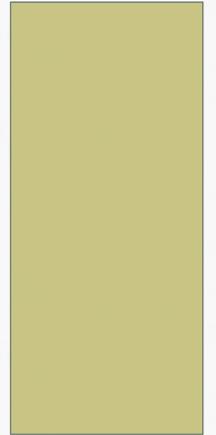
RETIREE VISION COSTS

- Routine vision coverage is bundled with dental coverage
- Vision claims cost
 - includes optional coverage available under Advantage 65 and Option II plans
 - does NOT include vision coverage included with Option I plan
- 60% decrease in vision claims cost from FY12 to FY13
- 50% decrease in vision claims cost from FY12 to FY14

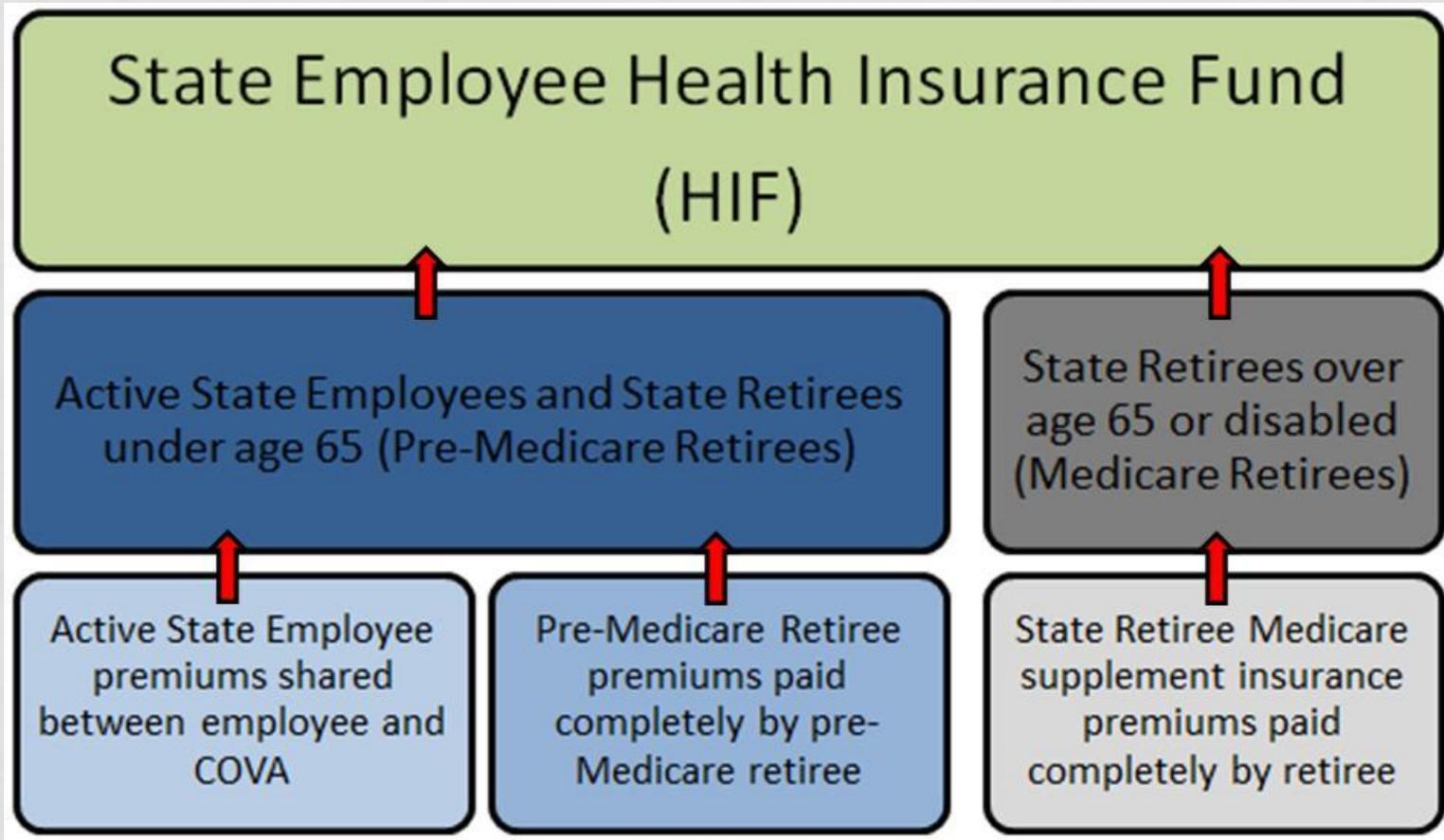
	2012	2013	2014
Vision Claims	\$832,377	\$336,874	\$416,773



FINANCIAL INFORMATION



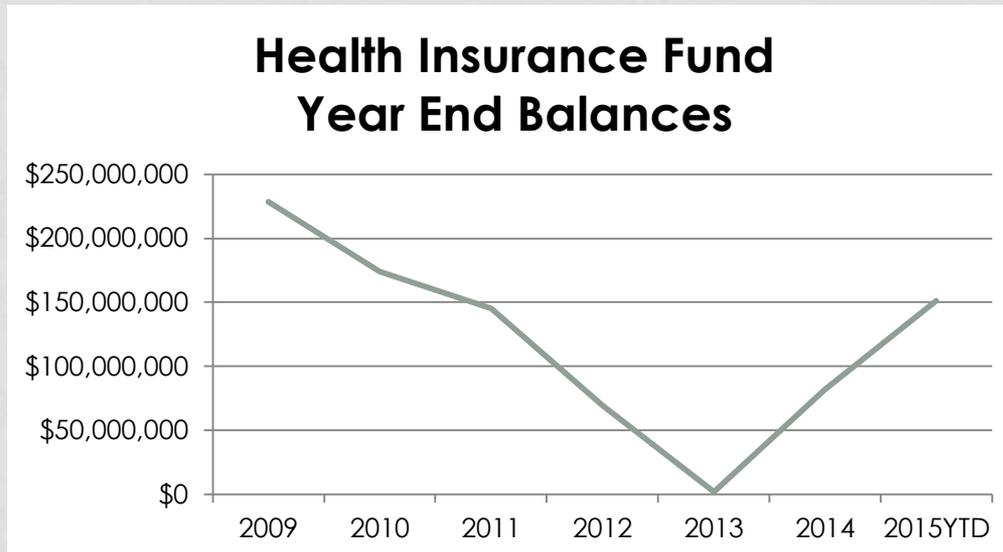
HEALTH INSURANCE FUND



ACTIVE & EARLY RETIREE HEALTH INSURANCE FUND (HIF)

Active & Early Retiree Plan HIF Year End Balances

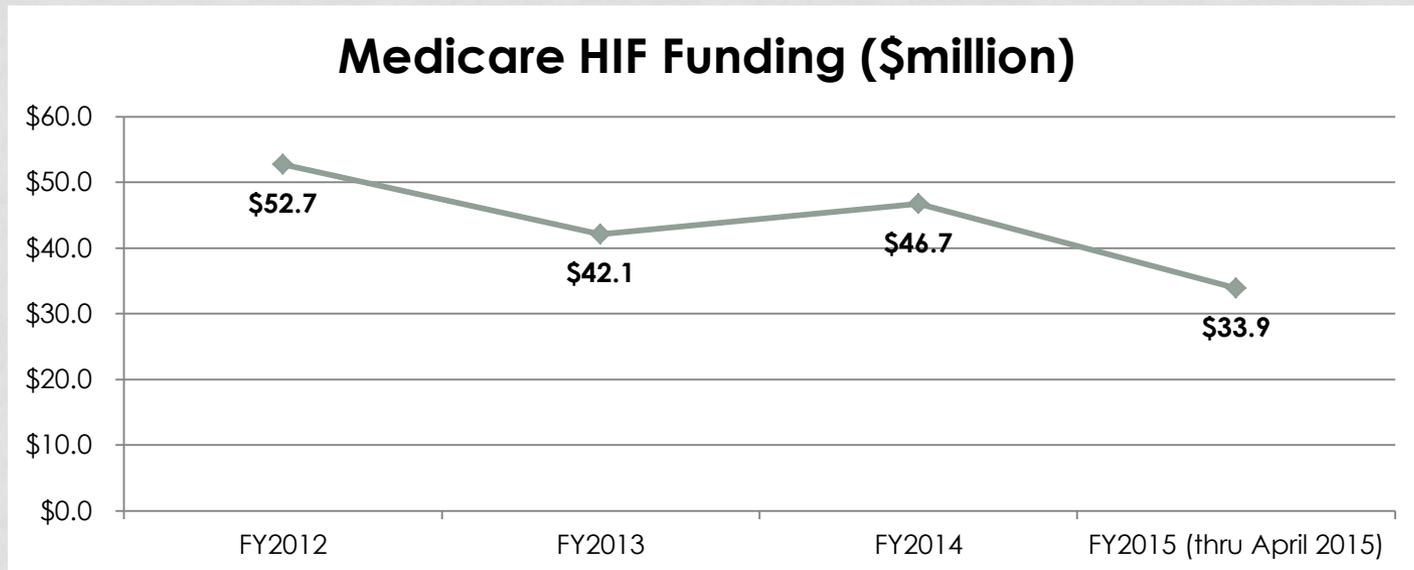
- FY 2009 – \$228.4 million
- FY 2012 – \$69.4 million
- FY 2013 – \$1.8 million
- FY 2014 – \$81.8 million
- FY 2015 – \$151.4 million at 04/30/2015



MEDICARE RETIREE HEALTH INSURANCE FUND (HIF)

- Lowered premiums effective January 1, 2014 addressing HIF overfunding

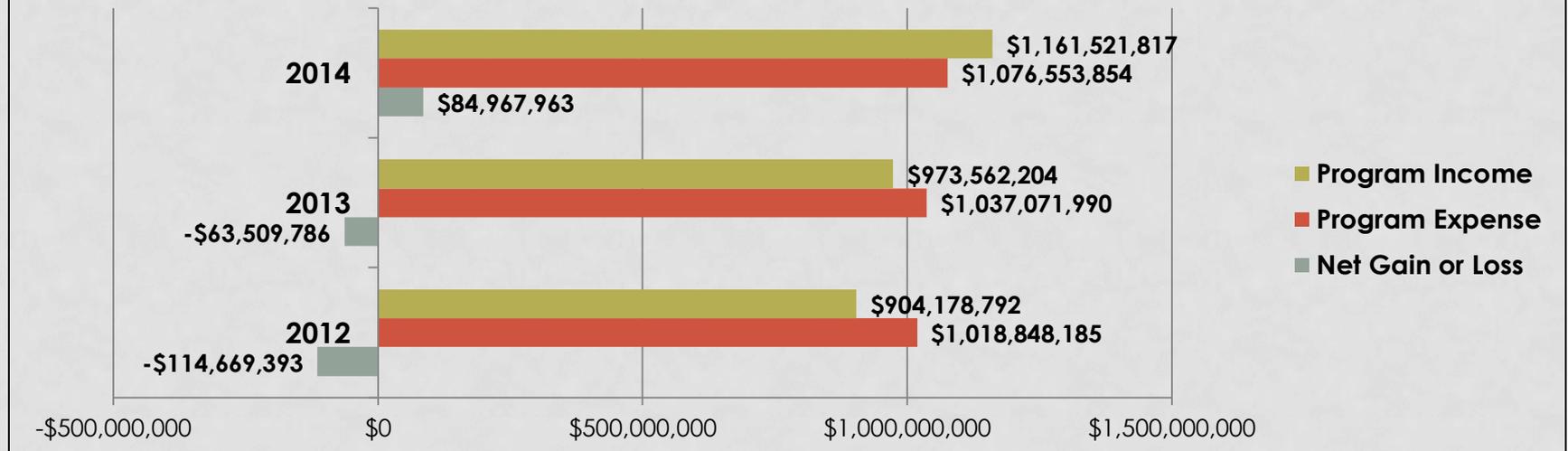
	FY2012	FY2013	FY2014	FY2015 (thru April 2015)
HIF Funding	\$52.7	\$42.1	\$46.7	\$33.9



ACTIVES & EARLY RETIREES OPERATING SUMMARY

Actives & Early Retirees Program Operating Summary			
	FY2012	FY2013	FY2014
Program Income	\$904,178,792	\$973,562,204	\$1,161,521,817
Program Expense	\$1,018,848,185	\$1,037,071,990	\$1,076,553,854
Net Gain or Loss	-\$114,669,393	-\$63,509,786	\$84,967,963

Actives & Early Retirees Program Operating Summary



MEDICARE RETIREES OPERATING SUMMARY

OPERATING SUMMARY - RETIREEES	FY2012	FY2013	FY2014
Program Income	\$106,920,194	\$100,138,551	\$109,078,544
Program Expense	\$109,330,259	\$109,522,401	\$103,221,375
Net Gain or Loss	-\$2,410,065	-\$9,383,850	\$5,857,169

