Virginia Department of Human Resource Management Line of Duty Act Report

October 1, 2015

Abbreviations Key

ACA	Affordable Care Act
CDHP	Consumer-Driven Health Plan
CE	Current Employer Plan –State or Local Plan
COVA	Commonwealth of Virginia
DHRM	Virginia Department of Human Resource Management
DOA	Department of Accounts
ERISA	Employee Retirement Income Security Act of 1974
FDB	Fixed Dollar Benefit
FDB-F	Fixed Dollar Benefit-Factor Based
FDR	Fixed Dollar Reimbursement
HB	House Bill
HCG	Healthcare.gov Exchange
IRS	Internal Revenue Service
JLARC	Joint Legislative Audit and Review Commission
LODA	Line of Duty Act
OAG	Office of the Attorney General
OEC	Other Available Employer-Subsidized Coverage
PE	Private Exchange
PPO	Preferred Provider Organization
SA	Stand- Alone LODA Plan
SHP	State Health Plan
SQ	Status Quo
TLC	The Local Choice
VRS	Virginia Retirement Systems
WC	Workers' Compensation

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This report was developed by the Virginia Department of Human Resource Management ("DHRM") in response to a provision of House Bill ("HB") 2204, which directed the Virginia Retirement System ("VRS") and DHRM to examine the recommendations and options in the report of the Joint Legislative Audit and Review Commission ("JLARC") on the Line of Duty Act ("LODA") and make proposals to improve LODA. Specifically, this report focuses on potential LODA health insurance options. It also addresses the issue of "comparability," based on the Act's requirement that, "The continued health insurance coverage provided by this section shall be the same plan of benefits which the deceased or disabled person was entitled to on the last day of his active duty or comparable benefits established as a result of a replacement plan." (Code of Virginia, § 9.1-401(B))

VRS is submitting a companion report that addresses other aspects of LODA.

Administration of Health Insurance

DHRM compiled the following list of 12 health insurance options. These options were discussed at a LODA stakeholders meeting on August 27, 2015 (see Attachment A for a copy of the spreadsheet provided to each attendee at this meeting), where seven were moved forward for continued consideration, and five were rejected. Of the seven options still being considered, two remain solely as sub-options to potentially be employed in combination with another option to be determined. Each of the 12 original options is discussed below. Included is a description of the current status of each approach. The following discussion assumes no grandfathering of existing participants in current plans, although most of these options may be adaptable to such grandfathering.

Evaluating hypothetical health plan options requires thorough review of many factors, including compliance with complex federal and state laws and regulations and consideration of underwriting principles. Throughout the process of choosing and designing a plan option, issues will continue to be identified and addressed. This report describes DHRM's best analysis at this time.

1. Status Quo ("SQ") (The Current Health Insurance Coverage Approach)

Currently, the Department of Accounts ("DOA") administers LODA health insurance coverage, using a variety of health plan types based on availability to individual beneficiaries. According to the Joint Legislative Audit and Review Commission ("JLARC"), 84 percent of LODA beneficiaries receive coverage through a state or local government plan. Ten percent are enrolled in individual health insurance plans because they are not eligible for coverage through a current or former employer. Six percent receive coverage through a new employer or a spouse's

employer (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, p. ii). The following are key considerations of the Status Quo approach:

SQ Cost: JLARC determined that this approach has a high relative premium cost, compared to other options for coverage. This is partly because the individual health insurance plans are, on average, 25 percent more expensive than group health coverage (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, p. ii).

SQ Risk Management: In part, risk management addresses potential adverse claims experience among beneficiaries and their eligible family members. If the aggregate claims experience is higher than expected, the overall costs will be higher than the amount covered by the premium. While various state and local plans assume much of the risk under the Status Quo approach, some risk is absorbed by non-governmental plans. This spreading of risk is a favorable consequence of this approach. However, this risk distribution potentially increases some LODA program beneficiaries' exposure to the Affordable Care Act ("ACA") excise tax. Beginning in 2018, a 40 percent excise tax will be imposed on employer-sponsored health coverage that provides high-cost coverage. If LODA beneficiaries are enrolled in any plans that incur this tax, LODA health costs will increase.

Additionally, if a former employee received coverage through the Health Insurance Marketplace, he or she would not be eligible for a subsidy since he or she is eligible for an employer group health plan through LODA, increasing the cost to the LODA employer. Also, in the unlikely event that an active employee were to enroll in the Health Insurance Marketplace or other individual coverage, the employer could be subject to a significant penalty.

SQ Administration: This approach is administratively burdensome because it involves the provision of health coverage through multiple unrelated and inconsistent plans. This administrative complexity is in conflict with the Act, which charges the VRS and DHRM with developing proposals "to make the Act administratively more simple." (Code of Virginia, § 51.1-124.37(E)(5))

Also, in general, enrollment in or disenrollment from other plans may be limited based on plan-specific provisions and/or Internal Revenue Service ("IRS") Section 125 qualifying events. These are life events that allow health plan changes in pre-tax plans, such as birth, marriage and divorce, which govern enrollment or disenrollment opportunities. They have administrative implications for multiple plan options. This could limit opportunities to leave other plans to join a LODA-sponsored plan in the middle of a plan year. This issue is not limited to this option.

Furthermore, the Status Quo creates an administrative concern for tracking purposes, because of the variety of plans involved.

SQ Change Management: Continuing the Status Quo approach will cause the least disruption of any of the options still under consideration. However, if beneficiaries have been placed in plans that are not ACA compliant, they will need to be moved to plans that comply. If the Status Quo is maintained, the General Assembly may wish to further minimize disruption by having DOA continue administration of LODA health insurance coverage.

SQ Consistency/Fairness: The Status Quo approach does not offer consistent health insurance coverage to beneficiaries, because all participants are not eligible to receive the same coverage.

There is minimal compliance with any comparability standard since plans are based on availability. This calls into question the fairness of the benefit, because LODA beneficiaries, compared to one another, will receive very different benefits.

SQ Employee Retirement Income Security Act of 1974 ("ERISA"): ERISA is a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry. These standards address annual reporting and disclosure, plan documents and Summary Plan Descriptions, benefit rights and benefits under the plan, claims procedures, trust requirements, and Multiple Employer Welfare Arrangement rules. ERISA plans allow for federal court review of adverse benefit decisions and create exposure for employers to additional financial penalties.

Governmental health plans are not subject to ERISA, unless they cover more than a de minimis number of non-governmental employees. Volunteers are non-governmental employees and eligible for LODA. This creates a risk for some employers that they will become subject to ERISA if volunteers are enrolled in their governmental plan. The degree of this risk is uncertain, because the federal government has not defined "de minimis."

Under the Status Quo option, the state plan and many local plans could be at risk of losing their ERISA exemption if volunteers are enrolled in those plans. Should this happen, it would increase these plans' costs and administrative burden. This could be viewed as unfair by non-LODA employees of the affected entities who will potentially incur additional costs. Because of the number of plans that are at risk, DHRM believes that this should be viewed as a significant issue to be carefully addressed under any health coverage approach.

SQ Taxable Income: As of August 27, 2015, the issue of taxability to volunteers had not been resolved. Subsequently, the OAG and outside counsel determined that the premium would typically not be taxable to volunteers.

Under the Status Quo approach, reimbursement of premiums that are being paid on a pre-tax basis (e.g., those in the State Health Benefits Program for active employees) is being addressed by DOA through an adjustment of taxable income. Those beneficiaries who are being reimbursed for pre-tax premiums outside of the state program are left to report the reimbursement to the IRS for appropriate adjustment.

SQ Comparability: As the JLARC study identified, no criteria exist to determine comparability across health insurance plans (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, pp. 31-33). In fact, the current comparability standard is impossible to achieve on a consistent basis. Health coverage benefits and plan designs change over time, and it is often impossible to find a comparable plan to one that a LODA claimant had prior to his or her death or disability. As an example, DHRM is not aware of any plan available in the Health Insurance Marketplace that closely resembles COVA Care, the most popular plan available to state employees.

Under the Status Quo, LODA coverage is often not comparable to former coverage. Even those who maintain coverage under their previous plan will likely see changes as plans evolve over time. This will likely cause some beneficiaries to be dissatisfied with their coverage. According to at least one LODA participant at an earlier stakeholder meeting, this may also present possible legal challenges. This issue is not limited to the Status Quo approach.

SQ Code Changes: If the Status Quo is maintained, DHRM recommends that the comparability requirement be removed.

SQ Other Considerations: No other considerations have been identified.

SQ Status as of August 27 Stakeholder meeting: It was determined that the Status Quo option would move forward for additional consideration. It could also serve as a temporary option if any other health plan approaches were to be put in place at a later date.

2. Stand-Alone LODA Plan ("SA") (All Beneficiaries in One Separate Plan)

This plan would be the single avenue for health coverage for all LODA beneficiaries, including volunteers. Grandfathering existing LODA beneficiaries in their current plan would not be a viable option in conjunction with a Stand-Alone LODA Plan. This is because the Stand-Alone Plan would require a critical mass of participants from the outset in order for premium calculations to be reliable.

This is Option Two in the JLARC report (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, pp. 46-48). One approach to creating this plan would be to model it after the most popular state employee option, which is currently COVA Care. Optional benefits, such as expanded dental and vision coverage, could be offered to beneficiaries on a "Beneficiary Pay All" basis. However, this optional coverage could be relatively expensive, because of the risk of adverse selection, and it would need to be paid for with after-tax dollars. As an alternative, designated benefits that might otherwise be considered optional could be embedded in the basic plan design at no extra cost to the individual beneficiaries. This would spread the cost among all beneficiaries and increase administrative simplicity. Key considerations for the Stand-Alone LODA Plan follow:

SA Cost: Of the options it considered, JLARC determined that this would produce the most savings. According to JLARC, this approach would save $33.8 million over 10 years. This approach would eliminate the use of higher cost individual plans. It would also allow DHRM to proactively identify LODA beneficiaries who may qualify for Medicare, thus reducing claims costs to the LODA plan. JLARC also identified that more than half of LODA employers would realize cost savings through the Stand-Alone approach, although others would experience cost increases (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, pp. ii, 46-47).

There is significant deviation in plan design and established premiums among the local government health plans throughout the state. Attachment B (a comparison of plan designs for

the state plan, TLC and two random local government plans) and Attachment C (a comparison of premiums for the same plans) are included to illustrate the differences among plans.

SA Risk Management: All risk would be borne by the Stand-Alone LODA Plan. Although this approach would not have the advantage of spreading some risk to other non-governmental employers, it would reduce risk on state and local plans with LODA beneficiaries and would prevent non-LODA participants from potentially subsidizing LODA beneficiaries.

SA Administration: Of all the options under current consideration, this is the easiest to administer and the most streamlined approach. Furthermore, this approach would yield quality health care utilization and cost data, which would potentially help to control costs.

Eligibility and transition issues would need to be carefully considered to recognize possible enrollment and disenrollment limitations (e.g., possible IRS Section 125 plan limitations). In some cases, this could delay enrollment in the LODA plan.

SA Change Management: All participants would experience change by being moved to this new plan.

SA Consistency/Fairness: This would be the most fair of the options under current consideration, because all LODA beneficiaries would have the same plan.

SA ERISA: DHRM's OAG counsel recommends that DHRM establish the Stand-Alone as an ERISA plan because of the variability of the volunteer issue. However, the impact of ERISA on the Stand-Alone would be far less than it would for state or local government health plans, primarily because of the difference in plan size. The Stand-Alone Plan would be a smaller plan than many state and local plans. It is easier for a 1,000 life plan to comply than it is for a 100,000 life plan. It also may be easier for a plan to start as an ERISA plan than to start as non-ERISA and have to change. Startup costs associated with ERISA compliance for this plan are estimated at approximately $25,000-$30,000.

SA Taxable Income: As of August 27, 2015, the issue of taxability to volunteers had not been resolved. Subsequently, the OAG and outside counsel determined that the premium would typically not be taxable to volunteers.

SA Comparability: Assuming a relevant Code change, the Standalone Plan would provide the same benefit to all LODA beneficiaries. However, it would not be the same plan of benefits to which was entitled to on the last day of his active duty, nor would it likely be comparable to that plan.

SA Code Changes: The comparability requirement should be removed. The Code would need to be amended to create a Stand-Alone LODA plan.

SA Other Considerations: The earliest possible implementation date would be July 1, 2017, due to required systems changes and the need for an extensive communication campaign. Also, the Stand-Alone LODA Plan would need access to an actuarially determined line of credit in

case claims dramatically exceed projections. This would need to be authorized through the Appropriations Act.

SA Status as of August 27 Stakeholder meeting: It was determined that the Stand-Alone LODA Plan option would move forward for additional consideration.

3. Current Employer Plan ("CE") (State or Local Plan)

Under this approach, all LODA beneficiaries would be allowed to receive coverage through state or local employer health plans. In other words, all beneficiaries would be covered through a combination of state, local and The Local Choice ("TLC") plans. This is Option One in the JLARC report (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, pp. 43-45). Key considerations for this approach follow:

CE Cost: According to JLARC, this would produce the least savings among the options it considered-- $6.7 million over 10 years, even though this approach eliminates the use of higher cost individual plans (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, pp. ii, 43, 47).

CE Risk Management: All risk would be placed on the Current Employer Plans. Smaller groups could be disproportionately impacted by the potentially high claims experience of this population. Non-LODA participants might subsidize LODA participants and incur higher premiums.

CE Administration: This approach would be difficult to administer, because beneficiaries would be spread among multiple plans. Eligibility and transition issues would need to be carefully considered to recognize possible enrollment and disenrollment limitations (e.g., possible IRS Section 125 plan limitations). In some cases, this could delay enrollment in the designated LODA plan.

CE Change Management: Some participants could experience disruption of coverage if they are currently receiving coverage through a non-state or non-local employer (e.g., through a spouse's coverage).

CE Consistency/Fairness: This approach would allow for program consistency, even though the coverage for LODA beneficiaries in general might not be comparable to pre-disability coverage. There would likely be significant disparity in coverage among LODA beneficiaries, as some plans would be more generous than others.

CE ERISA: Under this approach, the state plan and many local plans would be at risk of losing their ERISA exemption if volunteers were allowed in state or local plans. Losing the ERISA exemption would increase these plans' costs and administrative burden. It would also subject the plans to federal court review of adverse benefit decisions and create exposure for employers to additional financial penalties.

This could be viewed as unfair by non-LODA employees of the affected entities who will potentially incur additional costs. Because of the number of plans that are at risk, DHRM believes that this should be viewed as a significant issue.

CE Taxable Income: As of August 27, 2015, the issue of taxability to volunteers had not been resolved. Subsequently, the OAG and outside counsel determined that the premium would typically not be taxable to volunteers.

CE Comparability: Generally, at the start the plan would be comparable to the coverage received on the last day of active duty. Typically, there would be an increasing loss of comparability as plans evolved over time.

CE Code Changes: The comparability requirement should be removed. The Code may need to be amended to reflect this provision. Other Code issues are unknown, based on the rules governing specific plans.

CE Other Considerations: None.

CE Status as of August 27 Stakeholder meeting: It was determined that the Current Employer Plan option would move forward for additional consideration.

4. State Health Plan ("SHP") (All Beneficiaries in State Employee Health Plan)

Under this approach, all LODA beneficiaries would be enrolled in the State Health Plan, which is currently limited to state employees and retirees. JLARC did not recommend this as an option. Key considerations follow:

SHP Cost: Applying similar rationale to that which JLARC applied to its analysis of the Stand-Alone LODA Plan, the State Health Plan approach may produce cost savings. As with the Stand-Alone Option, enrolling all participants in the State Health Plan would eliminate the need for higher cost individual plans. It would also allow DHRM to proactively identify Medicare-eligible beneficiaries. Estimating the amount of potential cost savings would require intensive and costly actuarial analysis.

SHP Risk Management: All risk would be placed on the State Health Plan. It would be possible to spread the risk across a large pool, likely resulting in a lower premium expense for LODA. However, non-LODA participants would potentially subsidize LODA participants and incur higher premiums.

SHP Administration: Eligibility and transition issues would need to be carefully considered to recognize possible enrollment and disenrollment limitations (e.g., possible IRS Section 125 plan limitations). In some cases, this could delay enrollment in the designated LODA plan.

SHP Change Management: Many participants could experience disruption of coverage due to potentially having to change carriers and providers.

SHP Consistency/Fairness: This approach would allow for the consistent value of benefits and coverage for LODA beneficiaries. Non-LODA-eligible state employees, on the other hand, might consider it unfair to subsidize LODA participants.

SHP ERISA: Under this approach, the State Health Plan would be at risk of losing its ERISA exemption due to coverage of volunteers. Losing the ERISA exemption would increase the state plan's costs and administrative burden. It would also subject the plan to federal court review of adverse benefit decisions and create exposure for the state to additional financial penalties.

This could be viewed as unfair by non-LODA state employees who would potentially incur additional costs. Because of the size of the State Health Plan, DHRM believes that this should be viewed as a significant issue.

SHP Taxable Income: As of August 27, 2015, the issue of taxability to volunteers had not been resolved. Subsequently, the OAG and outside counsel determined that the premium would typically not be taxable to volunteers.

SHP Comparability: The State Health Plan would not necessarily be comparable to all beneficiaries' coverage received on the last day of active duty. In general, there will be an increasing loss of comparability as plans evolve over time.

SHP Code Changes: The comparability requirement should be removed. LODA would need to be changed to reflect these provisions. Also, the State Health Plan's eligibility provisions will need to be changed to allow LODA beneficiaries to participate.

SHP Other Considerations: None have been identified.

SHP Status as of August 27 Stakeholder meeting: It was determined that the State Health Plan option would move forward for additional consideration.

5. TLC Plan (All Beneficiaries in TLC Plan)

Under this approach, all LODA beneficiaries would be enrolled in the TLC Plan. TLC is an optional plan administered by DHRM and available to local governments, local school divisions and other political subdivisions throughout the state. Approximately 340 entities currently participate in the TLC program, and they consider it a very valuable tool for acquiring affordable and robust health coverage for their employees. JLARC did not recommend this as an option. Key considerations follow:

TLC Cost: Applying similar rationale to that which JLARC applied to its analysis of the Stand-Alone LODA Plan, the TLC Plan approach may produce health plan cost savings for LODA. As with the Stand-Alone Option, enrolling all participants in the TLC Plan would eliminate the need for higher cost individual plans and it would allow DHRM to proactively identify Medicare-eligible beneficiaries. Estimating the amount of potential cost savings would require intensive and costly actuarial analysis.

TLC Risk Management: All risk would be placed on the TLC Plan. It would be possible to spread the risk across a large pool, likely resulting in a lower premium expense for LODA. Non-LODA participants might subsidize LODA participants and incur higher premiums.

TLC Administration: Administration would be complicated by conflicts with eligibility criteria. Eligibility and transition issues would need to be carefully considered to recognize possible enrollment and disenrollment limitations (e.g., possible IRS Section 125 plan limitations). In some cases, this could delay enrollment in the designated LODA plan.

TLC Change Management: Most beneficiaries would experience disruption of coverage due to potentially having to change benefits and providers.

TLC Consistency/Fairness: This approach would allow for consistent value of benefits and coverage for LODA beneficiaries. However, non-LODA eligible TLC participants might consider this unfair.

TLC ERISA: Under this approach, the TLC Plan would be at risk of losing its ERISA exemption. Losing the ERISA exemption would increase the TLC plan's costs and administrative burden. It would also subject the plan to federal court review of adverse benefit decisions and create exposure for the employers to additional financial penalties. This could be viewed as unfair by non-LODA state employees who would potentially incur additional costs.

This issue is especially complex for TLC. In recent years, DHRM disenrolled a small number of organizations from TLC because they were not bona fide political subdivisions, which put the program's ERISA exemption at risk. In every instance, DHRM worked with the organization so that its leadership understood the action and to ensure that it had time to acquire other health coverage. Some of these entities may consider it unfair if other individuals presenting risk to the program's ERISA exemption were now allowed to join. Because of this dynamic and the size and significance of the TLC Plan, DHRM believes that this should be viewed as a significant issue.

TLC Taxable Income: As of August 27, 2015, the issue of taxability to volunteers had not been resolved. Subsequently, the OAG and outside counsel determined that the premium would typically not be taxable to volunteers.

TLC Comparability: The TLC Plan would not necessarily be comparable to the coverage received on the last day of active duty. Typically, there would be an increasing loss of comparability as plans evolve over time.

TLC Code Changes: If this option were to be chosen, the comparability requirement should be removed. Also, the TLC Plan's eligibility provisions would need to be changed to allow LODA beneficiaries from otherwise non-participating employers to participate. LODA would need to be amended to allow this provision.

TLC Other Considerations: This option could have major negative impact on TLC premium determinations and administrative expense that could result in higher costs for TLC groups, thus

potentially causing some to leave the program. Furthermore, eligibility issues would need to be addressed regarding enrollment in individual TLC plans versus a LODA-specific TLC plan.

TLC Status as of August 27 Stakeholder meeting: It was determined that the TLC Plan option would move forward for additional consideration.

6. Other Available Employer-Subsidized Coverage ("OEC") (e.g., Spouse's Plan)

Under this approach, beneficiaries would be required to use employer-subsidized health insurance plans when available. Employer-subsidized plans might include those available to disabled beneficiaries who are re-employed outside of state or local government or through a spouse's employer. JLARC estimated that about 18 percent of LODA beneficiaries had access to an employer-subsidized health insurance plan in Fiscal Year 2012. This is Option Three in the JLARC report. (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, pp. 48-49)

This approach would have to be employed in conjunction with other methods of providing LODA health plan coverage when other employer-subsidized coverage was not available. Key considerations for the Other Available Employer-Subsidized Coverage approach follow:

OEC Cost: JLARC estimates that this option would produce savings in a range between $13.3 million and $26.6 million over 10 years. This approach would transfer some costs to non-state/local government employers. (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, pp. ii, 48-49)

OEC Risk Management: Risk for these beneficiaries would be placed on non-LODA employer plans. From the perspective of state and local employers, this would be favorable.

OEC Administration: As JLARC pointed out, this would be difficult to administer due to the need to track eligibility and provide reimbursement for multiple employer plans (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, p. 49). Eligibility criteria would need to address limitations associated with enrollment opportunities in other plans.

OEC Change Management: Some participants could experience disruption of coverage due to potentially having to change carriers and/or providers.

OEC Consistency/Fairness: This approach would not offer consistent or fair health insurance coverage to beneficiaries, because all participants would not be eligible to receive the same coverage. It would disadvantage beneficiaries who have access to other employer-subsidized coverage through a lower-coverage plan. This issue may be exacerbated by the wide range of plans that this approach would utilize.

OEC ERISA: Under this approach, there would be no ERISA exemption risk to state or local plans related to enrollment in the other employers' plans.

OEC Taxable Income: As of August 27, 2015, the issue of taxability to volunteers had not been resolved. Subsequently, the OAG and outside counsel determined that the premium would

typically not be taxable to volunteers. However, there may be an adverse tax issue for beneficiaries due to receiving reimbursement for pre-tax premiums. Reimbursement of premiums that were being paid on a pre-tax basis for plans outside of the state program would need to be reported to the IRS by the beneficiary.

OEC Comparability: Under this approach, coverage generally would not be comparable to pre-disability coverage. This will likely cause some beneficiaries to be dissatisfied with their coverage.

OEC Code Changes: The comparability requirement should be removed. LODA would need to be amended to reflect this provision.

OEC Other Considerations: This approach would not address the vast majority of LODA beneficiaries without access to Other Available Employer-Subsidized Coverage.

OEC Status as of August 27 Stakeholder meeting: It was determined that the Other Available Employer-Subsidized Coverage option would move forward for additional consideration, but only as a subset of other options.

7. Fixed Dollar Benefit ("FDB") (Everyone Receives Same Dollar Amount in Lieu of Health Coverage)

Under this approach, LODA recipients would receive a fixed dollar amount instead of health benefits. There would be no restrictions on the use of this money. JLARC did not recommend this as an option. Key considerations follow:

FDB Cost: This would be a flat cost to the LODA fund or employer. It would not be a reimbursement.

FDB Risk Management: LODA would not experience claims risk.

FDB Administration: This would be the simplest of the original 12 options to administer. However, DOA may need to issue 1099 forms because the benefit would not be designated for health coverage.

FDB Change Management: There could be significant disruption of coverage if beneficiaries shopped for other, less-expensive options.

FDB Consistency/Fairness: The value of the benefit would be consistent.

FDB ERISA: Under this approach, there would be no ERISA issues.

FDB Taxable Income: A flat benefit amount may be taxable income.

FDB Comparability: There would be no comparability issues.

FDB Code Changes: The comparability requirement should be removed. LODA would need to be amended to reflect the benefit.

FDB Other Considerations: The responsibility to obtain health coverage would be placed on the beneficiaries.

FDB Status as of August 27 Stakeholder meeting: It was determined that the Fixed Dollar Benefit option would not be considered going forward.

8. Fixed Dollar Benefit-Factor Based ("FDB-F") (Everyone with the Same Factor(s) Receives Same Dollar Amount in Lieu of Health Coverage)

Under this approach, LODA recipients would receive a fixed dollar amount instead of health benefits. This amount would be adjusted based on one or more factors to be determined; examples may include age or geographic location. If age was the factor that was applied, older recipients or recipients living in more expensive locations would receive a higher benefit than others. There would be no restrictions on the use of this money. JLARC did not recommend this as an option. Key considerations follow:

FDB-F Cost: This would be a flat cost to the LODA fund or employer. It would not be a reimbursement.

FDB-F Risk Management: LODA would experience no claims experience risk.

FDB-F Administration: This would be a simple option to administer. However, DOA may need to issue 1099 forms because the money would not be designated for health coverage.

FDB-F Change Management: There could be significant disruption of coverage if beneficiaries shop for other, less-expensive options.

FDB-F Consistency/Fairness: The value of the benefit would vary based on factors; however, everyone with the same factor(s) would receive the same benefit.

FDB-F ERISA: Under this approach, there would be no ERISA issues.

FDB-F Taxable Income: A flat benefit amount may be taxable income.

FDB-F Comparability: There would be no comparability issues.

FDB-F Code Changes: The comparability requirement should be removed. LODA would need to be amended to reflect the benefit.

FDB-F Other Considerations: The responsibility to obtain health coverage would be placed on the beneficiaries.

Per the OAG, as long as the factors were not suspect classes (i.e., race, national origin, religion, alienage), there would not seem to be any violation of Equal Protection.

FDB-F Status as of August 27 Stakeholder meeting: It was determined that the Fixed Dollar Benefit-Factor Based option would not be considered going forward.

9. Fixed Dollar Reimbursement ("FDR") (Everyone Is Reimbursed for Actual Cost of Selected Health Coverage)

Under this approach, LODA recipients would select and obtain their own health coverage, and be reimbursed for the actual cost. JLARC did not recommend this as an option. Key considerations follow:

FDR Cost: The cost to LODA would be limited to the premiums paid.

FDR Risk Management: LODA would experience no claims experience risk. However, if a former employee received coverage through the Health Insurance Marketplace, he or she would not be eligible for a subsidy since he or she is eligible for an employer group health plan through LODA, increasing the cost to the LODA employer. Also, in the unlikely event that an active employee were to enroll in the Health Insurance Marketplace or other individual coverage, the employer could be subject to a significant penalty.

FDR Administration: Tracking coverage and premium amounts would be administratively burdensome, but other administrative challenges for this option are unknown based on individual enrollment criteria.

FDR Change Management: There would likely be significant disruption.

FDR Consistency/Fairness: The value of the benefit would be based on the beneficiary's selection. Unless limitations were to be established, all participants would likely select the most expensive/rich benefit coverage.

FDR ERISA: Reimbursement of premiums constitutes a group health plan, so ERISA concerns would potentially apply.

FDR Taxable Income: Any reimbursement of a pre-tax premium paid outside of the state program would have to be reported to the IRS by the beneficiary for appropriate adjustment of taxable income.

FDR Comparability: There would be no control over comparability based on any specific point of reference.

FDR Code Changes: The comparability requirement should be removed. LODA would need to be amended to reflect the benefit.

FDR Other Considerations: None have been identified.

FDR Status as of August 27 Stakeholder meeting: It was determined that this option would not be considered going forward.

10. Healthcare.gov Exchange ("HCG") (Everyone Receives Designated Coverage through Public Exchange)

Under this approach, LODA recipients would receive designated coverage through the Health Insurance Marketplace. An example of designated coverage would be a particular level of coverage in the exchange, such as any Silver plan. JLARC did not recommend this as an option. Key considerations follow:

HCG Cost: The cost to LODA would be limited to the premiums paid.

HCG Risk Management: LODA would experience no claims experience risk. However, if a former employee received coverage through the Health Insurance Marketplace, he or she would not be eligible for a subsidy since he or she is eligible for an employer group health plan through LODA, increasing the cost to the LODA employer. Also, in the unlikely event that an active employee were to enroll in the Health Insurance Marketplace or other individual coverage, the employer could be subject to a significant penalty.

HCG Administration: Tracking coverage and premium amounts would be administratively burdensome, but other administrative challenges for this option are unknown based on individual enrollment criteria.

HCG Change Management: There would likely be significant disruption of coverage as all participants were enrolled in Healthcare.gov.

HCG Consistency/Fairness: The value of the benefit would be consistent.

HCG ERISA: Reimbursement of premiums constitutes a group health plan, so ERISA concerns would apply. State and local government ERISA exemption would be at risk due to participation by volunteers.

HCG Taxable Income: As of August 27, 2015, the issue of taxability to volunteers had not been resolved. Subsequently, the OAG and outside counsel determined that the premium would typically not be taxable to volunteers.

HCG Comparability: There would be no control over comparability based on any specific point of reference. This is because many different plans are available through Healthcare.gov.

HCG Code Changes: The comparability requirement should be removed. LODA would need to be amended to reflect the benefit.

HCG Other Considerations: None have been identified.

HCG Status as of August 27 Stakeholder meeting: It was determined that the Healthcare.gov Exchange option would not be considered going forward.

11. Private Exchange ("PE") (Everyone Receives Coverage through Private Exchange)

Under this approach, LODA recipients would receive coverage through a private exchange, which may be either fully-insured or self-insured. JLARC did not recommend this as an option. Key considerations follow:

PE Cost: The cost to LODA would be limited to the premiums paid if the exchange were fully insured.

PE Risk Management: If fully-insured, the exchange would incur the claims experience risk. If self-insured, LODA would incur the risk. However, because of the nature of the LODA benefit, it may be challenging to find vendors willing to offer a self-insured exchange.

PE Administration: Administrative challenges for this option are unknown.

PE Change Management: There would likely be significant disruption of administration and coverage as beneficiaries moved to the exchange.

PE Consistency/Fairness: The value of the benefit would be consistent.

PE ERISA: Regarding ERISA, this approach would be similar to the Stand-Alone LODA Plan described above. DHRM's OAG counsel recommends that DHRM establish the Private Exchange as an ERISA plan because of the variability of the volunteer issue. However, the impact of ERISA on the Private Exchange Plan would be far less than it would for state or local government health plans, primarily because of the difference in plan size. The Private Exchange Plan would be a smaller plan than many state and local plans. It is easier for a 1,000 life plan to comply than it is for a 100,000 life plan. It also may be easier for a plan to start as an ERISA plan than to start as non-ERISA and have to change. Startup costs associated with ERISA compliance for this plan are estimated at approximately $25,000-$30,000. The actual ongoing costs of complying with ERISA may be reduced under this option, because it is possible that the exchange would help with compliance.

PE Taxable Income: As of August 27, 2015, the issue of taxability to volunteers had not been resolved. Subsequently, the OAG and outside counsel determined that the premium would typically not be taxable to volunteers.

PE Comparability: There would be no comparability to any single point of reference for coverage. This is because many different plans may be available through a private exchange.

PE Code Changes: The comparability requirement should be removed. LODA would need to be amended to reflect the benefit.

PE Other Considerations: If the exchange were self-insured, then access to an actuarially determined line of credit would be necessary and should be authorized through the Appropriations Act.

PE Status as of August 27 Stakeholder meeting: It was determined that the Private Exchange option would not be considered going forward.

12. Workers' Compensation ("WC") (Everyone with LODA-Related Workers' Compensation Receives Health Coverage under Workers' Compensation)

Under this approach, beneficiaries who qualified for LODA-related Workers' Compensation would receive their health care coverage through the Workers' Compensation benefit. This option does not address any coverage for family members. It also does not address the LODA beneficiaries not compensable under Workers' Compensation. JLARC did not recommend this as an option. Key considerations for this approach follow:

WC Cost: This may result in significant cost savings because most LODA beneficiaries are covered by Workers' Compensation. Any cost savings would be reduced if family members of these beneficiaries remained eligible for separate LODA health benefits, or if LODA beneficiaries without access to Workers' Compensation and their families remained eligible for separate LODA health benefits. It is unclear how either of these groups would receive LODA coverage under this approach.

WC Risk Management: This approach would eliminate claims risk for most beneficiaries.

WC Administration: There would be no administrative burden for beneficiaries covered by Workers' Compensation. However, availability of coverage for non- compensable LODA beneficiaries or any family members would have to be determined and would require administration as discussed under the other listed health care options.

WC Change Management: This approach would cause major disruption of coverage. Without a mechanism for coverage for non-compensable LODA beneficiaries or any family members, LODA beneficiaries would be extremely dissatisfied. Also, those beneficiaries with Workers' Compensation would need to seek other coverage at their own expense for non-Workers' Compensation -related health issues.

WC Consistency/Fairness: This approach would assure coverage for LODA-related illnesses and injuries as long as non-compensable LODA beneficiaries were addressed separately. However, if this approach were not carefully constructed, LODA beneficiaries with non-compensable illnesses or injuries could receive a greater benefit than those determined compensable under Workers' Compensation. A similar issue would apply for family members of LODA beneficiaries determined compensable under Workers' Compensation.

WC ERISA: Potential ERISA issues are unknown under this approach pending determination of coverage for non-compensable claimants and family members.

WC Taxable Income: There would be no taxability issues for beneficiaries of Workers' Compensation. Based on recent advice from outside counsel, there would likely be minimal taxability issues based on most potential approaches to coverage of non-compensable beneficiaries.

WC Comparability: This approach would not offer comparable coverage to beneficiaries due to differences in Workers' Compensation coverage versus full health plan coverage.

Coverage for non-compensable beneficiaries would need to be addressed separately.

WC Code Changes: This option would require significant Code changes to reflect these provisions.

WC Other Considerations: This option does not address any coverage for family members or for non-compensable LODA beneficiaries. It also does not address coverage for compensable beneficiaries outside of the LODA illness or injury. This approach would constitute a significant reduction in benefits and would likely generate dissatisfaction among beneficiaries.

WC Status as of August 27 Stakeholder meeting: It was determined that the Workers' Compensation option would move forward for additional consideration, but only as a subset of other options.

Administration of Health Insurance Summary

At the August 27, 2015, stakeholder meeting, participants decided to eliminate the following five health coverage options from further consideration: Fixed Dollar Benefit, Fixed Dollar Benefit-Factor Based, Fixed Dollar Reimbursement, Healthcare.gov Exchange and Private Exchange.

The following options remain under consideration and are expected to be discussed further at the October 14, 2015 stakeholder meeting:

- Status Quo
- Stand-Alone LODA Plan
- Current Employer Plan
- State Health Plan
- TLC Plan

Additionally, the following options remain under consideration, but only for subsets of the population. If either is accepted, it will be coupled with another plan option to be determined. These are also expected to be discussed further at the October 14, 2015 stakeholder meeting:

- Other Available Employer-Subsidized Coverage
- Workers' Compensation

Comparability

As discussed above, the current comparability standard is impossible to consistently achieve. Because of this, comparability evaluations generally are subjective. Evaluators currently focus on very broad benefit provisions (what they refer to as "major components" such as medical, dental, vision and prescription drugs) instead of comparable benefit levels.

A major part of simplifying the administration of the LODA benefit lies in resolving this issue. DHRM has identified the following approaches to achieving this goal:

1. Make Comparable Health Insurance Coverage Relative to One Point of Reference (e.g., most popular plan for state employees, one coverage level at Healthcare.gov, one plan with standard buy-ups, one plan with optional buy-ups)

This would remove the difficulties created by the continuous evolution of health plans from the comparability analysis. This option was not recommended by JLARC, although it did recommend one specific Stand-Alone LODA Health Plan (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, pp. 46-48). Key considerations follow:

Cost: This approach would achieve more consistency in costs, but the amount of any resultant savings is unknown.

Administration: Unless coverage was provided through one specific plan (e.g., a Stand-Alone LODA Plan) or was equivalent to an exchange coverage level (e.g., any Silver plan), administration would be difficult. Also, the determination of comparability would remain subjective and unclear. Although the most popular plan for state employees (COVA Care) seems like a reasonable standard for comparability, DHRM is not aware of any plan available in the Health Insurance Marketplace that closely resembles it. Therefore, close attention still needs to be paid to the reality of obtaining coverage that is comparable to any designated standard.

Change Management: Establishing this comparability standard would likely result in disruption of coverage for most beneficiaries but could also improve coverage levels for many who have been placed in whatever plans are available to them.

Code Changes: LODA would need to be changed to reflect this standard.

2. Make Comparable Health Insurance Coverage Relative to Active Coverage Currently Offered by the Beneficiaries' Former State or Local Employer

This would also remove the difficulties created by the continuous evolution of health plans from the comparability analysis. This would improve, but not eliminate, issues with the comparability analysis because there is no guarantee that comparable coverage to the plan currently offered by the former employer can be found. This is Recommendation 7 in the JLARC report (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, p. 33). Key considerations follow:

Cost: This approach would have an unknown impact on cost.

Administration: Administration would still be burdensome, because tracking the current coverage of former employers would be difficult. The determination of comparability could generally remain subjective and unclear.

Change Management: Establishing this comparability standard could result in disruption of coverage for some beneficiaries.

Code Changes: LODA would need to be changed to reflect this standard.

3. Direct DHRM to Define "Comparable Health Insurance Coverage"

This is Recommendation 6 in the JLARC report (JLARC, Virginia's Line of Duty Act, Commission Draft, 2014, p. 32). DHRM would take the interests of all stakeholders in consideration, and develop a definition relatively simple to understand and administer. Key considerations follow:

Cost: This approach might achieve more consistency in costs, but the amount of any resultant savings is unknown.

Administration: This would allow more control by DHRM. As discussed above, unless the comparability standard is based on enrollment in a specific plan or level of coverage, the comparability analysis will be, at least to some extent, burdensome, subjective and unclear.

Change Management: Establishing this comparability standard could result in disruption of coverage for some beneficiaries.

Code Changes: LODA would need to be changed to reflect this standard.

It is expected that the comparability standard will be discussed at a future stakeholder meeting.

Conclusion

This report reflects the current status of the assignment to evaluate health care and comparability options for LODA. DHRM is prepared to amend this report as this process continues.

Attachment A

Attachment A is the spreadsheet that detailed identified health plan options that was distributed to attendees at the August 27, 2015 LODA stakeholder meeting.

LINE OF DUTY - HEALTH PLAN OPTIONS

	HEALTH PLAN OPTION	COST	RISK MANAGEMENT	ADMINISTRATION	CHANGE MANAGEMENT	CONSISTENCY/ FAIRNESS	ERISA	TAXABLE INCOME	COMPARABILITY	CODE CHANGES	OTHER
1	**Status Quo** (plan in effect today)	High cost coverage maintained.	Some risk maintained by state/local plans. Some risk absorbed by non-government plans. Risk of substantial excise tax if employees plan is non-ACA compliant plans.	Multiple, unrelated, inconsistent plans. Associated considerable administrative burden maintained.	Minimal disruption.	Inconsistent benefits for beneficiaries.	ERISA exemption at risk due to volunteer eligibility.	Premium amount is taxable to income to volunteers. Possible tax issue if reimbursing premium for a pre-tax premium.	Coverage is generally NOT comparable to pre-disability coverage. Potential legal challenges.	Remove comparability language.	If former employee put in public exchange, any subsidy would be lost.
2	**Stand Alone LODA Plan** (everyone in one separate plan)	Cost savings per JLARC Report despite loss of some employer subsidiaries. Eliminates higher-cost individual plans.	Risk placed only on LODA-specific plan. No subsidizing by non-LODA participants.	Generally more streamlined. Improved health care cost data with DHRM administration.	Change for all participants.	Consistent coverage and equitable treatment for all beneficiaries.	No ERISA exemption loss for state or local plans. OAG recommends no ERISA exemption due to inclusion of volunteers.	Premium amount is taxable to income to volunteers. Question as to whether tax based on premium paid or services used.	No comparability based on current requirement.	Remove comparability language.	Implementation on July 1, 2017. Actuarially-determined line of credit needed. ACA group market reforms applicable, but not a problem.
3	**Current Employer Plan** (State or Local plan)	Potential cost savings per JLARC study.	Risk placed on employer plan. Non-LODA participants subsidize LODA participants. Smaller groups could be impacted by possible high claims experience.	Possible conflicts with eligibility criteria.	Possible disruption of coverage.	Consistent coverage for beneficiaries.	ERISA exemption at risk due to volunteer eligibility.	Premium amount is taxable income to volunteers. Question as to whether tax based on premium paid or services used.	Generally comparable to pre-disability coverage at start, but loss of comparability as plans evolve over time.	Unknown based on individual plans.	None.
4	**State Health Plan** (everyone in State plan)	Potential cost savings.	Risk placed on State Plan. Non-LODA participants subsidize LODA beneficiaries. Risk is spread over larger pool.	Conflicts with program eligibility defined by Code.	Disruption of current coverage.	Consistent value of benefits and coverage for beneficiaries.	ERISA exemption at risk due to volunteer eligibility.	Premium amount is taxable income to volunteers. Question as to whether tax based on premium paid or services used.	Not necessarily comparable to pre-disability coverage. As plans evolve, expands the problem.	Change eligibility and comparability provisions. Change LODA children's eligibility to age 26 to match state program.	None.

LINE OF DUTY - HEALTH PLAN OPTIONS

	HEALTH PLAN OPTION	COST	RISK MANAGEMENT	ADMINISTRATION	CHANGE MANAGEMENT	CONSISTENCY/ FAIRNESS	ERISA	TAXABLE INCOME	COMPARABILITY	CODE CHANGES	OTHER
5	**TLC Plan** (everyone in TLC)	Potential cost savings.	Risk placed on TLC. Non-LODA participants subsidize LODA beneficiaries. Unknown risk based on group size.	Conflicts with state program eligibility defined by Code.	Disruption of current coverage.	Consistent coverage for beneficiaries.	ERISA exemption at risk due to volunteer eligibility.	Premium amount is taxable income to volunteers. Question as to whether tax based on premium paid or services used.	Not necessarily comparable to pre-disability coverage. As plans evolve, expands the problem.	Change eligibility and comparability provisions.	Unknown eligibility issues due to different status of beneficiaries.
6	**Other Available Employer-Subsidized Coverage** (e.g. spouse's plan)	Potential cost savings per JLARC study.	Risk is place outside of LODA costs.	Significant administrative burden to track and reimburse for multiple employer plans.	Probable disruption of coverage.	Inconsistent value of benefits.	No ERISA exemption risk to state or local plans.	Premium amount is taxable income to volunteers. Question as to whether tax based on premium paid or services used. Possible tax issue when reimbursing premium for a pre-tax premium.	Comparability issues remain a problem.	Add requirement to LODA.	Leaves open requirements for those without other employer coverage. Could violate Va. Human Rights Act §2.2-3900 due to discrimination based on marital status.
7	**Fixed Dollar Benefit** (everyone receives same dollar amount in lieu of health coverage)	Flat cost to LODA fund or employer. Not a reimbursement.	No claims experience risk to LODA.	Simplest administration. May need to issue 1099 if not specifically designated for health plan coverage.	Significant disruption.	Consistent value of benefit.	No ERISA issues.	A flat benefit amount may be taxable as income.	No comparability based on current requirement.	Remove comparability requirement. Amend LODA to reflect benefit change.	Responsibility to obtain health coverage place on beneficiary.
8	**Fixed Dollar Benefit - Factor-Based** (everyone with same factor receives same dollar amount in lieu of health coverage)	Flat cost to LODA fund or employer. Not a reimbursement.	No claims experience risk to LODA.	Simple administration. May need to issue 1099 if not specifically designated for health plan coverage.	Significant disruption.	Value of benefit may vary based on such things as specific type of plan or membership level.	No ERISA issues.	A flat benefit amount may be taxable as income.	No comparability based on current requirement.	Remove comparability requirement. Amend LODA to reflect benefit change.	Responsibility to obtain health coverage place on beneficiary. Flat amount based on demographic factors (e.g. age) could be viewed as discriminatory.

LINE OF DUTY - HEALTH PLAN OPTIONS

	HEALTH PLAN OPTION	COST	RISK MANAGEMENT	ADMINISTRATION	CHANGE MANAGEMENT	CONSISTENCY/ FAIRNESS	ERISA	TAXABLE INCOME	COMPARABILITY	CODE CHANGES	OTHER
9	**Fixed Dollar Reimbursement** (everyone is reimbursed for actual cost of health coverage that they select)	Cost limited to premium.	No claims experience risk to LODA. Risk of significant penalty/excise tax if any active employees reimburse, creating an employer payment plan non-compliant with ACA.	Unknown.	Significant disruption.	Consistent value of benefit.	ERISA exemption at risk due to volunteer eligibility. Reimbursement of premiums is a group health plan, so ERISA concerns apply	Premium amount is taxable income to volunteers. Question as to whether tax based on premium paid or services used. Possible tax issue when reimbursing premium for a pre-tax premium.	No comparability based on current requirement.	Remove comparability requirement. Amend LODA to reflect benefit change.	Former employees lose eligibility for Exchange subsidies.
10	**Healthcare.gov Exchange** (everyone receives designated coverage through public exchange)	Cost limited to premium.	No claims experience risk to LODA. Risk of significant penalty/excise tax if any active employees reimburse, creating an employer payment plan non-compliant with ACA.	Unknown.	Significant disruption.	Consistent value of benefit.	ERISA exemption at risk due to volunteer eligibility. Reimbursement of premiums is for group health plans, so ERISA concerns apply.	Premium amount is taxable income to volunteers. Question as to whether tax based on premium paid or services used. Possible tax issue when reimbursing premium for a pre-tax premium.	No comparability based on current requirement.	Remove comparability requirement. Amend LODA to reflect benefit change.	Former employees lose eligibility for Exchange subsidies.
11	**Private Exchange** (everyone receives coverage through private exchange)	Could be insured or self-insured, but availability of insured plan TBD. Cost consistent, based on group experience.	Exchange incurs risk if insured. LODA incurs risk if self-insured.	Unknown.	Significant disruption.	Consistent value of benefit.	No ERISA exemption loss for state or local plans. OAG recommends no ERISA exemption due to inclusion of volunteers. Exchange may administer ERISA requirements.	Premium amount is taxable income to volunteers. Question as to whether tax based on premium paid or services used. Possible tax issue when reimbursing premium for a pre-tax premium.	No comparability based on current requirement.	Remove comparability requirement. Amend LODA to reflect benefit change.	Must be ACA compliant, which is probably not an issue. Actuarially-determined line of credit needed.

LINE OF DUTY - HEALTH PLAN OPTIONS

	HEALTH PLAN OPTION	COST	RISK MANAGEMENT	ADMINISTRATION	CHANGE MANAGEMENT	CONSISTENCY/ FAIRNESS	ERISA	TAXABLE INCOME	COMPARABILITY	CODE CHANGES	OTHER
12	**Workers' Compensation** (everyone with LODA-related Workers' Compensation receives health coverage under Workers' Comp)	Significant cost savings since most LODA beneficiaries covered by Workers' Comp.	Eliminates claims risk for most beneficiaries.	No administrative burden for Workers' Comp-covered beneficiaries.	Significant disruption.	Assures coverage for Workers' Comp-related illnesses or injuries.	Unknown.	Unknown.	Coverage for non-Workers' Comp beneficiaries needs to be separately addressed.	Amend LODA to reflect benefit change.	Coverage issues for non-Workers' Comp beneficiaries remain. Significant benefit reduction and associated constituent noise.

KEY: Pro Con Pro and Con

Attachment B

Attachment B is a comparison of plan designs for the state plan, TLC and two random local government plans.

2015-16 COMPARISON OF BENEFITS—STATE, TLC & OTHER PLANS

Health Plans	COVA Care	COVA HealthAware	Random Locality Low Member Share	Random Locality High Member Share	COVA HDHP
In-Network Benefits	**You Receive**	**You Receive**	**You Receive**	**You Receive**	**You Receive**
Health Reimbursement Arrangement (HRA) Deposited to your HRA on July 1, 2015	Not available	$600 employee $600 enrolled spouse	Not available	Not available	Not available
In-Network Benefits	**You Pay**	**You Pay**	**You Pay**	**You Pay**	**You Pay**
Deductible – per plan year					
▪One person	$300	$1,500	$0	$4,000*	$1,750
▪Two or more persons	$600	$3,000	$0	$8,000*	$3,500
Out-of-pocket expense limit – per plan year					
▪One person	$1,500	$3,000	$2,500**	$6,600**	$5,000
▪Two or more persons	$3,000	$6,000	$5,000**	$13,200**	$10,000
Doctor's visits					
▪Primary care physician	$25	20% after deductible	$15	$30	20% after deductible
▪Specialist	$40	20% after deductible	$30	$50	20% after deductible
Hospital services					
▪Inpatient	$300 per stay	20% after deductible	$300 per admission/ 20% services	20% after deductible	20% after deductible
▪Outpatient	$125 per visit	20% after deductible	$150 per visit/ 20% services	20% after deductible	20% after deductible
Emergency room visits	$150 per visit (waived if admitted)	20% after deductible	$200 per visit/ 20% services	20% after deductible	20% after deductible
Ambulance travel	20% after deductible	20% after deductible	$150	20% after deductible	20% after deductible
Outpatient diagnostic, laboratory, tests, injections and x-rays	20% after deductible	20% after deductible	20% no deductible	20% after deductible	20% after deductible
Infusion services (includes IV or injected chemotherapy)	20% after deductible	20% after deductible	20% no deductible	20% after deductible	20% after deductible
Outpatient therapy visits					
▪Occupational, and speech therapy	$25 PCP/$35 specialist	20% after deductible	$15/$30	20% after deductible	20% after deductible
▪Physical therapy	$15	20% after deductible	$15/$30	20% after deductible	20% after deductible
▪Chiropractic (30-visit plan year limit per member)	$35	20% after deductible	$15/$30	$25	20% after deductible
Applied behavior analysis (ABA) for autism autism spectrum disorder—ages 2 thr 6	$25 per service	20% after deductible	20% no deductible	20% after deductible	20% after deductible
Behavioral health					
▪Medical and non-medical professional visits	$25	20% after deductible	$15	$30	20% after deductible
▪Inpatient residential treatment	$300 per stay	20% after deductible	$300/20%	20% after deductible	20% after deductible
▪Intensive outpatient treatment (IOP)	$125 per episode	20% after deductible	20% no deductible	20% after deductible	20% after deductible
Employee Assistance Program (EAP) Up to 4 visits per incident	$0	$0	$0	$0	$0
Prescription drugs – mandatory generic **Retail Pharmacy**	*Up to 34-day supply* $15/$30/$45/$55	*Up to 34-day supply* 20% after deductible	*Up to 34-day supply* $10/$30/$50/20%	*Up to 34-day supply* $10/$30/$50/20%	*Up to 34-day supply* 20% after deductible
Home Delivery Pharmacy	*Up to 90-day supply* $30/ $60/$90/$110	*Up to 90-day supply* 20% after deductible	*Up to 90-day supply* $20/$60/$100/20%	*Up to 90-day supply* $20/$60/$100/20%	*Up to 90-day supply* 20% after deductible
Dental Services ▪Diagnostic and preventive	$0	$0	Not applicable***	Not applicable***	$0
Annual Routine Vision Exam	Not available	$0	$15	$15	Not available
Annual Routine Hearing Exam	Not available	$0	Not applicable ***	Not applicable***	Not available

*Embedded deductible— the entire deductible must be satisfied before coverage can begin for any individual family member. **Embedded out-of-pocket—the entire out-of-pocket maximum must be satisfied before the family has satisfied the out-of-pocket limit. Deductibles are included in the out-of-pocket maximum amounts. ***Available through optional riders, depending on group size, or through a stand alone plan not part of the respective medical plan (dental, for example).

2015-16 COMPARISON OF BENEFITS—STATE, TLC & OTHER PLANS

The Local Choice Health Plans	Key Advantage 250	Key Advantage 500	Key Advantage 1000	Key Advantage Expanded
In-Network Benefits	**You Receive**	**You Receive**	**You Receive**	**You Receive**
Health Reimbursement Arrangement (HRA) Deposited to your HRA on July 1, 2015	Not available	Not available	Not available	Not available
In-Network Benefits	**You Pay**	**You Pay**	**You Pay**	**You Pay**
Deductible – per plan year ▪One person ▪Two or more persons	 $250 $500	 $500 $1,000	 $1,000 $2,000	 $100 $200
Out-of-pocket expense limit – per plan year ▪One person ▪Two or more persons	 $3,000 $6,000	 $4,000 $8,000	 $5,000 $10,000	 $2,000 $4,000
Doctor's visits ▪Primary care physician ▪Specialist	 $20 $35	 $25 $40	 $25 $40	 $15 $25
Hospital services ▪Inpatient ▪Outpatient	 $300 per stay $150 per visit	 20% after deductible 20% after deductible	 20% after deductible 20% after deductible	 $200 $100
Emergency room visits	$150 per visit (waived if admitted)	20% after deductible	20% after deductible	$100 (waived if admitted)
Ambulance travel	20% after deductible	20% after deductible	20% after deductible	20% after deductible
Outpatient diagnostic, laboratory, tests, injections and x-rays	10% after deductible	20% after deductible	20% after deductible	10%, no deductible
Infusion services (includes IV or Injected chemotherapy)	10% after deductible	20% after deductible	20% after deductible	10% after deductible
Outpatient therapy visits ▪Occupational and speech therapy ▪Physical therapy ▪Chiropractic (30-visit plan year limit per member)	 10% after deductible 10% after deductible $20/$35	 20% after deductible 20% after deductible $25/$40	 20% after deductible 20% after deductible $25/$40	 10% after deductible 10% after deductible $15/$25
Applied behavior analysis (ABA) for autism spectrum disorder—ages 2 through 6	Determined by services received	Determined by services received	Determined by services received	Determined by services received
Behavioral health ▪Medical and non-medical professional visits ▪Inpatient residential treatment ▪Intensive outpatient treatment (IOP)	 $20/$35 $300 per stay $150 per episode of care	 20% after deductible 20% after deductible 20% after deductible	 20% after deductible 20% after deductible 20% after deductible	 $15 $200 per stay $100 per episode of care
Employee Assistance Program (EAP) Up to 4 visits per incident	$0	$0	$0	$0
Prescription drugs – mandatory generic **Retail Pharmacy**	*Up to 34-day supply* $10/$3/$45/$55	*Up to 34-day supply* $10/$30/$45/$55	*Up to 34-day supply* $10/$30/$45/$55	*Up to 34-day supply* $10/$30/$45/$55
Home Delivery Pharmacy	*Up to 90-day supply* $20/$60/$90/$110	*Up to 90-day supply* $20/$60/$90/$110	*Up to 90-day supply* $20/$60/$90/$110	*Up to 90-day supply* $20/$60/$90/$110
Dental Services ▪Diagnostic and preventive	$0	$0	$0	$0
Annual Routine Vision Exam	$35	$40	$40	$25
Annual Routine Hearing Exam	Not available	Not available	Not available	Not available

2015–16 COMPARISON OF BENEFITS—STATE,TLC&OTHER PLANS

Health Plans In-Network Benefits	COVA Care You Pay	COVA HealthAware You Pay	Random Locality Low Member Share	Random Locality High Member Share	COVA HDHP You Pay
Wellness & preventive services	$0	$0	$0		$0
	Office visits at specified intervals, immunizations, lab and x-rays *Annual check-up visit (primary care physician or specialist), immunizations, lab and x-rays* *Routine gynecological exam, Pap test, mammography screening, prostate exam (digital rectal exam), prostate specific antigen (PSA) test, and colorectal cancer screening*				
Expanded Dental •Maximum benefit – per member •Deductible •Primary (basic) care •Complex restorative (inlays, onlays, crowns, dentures, bridgework) •Orthodontic --Lifetime maximum benefit	***Optional Benefit*:*** $2,000 $50/$100/$150 20% after deductible 50% after deductible 50% no deductible $2,000	***Optional Benefit*:*** $2,000 $50/$100/$150 20% after deductible 50% after deductible 50% no deductible $2,000	Not applicable***	Not applicable***	***Optional Benefit*:*** $2,000 $50/$100/$150 20% after deductible 50% after deductible 50% no deductible $2,000
Routine Vision (*once every plan year*) •Routine eye exam	***Optional Benefit* :*** $40	***Optional Benefit*:*** Included in basic plan	Not applicable***	Not applicable***	Not available
•Eyeglass frames •Lenses --Eyeglass lenses (*standard plastic, single, bifocal or trifocal*) or --Contact lenses – •Conventional**or disposable** after plan pays $100 •Non-elective**	20% off balance after plan pays first $100 $20 15% off balance after plan pays $100 Balance after plan pays $250	20% off balance after plan pays first $100 $20 15% off balance after plan pays $100 Balance after plan pays $250	Not applicable***	Not applicable***	Not available
Routine Hearing •Routine hearing exam •Hearing aids and other hearing-aid related services •Benefit maximum	***Optional Benefit*:*** $40 (once every plan year) Balance after plan pays $1,200 $1,200	Included in basic plan (once every plan year) Not available	Not applicable***	Not applicable***	Not available
Out-of-Network	***Optional Benefit*:*** Plan payment reduced by 25%. Provider may balance bill for amount above allowable charge.	***Included in Basic Plan:*** Additional deductible and out-of-pocket limits apply. 40% coinsurance after Deductible. Provider may balance bill for amount above allowable charge.	*Deductible:* $400/$800 *Out-of-pocket Maximum:* $4,250/$8,500 *Coinsurance:* 30% after deductible.	*Deductible:* $6,500/$13,000 *Out-of-pocket Maximum:* $9,500/$19,000 *Coinsurance:* 40% after Deductible.	Not available except in an emergency

*Options are offered for an additional premium, and may be purchased in combinations as shown on the monthly premiums chart. **Elective contact lenses are in lieu of eyeglass lenses. Non-elective lenses are covered when eyeglasses are not an option for vision correction. ***Available either through optional riders, depending on group size, or through a stand alone plan not part of the respective medical plan (dental, for example).

This is only an overview of your health care benefits. For details, see the appropriate Member Handbook or plan document, or ***www.dhrm.virginia.gov***.

2015-16 COMPARISON OF BENEFITS—STATE,TLC & OTHER PLANS

The Local Choice Health Plans In-Network Benefits	Key Advantage 250 You Pay	Key Advantage 500 You Pay	Key Advantage 1000 You Pay	Key Advantage Expanded You Pay
Wellness & preventive services	$0	$0	$0	$0
	Office visits at specified intervals, immunizations, lab and x-rays *Annual check-up visit (primary care physician or specialist), immunizations, lab and x-rays* *Routine gynecological exam, Pap test, mammography screening, prostate exam (digital rectal exam), prostate specific antigen (PSA) test, and colorectal cancer screening*			
Expanded Dental				
•Maximum benefit – per member	$1,500	$1,500	$1,500	$1,500
•Deductible	$25/$50/$75	$25/$50/$75	$25/$50/$75	$25/$50/$75
•Primary (basic) care	20% after deductible	20% after deductible	20% after deductible	20% after deductible
•Complex restorative (inlays, onlays, crowns, dentures, bridgework)	50% after deductible	50% after deductible	50% after deductible	50% after deductible
•Orthodontic	50% no deductible	50% no deductible	50% no deductible	50% no deductible
--Lifetime maximum benefit	$1,500	$1,500	$1,500	$1,500
Routine Vision (*once every 12 months*)				
•Routine eye exam	$35	$40	$40	$25
•Eyeglass frames	20% off balance after plan pays first $100	20% off balance after plan pays first $100	20% off balance after plan pays first $100	20% off balance after plan pays first $100
•Lenses				
--Eyeglass lenses (*standard plastic, single, bifocal or trifocal*) or	$20	$20	$20	$20
--Contact lenses –				
•Conventional**or disposable**	15% off balance after plan pays $100	15% off balance after plan pays $100	15% off balance after plan pays $100	15% off balance after plan pays $100
•Non-elective**	Balance after plan pays $250	Balance after plan pays $250	Balance after plan pays $250	Balance after plan pays $250
Routine Hearing	Not available	Not available	Not available	Not available
Out-of-Network	Additional deductible and out-of-pocket limits apply. 30% coinsurance after deductible. Provider may balance bill for amount above allowable charge.	Additional deductible and out-of-pocket limits apply. 30% coinsurance after deductible. Provider may balance bill for amount above allowable charge.	Additional deductible and out-of-pocket limits apply. 30% coinsurance after deductible. Provider may balance bill for amount above allowable charge.	Additional deductible and out-of-pocket limits apply. 30% coinsurance after deductible. Provider may balance bill for amount above allowable charge.

*Options are offered for an additional premium, and may be purchased in combinations as shown on the monthly premiums chart.
**Elective contact lenses are in lieu of eyeglass lenses. Non-elective lenses are covered when eyeglasses are not an option for vision correction.

This is only an overview of your health care benefits. For details, see the appropriate Member Handbook or plan document, or visit The Local Choice web-site at ***www.thelocalchoice.virginia.gov***.

Attachment C

Attachment C is a comparison of premiums for the State, TLC and two random local government plans.

Commonwealth of Virginia, The Local Choice & Other Plans

Health Benefits Monthly Premiums

FY 2015-2016

State Health Plans	EMPLOYEE/EMPLOYER 7/1/15-6/30/16			
COVA HDHP (High Deductible Health Plan) – *administered by Anthem*	*Single*	*Dual*	*Family*	
•COVA HDHP *(basic plan)*	$0/$465	$0/$864	$0/$1262	
•COVA HDHP with Expanded Dental	$26/$465	$51/$864	$77/$1262	
COVA Care – *administered by Anthem*				
• COVA Care *(basic plan)*	$76/$543	$175/$973	$235/$1427	
• COVA Care with Out-of-Network	$91/$543	$195/$973	$263/$1427	
• COVA Care with Expanded Dental	$103/$543	$226/$973	$313/$1427	
• COVA Care with Out-of-Network and Expanded Dental	$118/$543	$246/$973	$341/$1427	
• COVA Care with Vision, Hearing and Expanded Dental	$119/$543	$253/$973	$349/$1427	
• COVA Care with Out-of-Network, Vision, Hearing and Expanded Dental	$134/$543	$273/$973	$377/$1427	
COVA HealthAware – *administered by Aetna*				
•COVA HealthAware *(basic plan)*	$23/$543	$78/$973	$90/$1427	
•COVA HealthAware with Expanded Dental	$49/$543	$129/$973	$167/$1427	
•COVA HealthAware with Expanded Dental and Vision	$58/$543	$144/$973	$187/$1427	

Other Plans	EMPLOYEE/EMPLOYER 7/1/15-6/30/16			
	Single	*Dual/ Spouse*	*Child/ Children*	*Family*
Random Locality – Low Member Share (Rich Benefits Plan)	$0/$746	$820/$746	$331/$713	$1044/$1044
Random Locality – Higher Member Share (Not As Rich Benefits Plan)	$8/$521	$672/$521	$309/$521	$799/$521

The Local Choice Health Plans – *administered by Anthem*	**EMPLOYER/EMPLOYEE PREMIUMS 7/1/15-6/30/16**
Key Advantage 250	**Experience rated by group**
Key Advantage 500	**Experience rated by group**
Key Advantage 1000	**Experience rated by group**
Key Advantage Expanded	**Experience rated by group**
TLC HDHP	**Experience rated by group**