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Plan Year 2015 Rates and Plan Design

April 3, 2014



Topics

- **Background:**
 - **Rate Components**
 - **Rate Structure**
 - **Enrollment Assumptions**
 - **State Subsidy allocation**
 - **Plan Design Change Overview**
 - **HSA/HRA Contributions**
- **Excess Reserve Assumptions and Previous Board Commitments**



Topics

- **Southern HMO Plan Design Options**
- **Northern HMO Plan Design Options**
- **HMO Blending**
- **CDHP Trend Options**
- **Life Insurance Options**
- **Board Decisions on Usage of Excess Reserves**
 - Additional subsidies
 - Additional HSA/HRA contributions
 - Other
- **Final Rate Card Approval**



Rate Components

- **Base rates – cover CDHP claims or HMO premiums;**
 - “Break-even” rates
 - “Loaded” for Administrative Costs
- **Use Excess Reserves to decrease rates;**
- **HMO blending adjustment for prior year actual enrollment;**
- **HSA/HRA contributions;**
- **Decreasing participant contributions without increasing State subsidies;**



Rate Components (Continued)

- **Participant Subsidization components**
 - Base plan participant subsidization percentage;
 - Differential subsidy from the CDHP to the HMOs;
 - Differential subsidy from participant to dependents.
- **Attachment A shows rates for the CDHP at Aon's proposed trend (6%) and HMO plans with their current benefits compared to PY 2014 rates.**
 - For illustrative purposes only
 - Final rate tables will be produced for Board review after plan and rate decisions are made



Rate Structure

- **Effective for PY 2012 (7/1/11)**
 - Participant Only = \$X
 - Participant + Spouse = \$2X
 - Participant + Child(ren) = \$X + \$Y
 - Participant + Family = \$2X + \$Y
 - \$X = Average cost of an Adult
 - \$Y = Average composite cost of Children
- **Prior, rates were actual cost of each individual tier**
 - Variations in utilization led to different increases in each tier
 - Resulted in the anomaly that P+S were more expensive than P+F (When a child aged out of coverage, your rate increased)
 - Required “Supplemental Subsidies” to offset the increase resulting from the poor experience of individual tiers



Enrollment Assumptions

- **Average enrollment based on past 48 months plus any known changes**
 - Increase in Number of State Employee Positions
 - No new non-state retirees (SB 544 (2007))
 - Average monthly decrease of 30 non-state non-Medicare retirees with average of 15 added to Medicare Exchange
- **No significant migration to/from HMO/CDHP**
- **No significant changes to dependents of non-Exchange Medicare aged retirees**
- **Used to allocate fixed expenses**



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Enrollment

	July 1, 2012 (Actual)	July 1, 2013 (Actual)	Mar 1, 2014 (Actual)	FY 2015 (Projected)
State				
Actives	23,175	23,209	23,794	23,950
Early Retirees	3,400	3,377	3,293	3,356
Medicare Retirees	5,256	5,593	5,908	6,076
	31,831	32,179	32,995	33,382
Non-State				
Actives	98	12	13	6
Early Retirees	3,545	2,950	2,466	2,067
Medicare Retirees	4,624	4,946	5,159	5,302
	8,267	7,908	7,638	7,375
Total	40,098	40,087	40,633	40,757
Increase		-0.0%	1.4%	0.3%



State Subsidies

- **Staff Used January 2013 Board Duties, Policies and Procedures rate setting appendix**
 1. Northern and southern HMOs blended to a single statewide rate.
 2. Rate blending variance caused by a difference from estimated to actual HMO enrollment in the current plan year added to or subtracted from HMO rates in the subsequent plan year.
 3. Base CDHP plan subsidy percentage for primary active employee = 93%.
 4. Base CDHP plan subsidy percentage for the primary retiree = 64%.
 5. Subsidy percentages for the primary insured in the HMO plans = base subsidy percentages for the primary insured in the CDHP plan less 15%.
 6. Subsidy percentages for dependents = subsidy percentages for the primary insured in each plan less 20%.



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State Subsidy %

	Plan Year 2013		Plan Year 2014		Plan Year 2015	
	Actual		Actual		Base	
	CDHP	HMO	CDHP	HMO	CDHP	HMO
Active Primary	93%	78%	93%	79.9%	93%	78%
Active Dependent	73%	58%	73%	58.8%-61.4%	73%	58%
Retiree Primary	64%	49%	64%	53.2%	64%	49%
Retiree Dependent	44%	29%	44%	31.6%-35.9%	44%	29%



Plan Design Changes Approved by the PEBP Board

On November 21, 2013, the PEBP Board approved the following plan design changes effective July 1, 2014:

- 1. For the Consumer Driven Health Plan, lowered the deductible from \$1,900 for an individual and \$3,800 for a family to \$1,500 individual and \$3,000 family.**
- 2. For the Consumer Driven Health Plan, an increase in the amount of co-insurance paid by the plan from 75% to 80% after the deductible is met.**
- 3. For the Consumer Driven Health Plan, added one annual vision examination per individual paid at 100% not subject to deductible or co-insurance.**
- 4. For the dental plan, increased the annual maximum benefit per member from \$1,000 to \$1,500.**



HSA/HRA Contributions

- **Base**
 - **\$700 for Primary Participant**
 - **\$200 for each dependent to a maximum of 3**
- **Base HSA/HRA contribution table for PY 2015**

	CDHP HSA	CDHP HRA	Exchange HRA	Total
State Employee	\$9.7	\$3.3	\$0.0	\$13.0
State Retiree	\$0.0	\$2.2	\$12.4	\$14.6
Non-State Employee	\$0.0	\$0.0	\$0.0	\$0.0
Non-State Retiree	\$0.0	\$0.9	\$11.8	\$12.7
Total	\$9.7	\$6.4	\$24.2	\$40.3

(\$ in millions)



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Reserves

Projected Balance Available as of June 30,
 2014 after accounting for all FY 2014
 Revenues and Expenses:

175,181,854

Less Reserves for Known Liabilities:

IBNR (40,700,000)

Catastrophic Reserve (28,100,000)

HRA Reserve (22,105,043)

Affordable Care Act Taxes (1,344,010)

Reserves in Excess of those required to fund
 known liabilities:

82,932,801

Less Amounts Previously Committed by the
 Board for Plan Year 2015:

Additional Medicare HRA Contributions (4,393,084)

Additional \$400 HSA/HRA contribution per
 Primary CDHP Participant (7,642,000)

Additional \$100 HSA/HRA contribution per
 CDHP Dependent (1,362,400)

Wellness Incentives (5,877,151)

Part B Premium Credits (1,060,000)

Increasing CDHP Co-Insurance to 80% (1,499,000)

Increasing Dental Maximum to \$1,500 (3,206,000)

Adding CDHP annual vision exam (1,270,000)

Reducing CDHP deductible to
 \$1,500/\$3,000 (2,062,000)

Amount Remaining Available as of June 30,
 2014:

54,561,166



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Health Plan of Nevada – Southern Nevada HMO

Co-Payment	Current	Option 1	Hometown Health
Specialist Office Visit	\$15	\$25	\$45
Urgent Care	\$15	\$30	\$50
Emergency Room	\$75	\$150	\$300
In-Patient Hospitalization	\$200	\$300	\$1,500
Physician Extender/Assistant	New	\$5	N/A
Telemedicine Visit	New	\$5	N/A

Rates

State	Renewal	Renewal	Current HPN Rate
Participant Only	\$438.83	\$425.83	\$405.78
Participant + Spouse	\$877.65	\$851.65	\$811.55
Participant + Children	\$767.93	\$745.18	\$710.10
Participant + Family	\$1,206.31	\$1,170.58	\$1,115.47
Increase Percent from Current	8.14%	4.94%	

Non-State	Renewal	Renewal	Current HPN Rate
Participant Only	\$502.74	\$487.85	\$461.48
Participant + Spouse	\$1,005.48	\$975.69	\$922.96
Participant + Children	\$879.80	\$853.74	\$807.60
Participant + Family	\$1,382.54	\$1,341.58	\$1,269.08
Increase Percent from Current	8.94%	5.71%	

Does the Board wish to use the existing plan design or the Option 1 plan design for HPN for PY 2015?



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Hometown Health Plan – Northern Nevada HMO

Co-Payment	Current	Option 1	Option 2	Option 3	Option 4	HPN
Out-Patient Surgery	\$1,000	\$350	\$350	\$250	\$250	\$50
In-Patient Hospitalization	\$1,500	\$1,000	\$500	\$1,000	\$500	\$200

Rates

State	Renewal	Renewal	Renewal	Renewal	Renewal	Current HHP Rate
Participant Only	\$786.38	\$817.05	\$824.91	\$820.19	\$828.06	\$786.38
Participant + Spouse	\$1,572.75	\$1,634.09	\$1,649.81	\$1,640.38	\$1,656.11	\$1,572.75
Participant + Children	\$1,022.29	\$1,062.16	\$1,072.38	\$1,066.25	\$1,076.47	\$1,022.29
Participant + Family	\$1,808.67	\$1,879.21	\$1,897.29	\$1,886.44	\$1,904.53	\$1,808.67
Increase Percent from Current	0.00%	3.90%	4.90%	4.30%	5.30%	

Non-State	Renewal	Renewal	Renewal	Renewal	Renewal	Current HHP Rate
Participant Only	\$903.20	\$938.42	\$947.46	\$942.04	\$951.07	\$903.20
Participant + Spouse	\$1,806.41	\$1,876.86	\$1,894.92	\$1,884.09	\$1,902.15	\$1,806.41
Participant + Children	\$1,174.16	\$1,219.95	\$1,231.69	\$1,224.65	\$1,236.39	\$1,174.16
Participant + Family	\$2,077.38	\$2,158.40	\$2,179.17	\$2,166.71	\$2,187.48	\$2,077.38
Increase Percent from Current	0.00%	3.90%	4.90%	4.30%	5.30%	

Does the Board wish to use the existing plan design or the Option 1, 2, 3 or 4 plan design for HHP for PY 2015?

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HMO Rate Blending

- **Current Method**
 - Individual Premiums
 - Weighted by projected Enrollment by Tier
 - Combined Single Rate
 - Creates a “Rate Variance”
 - \$66/\$92 per month 2012
 - \$30/\$39 per month 2013
 - \$4/\$3 per month 2014
- **Alternate Method**
 - Calculate Employee/Retiree contribution based on Current Method
 - Apply to Individual Premiums and Revise State Subsidy accordingly
 - State EE/RE only



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HMO Rate Blending

Rates

State	HHP	HPN	Blended
Participant Only	\$786.38	\$438.83	\$650.90
Participant + Spouse	\$1,572.75	\$877.65	\$1,301.80
Participant + Children	\$1,022.29	\$767.93	\$957.36
Participant + Family	\$1,808.67	\$1,206.31	\$1,608.26

Non-State	HHP	HPN	Blended
Participant Only	\$903.20	\$502.74	\$687.40
Participant + Spouse	\$1,806.41	\$1,005.48	\$1,374.80
Participant + Children	\$1,174.16	\$879.80	\$1,042.48
Participant + Family	\$2,077.38	\$1,382.54	\$1,729.88

Does the Board wish to continue blending HMO premiums using the current methodology, revise the HMO blending methodology to the Alternative blending method or eliminate the blending of HMO premiums altogether?



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Consumer Driven Health Plan Trend

	Option 1	Option 2	Option 3
Trend Increase Medical/Rx	6%	3%	0%
Trend Increase Dental	4%	2%	0%

Rates

State	Current	Renewal	Renewal	Renewal
Participant Only	\$494.12	\$436.03	\$417.38	\$399.04
Participant + Spouse	\$988.23	\$872.08	\$834.78	\$798.10
Participant + Children	\$669.94	\$587.48	\$562.47	\$537.87
Participant + Family	\$1,164.05	\$1,023.53	\$979.86	\$936.93
Change from Current		-12.0%	-15.7%	-19.4%

Non-State	Current	Renewal	Renewal	Renewal
Participant Only	\$903.88	\$807.90	\$772.62	\$737.97
Participant + Spouse	\$1,807.79	\$1,615.79	\$1,545.24	\$1,475.93
Participant + Children	\$1,610.14	\$1,496.00	\$1,430.61	\$1,366.37
Participant + Family	\$2,514.02	\$2,303.90	\$2,203.23	\$2,104.34
Change from Current		-9.2%	-13.1%	-17.0%

Difference in Revenue from Option 1	- \$6,100,000	- \$11,900,000
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Does the Board wish to use Option 1, 2 or 3 for the trend increase for the CDHP and dental plans for PY 2015?



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Standard Life Insurance

	Current	Option 1
Employee	\$10,000	\$20,000
Retiree	\$5,000	\$10,000

State

	Rate	Rate
Employee	\$5.66	\$11.32
Retiree	\$2.83	\$5.66
Employee Count	23,768	23,768
Retiree Count	9,420	9,420
Total	\$1,934,225.76	\$3,868,451.52
Difference		\$1,934,225.76

Non-State	Rate	Rate
Employee	\$5.66	\$11.32
Retiree	\$2.83	\$5.66
Employee Count	14	14
Retiree Count	7,421	7,421
Total	\$252,968.04	\$505,936.08
Difference		\$252,968.04

Total Cost **\$2,187,193.80**

Does the Board wish to use the existing plan design or the Option 1 plan design for Standard Life Insurance for PY 2015?

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Use of Excess Reserves

- **Available Amount: \$54.6 Million**
 - Use 0% trend for the CDHP – \$5.8 million
 - Increasing Basic Life Insurance – \$2.2 million
 - Keep HMO rates flat – up to \$9.6 million for richest plan
 - Increasing HSA/HRA contributions for CDHP:
 - For primary participants – \$1.9 million per \$100
 - For dependents – \$0.7 million per \$50 (maximum of 3)
 - For Medicare retirees – \$2.2 million per \$1
- **Setting aside funds for Plan Years 2016 and 2017**



Board Actions

- **Does the Board wish to mitigate HMO rate increases, and if so, by how much for:**
 - **State Employees and Retirees?**
 - **Using Excess Reserves or offsetting increases to State Subsidies?**
 - **Non-state Employees and Retirees using Excess Reserves?**
- **Does the Board wish to provide one-time HSA/HRA contributions to CDHP participants above amounts previously approved for PY 2015?**
 - **\$400 per primary**
 - **\$100 per dependent to a maximum of 3**



Board Actions

- **Does the Board wish to provide additional one-time contributions to the Medicare Retiree HRA above the amounts previously approved for PY 15?**
 - **\$2/month/Year of Service at beginning of Plan Year**
- **Does the Board wish to set aside Excess Reserves for use in future Plan Years to mitigate rates and/or provide additional HSA/HRA contributions?**
- **Does the Board wish to use Excess Reserves for any other purpose?**



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Break to set rates



Final Board Approval

- **Rate Cards**
 - Total Rates
 - State Subsidies
 - Participant Contributions
 - Years of Service Adjustments
 - COBRA Participants assessed 102% of normal rates
- **Usage of Excess Reserves, including:**
 - Any increase to HSA/HRA contributions
 - Any funds set aside for allocation in future plan years



Final Board Approval

- **Any revisions to Appendix A of the Board Duties, Policies and Procedures**
 - State Subsidy % for Primary Insured
 - Differential from Base Plan to non-base plans
 - Differential from Primary Insured to Dependents
- **Allow staff to make technical corrections as necessary for:**
 - Rate tables, including Domestic Partner and COBRA
 - AEGIS and REGI distributions