

# Commonwealth of Virginia

## State Health Benefits Program



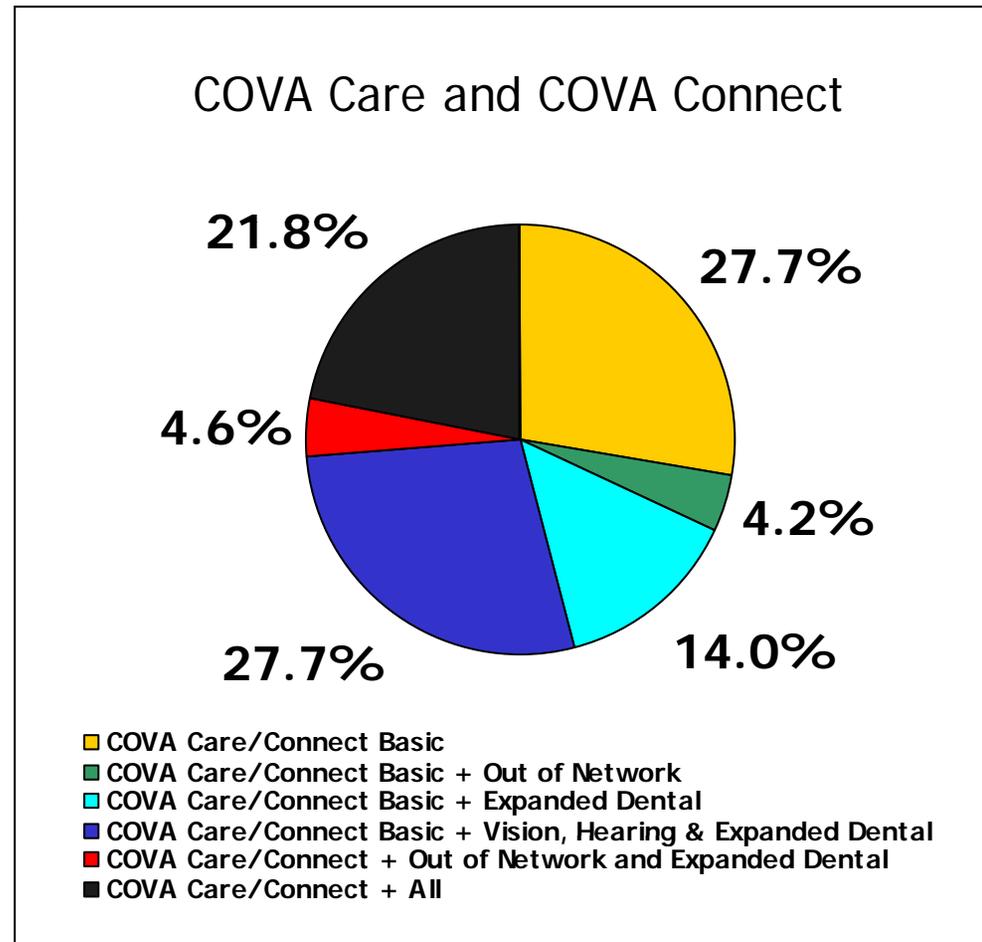
### Department of Human Resource Management

House Appropriations Committee  
General Assembly Building, Richmond, VA  
January 20, 2010



# FY 2010 Enrollment by Plan

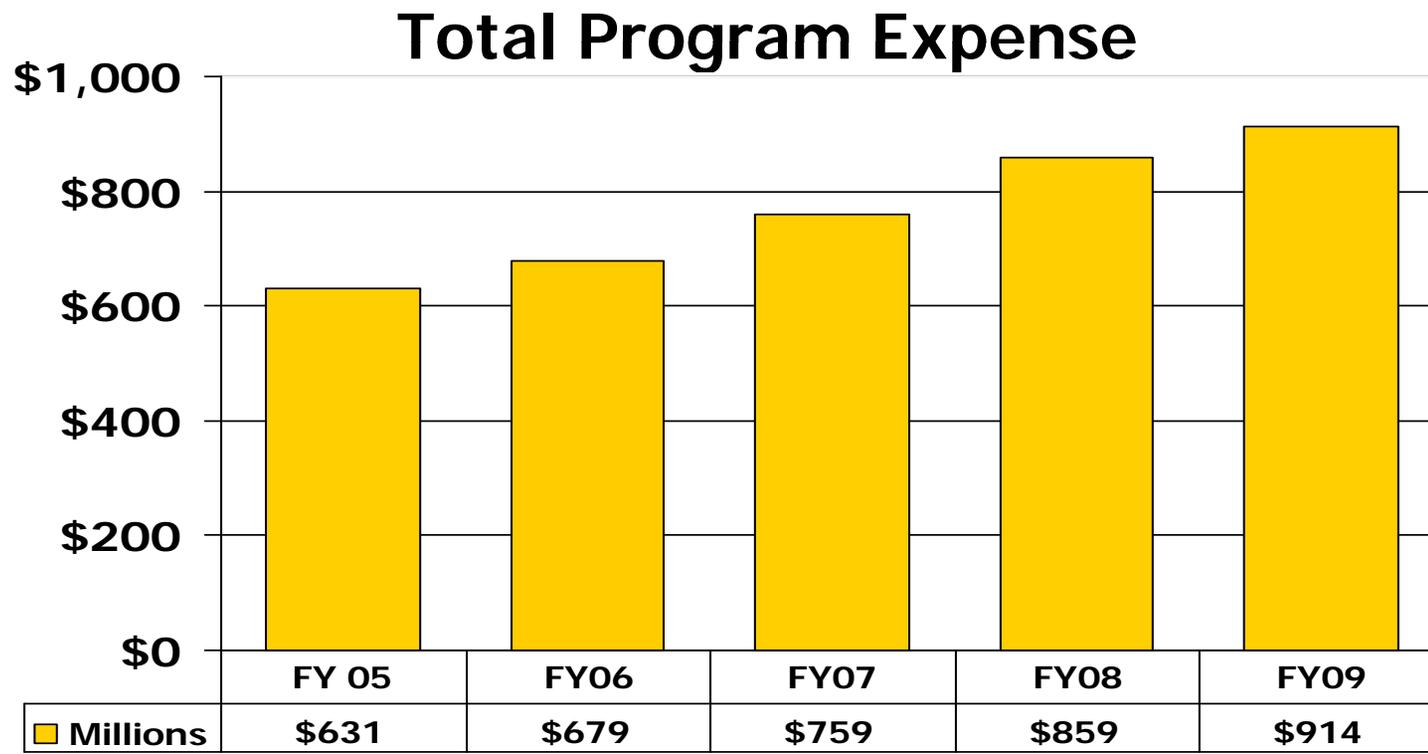
- 103,838 eligible
- 94,669 enrolled in all plans
  - 88% in COVA Care
  - 9% in COVA Connect
  - 2% in Kaiser HMO
  - 1% in COVA HDHP
- 9,169 waived coverage

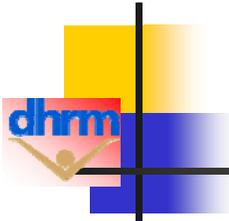




# Cost Trends

- Total program expense increased 6% in FY 09

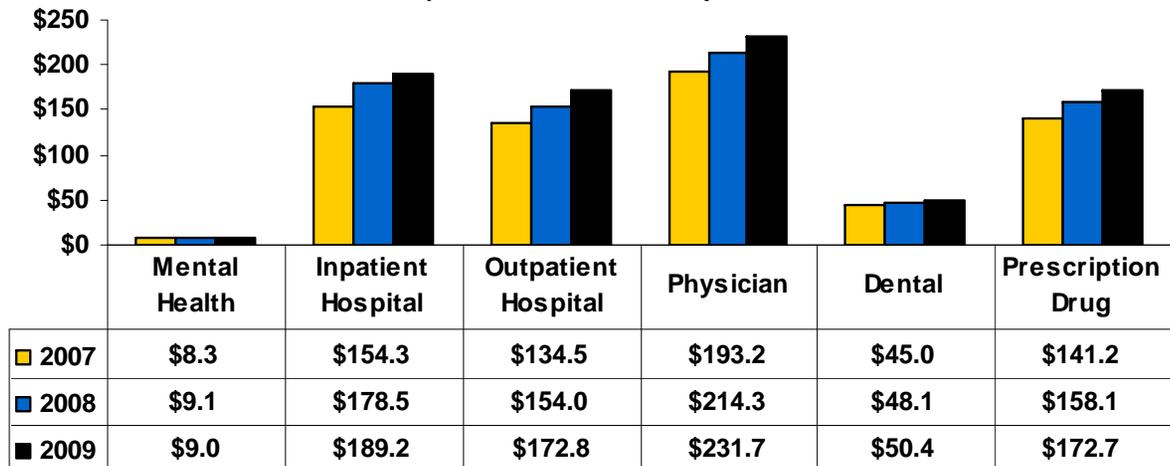


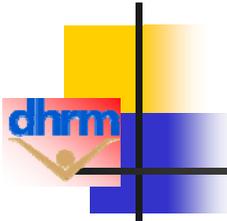


# Claims Expense

- \$825.8 million total claims in FY 09
- 8% increase in FY 09 from prior year

## Total Claims Paid (in Millions)

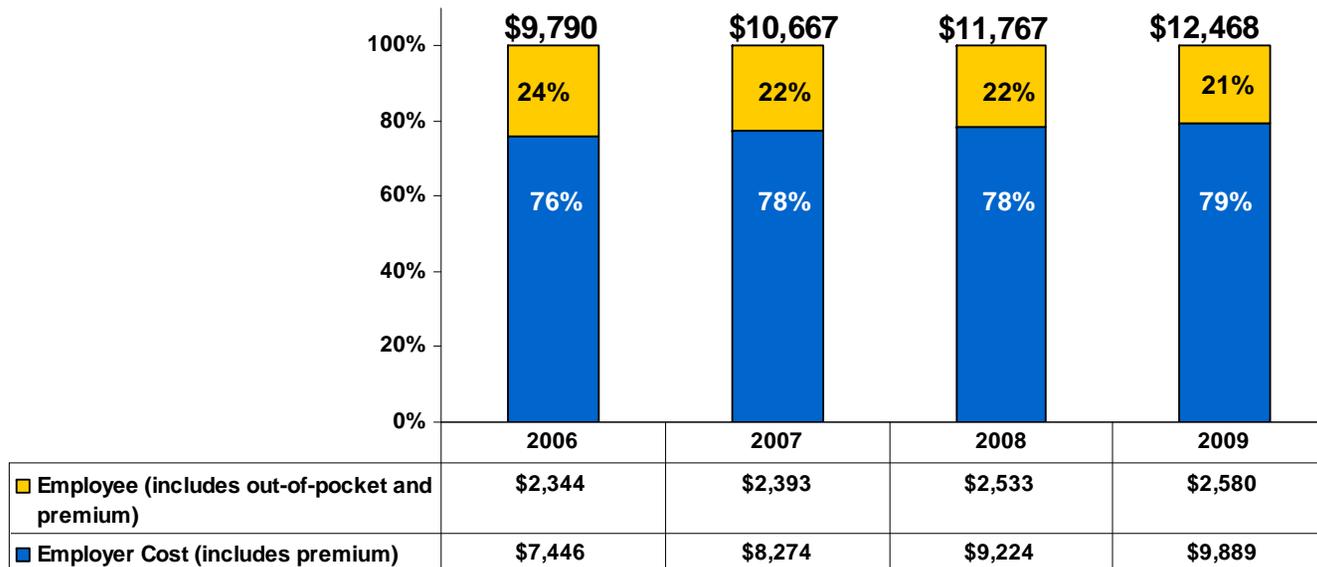




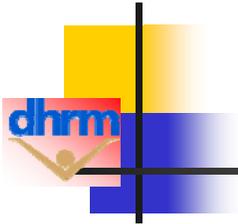
# Cost Per Employee

- \$12,468 total cost per employee in FY 09
- 6% increase in FY 09 from prior year

## Total State Health Benefits Cost Per Employee



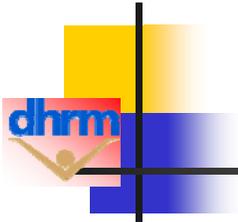
\*Employee contribution to premium varies by dependent coverage. In general, premium represents 12 percent of total employee cost.



# Cost Drivers

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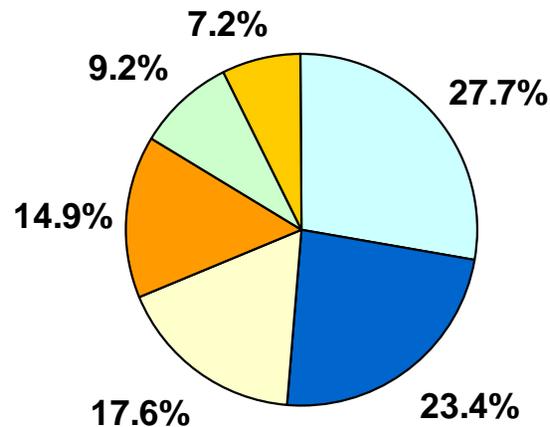
- Pharmacy costs up 9%
- Inpatient facilities costs up 6%
- Outpatient facilities costs up 12%
- Physician costs up 8%
- Average state employee age up from 47.0 to 47.1



# Impact of Lifestyle

- \$159 million in medical claims
- 26.7% of total medical expense

**Lifestyle Related Claims**



□ •Joint Degeneration	■ •Coronary Artery Disease
□ •Hypertension	■ •Diabetes
□ •Hyperlipidemia	■ •GERD



FY 10  
Procurements

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- RFPs awarded 7/1 for third party administrator
  - Medical/surgical – Anthem
  - Prescription drug – Medco
  - Dental – Delta Dental
  - Behavioral health and EAP services – ValueOptions
- PPEA awarded 7/1 to Optima Health
- Medicare Retiree Program in procurement effective 1/1/2011



# FY 10 Dependent Eligibility Audit

- Conducted affidavit model
- AON Consulting mailed 52,000 letters to employees and early retirees in fall 2009
  - Completed 51,500 audits or more than 99%
  - 1,927 were removed from the plan
  - 282 did not respond to audit
    - Gave notice that their coverage is terminated for 3 years beginning February 1, 2010
    - May lift suspension if documentation provided

## FY 10 Plan Changes

# Introduced COVA Connect Pilot

- Public-private partnership launched in Hampton Roads selected zip codes
  - 10 percent of covered employees placed in pilot area
  - Extras added to COVA Connect to engage employees, drive better health outcomes and reduce costs
    - Integrated customer service
    - Data warehouse
    - State-of-the-art technology, including electronic medical records
    - Individual health coaches
- Optima Health administers medical, behavioral health and prescription drug benefits
- Delta Dental administers dental benefits



# FY 10 Plan Design Changes Coverage

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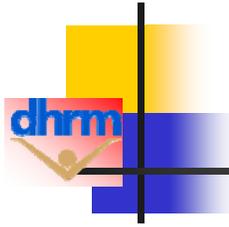
- General Assembly directed progressive weight management program for morbid obesity surgery candidates
- Conducted stakeholder research
  - Focus groups
  - Employee and provider forums
- Pre-education program for surgery candidates will launch on February 15
  - Weight management, disease management and behavioral health components
  - Improve health outcomes
  - More options for employees on obesity issues



# FY 10 Plan Changes

## Out of Pocket Expenses

<b>In-Network Benefits</b>	<b>FY 2009 COVA Care <i>Employee Expense</i></b>	<b>FY 2010 COVA Care &amp; COVA Connect <i>Employee Expense</i></b>
Deductible	\$200/\$400	\$225/\$450
Out-of-pocket expense limit	\$1500/\$3000	\$1500/\$3000
Provider visits <ul style="list-style-type: none"> <li>■ Primary care</li> <li>■ Specialist</li> </ul>	<ul style="list-style-type: none"> <li>■ \$25</li> <li>■ \$35</li> </ul>	<ul style="list-style-type: none"> <li>■ \$25</li> <li>■ \$40</li> </ul>
Emergency room visits	\$100	\$125
Outpatient diagnostic, lab tests, shots and x-rays	10% after deductible	20% after deductible
Prescription drugs	\$15/\$20/\$35	\$15/\$25/\$40/\$50
Routine wellness and preventive care	\$0	\$0



# FY 11 Proposed Plan Design Changes Coverage

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- Eliminate coverage for prescription non-sedating antihistamines (NSAs)
  - Many now available over-the-counter, such as Alavert, Claritin and Zyrtec
- Eliminate coverage for erectile dysfunction (ED) drugs
- Develop Maintenance Network for retail network pharmacy or mail for 90-days of maintenance drugs



# FY 11 Proposed Changes Premium

- 4.1% projected renewal increase, with plan design changes
- HIF still subsidizing premium for FY09 and FY10
- 5.6% premium increase, slows HIF burn-down

Plan	Current Monthly Cost		Proposed Monthly Increase		Proposed Monthly Cost	
	Employee	Employer	Employee	Employer	Employee	Employer
Employee Only	\$41	\$373	\$3	\$20	\$44	\$393
Employee Plus One	\$101	\$664	\$4	\$39	\$105	\$703
Family	\$144	\$974	\$10	\$53	\$154	\$1,027



# FY 11 Proposed Changes

## Health Insurance Fund

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- Since FY09, employee and employer premium increases offset by excess reserves in HIF
- At current “burn-down” rate, anticipate reaching \$100 million reserve target around November 2010
- 23% premium increase needed to bring premium to break-even for FY 11

## FY 11 Proposed Changes



# Eligibility

- Submitted proposed regulation to expand health program eligibility to Other Qualified Adults (OQA)
  - A state employee who does not already enroll a spouse in the health program may enroll one OQA if:
    - the OQA is at least 19 years of age and
    - has shared primary residence with the employee for the previous 12 continuous months.
  - Children of the OQA who otherwise meet eligibility criteria may also be covered
  - All costs of covering the OQA are to be borne by employee



# FY 11 Proposed Changes

## OQA Regulatory Process

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- Stage 1: Notice of Intended Regulatory Action (completed)
  - Submitted to Town Hall on 11/4/09
  - Published by Registrar on 11/23/09
  - Comment period ended 12/23/09
- Stage 2: Proposed Regulations (in process)
  - Submitted to Registrar on 1/12/10
  - Will be published on 2/1/10
  - Public comment period open 2/1/10 – 4/2/10
- Stage 3: Final Regulations
  - Executive Branch review by DPB, SOA and Governor
  - Published in Register
  - 30-day final adoption and public comment period
  - Final regulations effective; OR suspended; OR additional comment period if substantial changes between proposed and final stages