

LOCAL OPTION HEALTH INSURANCE
UPDATE
(2016) SB 364 CHAFIN

VIRGINIA DEPARTMENT OF
HUMAN RESOURCE MANAGEMENT



House Appropriations Committee
October 16, 2017

LOCAL OPTION HEALTH INSURANCE

(2016 SB 364, CHAFIN)

- Amends Va. Code §2.2-1204
- Design as **similar** as possible to **COVA Care** and **COVA HDHP**
- Recognize that initially it is a **higher risk** pool
 - **Voluntary** participation
 - **Multiple employers**
 - **New plan**
- Understand **financial** impact
 - Protect program assets and participants
- Determine **eligibility**
- Consider **timing of certain programs**
- Establish **administrative guidelines**
- Develop **system processes** to facilitate eligibility and claims needs



FINANCIAL PROVISIONS

- **Minimum enrollment** to be viable and sustainable
 - 5,000 employees
 - 10,000 members
- **Self-funded**, just like the state plan
- **Stop loss** to temper unfavorable claim experience and potentially significant rate increases
 - **Individual stop loss** to protect against large individual claims
 - **Aggregate stop loss** to protect against unexpected total claims



ADDITIONAL PROVISIONS

- Requested input from **stakeholders** on various issues
- Webinar participants **voted on six design options** impacting plan stability and actuarial rate setting and overwhelmingly voted to:
 1. Permit **non-Medicare retirees** to provide continuity of coverage
 2. Do **not include total population health program** and possibly add later after the program has more experience
 3. Implement a **minimum participation of 75%** for active eligible employees for each employer to mitigate adverse selection
 4. Implement **minimum employer contributions** to mitigate adverse selection
 5. Require an **initial participation commitment for a 3 year period** and a 1 year waiting period before rejoining to increase program stability
 6. Include an **Adverse Experience Adjustment** and a 3 year lookback period to increase program stability

ELIGIBILITY

- **Employees**
 - local governments
 - schools
 - other political subdivisions eligible to participate in TLC
 - elected officials if eligible to participate in the entity's benefit plans
- **Dependents** of those employees



10/16/2017

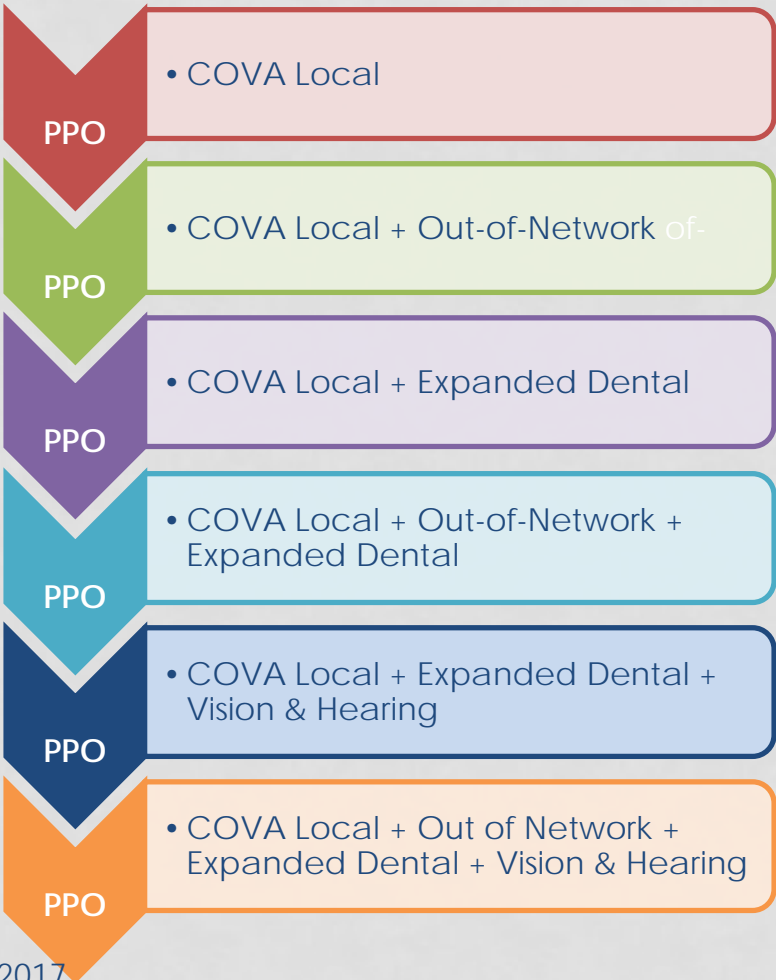


DHRM



PLANS

- Same plans offered to state employees



OUT-OF-POCKET EXPENSES

- Same out-of-pocket expenses as the state employee health plan

State Out-of-Pocket Expenses - FY 2018		
Medical Overview In Network	COVA Care & COVA Local	COVA HDHP & COVA Local HDHP
Deductible - Individual/Family	\$300/\$600	\$1,750 / \$3,500
Coinsurance	20%	20%
OOP	\$1,500 / \$3,000	\$5,000 / \$10,000
PCP	\$25 copay	20% after deductible
Specialist	\$40 copay	20% after deductible
IP Facility	100% after \$300 per admission copay	20% after deductible
OP Facility	100% after \$125 facility visit copay	20% after deductible
Emergency Room	\$150 copay	20% after deductible
Urgent Care	\$40 copay	20% after deductible
Pharmacy In Network		
Generic	\$15 copay	20% after deductible
Preferred Brand	\$30 copay	20% after deductible
Non-Preferred Brand	\$45 copay	20% after deductible
Specialty	\$55 copay	20% after deductible
Mail Order Rx	2x retail	20% after deductible

PRELIMINARY INTEREST

- Indication by groups of **preliminary interest** in program participation in order to participate the 1st year
- **Submission of information** for actuarial analysis to determine programs required funding
- Identification of **minimum program participation**
- Development of **preliminary rate range**



PREMIUMS

- Financially viable **new multiple employer plans** typically cost more than established single employer plans
- **One self-insured risk pool**, separate from the state plan
- **Single set of annual rates** for all participating entities
- **Premium rates** determined by claim experience and demographics of all interested prospective entities

- **Round 1**
Initial preliminary rates

- **Round 2**
Used to determine final rates in October 2017

COVA Local Plans	FY 2019 Initial TOTAL Monthly Rates		
	<u>EE Only</u>	<u>EE+1</u>	<u>EE+Family</u>
Basic	\$ 794.00	\$1,469.00	\$2,144.00
OON Buy-Up	\$ 19.00	\$ 35.00	\$ 51.00
Enhanced Dental Buy-up	\$ 31.00	\$ 57.00	\$ 84.00
Vision and Hearing Buy-Up	\$ 20.00	\$ 37.00	\$ 54.00
Basic with All Buy-Ups	\$ 864.00	\$1,598.00	\$2,333.00
HDHP	\$ 598.00	\$1,106.00	\$1,615.00
Enhanced Dental Buy-Up	\$ 31.00	\$ 57.00	\$ 84.00
HDHP with Enhanced Dental	\$ 629.00	\$1,163.00	\$1,699.00

ELECTION TO PARTICIPATE

- **Sign up**
 - May require a Board resolution
- **Plan year would be the same as the state plan year**
 - FY July 1 to June 30
 - Short plan year may be needed the first year



COVAL Local INTEREST LEVEL

- **Minimum enrollment of 5,000 employees and 10,000 members for plan to be implemented**

Local Option Health Insurance Program						
	Date	# of Groups	# Eligible Employees	# Enrolled Employees	# Enrolled Dependents	# Total Enrolled Members
ROUND 1						
• Declared NON-BINDING preliminary Interest	11/9/2016	247	136,353	109,510	108,560	218,070
• Submitted required data	1/31/2017	209	125,290	100,128	99,394	199,522
ROUND 2						
• Declared NON-BINDING preliminary Interest	5/24/2017	101	46,250	37,187	33,960	71,147
• Submitted required data	9/1/2017	89	41,770	33,519	30,255	63,774
ROUND 3						
• Declared BINDING Interest	12/31/2017	TBD	TBD	TBD	TBD	TBD

INTERESTED TLC GROUPS

- 52% of the interested **groups** are in TLC
- 22% of total enrolled **members** are in TLC

Local Option Health Insurance Program						
	Date	# of Groups	# Eligible Employees	# Enrolled Employees	# Enrolled Dependents	# Total Enrolled Members
ROUND 2 – Interested Groups						
• TLC	9/1/2017	46	10,127	8,049	5,698	13,747
• Non-TLC	9/1/2017	43	31,643	25,470	24,557	50,027
• TOTAL	9/1/2017	89	41,770	33,519	30,255	63,774
ROUND 3						
• Declared BINDING Interest	12/31/2017	TBD	TBD	TBD	TBD	TBD

COVA Local TIMELINE

When	Who	What
Spring 2016	DHRM	Begin outreach to legislators and constituents
Summer 2016	DHRM	Develop program rules
August 2016	All	Conduct information webinars
September 14, 2016	Participants	Indicate preliminary interest to participate
October 14, 2016	Participants	Complete data submissions due to actuaries
January 2017	DHRM	Publish preliminary premium rates
February 2017	Participants	Indicate continuing interest in participating
August 2017	DHRM	Complete procurement if needed
October 2017	DHRM	Publish final premium rates
December 2017	Participants	Make binding election to participate
May 2018	All	Conduct open enrollment
July 1, 2018	All	Go Live!