States Cracking the Code on Health Costs
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Slides updated in September 2014 to reflect data revisions
State Employee Health Plans

- Second largest area of state health care spending after state contribution to Medicaid
- 100% financed by state dollars - and employee premium contributions
- Spending is determined by (among other things):
  - Plan design
  - Take up rate
  - Provider price and practice patterns
  - Composition of state workforce

49 states and their employees spent $31 billion to insure 2.7 million state employee households in 2013. States paid 25 billion of this total.

- $959: Average per-employee per-month premium
- States paid $805 (84%)
- Employees paid $154 (16%)
State & Local Government Plan Enrollees are Older than Private Sector

Age Distribution, 2010

Demographic Differences: Public vs. Private Sector

<table>
<thead>
<tr>
<th>State and Local Enrollees</th>
<th>Private Sector Enrollees</th>
</tr>
</thead>
<tbody>
<tr>
<td>57% female</td>
<td>51% female</td>
</tr>
<tr>
<td>25% age 55-64</td>
<td>17% age 55-64</td>
</tr>
<tr>
<td>Diabetes: 65.9 patients per 1,000 members</td>
<td>Diabetes: 44.4 patients per 1,000 members</td>
</tr>
<tr>
<td>Hypertension: 144.3 patients per 1,000 members</td>
<td>Hypertension: 90.5 patients per 1,000 members</td>
</tr>
<tr>
<td>Overweight: 10.2 patients per 1,000 members</td>
<td>Overweight: 7.9 patients per 1,000 members</td>
</tr>
</tbody>
</table>

Source: Truven Health Analytics

Note: Due to rounding, the sum of private sector percentages do not total 100 percent.
Advantages for States as Employers

• **Market share/volume:** States have a preponderance of employees in one city and are often that city’s (and the state’s) largest employer.

• **Long term investment/returns:** Longer employee tenure (and state responsibility for retirement health care) means investing in health improvement, disease management, smoking cessation may bring more of a return than in private sector

Other Health Plan Cost Drivers

• Actuarial Value or Plan “Richness”, including deductibles and cost-sharing
• Dependent Coverage and Family Tier Structure
• States’ Contribution Arrangements
• Early-Retiree Coverage
**Actuarial Value or “Richness”**

- Plan “richness” is an important factor in premium variation
- State employee health plans paid 92%, on average, of the typical enrollee’s health care costs in 2013
- 80% enrolled in plans with annual deductible below $500

**Percentage of state employees by deductible, 2013**

![Percentage of state employees by deductible, 2013](image)

**Tier Structure for Family Coverage**

**Most States Offer 2 to 4 Health Plan Tiers**

**Tier structure by state, 2013**

<table>
<thead>
<tr>
<th>Coverage tiers</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One tier:</strong> All employees</td>
<td>AK</td>
</tr>
<tr>
<td><strong>Two tiers:</strong> Employee only; Employee plus family</td>
<td>AL, FL, IA, IN, MA, MN, ND, NY, OH, PA, RI, WI</td>
</tr>
<tr>
<td><strong>Three tiers:</strong> Employee only; Employee plus one dependent; Employee plus two or more dependents</td>
<td>CA, CT, HI, IL, NH, UT, VA, VT, WV</td>
</tr>
<tr>
<td><strong>Four tiers:</strong> Employee only; Employee plus spouse; Employee plus child(ren); Employee plus family</td>
<td>AR, AZ, CO, DE, GA, KS, KY, LA, MD, ME, MI, MT, NC, NE, NJ, NM, NV, OR, SC, TN, TX, WA, WY</td>
</tr>
<tr>
<td><strong>Five tiers:</strong> Employee only; Employee plus spouse; Employee plus one child; Employee plus two children; Employee plus family</td>
<td>MS</td>
</tr>
<tr>
<td><strong>Six tiers:</strong> Employee only; Employee plus spouse; Employee plus one child; Employee plus two or more children; Employee plus spouse and one child; Employee plus spouse and two or more children</td>
<td>ID, MD, OK, SD</td>
</tr>
</tbody>
</table>

Source: Milliman Atlas of Public Employer Health Plans  
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States’ Contribution Strategy

• A fixed amount (Alaska)
• A fixed amount that varies by tier and/or plan type (Arizona)
• A fixed amount for employee-only, which varies by salary, + a percentage for dependents (Illinois)
• A fixed percentage (Maryland)
• A fixed percentage that varies by tier (Louisiana)
• Fixed percentage that varies by plan (Michigan)
• A fixed percentage that varies by tier and plan type (Idaho)
• Fixed percentage varies by tier, salary (New Jersey)

Most States Enroll Early Retirees with Active Employees at Same Premium

Early retiree health plan enrollment arrangements by state, 2013

<table>
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Source: Milliman Atlas of Public Employer Health Plans
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Premiums Varied, Even After Controlling for Richness/Household Size

Adjusted average state health plan employee-only premium by state, 2013

Other research

The project is examining spending in these health care programs:

- Active state employee health care★
- State retiree health care
- Medicaid★
- State prison health care★
- The Children’s Health Insurance Program
- Mental health services
- Substance abuse treatment and prevention programs

The project has also put this spending in context by tracking key health indicators in each state.★

★ These reports are already available at www.pewtrusts.org/healthcarespending.
Thank you for coming!

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Project website to access the full report:

www.pewtrusts.org/healthcarespending