State & Public Employee Health Benefits: Trends Across the States

Presentation by Richard Cauchi
Director, Health Program

to the Michigan Legislature
Public Employee Health Care Reform Committee

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State governments: A major health purchaser

➢ All 50 states provide health insurance and coverage to most of their employees, and most of their retirees

➢ About 3.4 million current/former workers

➢ The state programs include at least 7 million covered lives

➢ Nationwide, 8% of state health budgets are for state employee health
  72% is for Medicaid; 2% for CHIP
  1% Higher education; 1% Corrections
  5% Community-based Services
  5% Population/Public health services
Health Insurance Cost Concerns  Sept. 15, 2009 Update

In 2008 was $12,680

The commercial health insurance market

Cost growth remains flat
Annual change in total health benefit cost from 1991-2009

Note: Results for 1991-1998 are based on cost for active and retired employees combined. The change in cost from 1999-2008 is based on cost for active employees only.
* Average increase projected for 2009 after changes to plan design.

Source: Mercer Employer Health briefing, Denver, February 2009
The commercial health insurance market

Factors that affect average cost per employee
Employer/employee demographics—large employers

- All large employers: $8,728
- Average employee age 43 or higher: $9,295
- Dependent coverage election 65% or higher: $9,852
- 75% or more employees in unions: $10,364

Source: Mercer Employer Health briefing, Denver, February 2009

Insurance is More Costly to Administer for Small Groups

- Marketing Costs:
  - 1-4 Employees: 37.2%
  - 5-19 Employees: 8.4%
- Claims Administration:
  - 1-4 Employees: 9.3%
  - 5-19 Employees: 22.5%
- General Administration:
  - 1-4 Employees: 11.0%
  - 5-19 Employees: 6.3%
- Risk/Profit:
  - 1-4 Employees: 8.5%
  - 5-19 Employees: 6.1%

Source: Lein presentation on "Cost and Coverage Impacts" to Colorado Commission, August 23, 2007
State Employee Health Premiums - NCSL 2009 survey

- Costs increasing for both state and workers.
- Very wide variation among the 50 states on cost-sharing:
  - AK, DE, IA, ND, OK, OR: state pays 100% of lower-cost full family policies
  - AR, KS, KY, LA, ME, MS, NE, NC, TX: employees pay over $300/month for lower-cost full family coverage
- 50-state typical lower-cost widely-available policy option:

<table>
<thead>
<tr>
<th>2009 Monthly</th>
<th>State share</th>
<th>Employee share</th>
<th>Total Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$437</td>
<td>$38 (8%)</td>
<td>$474</td>
</tr>
<tr>
<td>Family</td>
<td>$870</td>
<td>$188 (18%)</td>
<td>1,062</td>
</tr>
</tbody>
</table>

Choices (HMO, PPO, HAS/HDHP), packages, tiers, vary up to 50+%

Public Employee Health Benefit Funding

- Only two sources of funds:
  - Employer subsidy
  - Employee premiums and out-of-pocket costs
  - Rarely: CHIP & Medicaid
- Cost levers
  - Hold down overall cost of the plan
    - Size of the pie
  - Shift cost to the members
    - Size of the pie slices

Adopted from Segal presentation by Richard Johnson to NCSL, 7/21/2009
Impact of Falling State & Local Budgets

- Falling budget revenue ultimately translates into staff reduction through:
  - Attrition
  - Reduction of hours worked
  - Layoffs
  - Reduction of services
  - Restructuring
  - Retirement patterns

Less People = Less Cost

- But a reduced workforce could also mean higher costs...

Actions State Health Plans Are Taking

Redesign Health Benefit Plans

- Adverse times externally are a good time to make plan changes internally
- Identify benefit features that can be reduced or restructured without eliminating key coverage areas
- Does the plan design promote and encourage preventive care and discourage unneeded care?
- Can a lower-cost plan option help?
### Number of States Offering Medical Plan Types

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>States Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO</td>
<td>49</td>
</tr>
<tr>
<td>HMO</td>
<td>36</td>
</tr>
<tr>
<td>HDHP</td>
<td>17</td>
</tr>
<tr>
<td>Indemnity</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Segal State Survey 2009.

### Actions Health Plans Are Taking continued

#### Review Cost-Sharing Strategy
- Trade fixed copayments for coinsurance so employees share in increasing costs automatically
- Where possible, share premium cost increases proportionally
- Be aware of limits on employees’ ability to absorb radical cost increases in years without pay increases
- Balance cost shifting with need to provide a reasonable benefit level
- Incentive for participants to cover spouse and dependents elsewhere
Actions Health Plans Are Taking continued

Enhance Wellness Programs

- Even if they cost a bit more now, wellness programs can help hold plan costs down in the long-term
- Target specific “high results” areas rather than broad general programs
- Avoid the ROI argument, if possible, in favor of importance of keeping remaining work force healthy

State Employee Tobacco Cessation Coverage

Program meets all three CDC guidelines
Program meets two of three guidelines
Program meets one of three guidelines
No program or program does not meet CDC guidelines

Guidelines include:
1. Coverage for at least four counseling sessions of at least 30 minutes;
2. Access to smoking cessation agents, including prescriptions and nicotine replacement;
3. Counseling and medication coverage for at least two quit attempts annually.
No information was available for the District of Columbia.
**Actions Health Plans Are Taking continued**

*Improve Case Management and Health Coaching Services*

- Help participants stay on appropriate therapies now that will help them avoid future health complications with greater plan costs
- Target specific diseases and procedures with greatest potential for demonstrable effect
- Where possible, use existing carriers as a contract add-on to avoid need for full procurements

**Actions State Health Plans Are Taking**

*Combine or Pool State Employees with political subdivisions and education*

- More than 30 states use some combinations of state and local government
- **Cities, towns, counties**
  - permitted in at least 22 states
  - includes: CA, NY, NJ, MO, IL, MA
- **K-12 schools**
  - permitted in at least 15 states
  - includes 11 southern states; NJ, NY, MA, WA
- **Higher Education**
  - Required or permitted in about 30 states
- Some participation rates are small % of program.
<table>
<thead>
<tr>
<th>24 States</th>
<th>Local Government Employees Covered by State Employee Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>School employees. (since 2003)</td>
</tr>
<tr>
<td>California</td>
<td>Municipal and school employees. (since 1967)</td>
</tr>
<tr>
<td>Delaware</td>
<td>Municipal employees.</td>
</tr>
<tr>
<td>Florida</td>
<td>School employees.</td>
</tr>
<tr>
<td>Georgia</td>
<td>Municipal and school employees.</td>
</tr>
<tr>
<td>Hawaii</td>
<td>Municipal and school employees.</td>
</tr>
<tr>
<td>Illinois</td>
<td>Municipal employees.</td>
</tr>
<tr>
<td>Kentucky</td>
<td>School employees.</td>
</tr>
<tr>
<td>Louisiana</td>
<td>School employees. (since 1980)</td>
</tr>
<tr>
<td>Maryland</td>
<td>Municipal employees.</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Municipal employees. (since summer 2007)</td>
</tr>
<tr>
<td>Mississippi</td>
<td>School employees.</td>
</tr>
<tr>
<td>Missouri</td>
<td>Municipal and school employees.</td>
</tr>
<tr>
<td>Nevada</td>
<td>Municipal and school employees.</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Municipal and school employees. (since 1964)</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Municipal employees.</td>
</tr>
<tr>
<td>New York</td>
<td>Municipal and school employees. (since 1958)</td>
</tr>
<tr>
<td>North Carolina</td>
<td>School employees.</td>
</tr>
<tr>
<td>South Carolina</td>
<td>Municipal and school employees.</td>
</tr>
<tr>
<td>Tennessee</td>
<td>Municipal and school employees.</td>
</tr>
<tr>
<td>Utah</td>
<td>Municipal and school employees. (since 1977)</td>
</tr>
<tr>
<td>Washington</td>
<td>Municipal and school employees.</td>
</tr>
<tr>
<td>West Virginia</td>
<td>Municipal and school employees. (since 1988)</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Municipal employees.</td>
</tr>
</tbody>
</table>

State Examples: California’s CalPERS

- The nation’s largest pooled public employee program
- 1.6 million members.
  - 30% of their enrollees are state employees*,
  - 38% are school employees and
  - 32% are local public agency employees.

State evaluates network providers for quality and drops low-performers; enrollees using such providers pay higher share.

- * Includes state higher education
Massachusetts pooling law

- Municipal Partnership Act passed 2007, allows city and town unit employees to join the state employee program.
- A state fiscal study claimed municipalities could save $225 mil. by FY 2010, $750 million in FY 2013, and $2.5 billion in FY 2018.
- **State has implemented strategies "not available to cities and towns":**
  - Clinical Performance Improvement Initiative
  - Prescription step therapy program
  - Generics Preferred Program
  - Health claims database that allows it to track spending & trends
- **City & town expansion is voluntary so far.**
- **17 cities & towns have signed on** (as of August 2009)


Connecticut’s Pool Plan, H 6582 of ‘09 (almost-law)

- The State employee "Partnership" health insurance pool would become self-insured and be expanded to include:
  - Municipalities
  - Medicaid and HUSKY *(kids)* enrollees
  - would be available to uninsured individuals,
  - not-for-profit groups,
  - small employers.
- The program would automatically enroll members unless they opt out.
  - The 2009 pool bill passed, was vetoed; the House voted to override but the Senate sustained the veto by 1 vote in July 2009.
  - H 6600 of 2009 - now law, creates framework for public + private "SustiNet"
  - 2003 law - Authorizes the agency "To allow small employers and all nonprofit corporations to obtain coverage under the state employee health plan. (PA 149)
Connecticut Healthcare Partnership (2008-09)

Rep. Donovan and Sec. of the State Susan Bysiewicz urge Governor Rell to sign the Connecticut Healthcare Partnership.

Pennsylvania: HB 1881 to extend state employee plan to K-12 employees.

- 2009 bill would provide for a Statewide health benefits program for public school employees.
  - Gov Rendell: "Control school employee health benefit costs by spreading the risk more widely, managing benefits better and lowering administrative costs…"
  - Legislative study: districts could save up to $585 million a year (2004)
  - Local school boards resisted
  - Did not pass in 2007-08.

- Other operational innovative features
  - State withholds payment for "never events".
  - Enrollees who complete a 2009 Health Assessment will save ½ of the employee contribution (1-time, up to $460 / family)
Virginia

- CommonHealth, statewide employee wellness program; 1st one; created 1987
  - Health education, health screenings, flu shots, smoking cessation, Weight Watchers
  - Adult wellness and preventive services paid at 100%
  - Lower operating costs
  - Increased participation in strategic wellness and disease management efforts
  - More efficient use of health care system

- K-12 employees included

The Smart Buy Alliance: a group of public and private health care purchasers in Minnesota, including the state agencies Medicaid and public employee health benefits (Department of Employee Relations, DOER).

- Also included are coalitions of businesses and labor unions who collectively represent almost 60 percent of state residents.

- Developed purchasing strategies such as P4P, public reporting, and centers of excellence to promote and reward higher value. Strategies are shared with the other members for potential implementation.
Delaware: Delawell wellness program

- A comprehensive wellness program for state employees, launched 2007.
- Available free to full-time state employees, school district, charter and higher education employees and pre-65 retirees.
  - Expanded benefits include health risk assessment, biometric health screenings, which measure vital signs such as blood pressure, cholesterol and glucose levels + Weight Watchers.
  - $100 paycheck bonus to employees who complete the biometric screening and health risk assessment.
  - Savings = “held the line on health-care premiums [for its employees] for the past three years” (2007-09) -Dir. Wells” – http://www.delawell.delaware.gov/

State Examples: Washington State PEBB

- The state employee program (PEBB) permits both "political subdivisions and K-12 to join.
- 2009: Serve 335,700 members including dependents and retirees.
- 80% are state; 7% are city/town/county; 13% are K-12
- Popular for K-12 retirees; more members than state retirees!
- A 25-year history of discussion, reform, negotiation.
- Major discussion in 2008 to require participation.

- Northwest Prescription Drug Consortium (WA + OR) uses evidence-based Preferred Drug List (PDL) and joint purchasing with other states. Not yet linked to public employees.
In summary...

Many state employee health programs have "modernized" and adopted practices to:
1) save state money = "Bend the cost curve"
2) try to keep employee and family $ shares affordable
3) emphasize wellness and prevention
   • smoking cessation
   • obesity education and management
   • health club fees paid
   • incentive rewards for positive steps
4) Combine and pool state + local governments
   • Widespread (30+ states) mostly as an option; not automatic.
   • Required participation is much less widespread
   • Pooled savings are documented

NCSL Information and Resources

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Publications
State Employee Health Benefits
2009 State Employee Premiums
State Employee Health In the News: 2009

Online:
http://www.ncsl.org/?tabid=14345
Special thanks to these sources:

• Richard Johnson, Senior Network V-P, Segal Company (slides 8-13; supplemental 29-34)
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• CalPERS - California Public Employees Retirement System
• Massachusetts Group Insurance Commission
• Sam Tyler, Boston Municipal Research Bureau
• Washington Public Employee Benefits Board
• Mary Habel, Virginia Dept. of Human Resource Management