



Center for Health

HealthFlex Plan and Strategy Updates

HealthFlex Mini-Summit

March 11, 2015



General Board

Pension and Health Benefits

Caring For Those Who Serve

Agenda

- Multi-Year Strategy and Trend Results
- 2016 Plan Changes
 - **New** High-Deductible Health Plans (HDHPs) with Health Savings Accounts (HSAs)
 - Combined Out-of-Pocket (OOP) Maximum
- HealthFlex Exchange Update

HealthFlex Multi-Year Approach

Gradual migration toward consumerism

	2012	2013	2014	2015	2016
EPO	EPO A, B, D	<ul style="list-style-type: none"> • Eliminated EPO A • Maintained EPO B and D 	<ul style="list-style-type: none"> • Eliminated EPO B and D 	NA	NA
PPO	A250, A500, B500, B750, B1000	<ul style="list-style-type: none"> • Eliminated A250 	<ul style="list-style-type: none"> • Eliminated A500 	<ul style="list-style-type: none"> • Eliminated B500 • Maintained B750 and B1000 	<ul style="list-style-type: none"> • Eliminate B750 • Maintain B1000
CDHP	<ul style="list-style-type: none"> • Introduced C2000 	<ul style="list-style-type: none"> • Maintained C2000 	<ul style="list-style-type: none"> • Maintained C2000 	<ul style="list-style-type: none"> • Maintained C2000 	<ul style="list-style-type: none"> • Introduce C3000 • Maintain C2000
HDHP	NA	<ul style="list-style-type: none"> • NA 	<ul style="list-style-type: none"> • NA 	NA	<ul style="list-style-type: none"> • Introduce H1500 and H2000
Pharmacy	<ul style="list-style-type: none"> • Introduced FX1, FX2, P1 and P2 	<ul style="list-style-type: none"> • Eliminated FX1 • Maintained FX2, P1 and P2 	<ul style="list-style-type: none"> • Eliminated FX2 	<ul style="list-style-type: none"> • Maintained P1 and P2 	<ul style="list-style-type: none"> • Introduce P3 and P4 • Maintain P1 and P2

Success of Current Approach— Recent HealthFlex Cost Trends



- Below industry trend
- Average annual cost increase trend
 - 1999 - 2009 (EPO): +11.7%
 - 1999 - 2009 (PPO): +8.5%
 - 2010 - 2012: + 6.5%
 - 2014 - 2016: +1.2%
 - 2016 alone: -0.6%
- Consumerism + wellness approach

New Plans for 2016

New CDHP (Silver)

2 New HDHPs (Gold, Silver) with key differences:

- Combined deductible for medical, behavioral health and pharmacy
- Access to health savings account (HSA)

CDHP: Consumer-driven health plan

HDHP: High-deductible health plan

Qualified HDHPs for 2016

Strategic change

- Facilitates more silver and bronze plan offerings
- Aligns with industry and public Health Insurance Marketplace
- Greater flexibility and portability
- Provides triple tax-advantaged savings vehicle

Maintaining HRAs* for 2016

- Allows continuation of current strategic approach

Plan sponsor and participant choice

- Minimize back-and-forth between HSA-** and HRA-eligible plans

* HRA: Health reimbursement account

**HSA: Health savings account

HDHP vs. CDHP Comparison

	HDHP (with HSA)	CDHP (with HRA)
Silver Example	<ul style="list-style-type: none"> • \$2,000/\$4,000 deductible • 70% co-insurance • \$500/\$1,000 HSA seeding 	<ul style="list-style-type: none"> • \$3,000/\$6,000 deductible • 50% co-insurance • \$250/\$500 HRA seeding
Pharmacy and Behavioral Health Co-pays	Start after deductible met	Start with first Rx/visit
Account Funding	HSA combines employer and employee contributions	HRA allows employer contributions only
Interest	HSA earns interest	No interest earned
Portability	HSA belongs to participant	HRA stays with plan
Annual Contribution Limit (combined)	\$3,350/\$6,350 in 2015 (additional \$1,000 if >55)	No limit

HRA + HSA Incompatibility

- Legally cannot use traditional HRA dollars for HDHP deductible
 - HealthFlex not offering post-deductible HRA in 2016
- If select HDHP with HRA balance remaining, HRA must be converted to limited-use HRA
 - Dental and vision expenses only
 - Eventually can still become a retiree HRA
- Avoid back-and-forth between CDHP and HDHP

Other HSA Considerations



Must be in qualified HDHP to contribute to an HSA



Legally cannot use “full-use” health FSA dollars for HDHP deductible

- HealthFlex not offering post-deductible FSA in 2016; those in HDHPs will only be allowed to elect **limited-use FSA**



Other legal considerations

- Spouse in a separate HDHP
- Enrolled in Medicare Part A/receiving Social Security income

HSAs Drive Consumerism, Savings

- More dramatically reduced non-routine primary care visits (e.g., cold, sore throat) and non-urgent emergency room visits*
 - Potential to sustain lower trend beyond CDHP with HRA
- HSA plans offered more frequently by employers
 - Preferred by participants
- Added short-term value not offered by traditional retirement savings plans



* Aetna, 2010

“Consumerism Effect”

		Emergency Room Visit	Urgent Care Visit	Physician Office “Sick” Visit
H 1 5 0 0	Provider Cost	\$800	\$250	\$100
	Plan Pays	\$0	\$0	\$0
	Participant OOP	\$50	\$0	\$0
	Participant HSA (funded by plan)	\$750	\$250	\$100

Note: Assumes this is the first service of the year and full HSA funding is still available.

Gold CDHP (C2000) Claims—Example

- Preventive care: 100%
- Deductible: \$2,000 (medical)
- Employer-funded HRA: \$1,000
- Co-insurance: 80% plan cost share
- Combined OOP maximum: **\$6,000** (in-network)

Preventive Care	Provider Cost	Plan Pays	Participant Pays via HRA	Participant OOP*
One annual exam	\$300	\$300	\$0	\$0
Non-Preventive Care				
Four primary care office visits	\$300	\$0	\$300	\$0*
Two specialty care office visits	\$200	\$0	\$200	\$0*
Outpatient surgery	\$5,000	\$2,800	\$500	\$1,700
Five prescriptions (brand)	\$500	\$375	\$0	\$125
Total charges	\$6,300	\$3,475	\$1,000	\$1,825
Total remaining in the HRA			\$0	

* Assumes full and immediate use of the HRA until exhausted, and no FSA

Silver CDHP (C3000) Claims—Example

- Preventive care: 100%
- Deductible: \$3,000 (medical)
- Employer-funded HRA: \$250
- Co-insurance: 50% plan cost share
- Combined OOP maximum: **\$6,500** (in-network)

Preventive Care	Provider Cost	Plan Pays	Participant Pays via HRA	Participant OOP*
One annual exam	\$300	\$300	\$0	\$0
Non-Preventive Care				
Four primary care office visits	\$300	\$0	\$250	\$50*
Two specialty care office visits	\$200	\$0	\$0	\$200
Outpatient surgery	\$5,000	\$1,250	\$0	\$3,750
Five prescriptions (brand)	\$500	\$375	\$0	\$125
Total charges	\$6,300	\$1,925	\$250	\$4,125
Total remaining in the HRA			\$0	

* Assumes full and immediate use of the HRA until exhausted, and no FSA

Gold HDHP (H1500) Claims—Example

- Preventive care: 100%
- Deductible: \$1,500 (medical and pharmacy)*
- Employer-funded HSA: \$750
- Co-insurance: 80% plan cost share
- Combined OOP maximum: **\$6,000** (in-network)

Preventive Care	Provider Cost	Plan Pays	Participant Pays via HSA	Participant OOP**
One annual exam	\$300	\$300	\$0	\$0
Non-Preventive Care				
Four primary care office visits	\$300	\$0	\$300	\$0**
Two specialty care office visits	\$200	\$0	\$200	\$0**
Five prescriptions (brand)	\$500	\$0	\$250	\$250
Outpatient surgery	\$5,000	\$3,600	\$0	\$1,400
Total charges	\$6,300	\$3,900	\$750	\$1,650
Total remaining in the HSA			\$0	

* Behavioral health co-payments do not apply until deductible has been met.

** Assumes full and immediate use of the HSA until exhausted, and no additional participant HSA contributions.

Silver HDHP (H2000) Claims—Example

- Preventive care: 100%
- Deductible: \$2,000 (medical and pharmacy)*
- Employer-funded HSA: \$500
- Co-insurance: 70% plan cost share
- Combined OOP maximum: **\$6,500** (in-network)

Preventive Care	Provider Cost	Plan Pays	Participant Pays via HSA	Participant OOP**
One annual exam	\$300	\$300	\$0	\$0
Non-Preventive Care				
Four primary care office visits	\$300	\$0	\$300	\$0**
Two specialty care office visits	\$200	\$0	\$200	\$0
Five prescriptions (brand)	\$500	\$0	\$0	\$500
Outpatient surgery	\$5,000	\$2,800	\$0	\$2,200
Total charges	\$6,300	\$3,100	\$500	\$2,700
Total remaining in the HSA			\$0	

* Behavioral health co-payments do not apply until deductible has been met.

** Assumes full and immediate use of the HSA until exhausted, and no additional participant HSA contributions.

Side-by-Side Comparison

\$6,300 Claims Example

	GOLD		SILVER	
	CDHP	HDHP	CDHP	HDHP
Plan Pays	55.1%	61.9%	30.6%	42.9%
HRA/HSA	15.9%	11.9%	4.0%	7.9%
Participant OOP	29.0%	26.2%	65.4%	42.9%

Silver plans have more participant out-of-pocket cost and lower account funding

2016 Plan Changes

Combined Out-of-Pocket Maximum



- Combined out-of-pocket (OOP) maximum for all plans in 2016
- No separate pharmacy maximum
- Combined OOP maximum will be higher than historically for medical or Rx alone
- 5-10% potentially will have greater OOP costs, with majority being only slightly higher

B1000/P1 Claims

Example 1: Low Medical/Low Rx Utilizer

- 2015 Medical OOP Maximum: \$4,000 (in-network)
- 2015 Pharmacy OOP Maximum: \$2,000
- 2016 Combined OOP Maximum: \$5,000

Medical and Pharmacy Claims	2015 Allowed	2015 OOP	2016 Allowed	2016 OOP
5 specialty doctor office visits	\$500	\$250	\$500	\$250
2 outpatient surgeries* deductible, then co-insurance	\$10,000	\$2,800	\$10,000	\$2,800
2 X-rays, 1 MRI	\$2,500	\$500	\$2,500	\$500
5 brand prescriptions x 4 “refills”	\$1,500	\$300	\$1,500	\$300
Total participant out-of-pocket (OOP)		\$3,850		\$3,850

Typically similar OOP

B1000/P1 Claims

Example 2: High Medical/Low Rx Utilizer

- 2015 Medical OOP Maximum: \$4,000 (in-network)
- 2015 Pharmacy OOP Maximum: \$2,000
- 2016 Combined OOP Maximum: \$5,000

Medical and Pharmacy Claims	2015 Allowed	2015 OOP	2016 Allowed	2016 OOP
5 specialty doctor office visits	\$500	\$250	\$500	\$250
2 inpatient admissions *deductible, then co-insurance	\$100,000	\$3,750	\$100,000	\$4,750
2 X-rays, 1 MRI	\$2,500	\$0	\$2,500	\$0
5 brand prescriptions x 4 refills	\$1,500	\$300	\$1,500	\$0
Total participant out-of-pocket (OOP)		\$4,300		\$5,000

May have slightly
higher OOP

B1000/P1 Claims

Example 3: Low Medical/High Rx Utilizer

- 2015 Medical OOP Maximum: \$4,000 (in-network)
- 2015 Pharmacy OOP Maximum: \$2,000
- 2016 Combined OOP Maximum: \$5,000

Medical and Pharmacy Claims	2015 Allowed	2015 OOP	2016 Allowed	2016 OOP
5 specialty doctor office visits	\$500	\$250	\$500	\$250
8 therapy visits	\$800	\$240	\$800	\$240
6 costly brand medications x 4 refills	\$24,000	\$2,000	\$24,000	\$3,360
Total participant out-of-pocket (OOP)		\$2,440		\$3,850

May have significantly higher OOP

OOP Max: Impacted Individuals

	2014	2013*
Scenario 1 (Met neither OOP max)	95%	84%
Scenario 2 (Met medical OOP max)	5%	16%
Scenario 3 (Met pharmacy OOP max)	<1%	<1%
Scenario 4 (Met both OOP max)	<1%	<1%

Estimated 5-10% may have higher OOP costs with combined OOP maximum; with majority only slightly higher costs

* 2013 data includes B500 and B750—significantly lower OOP max than other designs.
2013 data **for B1000 and CDHP only** more closely approximates 2014 values: **96% met neither OOP max, 4% met medical OOP max, <1% met pharmacy or both OOP max.**

OOP Maximums for 2016

	Single (In-network)	Family (In-network)
B1000/P1	\$5,000	\$10,000
B1000/P2 (not available in HealthFlex Exchange)	\$5,500	\$11,000
C2000/P2 (gold)	\$6,000	\$12,000
C3000/P2 (silver)	\$6,500	\$13,000
H1500/P3 (gold)	\$6,000	\$12,000
H2000/P4 (silver)	\$6,500	\$13,000

Communications Strategy

Combined Out-of-Pocket Maximum

- Communications to all during Annual Election
- Targeted communications (as able) to those potentially adversely impacted (e.g., greater potential for higher OOP costs)



2016 Strategic Considerations for Plan Sponsors

Addition of a “consumer” plan
and/or a “silver” plan

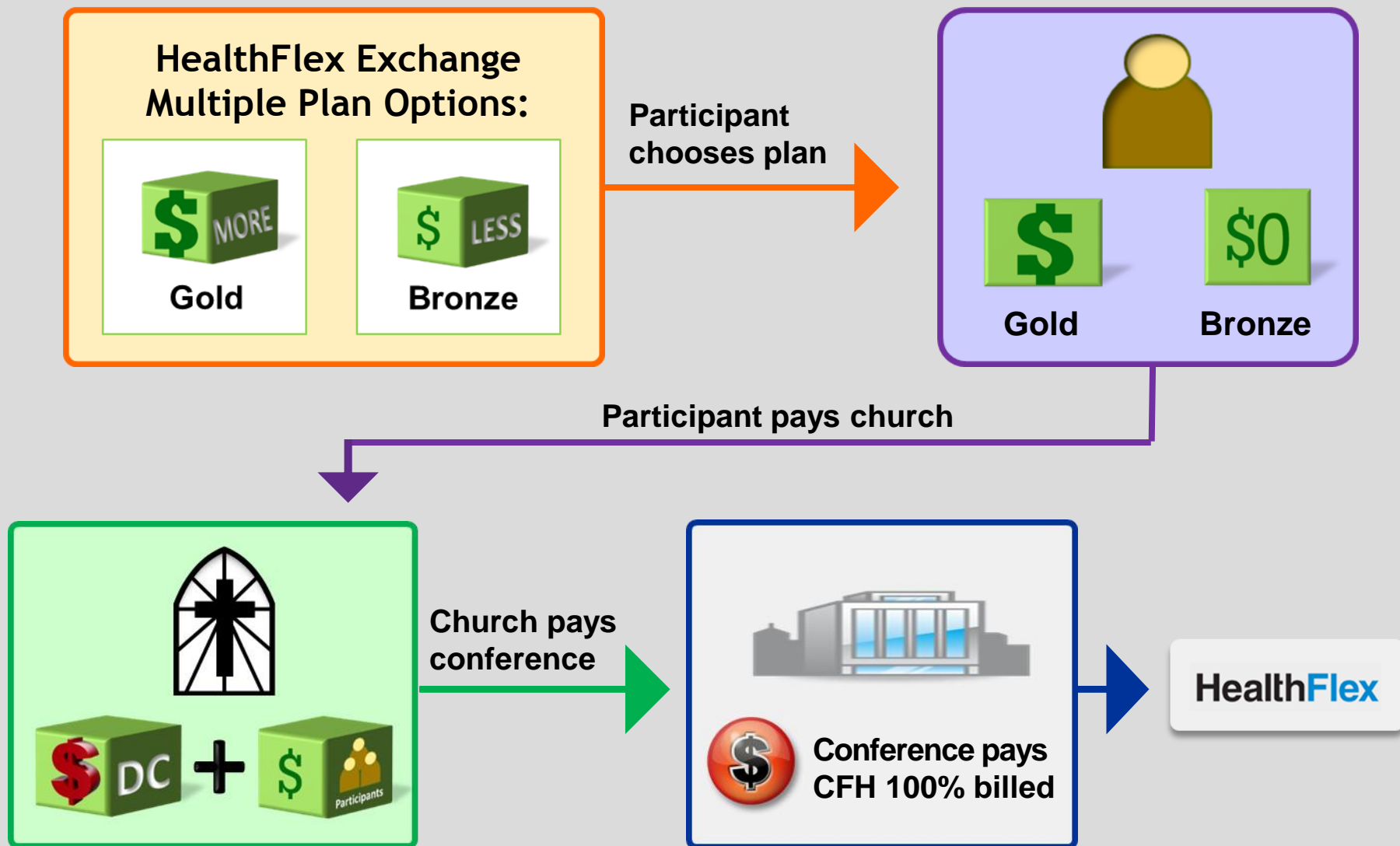
Preparing stakeholders for future
HealthFlex Exchange migration

HealthFlex Exchange transition



2016

HealthFlex Exchange Conceptual Framework



HealthFlex Exchange Offering

- Self-insured plan with same pooling, risk management and premium rating methodology
- Participant makes choice through Businessolver
- Use of current carriers, networks, plans, wellness programs
- Comprehensive decision support
 - Plan sponsor defined contribution modeling
 - Participant plan choice support (online, on phone)

HealthFlex Exchange Offering

- Introduction of defined contribution (DC)
 - Appearing as a “credit” toward plan purchase
- DC is the minimum amount plan sponsor is charged for an individual
- Plan premium exceeding credit must be deducted from individual’s pay at the salary-paying unit (SPU)
- Leftover credit (prorated monthly) deposited into participant’s HRA/HSA account

Participant Plan Choices

Medical plan paired with pharmacy plan

- “Gold” PPO B1000 + P1
 - “Gold” CDHP C2000 + P2
 - “Gold” HDHP H1500 + P3
 - “Silver” CDHP C3000 + P2
 - “Silver” HDHP H2000 + P4
- Choice of dental plans (or can opt-out)
 - Vision “exam core” or can buy-up to full service
 - Includes behavioral health and all HealthFlex wellness programs and incentives

HealthFlex Exchange Timeline

January – March	Board meeting support <ul style="list-style-type: none">• Communications• General Board staff support (in person/on phone)
April	Firm intention requested
June	Firm decision/adoption agreement <ul style="list-style-type: none">• Determine DC and default plans
September – October	Participant workshops
Late October – Early November	Annual Election period

Roles and Responsibilities

General Board

- System development, testing, reporting and billing
- Consultation and guidance in DC approach
- Decision support tools (participant and plan sponsor)
- Participant communications
- Materials for plan sponsor use
- Resource for **plan sponsor** questions and clarification

Plan Sponsor

- Billing, reporting and supports for local churches
- Select DC and default plans
- Obtain annual conference vote, gain participant buy-in
- Participant education, including workshops (pre-conference, fall)
- Resource for **participant** questions and clarification



Q&A Opportunity



Center for Health