

MEDICAL PLAN CY2015

CONTEXT

How Rates Were Chosen for 2014

- Last year's analysis indicated a \$30m surplus if no premium holidays and no rate increase were given.
- 4 premium holidays worth about \$23m were taken, intending to leave \$7m as a surplus (above IBNR).
- The analysis was based on claims data for a period that occurred through the 2nd quarter 2013, which showed a consistent year over year (2013 vs. 2012) decrease in claims experience.

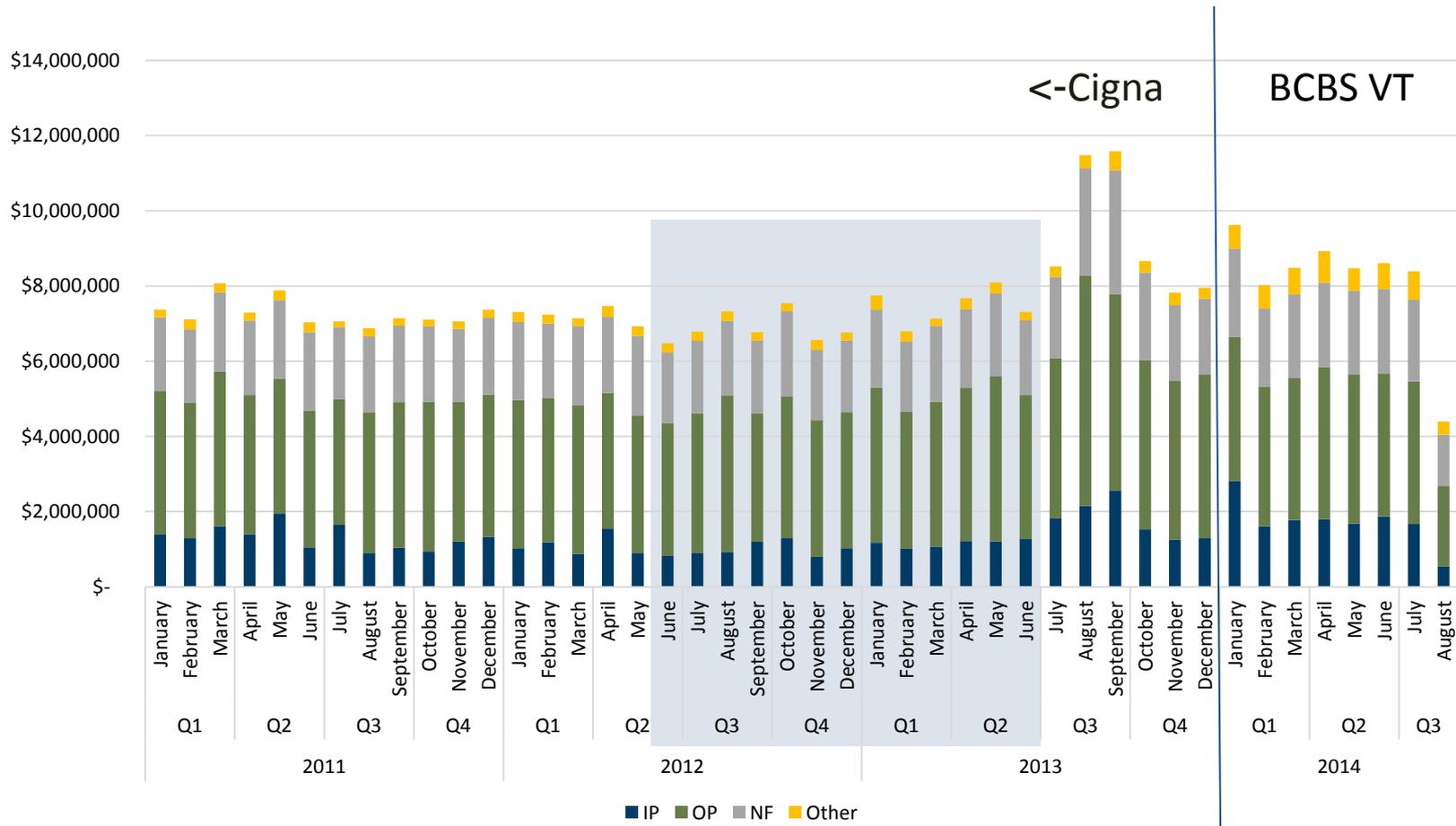
What Happened

- Expenses, driven by incurred medical claims, began increasing considerably starting 3rd quarter 2013, after the 2014 rates had been established.
- Draft FY14 financial statements indicate a plan "deficit" of \$13+m (\$3+m cash deficit, and \$10m IBNR deficit).

State of Vermont Health Benefits

Overall Claims History

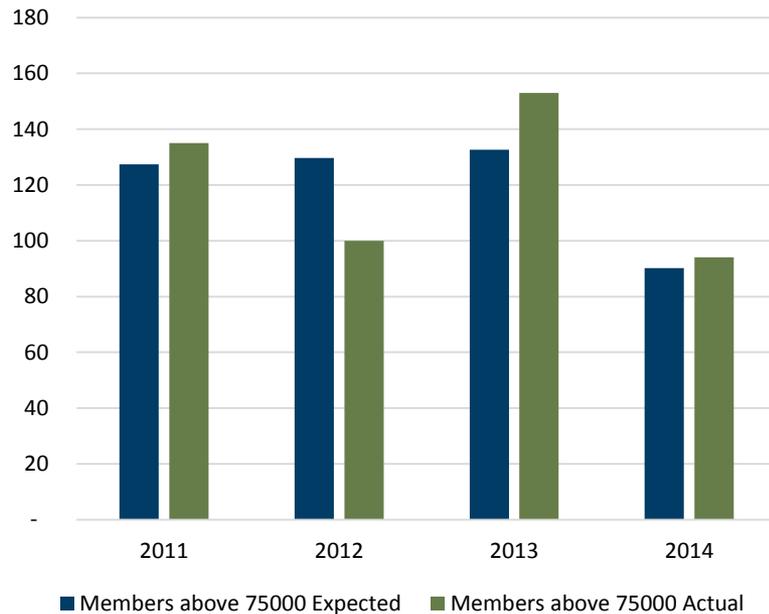
Incurred January 2011 to Aug 2014



High Cost Claims

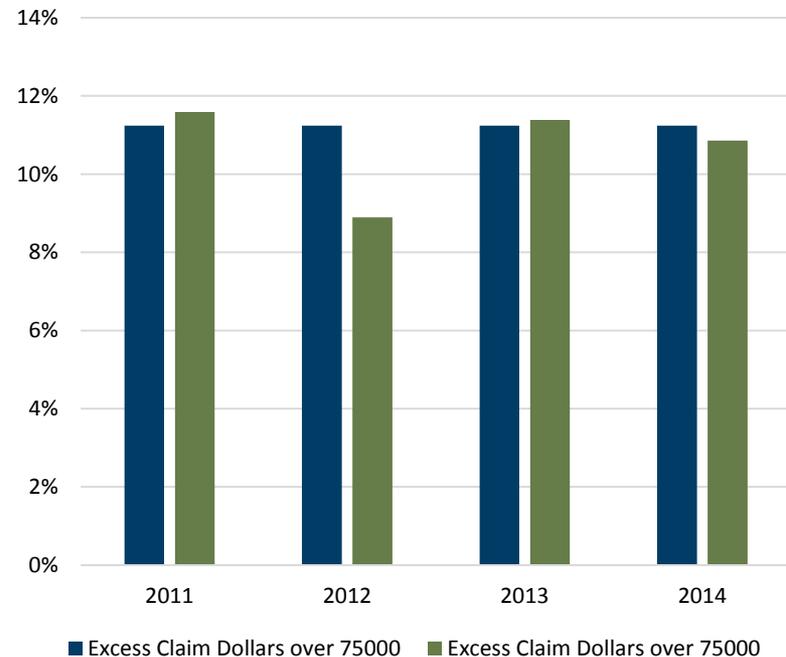
Note that the number of high cost claimants jumped between 2012 and 2013

High Cost Claimants Actual to Expected (number of claimants)



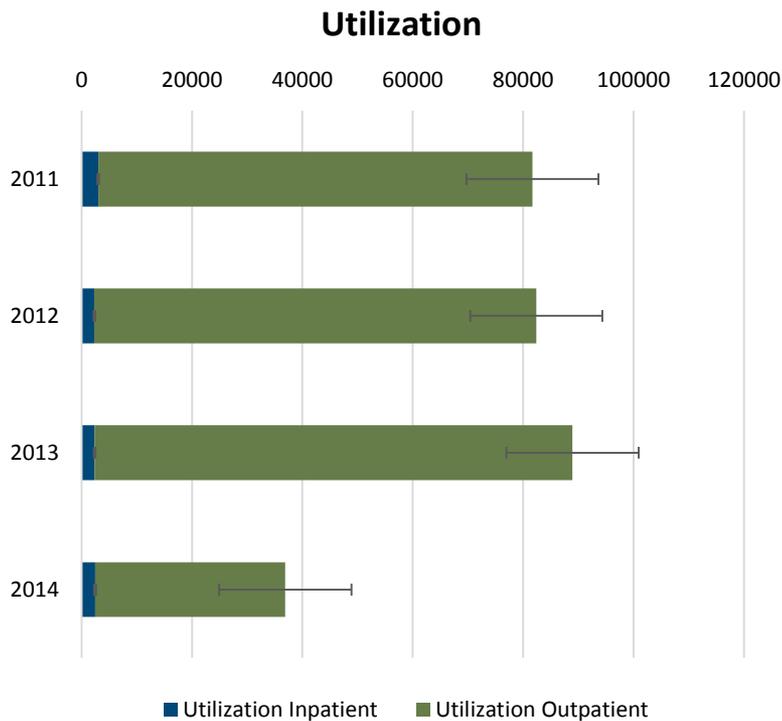
The amount of excess claims over \$75k was low in 2012, but returned to normal in 2013

Excess Claims dollars over \$75,000

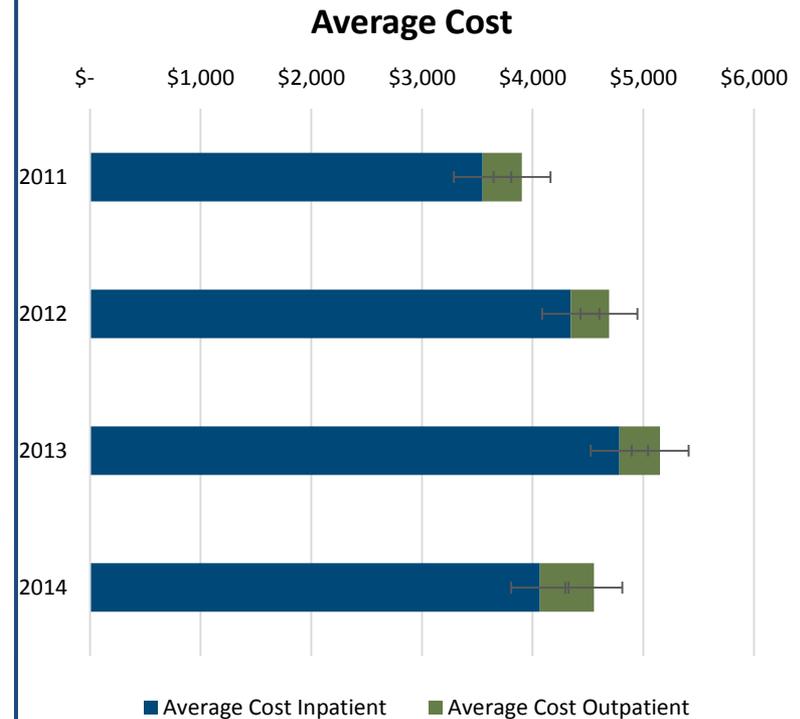


Facility Cost Increases

Utilization increases from 2012 to 2013.
2014 Utilization represents 8 months of claims

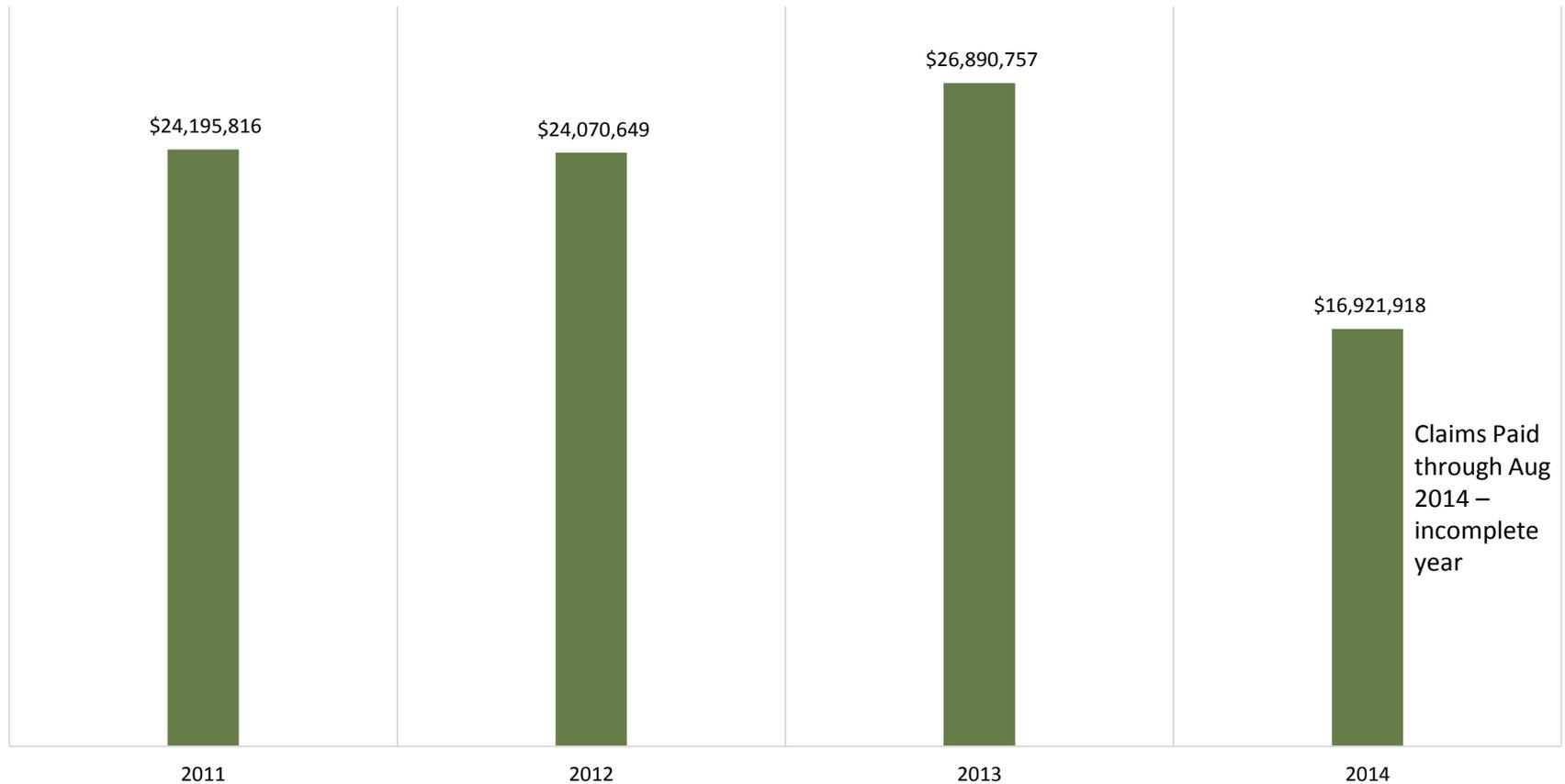


Average Cost increases year over year.
2014 Average may reflect differences in reporting between carriers – please interpret with caution.



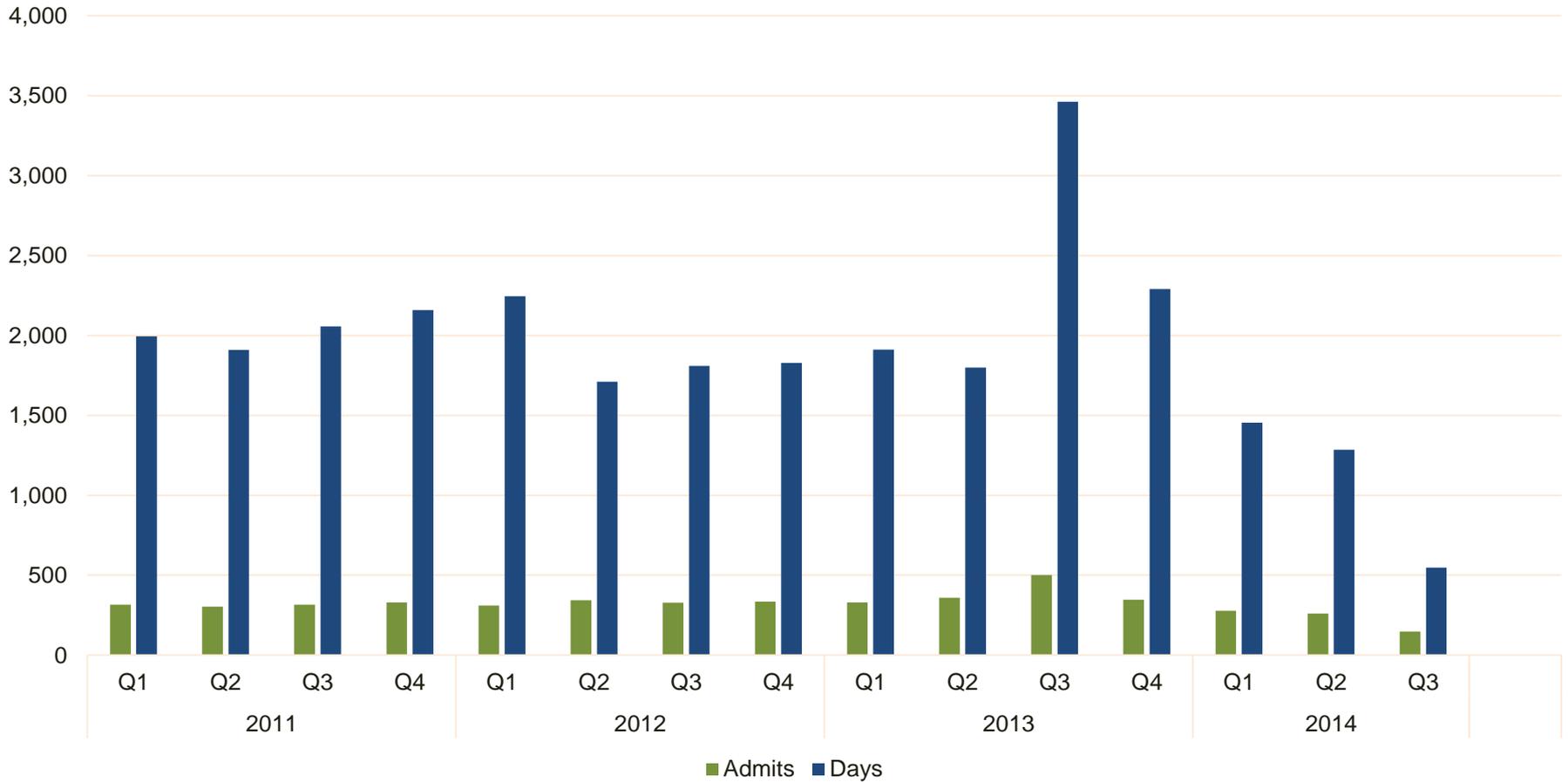
Non-Facility Cost Increase

Non-Facility Total Paid



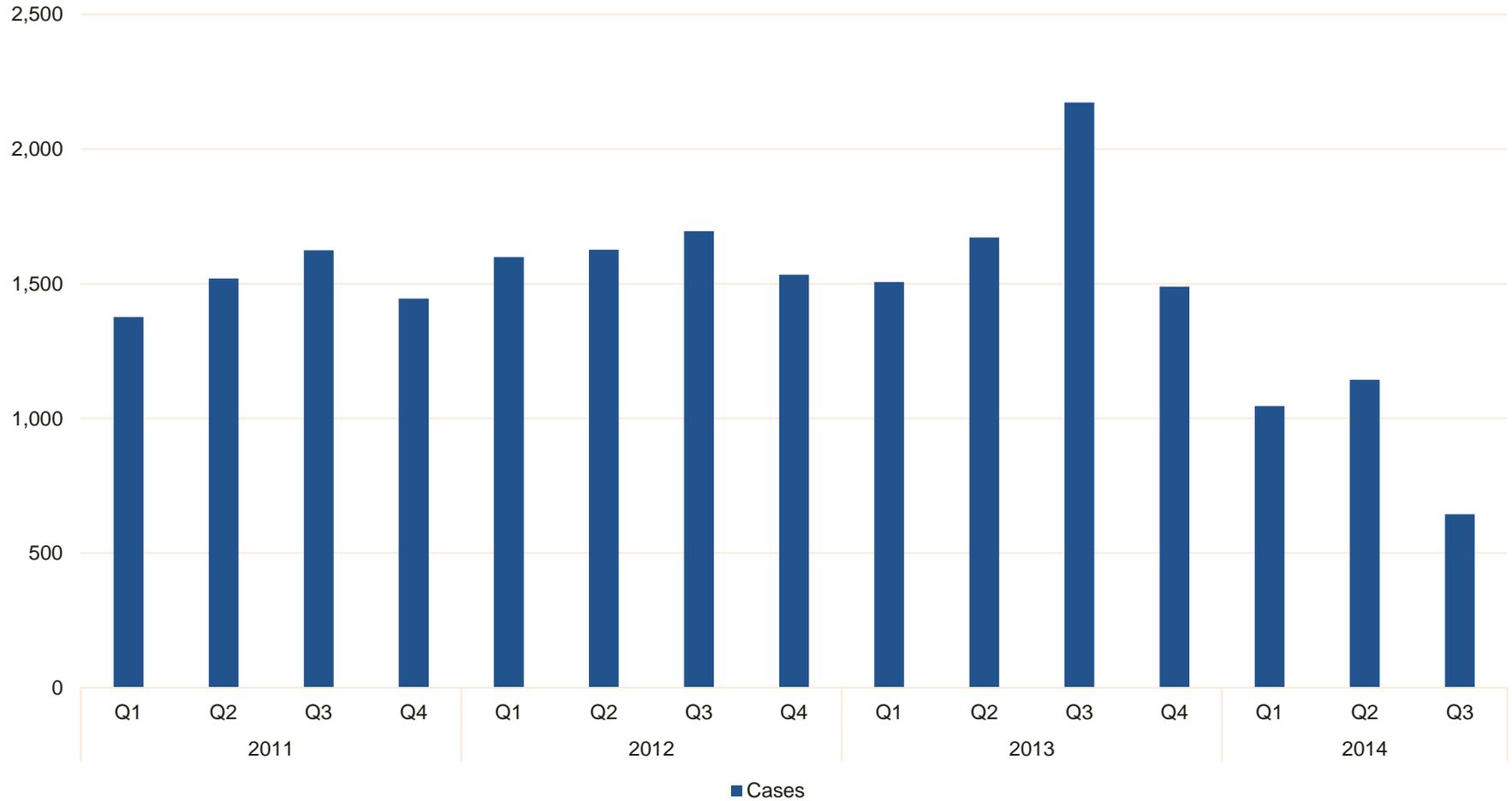
Inpatient Utilization

Inpatient Utilization



Emergency Room Usage

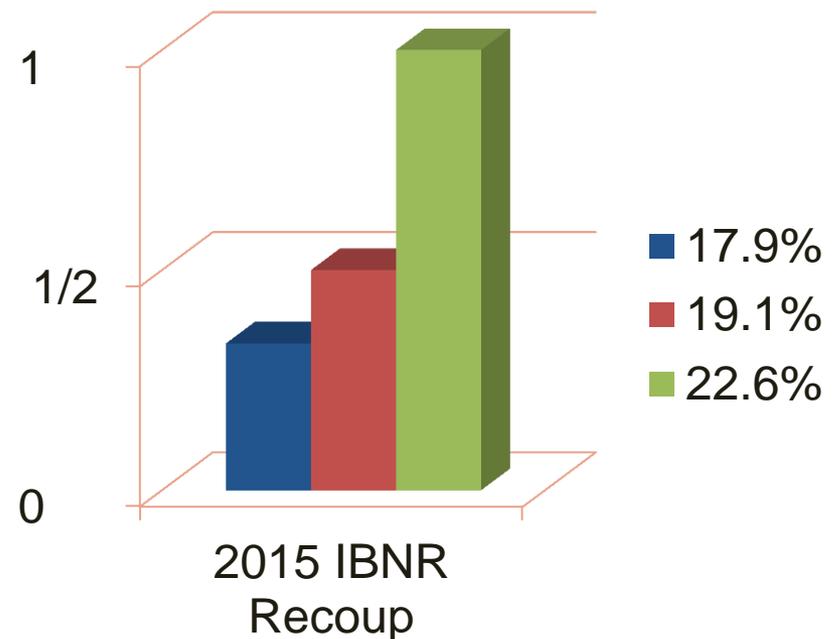
Emergency Room



PREMIUM INCREASE OPTIONS

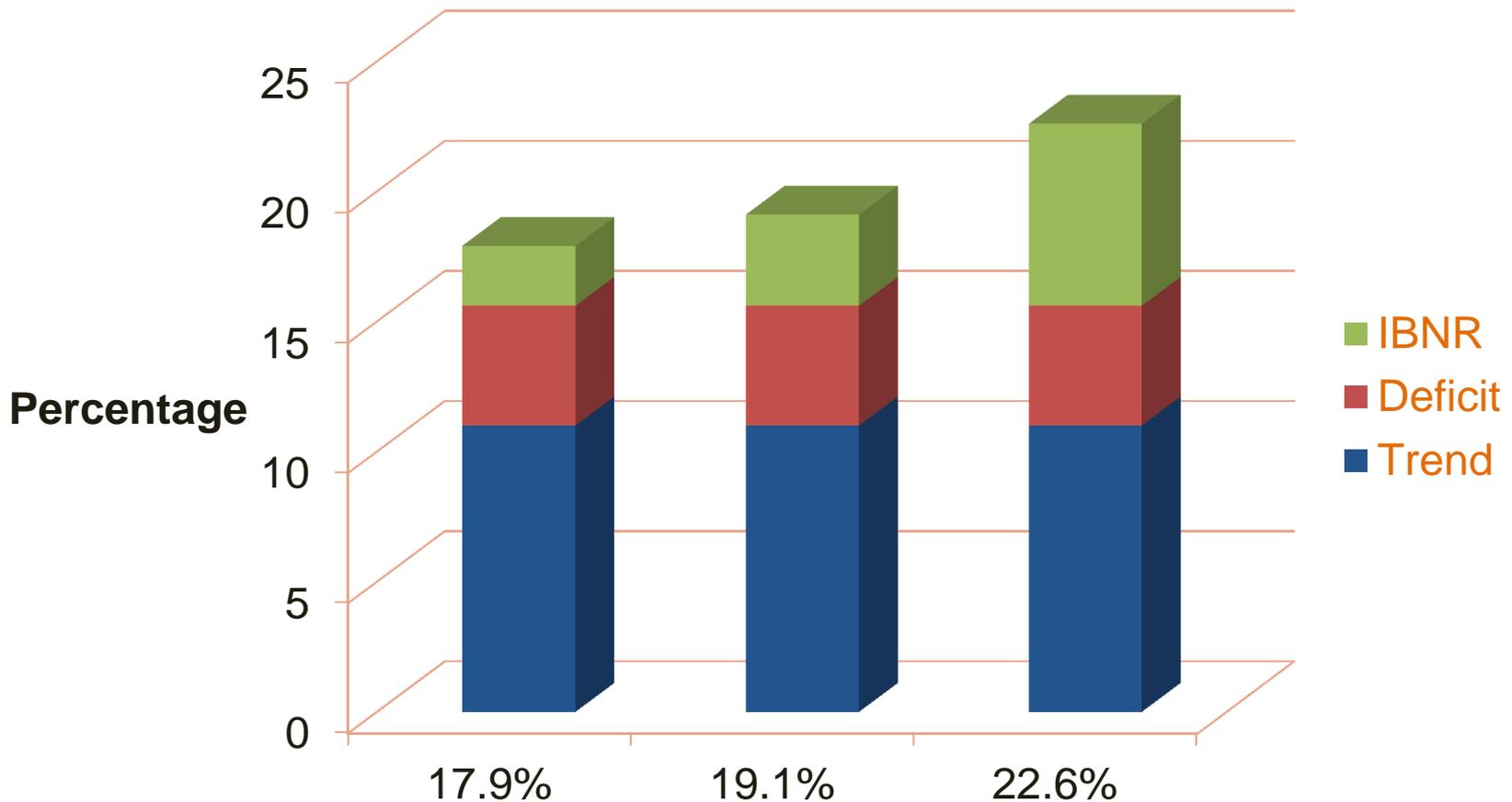
Active Employee Rate*

- A. 17.9%. 1/3 IBNR recouped CY15
- B. 19.1%. 1/2 IBNR recouped CY15
- C. 22.6%. Full IBNR recouped CY15



* Overall premium increase combined including retiree rates is approximately 2% below active rate due to lower retiree rates. Retiree premium varies from small decrease to the same as active, depending on the number of members in the family on Medicare.

HOW WERE THESE PERCENTAGES CALCULATED?



IMPACT ON ACTIVE EMPLOYEES

Active Employees
Per Pay Period Premium Increase

<i>Option A (17.9%)</i>	Single	Two	Family
SelectCare	\$11	\$22	\$30
TotalChoice	\$13	\$26	\$36

<i>Option B (19.1%)</i>	Single	Two	Family
SelectCare	\$12	\$23	\$32
TotalChoice	\$14	\$28	\$39

<i>Option C (22.6%)</i>	Single	Two	Family
SelectCare	\$14	\$28	\$38
TotalChoice	\$17	\$33	\$46

IMPACT ON RETIREES

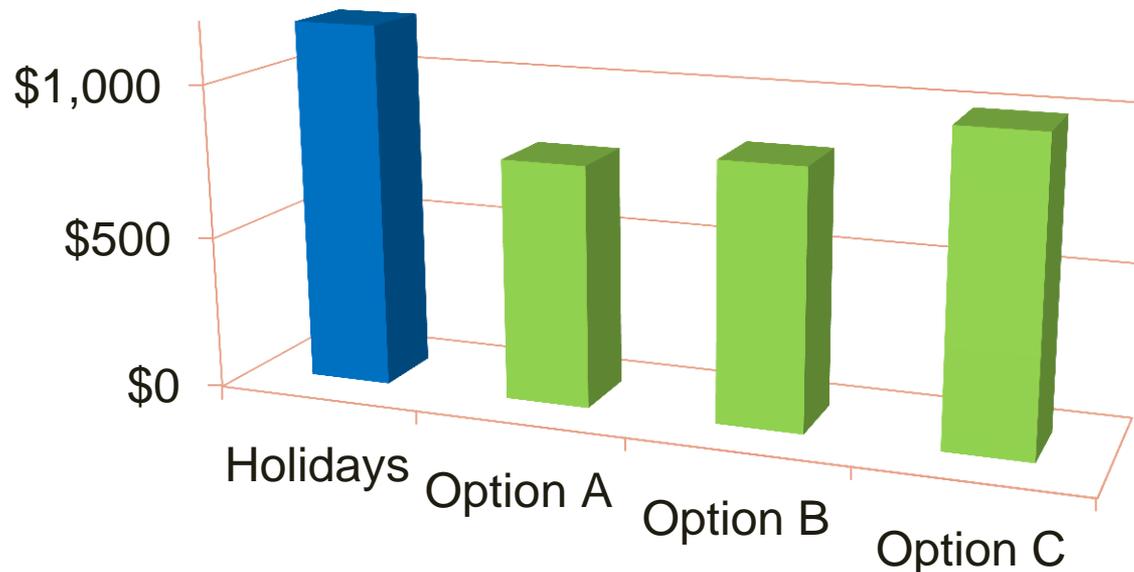
- Those non-Medicare retirees with only non-Medicare members in the family will see the same increases as actives.
- Medicare retirees alone, or with Medicare spouse will have a decrease or very small increase (-2.3% or +1.0% depending on the plan they are in). Medicare retirees with non-Medicare family members will see a mix of increase between the Medicare retiree rates and the active rate.

PERSPECTIVE

Premium Increase compared to Premium Holidays

- Employees & Retirees: 7 premium holiday savings in the past 2 years, with no rate increases. For a SelectCare family, the premium savings over that period was \$1,183. In contrast, all three options are considerably less (A - \$786, B - \$839, and C - \$993).

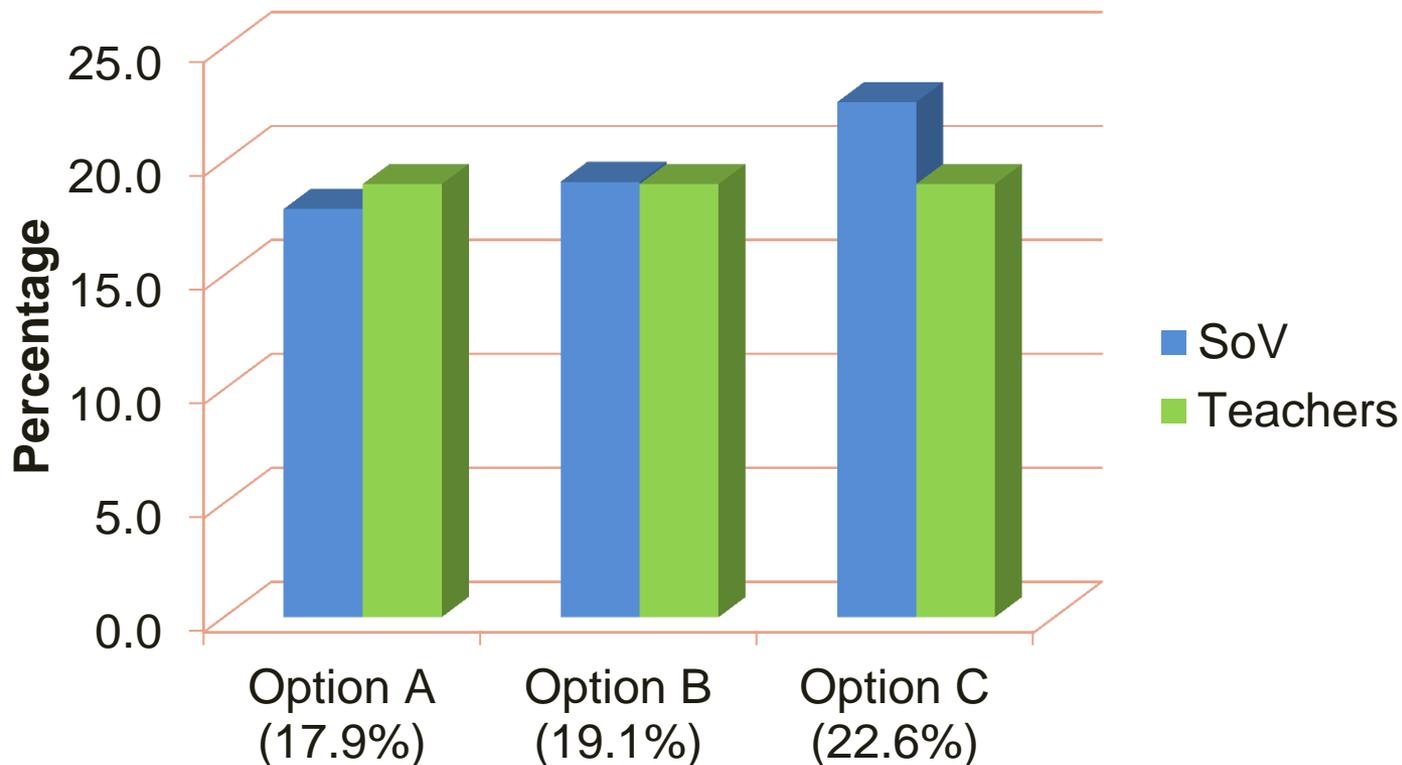
Holiday Premium Savings



PERSPECTIVE (cont'd)

3 year perspective

- VT Teachers plans' increase over roughly the same 3 year period of time is 19%.



PERSPECTIVE (cont'd)

- EGWP has for the most part insulated Medicare retirees and their Medicare dependents from the lion's share of the increase.
- **Prevention/Wellness:** Employees and retirees have had a decrease in out-of-pocket costs for preventive services beginning in January, 2014. Employees have been able to earn up to \$100 in 2014 for wellness activities.

Taking Action

Audits

- The State is pushing back on CIGNA per the claims audit showing higher than normal error rates in claims processing in 2013.
- We are instituting an implementation audit of BCBSVT.
- Benefits unit will conduct a dependent verification audit in early 2015.

EGWP

- We are implementing EGWP January 1, 2015.

Employee Outreach

- Benefits Division will be reaching out to Employees on how to save premium and out-of-pocket dollars.
 - Encourage/illustrate use of FSA (less than 20% currently participate)
 - Encourage/educate/illustrate pre-tax premium savings. Approximately 1,000 employees do not use it.

Milliman Caveats and Limitations for Information Presented by Milliman

Data Reliance

- In performing this analysis, we relied on data and other information provided by Cigna and BCBS of Vermont. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. In that event, the results of our analysis may not be suitable for the intended purpose.
- We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Variability

- Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.
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