

Subcommittee on Health and Human Services
Government Efficiency Task Force

401 Senate Office Building

April 3, 2012

9:00 a.m. – 11:00 a.m.

- 1) Call to Order
- 2) Roll Call
- 3) Presentation on State Employee Health Insurance
Barbara Crosier, Director of State Group Insurance,
Department of Management Services
- 4) Member discussion of State Employee Health Insurance
- 5) Adjourn



Florida Government Efficiency Task Force

Subcommittee on Health and Human Services

Background Brief

Subject Matter: State Employee Health Insurance Benefits

Subcommittee Members: Bob Rohrlack (Chair), Frank Attkisson, Larry Cretul, Julie Fess, and Bob Stork

ISSUE SUMMARY

- The State Employee Health Insurance Program (program) is an optional benefit for all state employees. The program is governed by s. 110.123, F.S. and administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS or department).
- Employee health insurance contributions differ by class and are not adjusted for variances in benefit value or projected total cost of the chosen plan. The employee contribution and level of benefits are fixed, and the state absorbs any differences in total cost.
- Projected total expenses under the State Employees Group Health Program are expected to increase by more than \$1 billion from just over \$2 billion in FY 2011-2012 to more than \$3.1 billion in FY 2014-2015.
- The state has absorbed most of previous cost increases and employee contributions have remained relatively flat.
- The state contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.40 billion of the total premium of \$1.57 billion for FY 2011-2012.
- Compared to other states and private employers, the State of Florida contributes a higher percentage of the premium to employee health benefits.

FULL ISSUE(S) ANALYSIS

I. BACKGROUND

A. STATE EMPLOYEE HEALTH INSURANCE:

State Employee Health Insurance Program

The State Employee Health Insurance Program (program) is governed by s. 110.123, F.S. The program is administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS or department).

The program is an optional benefit for all state employees, including state agencies, state universities, the court system and the Legislature. The program includes health, life, dental, vision, disability, and other supplemental insurance benefits.

As implemented by the department, the program offers four types of health plans: a standard statewide Preferred Provider Organization (PPO) Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor HMO Plan.

The State Employees' PPO plan is a self-insured health plan administered by Blue Cross Blue Shield of Florida and available to employees across the state.¹ Each HMO is a self-administered, pre-paid health plan that provides health services to people who live or work within the HMO's service area. Six HMOs provide coverage in various geographic regions.²

The program also offers two high-deductible health plans with health savings accounts (HSA). The Health Investor PPO Plan is the statewide, high deductible health plan administered by Blue Cross Blue Shield of Florida. The Health Investor HMO Plan is a high deductible health plan in which the state has contracted with multiple state and regional HMOs.

A state employee participating in either Health Investor plan is eligible to receive contributions into the employee's health savings account.³ The participant may draw upon these funds to meet out-of-pocket medical and pharmacy expenses.

Employee premiums for Health Investor plans are lower, and every year since the high-deductible option has been offered, the state has contributed \$500 and \$1,000 into the HSA for employees with individual or family coverage, respectively. The contribution has annually been reinstated each year in a budget implementing bill.⁴

¹ The administrator is responsible for processing health claims, providing access to a Preferred Provider Care Network, and managing customer service, utilization review, and case management functions.

² State contracted HMO plan providers are Aetna, AvMed, Capital Health Plan, Coventry Health Care of Florida, Florida Health Care Plans, and United Health Care. Department of Management Services, *State of Florida Employee and Retiree Benefits Guide*, September 2011. http://www.myflorida.com/mybenefits/pdf/BenefitsGuide_2012.pdf (last visited 03/20/2012).

³ The state makes a \$500 per year contribution to the health savings account for single coverage and a \$1,000 per year contribution for family coverage. These contributions are not subject to federal income tax on the employee's income. *Id.*

⁴ A budget implementing bill makes statutory changes that are only effective for one year. HB 5009, passed during the 2012 Regular Session, will establish the HSA employer contributions in permanent law, if approved by the Governor.

Tier Structure

The State Personnel System (SPS) is divided into categories, including Career Service (CS), Selected Exempt Service (SES), and Senior Management Service (SMS). Career Service employees comprise the majority of the SPS.

The State of Florida health program currently offers three tiers of enrollment for CS employees: individual employee, employee plus family, and spouse. SES and SMS employees, as well as those employed by the Department of Lottery, Legislature, and Executive Office of the Governor are offered two tiers of enrollment: individual employee and employee plus family. Many large employers utilize three or four tiers from which employees can elect to enroll. Increased number of tiers relate more directly to the number and type (adult spouse or child) of covered dependents (e.g. a single employee covering one child would pay a lower contribution than an employee covering a spouse and two children.) The state currently uses four tiers in its dental and vision plans.

Employer and Employee Contributions

Currently, full-time Career Service employee contributions for the PPO and HMO standard plans are the same: \$50 per month for single coverage and \$180 per month for family coverage. PPO and HMO HIHP contributions are also the same: \$15 per month for single coverage and \$64.30 for family coverage. Full-time Selected Exempt and Select Management Service are the same for standard plans as well as HIHP plans: \$8.34 per month for single coverage and \$30 per month for family coverage. Employee contribution levels are not adjusted for variances in benefit value or projected total cost of the chosen plan. The employee contribution and level of benefits are fixed, and the state absorbs any differences in total cost. Employee health insurance contributions differ by class and are listed in the chart below.

Florida State Employee and Employer Insurance Contributions

Category	Coverage	Standard Plan PPO/HMO			Health Investor Health Plan PPO/HMO		
		Employer	Enrollee	Total	Employer ⁵	Enrollee	Total
Career Service	Single	499.80	50.00	549.80	499.80	15.00	514.80
	Family	1,063.34	180.00	1,243.34	1,063.34	64.30	1,127.64
	Spouse	1,243.32	30.00	1,273.32	1,097.64	30.00	1,127.64
SES/SMS/EOG/ LEG/Lottery	Single	541.46	8.34	549.80	506.46	8.34	514.80
	Family	1,213.34	30.00	1,243.34	1,097.64	30.00	1,127.64

Cost and Trends

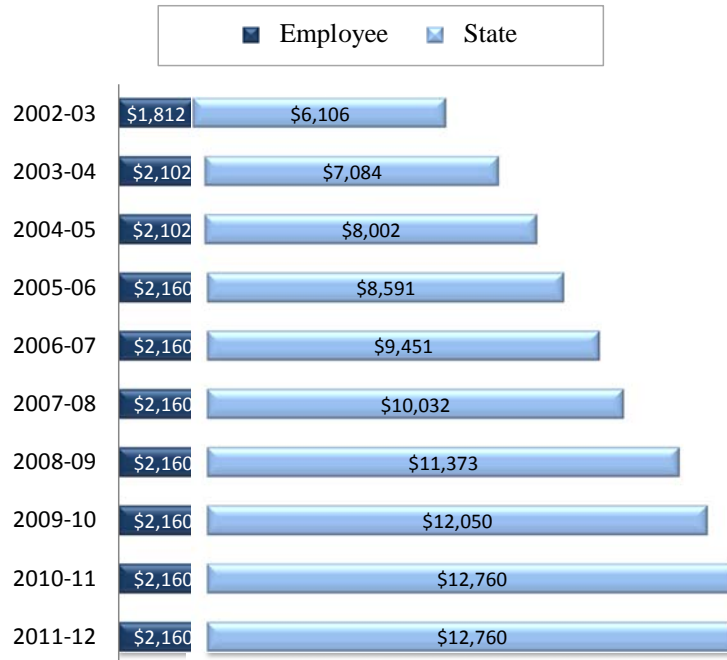
The state contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.40 billion of the total premium of \$1.57 billion for FY 2011-2012.⁶ The state program is

⁵ Includes employer tax-free HSA contribution - \$500 per year for single coverage and \$1,000 per year for family coverage.

⁶ Fiscal information provided by DSGI.

estimated to spend \$1.9 billion in FY 2011-2012 in health benefit costs.⁷ Spending is projected to increase on average 9.2% per year through FY 2015-2016.⁸ Projected total expenses under the State Employees Group Health Program are expected to increase by more than \$1 billion from just over \$2 billion in FY 2011-2012 to more than \$3.1 billion in FY 2014-2015.⁹ The state has absorbed most of previous cost increases and employee contributions have remained relatively flat, as illustrated by the following chart.¹⁰

Career Service Family Coverage Yearly Premium



B. Employer Insurance Trends:

Average Employer Contributions

Differences in premium amount, copays and deductibles, coverage levels, and other cost-sharing variables present challenges when comparing health benefits between government and private employers. Even within a single employer, each plan type may contract with multiple carriers and value of access varies by carrier and geographic location.¹¹

⁷ Department of Management Services, *State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook*, January 4, 2012, p. 1. <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceResults.pdf> (last visited 03/20/2012).

⁸ *Id* at p. 2.

⁹ Buck Consultants, *Strategic Health Plan Options for the State of Florida*, September 29, 2011, p. 1.

http://www.dms.myflorida.com/agency_administration/communications/2011_highlights/strategic_health_plan_options_for_the_state_of_florida (last visited 03/20/2012).

¹⁰ Fiscal information provided by DSGI.

¹¹ For example, the federal benefits standard family Humana Medical Plan for South Florida requires a \$271.87 per month employee contribution versus \$310.59 for the same standard family Humana Medical Plan coverage in the Tampa area. United States Office of Personnel Management, *The 2012 Guide to Federal Benefits For Federal Civilian Employees*, November 2011, p. 42.

<http://www.opm.gov/insure/health/planinfo/2012/guides/70-1.pdf> (last visited 03/20/2012).

According to a 2010 study by The Segal Group surveying all 50 states and Washington, DC, over half of state plans are subsidized by the employer at 80% or higher.¹² Employers offering HMOs and HDHPs provide higher premium subsidies than PPOs, which is generally linked to the reduction in the employer's claim cost liability.

A 2011 survey of state employee health benefits by the National Conference of State Legislators found that states paid an average of 89% for individual coverage and 80% for family coverage.¹³ The State of Florida's employer contributions for individual coverage was \$499.80 per month, compared to a national average of \$519.13. The state's contribution is 91% of the standard premium and 97% of the health investor plan premium. Florida's employer contribution for family coverage was \$1,063.34 per month, compared to a national average of \$1,096.63. The state's contribution is 86% of the standard premium and 94% of the health investor plan premium.¹⁴

DSGI contracted with Mercer Consulting to prepare a Benchmarking Report¹⁵ (report) for the state group insurance program. The report compares Florida's state group insurance program to the programs of other large employers¹⁶, both in the public and in the private sectors. Specific findings in the report include:

- From 2005 through 2009, health benefit costs per employee increased an average of 6% annually.
- In 2010, health benefit costs per employee increased an average of 7% for all employers, but costs for large employers increased 8.5%.
- Employers are continuing to shift cost increases to employees through higher deductibles, co-insurance, and other cost-sharing provisions.

The report found that State of Florida contributes a higher percentage of the premium to employee health benefits than other states and private employers. For example, the report found that Florida paid 84% of the monthly premium for a family PPO plan, compared to a 69% average for large national employers. At the time of the study, the average family plan premium for large national employers was \$361, while the monthly premium for a family PPO plan for a Florida state employee was \$180.¹⁷

The report also found that the average monthly employee contribution for individual coverage with a State of Florida employer was \$50, compared to \$93 and \$56 for PPO and HMO coverage, respectively, in other states.¹⁸ The average employee contribution for large employers in Florida was \$112 and \$104 for PPO and HMO coverage, respectively. Mercer's findings are summarized in the following charts comparing monthly employee contributions by dollar amount and as a percentage of premium.¹⁹

¹² The Segal Group, *2010 Study of State Employee Health Benefits*, Winter 2011, p. 3.

<http://www.segalco.com/publications/surveysandstudies/2010statestudy.pdf> (last visited 03/29/2012).

¹³ National Conference of State Legislatures, *2011 State Employee Health Benefits: Monthly premium costs (family and individual coverage)*, September 2011, pp. 3, 5. <http://www.ncsl.org/Portals/1/documents/health/StateEHBenefits2011.pdf> (last visited 03/20/2012).

¹⁴ *Id.* at pp. 2, 4.

¹⁵ Mercer Consulting, *State of Florida Benchmarking Report*, March 24, 2011.

http://www.dms.myflorida.com/media/dsgi/sb_2000/2010_benchmarking_report_for_state_of_florida (last visited 03/20/2012).

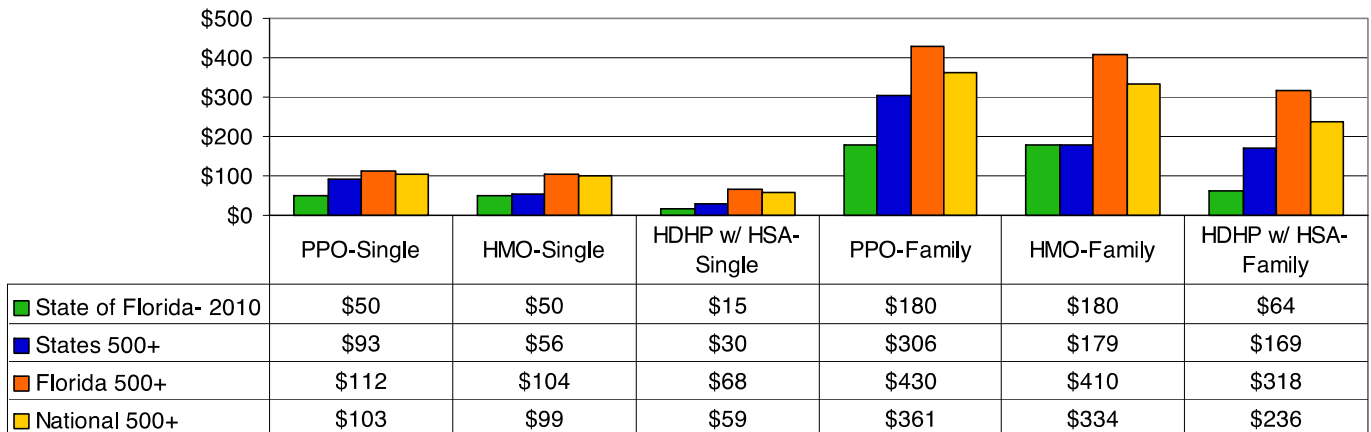
¹⁶ For the purpose of the report, "large employers" had 500 or more employees.

¹⁷ *Id.*

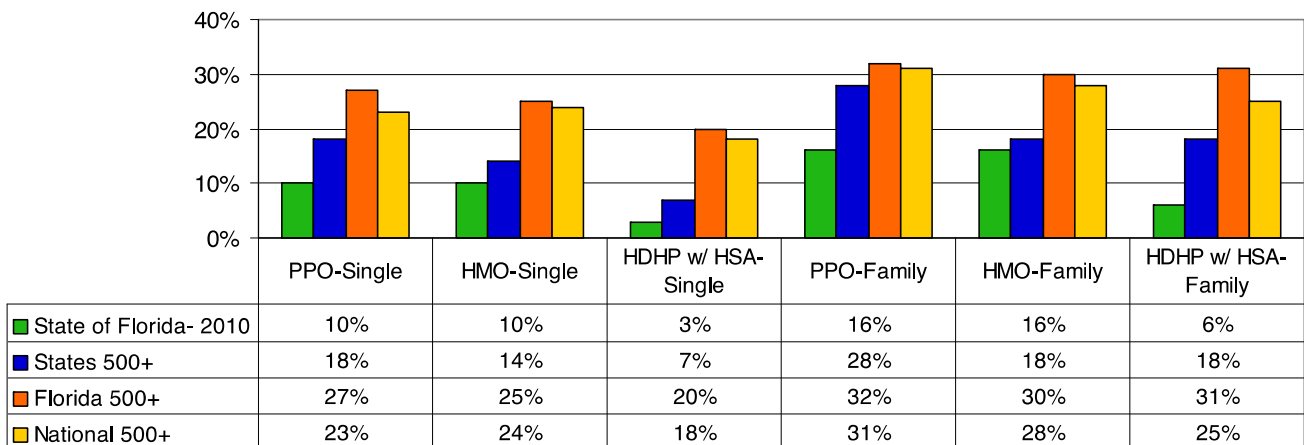
¹⁸ State of Florida compared with other states with 500+ employees. *Id.*

¹⁹ *Id.*

Monthly Employee Contribution Benchmarks (dollars)



Monthly Employee Contribution Benchmarks (percentage)



The federal government offers Preferred Provider Organization, Health Maintenance Organization, Point-of-Service, Consumer Driven, and High Deductible Health Savings Account or Health Reimbursement plans. Government agencies pay the lesser of: 72% of the average total premium of all plans weighted by the number of enrollees in each, or 75% of the premium for the specific plan chosen by the employee. For purposes of comparison, the federal employee contribution for Capital Health Plan coverage is \$102.27 for individuals and \$271.01 for families.²⁰ State employee participants in Capital Health Plan contribute \$50 for individual coverage and \$180 for family coverage.

The State of Florida contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.40 billion of the total premium of \$1.57 billion for FY 2011-2012.²¹ The state program is estimated to spend \$1.9 billion in FY 2011-2012 in health benefit costs.²²

²⁰ United States Office of Personnel Management, *The 2012 Guide to Federal Benefits For Federal Civilian Employees*, November 2011, p. 42. <http://www.opm.gov/insure/health/planinfo/2012/guides/70-1.pdf> (last visited 03/20/2012).

²¹ Fiscal information provided by DSGI.

²² Department of Management Services, *State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook*, January 4, 2012. <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceResults.pdf> (last visited 03/20/2012).

Division of State Group Insurance Overview



DEPARTMENT OF MANAGEMENT
SERVICES

Scott Stewart
Interim Secretary

Presented by Barbara Crosier, Director
Division of State Group Insurance

March 6, 2012



Statutory Authority

- Chapter 110.123, Florida Statutes, provides, among others, the following powers and duties of the Division of State Group Insurance:
 - With the **prior** approval of the Legislature, determine the benefits to be provided and the contributions to be required for the State Group Insurance Program
 - Procure and contract on a competitive proposal basis with an insurance carrier or carriers capable of meeting all servicing requirements



Enrollment

- 140,000 active employees
 - State Personnel System
 - State University System
 - Florida Legislature, State Courts, Justice Administrative Commission, Lottery, and other entities



Current Program: *Plan Designs and Contributions*

1. **PPO Standard** – A self-insured plan administered by BlueCross BlueShield and Medco providing the prescription drug benefits administration.
2. **HMO Standard** – In 2012, all except two of the HMOs became self-insured, with prescription drug benefits administered by Medco.
3. ***PPO Health Investor Health Plan (HIHP)*** – This is a self-insured, high-deductible plan administered by BlueCross BlueShield and the prescription drug benefits administered by Medco in 2012. Approximately 0.5 percent of active employees participating in the Health Program are enrolled in this plan.
4. ***HMO HIHP*** – HMO HIHPs are offered on a self-insured basis by four carriers and fully-insured by two. All administer the medical benefits. Prescription drug benefits are administered by Medco. Depending on where employees live or work, they may be eligible for more than one HMO. Approximately, 0.3 percent of active employees participating in the Health Program are enrolled in this plan.



Current Program: *Plan Designs and Contributions*

	HMO Standard	PPO Standard		PPO and HMO HIHP	
		In-network	Out-of-network	In-network	Out-of-network (PPO Only)
Deductible	None	\$250/\$500	\$750/\$1,500	\$1,250/\$2,500	\$2,500/\$5,000
Annual State Health Savings Account Deposit	N/A	N/A		\$500/\$1,000	
Primary Care	\$20	\$15	40% after deductible	20% after deductible	40% after deductible
Specialist	\$40	\$25			
Hospital	\$250 copayment	20% after \$250 copay	20% after \$500 copayment		
Generic/ Preferred/ Non-Preferred Prescriptions	\$7/\$30/\$50 Retail	\$7/\$30/\$50 Retail		30% after deductible/ 30% after deductible/ 50% after deductible	
	\$14/\$60/\$100 Mail	\$14/\$60/\$100 Mail			
Out-of-pocket Maximum	\$1,500/\$3,000 employee/family	\$2,500/\$5,000 plus deductible employee/family		\$3,000/\$6,000 employee/family	
		HMO and PPO Standard		HMO and PPO HIHP	
Employee		\$50.00		\$15.00	
Family		\$180.00		\$64.30	



Additional Program Changes

Implemented January 1, 2011 per the 2010-11 General Appropriations Act

- Copayments Changes
 - HMO primary care increased from \$15 to \$20
 - HMO specialist increased from \$25 to \$40
 - PPO and HMO emergency room copayment increased from \$50 to \$100
 - Prescription drugs changed from \$10/25/40 to \$7/30/50 at retail
 - Prescription drugs changed from \$20/50/80 to \$14/60/100 at mail
- Maintenance Medications Through Mail
 - Maintenance medications may be filled at retail up to three times
 - Thereafter, to be covered the prescription will go through the mail order pharmacy
 - Both the plan and the member pay less when the mail order pharmacy is used
 - Applies only to the PPO Plan



Program Changes: *Starting January 1, 2012*

- Four self-insured HMOs (two remain fully insured)
- Reduced premiums for the fully insured Capital Health Plan
- Single HMO availability in all but six counties (Volusia, Flagler, Palm Beach, St. Lucie, Broward, Dade)
- Medco is administering the State Employees' Prescription Drug Program for the PPO Plan and the HMO Plans (except for Medicare Advantage Plans offered to retirees)



Employee Contribution Options

Conservative	Moderate	Aggressive
<ul style="list-style-type: none"> • Adjust current two-tier structure to four tiers • Adjust employee contributions to better reflect the relative value of the plan options (HMO Standard highest, PPO Standard middle and PPO HIHP lowest required contribution) but employees do not pay the full difference in cost between the plans. 	<ul style="list-style-type: none"> • Adjust current two-tier structure to four tiers • Adjust employee contributions to reflect the relative value of the plan options using a fixed percentage or fixed dollar amount for the state contribution (HMO Standard highest, PPO Standard middle and PPO HIHP lowest required contribution), requiring employees to “buy up” to the greater valued plans by paying the full difference in cost between the plans. 	<ul style="list-style-type: none"> • Adjust current two-tier structure to four tiers • Adjust employee contributions to reflect the relative value of the plan options using a fixed dollar amount for the state contribution: <ol style="list-style-type: none"> 1. Fixed amount per year for all employees 2. <ol style="list-style-type: none"> a. Fixed amount per year for individual contracts b. Fixed amount per year for family contracts c. Phase out the differential in employer contributions between individual and family contracts over a period of three to five years • Fixed state contribution could purchase state-sponsored option(s) or via a state-based private exchange.



Population Health Management Options

Conservative	Moderate	Aggressive
Activity-based Incentives	Achievement-based Incentives	Adherence-based Incentives
<ul style="list-style-type: none"> • Conduct a population risk analysis • Introduce incentives for health risk assessment completion and biometric screenings • Implement tobacco cessation initiative 	<ul style="list-style-type: none"> • Implement population health management programs targeted to address results of population risk analysis • Use health risk assessment completion and biometric screenings as gateway to earning incentives for population health management program and biometric “achievements” • Introduce tobacco user surcharge for employees 	<ul style="list-style-type: none"> • Monitor results and continue population health management programs targeted to address results of population risk analysis • Use health risk assessment completion and biometric screenings as gateway to earning incentives for population health management program and biometric “achievement” • Introduce “adherence-based” incentives to reward members that meet clinical and biometric targets • Continue tobacco user surcharge for employees and add surcharge for tobacco user spouses.



Who We Are

The **Division of State Group Insurance** (DSGI) offers and manages a comprehensive package of health and welfare insurance benefits for active and retired state employees and their families, including:

- a variety of health insurance options
- flexible spending and health savings accounts
- life insurance
- dental, vision and other supplemental insurance products

DSGI procures and manages services that will meet the needs of our customers and remain cost-efficient. DSGI provides subject-matter expertise, information, and tools to help the Legislature make the best decisions to produce cost savings and improve benefits.

Primary Responsibilities

The **Bureau of Financial and Fiscal Management** establishes and manages fiscal policy and control of the insurance benefit programs, provides financial and budget oversight, manages vendor payments, administers premiums, monitors contractors' financial compliance, and conducts audits.

The **Bureau of Policy and Development** establishes insurance product procurement priorities; administers procurements; manages contracts; ensures compliance with pretax cafeteria plan requirements; communicates insurance benefits information to employees, retirees and other stakeholders, including open enrollment activities and communications; and investigates and completes appeals for some benefits plans.

Governing Authority

F.S. 110.123: State Group Insurance Program

F.S. 110.161: State Employees; Pretax Benefits Program

F.S. 112.08: Group Insurance for Public Officers, Employees, and Certain Volunteers; Physical Examinations

Chapter 627: Insurance Rates and Contracts

Chapter 641: Health Care Service Programs

Rule 60P: State Group Insurance Program

Federal Laws and the Internal Revenue Code

Our Customers*

State Agencies	86,745
State Universities	36,016
Benefits Only: Retirees, COBRA, etc.	36,213
Florida Board of Bar Examiners	42
Florida Inland Navigation	6
Justice Administrative Commission	8,594
Legislature	1,565
Miami-Dade Expressway	46
Orlando-Orange Co. Expressway	49
State Board of Administration	211
State Courts System	3,731
Tri-Rail	100
West Coast Inland Navigation	3
TOTAL	173,321

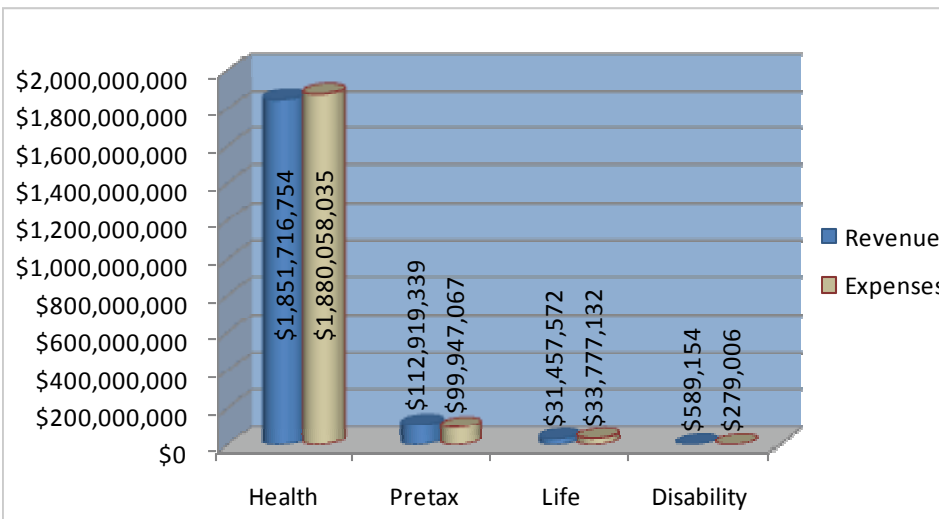
*Enrolled in health coverage as of December 2011; does not include dependents.

State Group Insurance Performance Measures FY 2010-11

	PPO Plan Administrative Cost Per Enrollee	DSGI Administrative Cost Per Enrollee	PPO Plan Cost Per Contract	Contracted Performance Standards Met
Standard	\$9,824	\$10.27	\$348.76	95%
Actual	\$9,154	\$6.04	\$213.84	94.69%



Cash Flow by Trust Fund FY 2010-11

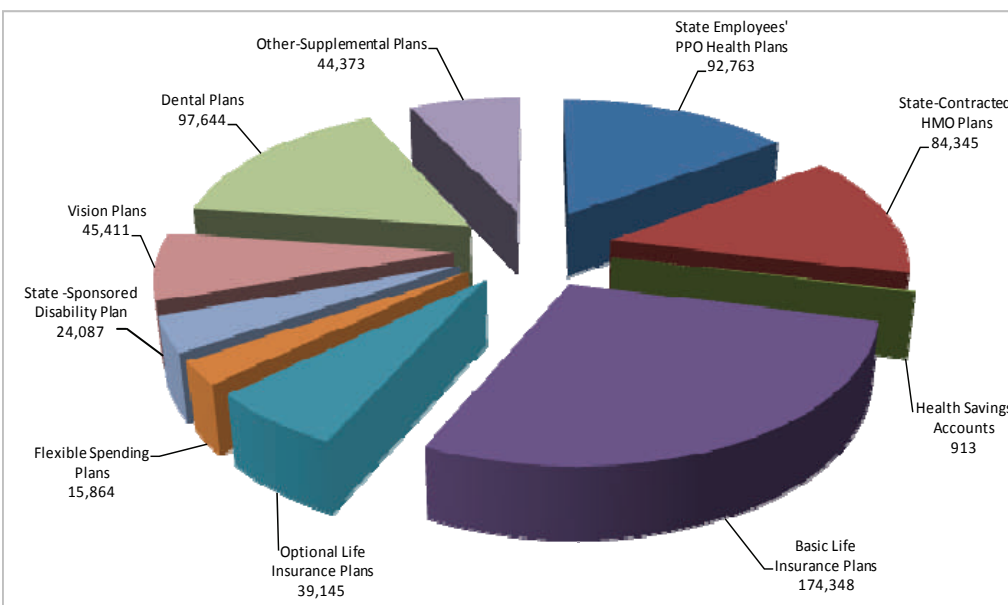


Financial Outlook

DSGI prepared a financial Outlook for the State Employees' Group Health Self-Insurance Trust Fund (Trust Fund) for the fiscal years ending June 30, 2011 through June 30, 2016 to aid in state planning and budgeting in accordance with Section 216.136(9), Florida Statutes. DSGI prepared the Outlook using cash basis methods and modeling and based it on the healthcare benefit and funding designs currently in place. The Outlook considers the Open Enrollment results for 2012, actual enrollment through December 2011, and cash flow experience through October 2011.

The Outlook for the Trust Fund changed slightly since the last conference held in October 2011. For FY 2011-12, the projected ending cash balance decreased from \$234.1 million to \$227.1 million; the estimated operating surplus of \$36.3 million changed to \$29.3 million, down \$7.0 million. The projected ending cash balance for FY 2012-13 decreased from a surplus of \$110.2 million to \$106.7 million, down \$3.5 million; the estimated operating deficit decreased from \$123.9 million to \$120.4 million, down \$3.5 million. The Outlook for subsequent years shows that expenses will exceed revenues by an amount that generates a negative balance for the fund of \$194.3 million at the end of FY 2013-14. Further negative cash flows of \$554.0 million for FY 2014-15 and \$759.3 million for FY 2015-16 are projected, assuming no carry forward of a negative balance from the previous year.

Insurance Plans Average Enrollment FY 2010-11



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