



# State of Minnesota – Advantage Plan

## Plan Design and Premiums Changes 2010/2011

Presented to Subcommittee on Employee Relations

June 29, 2009

# Aggregate Trend Recommendation

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- Aggregate Trend Results
  - Medical Trend (changes in cost of products and services + changes in utilization)
    - MMB historical utilization given more weight than health plan projected utilization, equal weight between MMB historical year 1 and year 2.
      - 2008-2009 Projection: Scenario 2 - Trend 8.5%
      - 2009-2010 Projection: Scenario 2 – Trend 8.9%
      - 2010-2011 Projection: Scenario 2 – Trend 9.0%
  - Pharmacy Trend (changes in cost of products and services + changes in utilization)
    - MMB historical 06-07 trend given significant weight with remaining weight distributed between health plan corporate trends provided for pharmacy.
      - 2008-2009 Projection: Scenario 2 – Trend 5.8%
      - 2009-2010 Projection: Scenario 3 – Trend 6.0%
      - 2010-2011 Projection: Scenario 4 – Trend 6.2%

Trend Period	Medical Trend	Pharmacy Trend	Aggregate Trend
2008 - 2009	8.5%	5.8%	8.0%
2009 - 2010	8.9%	6.0%	8.4%
2010 - 2011	9.0%	6.2%	8.5%

# Advantage "Status Quo" – Rates and Calendar Year Costs

- Using claim cost projections of:

- 8.0% for 2008 to 2009
- 8.4% for 2009 to 2010
- 8.5% for 2010 to 2011

- Results in Premium increases of:

- 3.6% for 2009 to 2010
- 8.7% for 2010 to 2011

	2008	2009	2010	2011
Plan Contribution				
State CY Contributions	501,087,157	518,480,448	537,239,481	583,881,726
EE CY Contributions	69,630,601	72,209,922	74,822,535	81,318,504
Total CY Premiums	570,717,758	590,690,370	612,062,016	665,200,230
Total Premium				
CY '09 (x2) vs. Biennium total		1,036,960,895	1,121,121,208	
			-84,160,313	

	2008	2009	2010	2011
Premium				
Employee	\$432.16	\$447.28	\$463.46	\$503.70
MMB Contrb	\$432.16	\$447.28	\$463.46	\$503.70
EE Contrb	\$0.00	\$0.00	\$0.00	\$0.00
Dependent	\$838.70	\$868.06	\$899.47	\$977.56
MM Contrb	\$712.90	\$737.85	\$764.55	\$830.92
EE Contrb	\$125.81	\$130.21	\$134.92	\$146.63
Family	\$1,270.86	\$1,315.34	\$1,362.93	\$1,481.26
MMB Contrb	\$1,145.06	\$1,185.13	\$1,228.01	\$1,334.62
EE Contrb	\$125.81	\$130.21	\$134.92	\$146.63

# Coalition Insurance Summary

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## Advantage Medical Insurance

### 2010

- No changes in plan design, with current 2009 plan cost-sharing continuing through plan year
- Premium increase = 0%

### 2011

- No changes in plan design, with current 2009 plan cost-sharing continuing through plan year
- Premium increase = 6.7% (projected)
- Employer will provide a \$125 contribution to each employee's HRA.

- Advantage reserves spent to \$0 beyond 2 month reserve level
- Possible co-pay waivers for Centers of Excellence
- Health Partners owned clinics moved to tier 1 provider
- CDHP/HSA offered for Managerial and Commissioner plan employees

## Dental Insurance

### 2010

- No changes in plan design, with current 2009 plan cost-sharing continuing through plan year
- Premium decrease = 2% for both Delta and HP Dental. Maintain \$5 Minimum premium.

### 2011

- No changes in plan design, with current 2009 plan cost-sharing continuing through plan year
- Premium increase = 4% (projected) for both Delta and HP Dental.

# Income Statement - Self Funded Medical Plan

State Employees' Group Insurance Program (SEGIP)  
2007 to 2012 Plan Years

No Change in Cost Sharing, 0 % increase in 2010, 6.7 % in 2011, HRA Contribution of \$ 125 per Employee, No Allowance for Economic Uncertainties  
(April 09)

	Actual 12 Months 12/31/07	Preliminary 12 Months 12/31/08	Forecast 12 Months 12/31/09	Forecast 12 Months 12/31/10	Forecast 12 Months 12/31/11	Forecast 12 Months 12/31/12	Forecast 12 Months 12/31/13
Income (Premiums)	530,671,700	570,717,758	590,690,370 3.5%	590,690,370 0.0%	630,266,625 6.7%	734,260,618 16.5%	795,204,249 8.3%
Expenditures							
Claims Paid & Incurred	470,800,913	494,007,813	537,979,001	586,349,003	638,258,697	693,045,442	752,513,212
Claims Paid & Incurred as % of Premiums	89%	87%	91%	99%	101%	94%	95%
Admin & Reinsurance (Paid to Carriers) (Includes Risk Mgt Programs)	30,340,823	33,283,559	30,197,482	30,713,013	31,941,533	33,219,195	34,547,963
Admin & Rein. As % of Prem.	5.7%	5.8%	5.1%	5.2%	5.1%	4.5%	4.3%
Gain or (Loss)	29,529,964	43,426,386	22,513,887	(26,371,646)	(39,933,605)	7,995,981	8,143,074
Gain (Loss) as % of Prem.	5.6%	7.6%	3.8%	-4.5%	-6.3%	1.1%	1.0%
Other Expenses , Settlements, and Adjustments							
Allowance for Current Economic Uncertainties (B)			0	0	0	0	0
Employee Health Account ( Including Admin Costs)		(16,300,000)	0	0	(7,500,000)	0	0
Consulting, EAP, and Other Costs	(1,025,155)	(959,157)	(1,000,000)	(1,100,000)	(1,200,000)	(1,200,000)	(1,300,000)
Federal Liability on Fund Transfers	(446,628)		0	0	0	0	0
Prior years -Settlements Received (Paid)	(6,223,149)	4,260,598	(2,200,000)	(2,200,000)	(1,500,000)	(1,300,000)	(1,400,000)
Total - Other	(7,694,932)	(12,998,559)	(3,200,000)	(3,300,000)	(10,200,000)	(2,500,000)	(2,700,000)
Adjusted Gain or Loss Before Interest Income	21,835,032	30,427,827	19,313,887	(29,671,646)	(50,133,605)	5,495,981	5,443,074
Adj. Gain (Loss) as % of Prem.	4.1%	5.3%	3.3%	-5.0%	-8.0%	0.7%	0.7%
Interest Income	8,905,293	8,220,625	5,200,000	5,300,000	4,700,000	4,500,000	4,700,000
Gain or Loss After Interest Income	30,740,325	38,648,452	24,513,887	(24,371,646)	(45,433,605)	9,995,981	10,143,074
Funds Received (Transferred To) General Fund.							
Contingency Reserves							
Contingency Reserves - End of Plan Year	122,184,588 24.7%	160,833,040 29.9%	185,346,927 31.6%	160,975,281 25.2%	115,541,676 16.7%	125,537,657 16.7%	135,680,731 16.7%
Target Reserves - 16.7 % of Next Year Claims	82,499,305	89,842,493	97,920,284	106,589,202	115,738,589	125,669,706	135,723,283
Variance	39,685,283	70,990,547	87,426,643	54,386,079	(196,913)	(132,050)	(42,552)

# Coalition Insurance Summary

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## Optional Life Coverage

- Employee and Dependent Optional Life: No rate increase
- Accidental Death & Dismemberment (AD&D): No rate increase
- There will be a limited open enrollment without evidence of insurability for employees and spouses who currently have optional life insurance, based on the amount the individual currently has in force, as follows:

– Now insured for:	May add:
\$ 5,000 to \$39,999	\$ 5,000
\$40,000 to \$59,999	\$10,000
\$60,000 to \$79,999	\$15,000
\$80,000 to \$99,999	\$20,000
\$100,000 or more	\$25,000

- Voluntary AD&D: No rate increase
- Child Life: 12% rate reduction

## Disability Coverage

- Short Term Disability Insurance: No rate increase
- Long Term Disability Insurance: 10% rate reduction plus premium refund

## Long Term Care (LTC)

- Open enrollment made available in 2010/2011 allowing members to enroll and convert existing policies into a LTC Partnership policy. Option allows members to maintain more assets.

## Insurance Summary – Joint Labor Management Committee

The State will explore, through a collaborative work group including representatives from MMB and the Joint Labor-Management Committee on Health Plans, the following concepts:

- The agreement's definition of dependents in contradiction to the definitions promulgated by the Department of Commerce.
- The eligibility of surviving spouses who take temporary jobs covered by the SEGIP plan to return to the SEGIP plan.
- The cost and administrative complexities regarding waiving office visit copayments or coinsurance for treatment for chronic conditions, repeat appointments, medication follow-ups, and lab work.
- The parties will hold a Meet and Negotiate during the summer of 2009 on the subject of Minnesota Advantage Health Plan Benefit Level Two health care network determination