



December 17, 2014

State of Iowa Annual Health Insurance Renewal

The State of Iowa health insurance plans will experience rate changes across all of the plans offered for plan year 2015. The rate changes are a result of several factors: an increase in large dollar claims; higher trending pharmaceutical costs; member migration to lower cost plans; and status quo benefit design. The Indemnity and the PPO (Preferred Provider Organization) Plans increases to total premiums will be approximately 6.5%. The MCO (Manage Care Organization) Plans increases to total premiums will be approximately 21.5%. These respective increases are actuarially based to ensure premiums more closely align with claims. Specifically for the MCO Plans, members with higher claims experience have migrated to the MCO Plans which have caused the total claims experience to exceed the premiums generated.

The Department of Administrative Services has received several inquiries regarding the impact of the MCO premium change on employees (see Exhibit A to illustrate the impact of these changes on the monthly employee share).

- Approximately 79.5% of all health insurance contract holders do not pay a premium contribution for health insurance benefits.
- Of the 2,908 executive branch non-contract employees on the state's health insurance, approximately 2,150 (73.9%) are in the MCO plans.
- Non-contract employees in the Indemnity and PPO (Preferred Provider Organization) Plans will experience monthly employee share increases of approximately \$10 for a single plan or \$24 for a family plan. If these employees participate in the wellness program*, they will experience a \$10 reduction for a single plan or an approximate \$3 increase for a family plan.
- Non-contract employees in the MCO Plans will experience monthly increases of approximately \$21 for a single plan or \$49 for a family plan. If these employees participate in the wellness program*, they will experience a slight reduction for a single plan, and an approximate \$27 increase for a family plan.

All of the State of Iowa's health insurance plans have an actuarial value of "platinum" as defined by the Affordable Care Act. Platinum is the highest tier in the marketplace and indicates that the health insurance pays 90% or more of all health insurance expenses. The plans offered by the State of Iowa pay approximately 92-95% of all health insurance expenses. Employees pay the remaining 5-8% through copayments, coinsurance and deductibles.

* For plan year 2015, the wellness incentive is \$111/month for non-contract participants.

Exhibit A
2015 Plan Year Premiums

Health Plan	Contract Type	Contracts Count	Total Premium	State Share	Employee Share	Employee Percentage	Employee Share Dollar Increase	Total Premium Increase
<u>Wellness (Non-Contract Executive Branch Employee with \$111 Wellness Incentive)</u>								
Deductible 3 Plus	Single	107	\$ 840.65	\$ 783.53	\$ 57.12	6.8%	\$ (10.86)	6.42%
Non-Contract	Family	107	\$ 1,968.06	\$ 1,685.46	\$ 282.60	14.4%	\$ 2.92	6.47%
	Dbl. Spouse	9	\$ 1,968.06	\$ 1,685.46	\$ 282.60	14.4%	\$ 2.92	6.47%
Iowa Select	Single	151	\$ 833.30	\$ 777.64	\$ 55.66	6.7%	\$ (10.88)	6.46%
Non-Contract	Family	255	\$ 1,950.82	\$ 1,671.66	\$ 279.16	14.3%	\$ 2.84	6.51%
	Dbl. Spouse	7	\$ 1,950.82	\$ 1,671.66	\$ 279.16	14.3%	\$ 2.84	6.51%
Blue Access	Single	329	\$ 592.15	\$ 584.73	\$ 7.42	1.3%	\$ (0.18)	21.34%
Non-Contract	Family	1,192	\$ 1,386.47	\$ 1,220.19	\$ 166.28	12.0%	\$ 27.92	21.42%
	Dbl. Spouse	20	\$ 1,386.47	\$ 1,220.19	\$ 166.28	12.0%	\$ 27.92	21.42%
Blue Advantage	Single	46	\$ 570.57	\$ 567.47	\$ 3.10	0.5%	\$ (0.78)	21.55%
Non-Contract	Family	262	\$ 1,336.08	\$ 1,179.86	\$ 156.22	11.7%	\$ 26.53	21.64%
	Dbl. Spouse	2	\$ 1,336.08	\$ 1,179.86	\$ 156.22	11.7%	\$ 26.53	21.64%
<u>Non-Wellness (Non-Contract Executive Branch Employees, no Wellness Incentive)</u>								
Deductible 3 Plus	Single	17	\$ 840.65	\$ 672.53	\$ 168.12	20.0%	\$ 10.14	6.42%
Non-Contract	Family	18	\$ 1,968.06	\$ 1,574.46	\$ 393.60	20.0%	\$ 23.92	6.47%
	Dbl. Spouse	1	\$ 1,968.06	\$ 1,574.46	\$ 393.60	20.0%	\$ 23.92	6.47%
Iowa Select	Single	33	\$ 833.30	\$ 666.64	\$ 166.66	20.0%	\$ 10.12	6.46%
Non-Contract	Family	52	\$ 1,950.82	\$ 1,560.66	\$ 390.16	20.0%	\$ 23.84	6.51%
	Dbl. Spouse	1	\$ 1,950.82	\$ 1,560.66	\$ 390.16	20.0%	\$ 23.84	6.51%
Blue Access	Single	77	\$ 592.15	\$ 473.73	\$ 118.42	20.0%	\$ 20.82	21.34%
Non-Contract	Family	159	\$ 1,386.47	\$ 1,109.19	\$ 277.28	20.0%	\$ 48.92	21.42%
	Dbl. Spouse	5	\$ 1,386.47	\$ 1,109.19	\$ 277.28	20.0%	\$ 48.92	21.42%
Blue Advantage	Single	15	\$ 570.57	\$ 456.47	\$ 114.10	20.0%	\$ 20.22	21.55%
Non-Contract	Family	37	\$ 1,336.08	\$ 1,068.86	\$ 267.22	20.0%	\$ 47.53	21.64%
	Dbl. Spouse	6	\$ 1,336.08	\$ 1,068.86	\$ 267.22	20.0%	\$ 47.53	21.64%

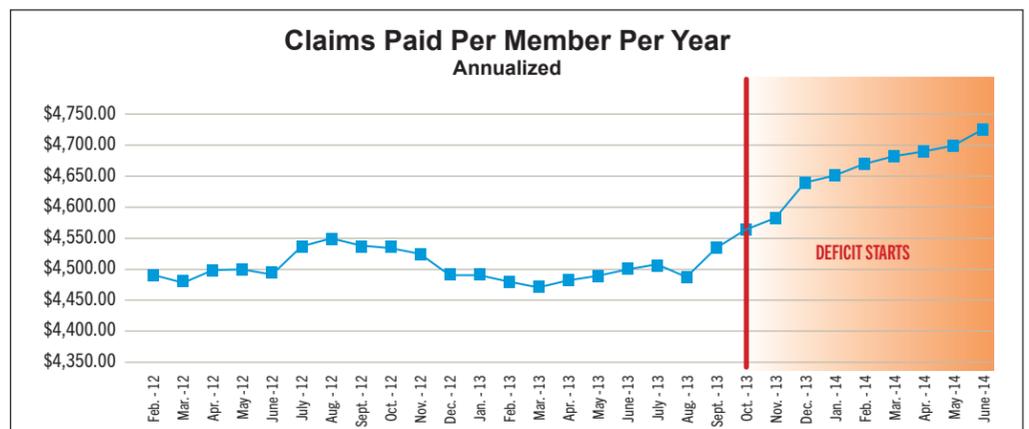
Exhibit A
2015 Plan Year Premiums

Health Plan	Contract Type	Contracts Count	Total Premium	State Share	Employee Share	Employee Percentage	Employee Share Dollar Increase	Total Premium Increase
<u>SPOC</u>								
Alliance Select Wellness (\$62 Incentive)	Single	105	\$386.70	\$368.96	\$17.74	4.6%	\$ 4.02	2.13%
	EE+Spouse	43	\$791.96	\$690.62	\$101.34	12.8%	\$ 8.26	2.13%
	EE+Child(ren)	52	\$732.02	\$643.06	\$88.96	12.2%	\$ 7.62	2.13%
	Family	343	\$1,186.78	\$1,004.00	\$182.78	15.4%	\$ 12.38	2.13%
Alliance Select No Wellness (No Wellness Incentive)	Single	6	\$386.70	\$306.96	\$79.74	20.6%	\$ 4.02	2.13%
	EE+Spouse	2	\$791.96	\$628.62	\$163.34	20.6%	\$ 8.26	2.13%
	EE+Child(ren)	1	\$732.02	\$581.06	\$150.96	20.6%	\$ 7.62	2.13%
	Family	11	\$1,186.78	\$942.00	\$244.78	20.6%	\$ 12.38	2.13%
All other State of Iowa Health Plan Contracts								
Program 3 Plus	Single	2,113	\$ 823.84	\$ 823.84	\$ -	0.0%	\$ -	6.50%
	Family	1,054	\$1,928.68	\$1,634.36	\$ 294.32	15.3%	\$ 17.90	6.55%
	Dbl. Spouse	345	\$1,928.68	\$1,928.68	\$ -	0.0%	\$ -	6.55%
Deductible 3 Plus	Single	100	\$ 828.09	\$ 828.09	\$ -	0.0%	\$ -	6.48%
	Family	108	\$1,938.68	\$1,634.36	\$ 304.32	15.7%	\$ 18.18	6.53%
	Dbl. Spouse	14	\$1,938.68	\$1,938.68	\$ -	0.0%	\$ -	6.53%
Iowa Select	Single	1,405	\$ 821.31	\$ 821.31	\$ -	0.0%	\$ -	6.52%
	Family	1,087	\$1,922.78	\$1,634.36	\$ 288.42	15.0%	\$ 17.78	6.57%
	Dbl. Spouse	159	\$1,922.78	\$1,922.78	\$ -	0.0%	\$ -	6.57%
Blue Access	Single	2,411	\$ 582.66	\$ 582.66	\$ -	0.0%	\$ -	21.44%
	Family	10,202	\$1,364.27	\$1,364.27	\$ -	0.0%	\$ -	21.51%
	Dbl. Spouse	285	\$1,364.27	\$1,364.27	\$ -	0.0%	\$ -	21.51%
Blue Advantage	Single	372	\$ 561.67	\$ 561.67	\$ -	0.0%	\$ -	21.65%
	Family	2,583	\$1,315.24	\$1,315.24	\$ -	0.0%	\$ -	21.73%
	Dbl. Spouse	50	\$1,315.24	\$1,315.24	\$ -	0.0%	\$ -	21.73%
		25,759						

Understanding the 2015 State of Iowa Renewal

SURPLUS TO DEFICIT

- › As of June 2013, State of Iowa had a surplus of \$12.7 M.
- › Claims paid per member per year started to increase in August 2013.
- › When claims costs exceed the State of Iowa's maximum liability payments, the deficit grows.
- › The deficit began in October 2013, four months after 2014 rates were finalized.

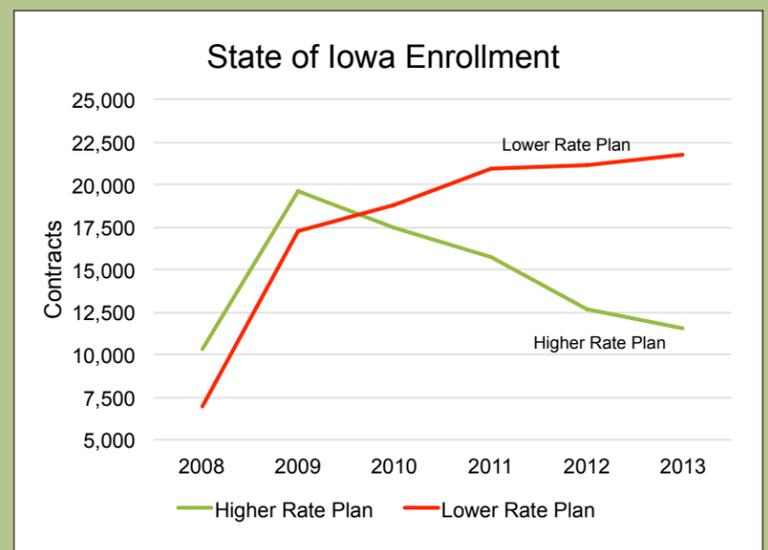


CONTRIBUTORS TO THE CURRENT DEFICIT

1 MIGRATION TO LOWER RATE PLANS



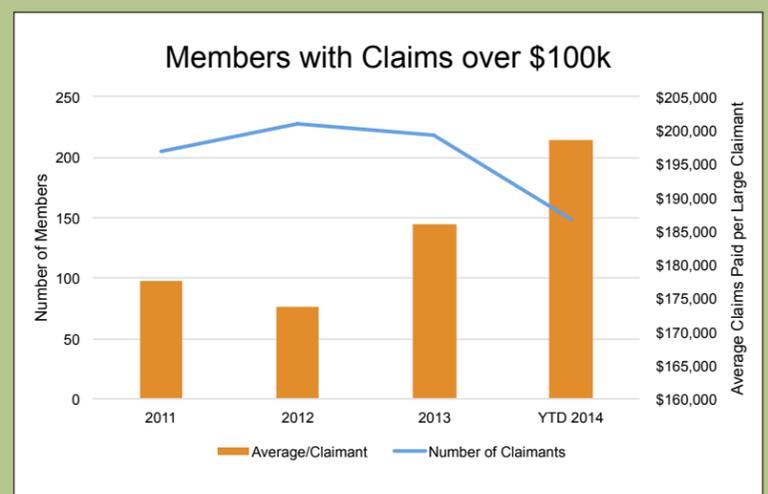
- › State of Iowa employees/retirees moved from the higher rate plan to a lower rate plan but still carried the same illness burden.
- › Most active employees were attracted to the low/no employee contribution in the lower rate plan.
- › Retirees left the higher rate plan and moved to Plan N.
- › The premium contribution differential (38%) does not equal the actual claims cost savings achieved with Blue Access.



2 LARGE CLAIMANTS GREATER THAN \$100,000



- › 2014 YTD, members with claims >\$100,000 accounted for over \$29M in claims paid.
- › In 2014, \$4.1M was attributed to the top large claimant.
- › Of the \$3.6M paid in pharmacy claims for large claimants >\$100,000, \$2.9M was for specialty drugs.

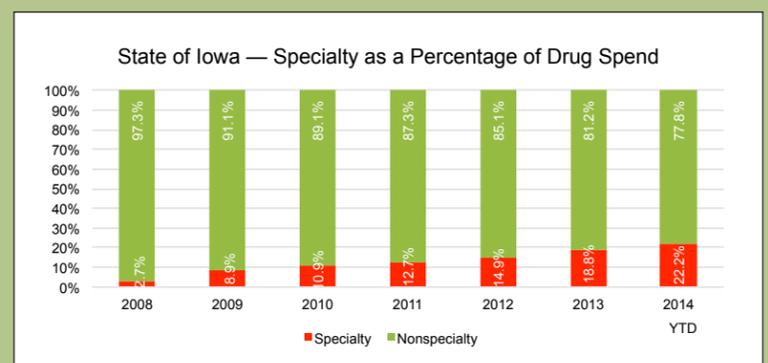


3 HIGHER TRENDING PHARMACY COSTS



- › The State of Iowa had > \$1M paid in 2014 for Sovaldi. Sovaldi is used for Hepatitis C treatment and has a cure rate of 89% - 96%*.
- › Increases in costs per prescription to treat the top five therapeutic classes range from 9% to 29%.
- › Cost per script for Insulin have nearly tripled since 2008, making it the top therapeutic drug class with more than \$5M paid in 2014.

*Sovaldi.com



4 NO BENEFIT DESIGN CHANGE



- › No changes in benefit design causes member liability year-over-year to remain the same, which does not coincide with increasing plan costs.
- › State of Iowa member liability is 5% compared to Wellmark's average large group member liability of 15% in 2013.