



February 5, 2015

State of Iowa Annual Health Insurance Renewal

The State of Iowa health insurance plans are experiencing 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 are approximately 6.5%. The MCO (Manage Care Organization) Plans increases to total premiums are 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 79.7% of all health insurance contract holders do not pay a premium contribution for health insurance benefits.
- Of the 2,537 executive branch non-contract employees on the state's health insurance, approximately 1,900 (74.9%) are in the MCO plans.
- Non-contract employees in the Indemnity and PPO (Preferred Provider Organization) Plans are experiencing 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 are experiencing 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.