State of Wyoming A&I
Human Resources
Employee's Group Insurance

Wyoming Employees' and Officials' Group Insurance Program

Joint Appropriations Committee

June 2016

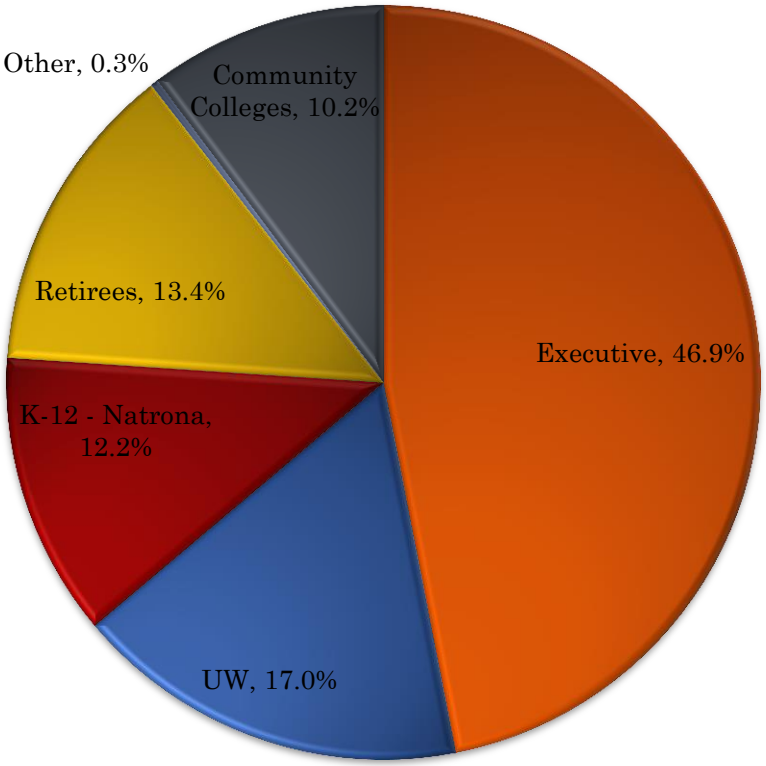
The Wyoming State Employees' and Officials' Group Plan Overview

- Wyoming State Statutes, Title 9 – Administration of the Government, Chapter 3 – Compensation and Benefits are the enabling statutes for the Wyoming State Employees' & Officials' Group Plan.
- Provides health, dental, life, section 125 flexible benefits and voluntary products.
- K-12 districts and BOCES organizations may elect to participate in the Wyoming State Employees' & Officials' group plan.

Entities Covered

- State of Wyoming Executive Branch
- University of Wyoming
- Casper College
- Laramie County Community College
- Central Wyoming College
- Eastern Wyoming College
- Northwest College
- Sheridan College
- Western Wyoming Community College
- Natrona County School District

Health Plan Enrollment Employee/Retiree



Major Duties

- Administer and manage the State Employees' and Officials' Group Insurance Program. This includes determining benefit plan designs and negotiation of vendor contracts and compliance;
- Prepare specifications for the group insurance plans contracted for by the department;
- Contract with vendors/carriers to manage/underwrite group insurance plans. This includes calling for bids, negotiating, terminating services, and developing relationships;
- Determine the methods of claims administration under group insurance plans, whether by the State or carrier or both.
- Apply the eligibility regulations to participate in group insurance plans and assist members with their issues and efficiently process member changes into vendor's membership systems.
- Efficiently process payroll deductions within State payroll system.
- Provides information to payroll locations, benefit specialists and members on the plan's workings and changes.
- Provide customer service to eligible participants to our program.
- Develop relationships, provide training and customer service to participating entities' benefit specialists. Assist benefit specialists with solving employee issues.

Major Duties

- Establish procedures by which the department hears complaints by insured employees concerning the allowance and payment of claims, eligibility for coverage and other matters.
- Administer State group insurance reserve monies.
- Study the operation of the group insurance plan including analysis of:
  - Gross and net costs, including administrative costs;
  - Claims administration;
  - Health claims utilization information to determine the causes of plan health care cost increases and strategies to control those costs;
  - Factors in the plan's design that may adversely affect participation;
  - The affect of benefit changes;
  - Contribution levels and recommendations to attract a broad mix of participants to the plan;
  - Demographic information about existing and eligible participants;
  - Trends in costs and benefits of the plan relative to other plans.
- Contract consulting/actuarial services, the preparation of specifications for group insurance plans and other specialized services which cannot be performed by the department. Contracts for these services are awarded through responsible competitive bidding at intervals of five years, and are reviewed annually by the department;
- Administration of a flexible benefits plan including enrollment and claims payment.

Self-Insured

The State of Wyoming chooses to self-insure its Group Insurance Plan.

The State is the
"INSURANCE COMPANY"
for Medical and Dental benefits.

94% of employers of 5,000 or more workers self-insure their medical programs!

(2015 Kaiser Family Foundation
Employer Health Benefits Survey)

WHAT MAKES UP STATE'S "SELF-FUNDED" PREMIUMS?

- Administration Fees
- Contributions to Reserves
- Claims

  EGI spends less than <u>four cents</u> out of every dollar on administration and earns interest income on claim reserves

Anniversary Date

- The State Employees' and Officials' Group Insurance Plan anniversary date is January 1st of every year.
- This is the time where rates and benefit changes go into effect. The new rates are collected in the December 31st payroll cycle.
- Annual open enrollments run from October 1st through November 30th.

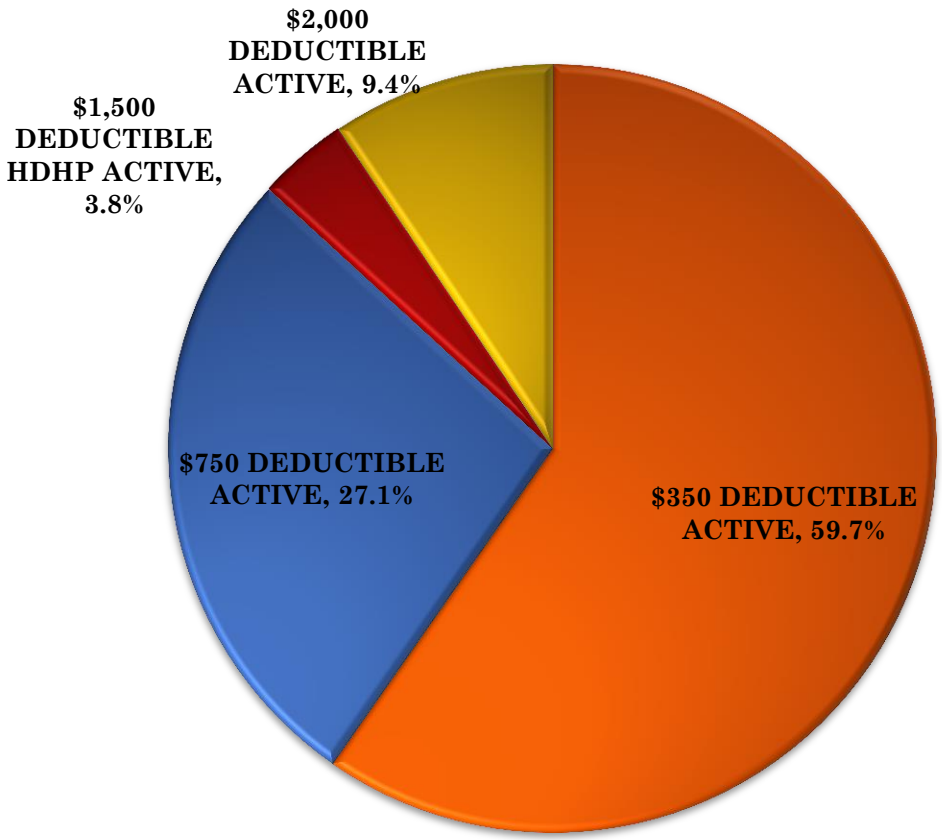
Health Insurance

- The State of Wyoming is fully responsible for the self-funded medical benefits.
- The State's health plan is NOT a grandfathered plan under PPACA.
- CIGNA has been hired as the medical programs Third Party Administrator (TPA) to handle the day to day claims processing.
- CIGNA does not insure or guarantee the self-funded medical benefits.
- The programs currently offered by the State are:
  - Active Employees
    - $350 Deductible, $2,000 Coinsurance Maximum*
    - $750 Deductible, $2,000 Coinsurance Maximum*
    - $2,000 Deductible, $2,000 Coinsurance Maximum*
    - $1,500/$3,000 Deductible HDHP**, $2,000 Coinsurance Maximum*
  - Retirees
    - $750 Deductible, $2,000 Coinsurance Maximum*
    - $2,500 Deductible, $2,000 Coinsurance Maximum*
    - $1,500/$3,000 Deductible HDHP**, $2,000 Coinsurance Maximum*
    - Medicare Wraparound program – acts as a Medicare supplement.

*Individual, in network and/or in Wyoming

** High Deductible Health Plan federally qualified for health savings accounts (HSA)

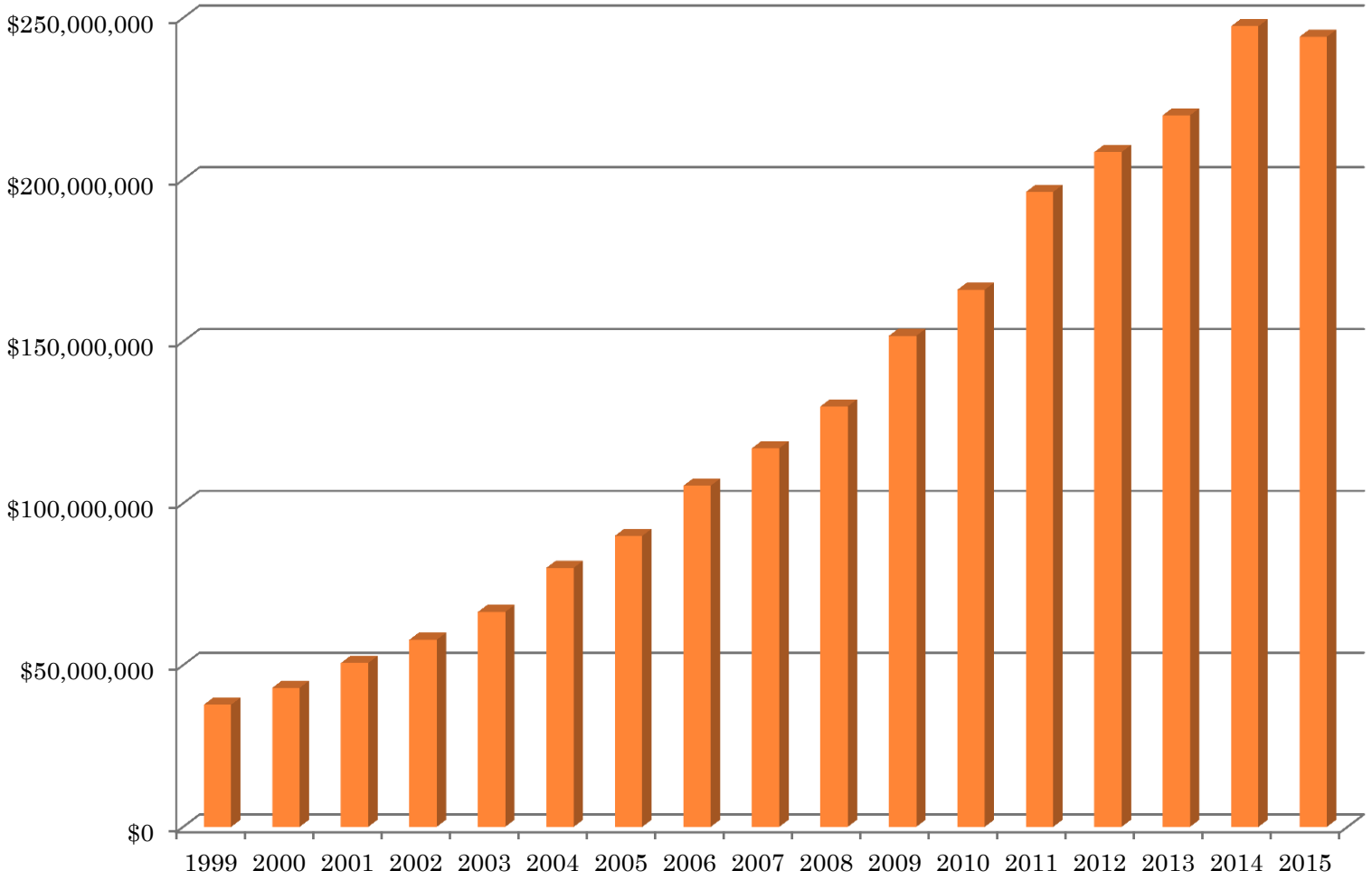
Active Employee Health Plan Enrollment by Plan Option



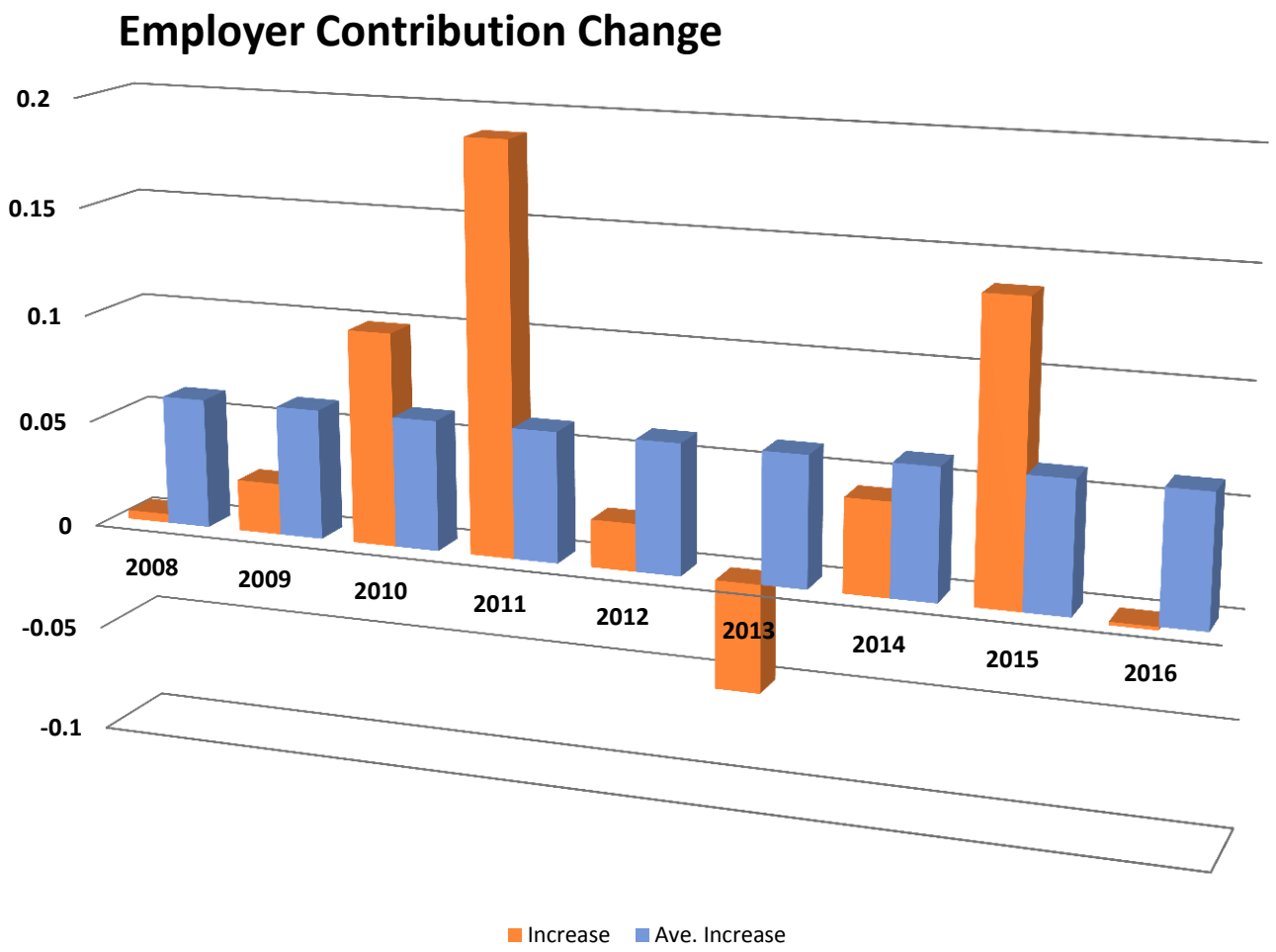
Medical Paid Claims History

Year	Paid Medical Claims	% Change
1999	$ 37,749,246	
2000	$ 42,972,801	13.8%
2001	$ 50,622,726	17.8%
2002	$ 57,814,729	14.2%
2003	$ 66,398,558	14.8%
2004	$ 80,048,978	20.6%
2005	$ 89,926,661	12.3%
2006	$105,414,641	17.2%
2007	$116,999,319	11.0%
2008	$129,937,425	11.1%
2009	$151,742,581	16.8%
2010	$165,977,363	9.4%
2011	$196,181,829	18.2%
2012	$208,501,958	6.3%
2013	$219,875,067	5.5%
2014	$247,398,316	12.5%
2015	$244,122,774	- 1.3%

Medical Paid Claims History



Employer Contribution Change



Dental Insurance

- The State of Wyoming is fully responsible for the self-funded dental benefits.
- Delta Dental of Wyoming has been hired as the dental programs Third Party Administrator (TPA) to handle the day to day claims processing.
- Delta Dental does not insure or guarantee the self-funded dental benefits.
- The programs offered by the State are:
  - Preventive Dental
    - *No Deductible*
    - *Diagnostic & Preventive Services 100%*
      Exams & cleanings - twice each calendar year (separated by five months)
    - *Bitewing x-rays - once every 12 months*
    - *Full mouth x-rays - once every 24 months*
  - Optional Dental
    - *$50 Deductible*
    - *Basic Services – 50%*
    - *Major Services – 50%Annual Maximum - $1,500.00*
    - *No orthodontia coverage*

Other Benefits

- Life Insurance
- Flexible Benefits & Employee Reimbursement Accounts
  - Pre-tax Insurance Premiums
  - Dependent Day Care Account
  - Medical Reimbursement Account
- Voluntary (Employee Paid) Benefits
  - Short Term Disability (STD)
  - Long Term Disability (LTD)
  - Long Term Care
  - Vision

Employee Eligibility

- Employees who are permanent, probationary, or at-will contract full-time or permanent or probationary, part-time employees *working at least eighty (80) regular hours per calendar month*.

- Temporary and At Will Contract Employees (only if their contract indicates eligibility for insurance benefits) who are expected to be in a position for at least six (6) months should be offered the insurance when the agency first knows the position will last six (6) months or longer and will be working a minimum of 80 hours per calendar month.

- Employees working intermittent, irregular or less than half time positions *are not eligible*.

Retiree Eligibility

If an employee meets the following qualifications, he/she may continue with the State of Wyoming Group Insurance Plan at retirement **or** termination of active employment:

1) The retiring employee must have had coverage in effect under the State plan continuously for at least one year just prior to termination.

2) The retiring employee must have at least 20 years of service with the covered entity.

AND

3) The retiring employee must be eligible for State of Wyoming Retirement Benefits or TIAA Cref.

OR

1) The terminating employee must be fifty (50) years of age or over

AND

2) The terminating employee must have completed at least 4 years of service for the covered entity and is eligible for the State of Wyoming Retirement Benefits or TIAA Cref.

AND

3) The terminating employee must have had single and/or dependent coverage in effect continuously for one (1) year just prior to termination.

NOTE: If a school district elects to cease participation in the group insurance plan the election shall apply to retired employees of that school district who are receiving coverage under the State plan. Districts must take their retirees with them.

Rates

- The State's health and dental programs are community rated where the participating entities and their employees have the same rates for the same benefits.
  - This means the entity of 10 employees pays the same as the 2,700 employee entity.
  - This eliminates wide fluctuations in rates based upon an entities personal claims experience. Small groups are especially prone to fluctuations as the smaller the group the wider the fluctuations.

Rate Structure

- Employee
- Employee Plus Children
- Employee Plus Spouse
- Family (Employee, Spouse & Children)

- Split
  - If both husband and wife, *with eligible dependent children*, are employed by an EGI sponsored employer, they are required to enroll in the Split Premium Arrangement if they are electing family coverage. Spouses must choose the same benefits under the Split Premium Arrangement (i.e., same deductible health plan and same dental benefit). ***The requirement is in place to make employer contributions equitable for the employing covered entities.***
    - *Covered entity employed spouses are not eligible for Split Premium if there are no eligible dependent children to be covered.* Each spouse will be enrolled with single coverage when there are no longer any eligible dependents to be covered.
    - If one of the spouses on split coverage terminates employment, the remaining employed spouse *automatically begins family coverage* effective the first of the month following the other spouse's termination unless EGI is notified that the dependents are to be dropped.

Employer Contributions

- The participating entities provide an employer contribution towards the health, dental and life insurance programs.
  - No employer contribution is provided for voluntary products (i.e. short term disability, long term disability, long term care, and vision).
- The employer contributions are fixed dollar amounts calculated by EGI based on the level of coverage elected: Employee only, employee + children, employee + spouse, family or split contracts.
  - Currently EGI collects the full single employer contribution for individuals who decline health insurance coverage but enroll in dental or life insurance.
    - The additional premiums received are offset by lowering heath insurance rates on an annual basis.

2016 Health and Dental Rates Employer Contributions

Coverage Options	Health	Preventive Dental	Optional Dental	Employer Contribution
Active $350 Deductible				
Employee	840.95	20.96	14.05	753.43
Employee + Children	1,276.90	46.32	32.92	1,145.55
Employee + Spouse	1,693.14	46.32	32.92	1,499.35
Family	1,946.76	46.32	32.92	1,714.94
Split	973.38	23.16	16.46	857.47
Active $750 Deductible				
Employee	811.63	20.96	14.05	753.43
Employee + Children	1,232.38	46.32	32.92	1,145.55
Employee + Spouse	1,634.10	46.32	32.92	1,499.35
Family	1,880.64	46.32	32.92	1,714.94
Split	940.32	23.16	16.46	857.47
Active $1500 Deductible (High Deductible Health Plan)				
Employee	751.85	20.96	14.05	753.43
Active $3000 Deductible (High Deductible Health Plan)				
Employee + Children	1,141.63	46.32	32.92	1,145.55
Employee + Spouse	1,513.76	46.32	32.92	1,499.35
Family	1,746.86	46.32	32.92	1,714.94
Split	873.43	23.16	16.46	857.47
Active $2000 Deductible				
Employee	742.08	20.96	14.05	753.43
Employee + Children	1,126.41	46.32	32.92	1,145.55
Employee + Spouse	1,493.58	46.32	32.92	1,499.35
Family	1,717.34	46.32	32.92	1,714.94
Split	858.67	23.16	16.46	857.47

2016 Life Insurance Rates

ACTIVE LIFE RATES			
AGE GROUP	BENEFIT	AD& D	PREMIUM
Under 39	50,000.00	20,000.00	3.55
40 - 44	50,000.00	20,000.00	3.85
45 - 49	50,000.00	20,000.00	5.60
50 - 54	50,000.00	20,000.00	8.40
55 - 59	50,000.00	20,000.00	15.35
60 - 64	32,000.00	13,000.00	14.95
65 - 69	21,000.00	9,000.00	18.72
70 - 74	14,000.00	6,000.00	20.15
75 - 79	9,000.00	4,000.00	20.99
80 - 84	6,000.00	3,000.00	22.66
85 & Over	4,000.00	2,000.00	24.48

DEPENDENT LIFE RATE			
AGE GROUP	BENEFIT	AD& D	PREMIUM
All	4,000.00	none	1.73

Employer Contributions Continued

- Currently the legislature provides EGI with the authority to increase employer contributions when rate increases occur up to specified annual caps.
- The formula utilized to create the employer contribution is to add the $350.00 deductible rate, the preventive dental rate and the highest life insurance rate to create a total. This total is multiplied by 85% to create the State employer contribution level.
- The current rates and employer contributions are located in the Premium Rates and Calculators section of EGI's website at http://egi.wyo.gov.

Retiree Contributions by State

- Retirees in the State plan receive a monthly employer contribution at the rate of:
  - eleven dollars and fifty cents ($11.50) per year of service up to a maximum of thirty (30) years of service for those retirees who are not Medicare eligible, and
  - at the rate of five dollars and seventy-five cents ($5.75) per year of service up to a maximum of thirty (30) years of service for those retirees who are Medicare eligible.
- The retiree subsidy for retirees covered by participating K-12 school districts at the time the district joins the State plan will be based on the years of service for participating entities with the State at the point the school district joins the State program.
  - The retiree subsidy for employees who retire after the district joins the State plan will be based on the years of service for participating entities with the State at the point the employee retires.
- Participating Entities all pay into the health insurance benefits account created by 2008 Wyoming Session Laws, Chapter 48, Section 303 each pay period an amount up to one percent (1.0%), as established by the Department of Administration and Information, of each benefit eligible employee's salary.
  - Participating entities will be required to pay EGI this amount for retirees on the program prior to the District opting into the State's program.
  - Currently, participating entities are being assess .6% which to date has been sufficient to fund retiree subsidy contributions.
  - Participating entities are required to provide the State Auditor with a monthly contribution of .6% of eligible employee's payroll which will be used to provide employer contributions for retirees who retire while the District is a participating entity.

Audits

- The Wyoming Insurance Department conducts a site audit of EGI once every three years.
  - Wyo. Stat. § 9-3-206 (c). For the purposes of determining financial condition, ability to fulfill and the manner of fulfillment of its statutory duties, the nature of its operations and compliance with law, the insurance commissioner shall examine the affairs, accounts, records and assets of the Wyoming State Employees' and Officials' Group Insurance Plan, as often as he deems advisable but not less frequently than every three (3) years.

Staffing

- Employees Group Insurance has 20 authorized full time positions which are other funded.
  - 10 positions are currently utilized (filled)
  - 10 inactive and unfunded positions are held in reserve
    - Significant enrollment growth can occur at any time and these unfilled positions (3552-3561) reside as a reserve bank to draw upon when the program grows via k-12 entities electing to participate.
    - The Governor acts as the gate keeper and must authorize any use of these inactive positions.

Other

- Other than an annual notification, EGI does not "market" health insurance to districts.
- EGI does not participate in k-12 school district RFPs as districts must conform to the State's plan versus meeting school district RFP requirements.
- Districts must provide no less than one hundred twenty (120) days written notification of election to participate in the State's plan prior effective date.
- A legally binding MOU is signed by the State and the District.

Employer Contribution history

- The employer contribution level prior to 2003 was traditionally designed to cover 100% of the employee only coverage with no additional funding for dependent coverage.
- In December of 2000 the LSO reported that the program needs to attract dependents who are not covered by the state medical program to improve the health of the existing pool.
  - The program was experiencing severe adverse selection primarily due to rate and employer contribution design.
  - Healthy younger dependents were leaving the state plan averaging 2.7% per year while dependents who were older or with medical conditions continued coverage with the state which was leading to a death spiral for the program.
  - The program experienced a 38% increase for 2002 and a 33% increase for 2003.

Employer Contribution history

- The Department of A&I proposed to Governor Geringer and the Appropriations Committee in 2002 a plan along with the cost impacts to the program on additional State employer contributions being provided to family type contracts.
  - The plan called for all employees to have some skin in the game and the new contributions by employees with single coverage was used to help offset the new proposed dependent employer contributions.
- The 2003 Legislature considered the change of employer contribution to be cost justified to lower the average age of plan participants, attract healthy dependent spouses and children back into the program, and to reduce the State's high turnover due to unaffordable family coverage.
  - The 100% of single and 0% for dependent employer contribution was changed to 85% of single and 85% of dependents effective April of 2003.
  - The move has been successful in bringing healthy dependents back into the program which has moderated rate increases since 2003.
  - Turnover issues due to unaffordable family health insurance has been eliminated.

Adverse selection

- Assuming that individuals will always act in their best interest, younger and/or healthier employees would not elect to participate in the State health plan due to cost while the older and/or higher risk employees would elect to participate in the State health plan creating an adverse selection cycle which would increase the per capita costs of the State's program.
- Jumpers and Dumpers can be a problem where individuals enroll (jump) into the State plan when their claims are high (cancer, heart disease, orthopedic surgery, pre-mature babies, severe hospital stays for trauma, etc) then leave (dump) the State plan as soon as their circumstances change and are not being actively treated for medical care passing the costs to individuals and entities who play by the rules and are in it for the long haul.
- Changes must be carefully considered to avoid adverse selection.

Affordable Care Act Play or Pay

- Under the Affordable Care Act pay or play provisions, an employer must:
  - offer minimum essential coverage to at least 95 percent of its full-time employees (and their dependents);
  - coverage offered by an employer must to provide a threshold of minimum value (costs of benefits provided under the plan is more than 60% of those costs); and
  - that coverage is affordable to the employee (self only employee premium share does not exceed 9.5% of the taxpayer's household income for the taxable year).
- Large employers failing to meet the above will be liable for the first type of employer shared responsibility payment (on an annual basis, this payment is equal to $2,000 (indexed for future years) for each full-time employee, with the first 30 employees excluded from the calculation). This calculation is based on **all** full-time employees (minus 30), including full-time employees who have minimum essential coverage under the employer's plan or from another source.

Affordable Care Act Excise Tax

- **Excise Tax - what it is:**
  - Permanent, deductible, annual employer excise tax beginning in 2020 on high cost employer sponsored health coverage.
- **Stated Purposes:**
  - Reduce excess health care spending by employees and employers
  - Help finance the expansion of health coverage through the Healthcare Individual Marketplace under the Patient Protection and Affordable Care Act (PPACA)
- **Amount:**
  - The tax is 40% of the cost of health coverage that exceeds predetermined premium threshold amounts.
  - Cost of coverage includes the total contributions paid by both the employer and employees, but not cost-sharing amounts such as deductibles, coinsurance and copays when care is received.
  - For planning purposes, the premium thresholds for high-cost plans are currently $10,200 for individual coverage, and $27,500 for family coverage.
  - These thresholds will be updated for 2020 when proposed regulations are issued and thereafter indexed for inflation in future years.
  - The thresholds will also be increased:
    - if the majority of covered employees are engaged in specified high-risk professions such as law enforcement and construction,
    - If the age and gender characteristics of an employer's workforce are different from those of the national workforce, and
    - For pre-65 retirees and individuals in high-risk professions, the threshold amounts are currently $11,850 for individual coverage and $30,950 for family coverage.

Affordable Care Act Excise Tax

- **Who calculates and pays:**
  - Self-funded: Employers calculate and pay
- **How excise tax is determined:**
  - The tax is based on the total cost of each employee's coverage above the threshold amount.
  - The thresholds that trigger the excise tax grow slowly – at the rate of general inflation, not health inflation.
  - The cost includes contributions toward the cost of coverage made by employers and employees.
  - The statute states that costs of coverage will be calculated under rules similar to the rules for calculating COBRA premium.
- **How the tax will be paid:**
  - Forms and instructions for paying the tax are not yet available.
- **Applicable types of coverage in the State's plan:**
  - Insured and self-insured group health plans (including behavioral, and prescription drug coverage)
  - Health Flexible Spending Accounts (FSAs)
  - Health Savings Accounts (HSAs)(Employer pre-tax contributions only)
  - Federal/State/Local government-sponsored plans for its employees
  - Retiree coverage

Affordable Care Act Excise Tax

- Excise tax is based on prices, not level of benefits provided.
- No adjustments are available for:
  - Actuarial value of benefit plans (Kia vs. Chevy vs. Cadillac)
  - Regional variation of health care costs (low cost metropolitan vs. high cost rural medical provider pricing)
- Public sector employers generally have an older workforce than the private sector on average and older populations utilize more medical services.
- The age and gender adjustment for the excise tax is not developed at this time. It is questionable if the adjustment will reflect true average increased utilization patterns of older workforce.
- No regulations have been issued to date. Forms and instructions for paying the tax are not yet available.

Discussion