



PERS HEALTH PLAN

2013-15 Premiums

BCBS Premium

Sanford Premium

12.98%

25.49%

\$1001.72

\$1112.62

2009-11 Premium

\$825.66

2011-13 Premium

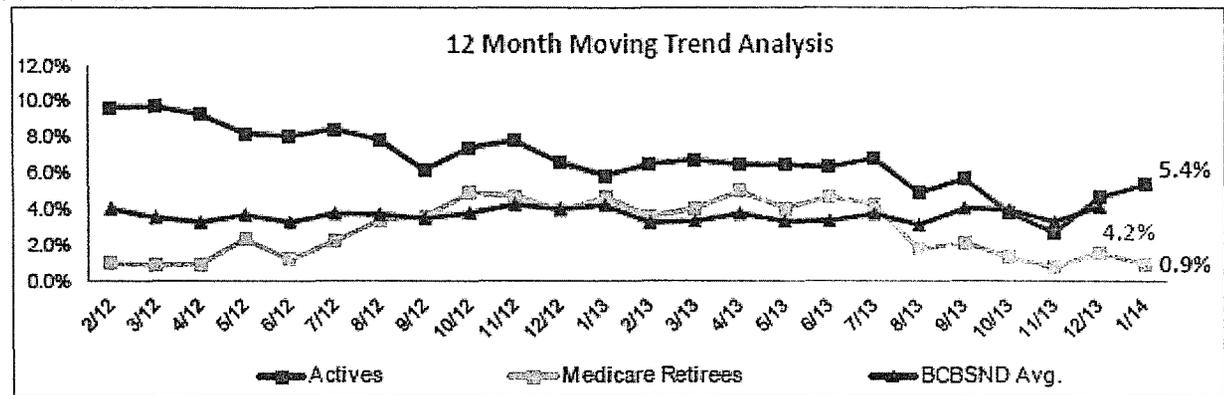
\$886.62

2013-15 PREMIUM

\$981.68

- 2009-11 to 2011-13 Two year increase is 7.38% or about 3.7% per year.
- Includes extending coverage to dependents and eliminating the lifetime max.
- The cost assumes we maintain our grandfathered status.

- 2011-13 to 2013-15 Two year increase is 10.72% or about 5.5% per year.



Twelve Month Moving Average				
Incurred Month	Est. Incurred Claim/Contract		Annual Trend	
	Actives	Med Retirees	Actives	Med Retirees
3/12	\$759.75	\$171.89	9.7%	0.9%
4/12	763.45	172.25	9.3%	1.0%
5/12	767.26	174.18	8.3%	2.4%
6/12	770.34	173.51	8.1%	1.2%
7/12	774.57	175.08	8.5%	2.2%
8/12	783.52	177.39	7.9%	3.4%
9/12	782.27	177.81	6.2%	3.7%
10/12	795.13	179.85	7.5%	4.9%
11/12	802.63	179.72	7.8%	4.8%
12/12	800.64	178.99	6.6%	3.9%
1/13	801.43	179.81	5.9%	4.7%
2/13	807.86	178.57	6.5%	3.6%
3/13	811.34	178.89	6.8%	4.1%
4/13	813.28	180.92	6.5%	5.0%
5/13	817.21	181.31	6.5%	4.1%
6/13	819.36	181.70	6.4%	4.7%
7/13	827.74	182.60	6.9%	4.3%
8/13	822.10	180.56	4.9%	1.8%
9/13	827.04	181.67	5.7%	2.2%
10/13	825.55	182.24	3.8%	1.3%
11/13	824.53	181.11	2.7%	0.8%
12/13	838.34	181.91	4.7%	1.6%
1/14	844.46	181.46	5.4%	0.9%

The 4.7% twelve month rolling trend for NDPERS Actives through December 2013 is greater than the Blue Cross Blue Shield overall trend of 4.2%.

A 6.68% trend was used in rating the first year of the biennium beginning July 2013.

Active State Renewal Rate

NDPERS 2013- 2015 Allocation and 2015-2017 Projection	NDPERS 2015-2017 Planning Projections			
	5.0% Trend	7.0% Trend	9.0% Trend	10.0% Trend
2009-2011 rate	\$825.66	\$825.66	\$825.66	\$825.66
2011-2013 rate	\$886.62	\$886.62	\$886.62	\$886.62
2013-2015 rate (\$998.92 BCBS)	\$981.68	\$981.68	\$981.68	\$981.68
2013-2015 % increase	10.72%	10.72%	10.72%	10.72%
Projected 2015-2017 rate	\$1101.31	\$1143.66	\$1186.82	\$1208.69
2015-2017 \$ increase	\$102.39	\$144.74	\$187.90	\$209.77
2015-2017 % increase	12.19%	16.50%	20.09%	23.12%
Total State additional funds*	\$29,488,000	\$41,685,000	\$54,115,000	\$60,414,000
Total additional general funds**	\$16,218,000	\$22,927,000	\$29,763,000	\$33,228,000



* - For biennium assuming 12,000 State FTE's
 ** - Assumed to be 55% of total funds



Additional \$ estimate assumes same level of buy down as this biennium

Bid Process

- Full bid process (fully Insured & self insured)
- Fully Insured due Sept: Self insured due Oct
- Consultant does claims projection; basis for self insured & for judging fully insured

Legislative Directions

- NDCC 54-52.1-04 – Prepare bids, distribute, advertise, use a consultant
 - The economy to be affected.
 - The ease of administration.
 - The adequacy of the coverage's.
 - The financial position of the carrier, with special emphasis as to its solvency.
 - The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.
- NDCC 54-52.1-04.2 – allows the board to self insure the plan if it is more competitive than fully insured

Active State Renewal Rate

NDPERS 2013- 2015 Allocation and 2015-2017 Projection	NDPERS 2015-2017 Planning Projections			
	No Increase	15% Increase	Deloitte 21% Increase	22% Increase
2013-2015 rate (\$1001.72 BCBS)	\$981.68	\$981.68	\$981.68	\$981.68
2015-2017 % increase	2.00%	15.00%	21.00%	22.00%
Projected 2015-2017 rate	\$1001.72	\$1129.26	\$1185.30	\$1197.92
2015-2017 \$ increase	\$20.04	\$147.58	\$203.62	\$216.24
2015-2017 % increase	2.04%	15.03%	20.74%	22.03%
Proposed Buydown	2%	2%	2%	2%
	\$20.04	\$22.59	\$23.71	\$23.96
Buydown Rate	\$981.68	\$1106.67	\$1161.59	\$1173.96
2015-2017 \$ increase	\$0.	\$124.99	\$179.91	\$192.28
2015-2017 % increase	0%	15.03%	18.33%	19.59%
Total State additional funds *	\$0	\$35,997,000	\$51,814,000	\$55,377,000
Total additional general funds **	\$0	\$19,798,000	\$28,498,000	\$30,457,000

* - For biennium assuming 12,000 State FTE's

** - Assumed to be 55% of total funds

Every \$1 million buys down \$1.50 in premiums

Insurance account health plan funds currently has about:	\$33,100,000
2011-2013 settlement from BCBS:	\$ 9,078,000
<small>Note this is still at risk, but it is unlikely to change based on prior biennium's claims flows.</small>	
Cash reserves at BCBS:	\$ 2,770,000
9/14-6/15 (10 months) buydown (\$465,000 monthly X 10)	-\$4,650,000
	<hr/>
	\$40,300,000 total
 Est 2015-17 Buydown -2%	 <u>(\$13,000,000)</u>
Up to \$16,000,000	\$27,300,000

4% would be a \$47.42 decrease per month. The increase would be \$156.20 which would be a about 16% increase. Total increase would about \$46,000,000 which would be about 25 million in general fund. (this assumes about 12,000 FTE/ 55% general funds)

Premium

SECTION 39. LEGISLATIVE MANAGEMENT STUDY - STATE EMPLOYEE HEALTH

INSURANCE PREMIUMS. The legislative management shall consider studying, during the 2013-14 interim, the feasibility and desirability of establishing a maximum state contribution to the cost of state employee health insurance premiums. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

There are currently 15,071 active State health contracts. Here is how a 5% premium cost shift would look:

Single: $\$472.74 \times 5\% = \$23.64 \times 3,384 = \$79,988$

Family: $\$1,139.34 \times 5\% = \$56.97 \times 11,687 = \$665,773$

Total: \$ 745,761 per month

\$ 8,949,136 per year

\$17,898,272 per biennium

Plan Design

Plan Design Options - Grandfathered Status

Cost Sharing	Existing Plan Design		Alt #1		Alt #2		Alt #3		Alt #4		Alt #5		Alt #6	
	PPO	Basic	PPO	Basic	PPO	Basic	PPO	Basic	PPO	Basic	PPO	Basic	PPO	Basic
Single Deductible	\$400	\$400	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450
Family Deductible	\$1,200	\$1,200	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350	\$1,350
Single Coinsurance/ Max	80%/750	75%/1250	80%/750	75%/1250	80%/900	75%/1500	80%/900	75%/1500	80%/900	75%/1500	80%/900	75%/1500	80%/900	75%/1500
Family Coinsurance Max	80%/1500	75%/2500	80%/1500	75%/2500	80%/1800	75%/3000	80%/1800	75%/3000	80%/1800	75%/3000	80%/1800	75%/3000	80%/1800	75%/3000
Office call copayment	\$25	\$30	\$25	\$30	\$25	\$30	\$30	\$35	\$30	\$35	\$30	\$35	\$30	\$35
Emergency Rm copayment	\$50	\$50	\$50	\$50	\$50	\$50	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60
RX: Formulary														
Generic	\$5/85%	\$5/85%	\$5/85%	\$5/85%	\$5/85%	\$5/85%	\$5/85%	\$5/85%	\$10/85%	\$10/85%	\$10/85%	\$10/85%	\$10/85%	\$10/85%
Brand	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%
Co insurance Max	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,200	\$1,200
Nonformulary	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$30/50%	\$30/50%
Savings			0.70%		0.60%		0.55%		0.80%		0.30%		0.13%	
\$1,001.72 BCBS State Premium					1.30%		1.85%		2.65%		2.95%		3.08%	
Plan Trend/ prem inc (7% estimate)	14.5% (\$145.25)		13.8% (\$138.24)		13.2% (\$132.23)		12.65% (\$126.72)		11.85% (\$118.70)		11.55% (\$115.70)		11.42% (\$114.40)	
\$981.68 State Billed Premium Inc	\$171.29		\$164.28		\$158.27		\$152.76		\$144.74		\$141.74		\$140.44	
Annual contract out of pocket (OOP) avg	\$2,206.00 (\$0.00)		\$2,290.12 (\$84.12)		\$2,362.24 (\$72.12)		\$2,428.36 (\$66.12)		\$2,524.60 (\$96.24)		2,560.60 (\$36.00)		\$2,576.20 (\$15.60)	
Annual cost shift to OOP			\$84.12		\$156.24		\$222.36		\$318.60		\$354.60		\$370.20	
Avg annual % of pay (\$50,844)	4.34%		4.50%		4.65%		4.78%		4.97%		5.04%		5.07%	
Total Add. State Premium (millions) (12,000 FTE's)	\$49.3		\$47.3		\$45.6		\$44.0		\$41.7		\$40.8		\$40.4	
Total Add. State Premium - general funds (millions) (55%)	\$27.1		\$26.0		\$25.1		\$24.2		\$22.9		\$22.5		\$22.2	
Total Additional State Premium (millions) (12,000 FTE's) (\$26.04 Buydown Continued)	\$41.8		\$39.8		\$38.1		\$36.5		\$34.2		\$33.3		\$32.9	
Total Add. State Premium - general funds (millions) (55%) (\$26.04 Buydown Continued)	\$23.0		\$21.9		\$20.9		\$20.1		\$18.8		\$18.3		\$18.1	

Total savings at higher rate level could be about 1/2 % lower

Options

- Full premium based on Deloitte 20.7%
- Buy down premiums again 2%-4%
- Reduce plan of benefits 2.5%
- Employee premium payment 5%
- Total 9%-11%

Plan Design Options - Grandfathered Status

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	PPO	Basic	PPO	Basic	PPO	Basic								
Single Deductible	\$400	\$400	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450
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Single Coinsurance/ Max	80%/750	75%/1250	80%/750	75%/1250	80%/900	75%/1500	80%/900	75%/1500	80%/900	75%/1500	80%/900	75%/1500	80%/900	75%/1500
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Brand	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$20/75%	\$25/75%	\$25/75%	\$25/75%	\$25/75%
Co insurance Max	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,200	\$1,200
Nonformulary	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$25/50%	\$30/50%	\$30/50%
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Avg annual % of pay (\$50,844)	4.34%		4.50%		4.65%		4.78%		4.97%		5.04%		5.07%	
Total Add. State Premium (millions) (12,000 FTE's)	\$49.3		\$47.3		\$45.6		\$44.0		\$41.7		\$40.8		\$40.4	
Total Add. State Premium - general funds (millions) (55%)	\$27.1		\$26.0		\$25.1		\$24.2		\$22.9		\$22.5		\$22.2	
Total Additional State Premium (millions) (12,000 FTE's) (\$26.04 Buydown Continued)	\$41.8		\$39.8		\$38.1		\$36.5		\$34.2		\$33.3		\$32.9	
Total Add. State Premium - general funds (millions) (55%) (\$26.04 Buydown Continued)	\$23.0		\$21.9		\$20.9		\$20.1		\$18.8		\$18.3		\$18.1	