APPENDIX B

Employee Benefits Programs Committee

NDPERS Report

April 28, 2016

Health Plan

HEALTH PLAN EXPERIENCE TO DATE

Membership Trend

ANNUAL MEMBERSHIP SUMMARY

Stable year over year growth:

ACTIVES > +0.3%

EARLY RETIREES > -4.4%

MEDICARE RETIREES > -0.2%

MEMBERSHIP COMPARISON		
	Q3 2015	Q4 2015
Actives	56,818	56,981
Early Retirees	1,224	1,170
Medicare Retirees	8,692	8,674

MEMBERSHIP TREND

LARGEST MEMBERSHIP INCREASE > +0.27%

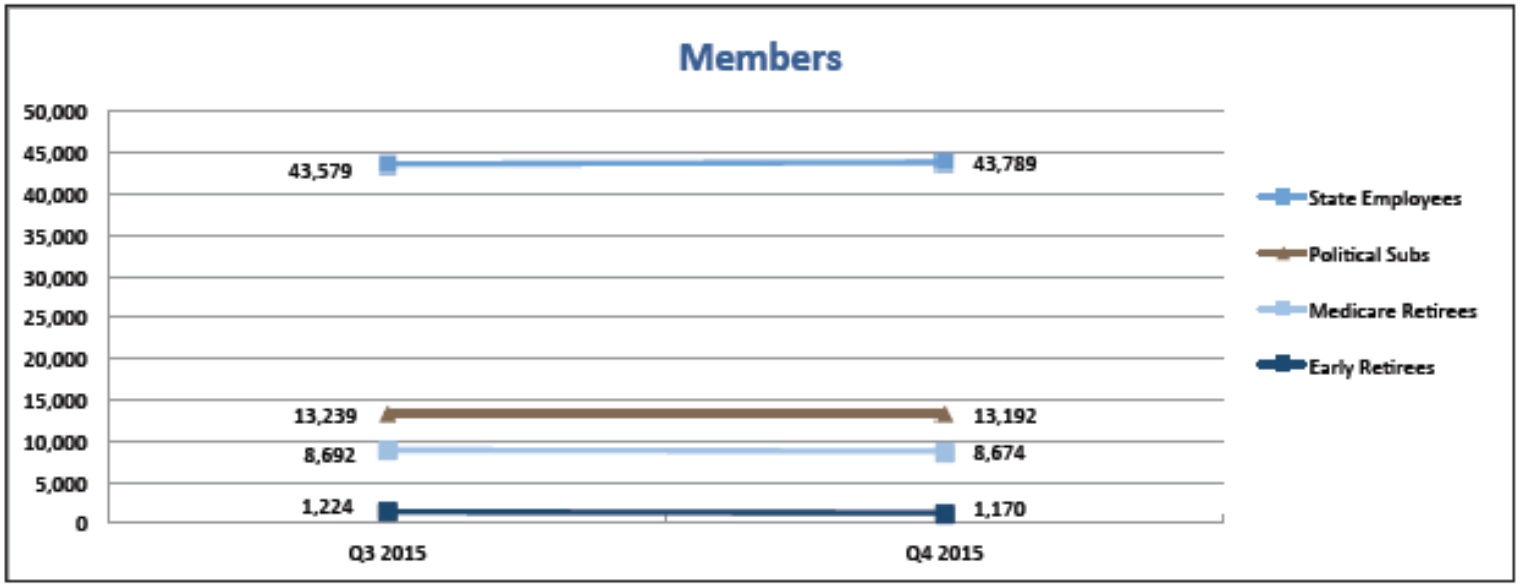
Actives, September 2015

LARGEST MEMBERSHIP DECLINE > -2.26%

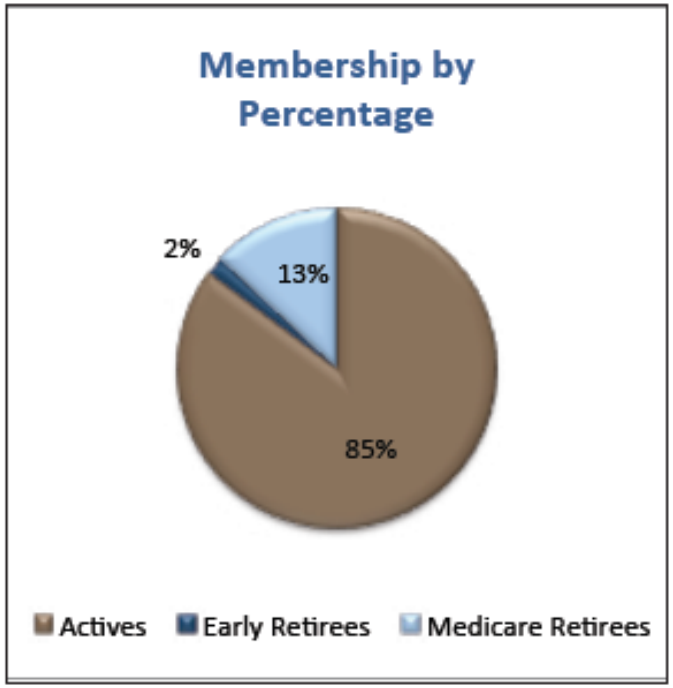
Early Retirees, November 2015

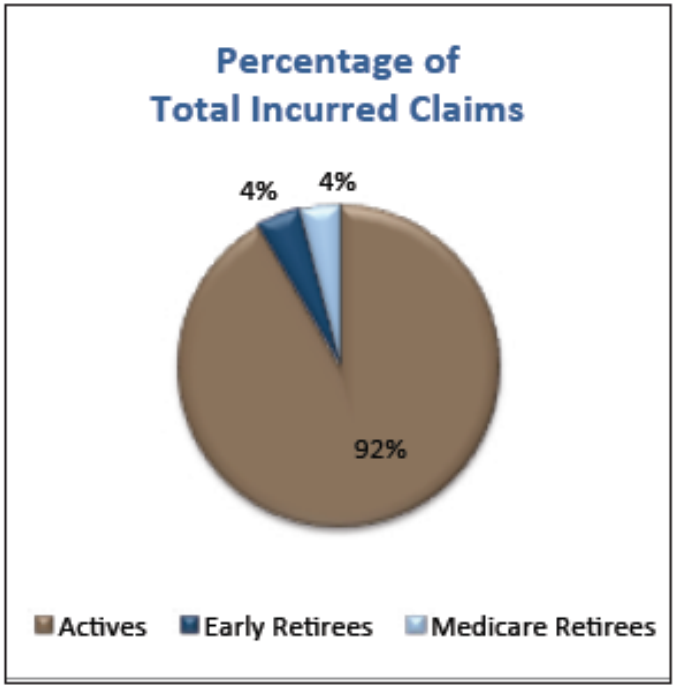
Membership Trend

MEMBERSHIP PERCENTAGE

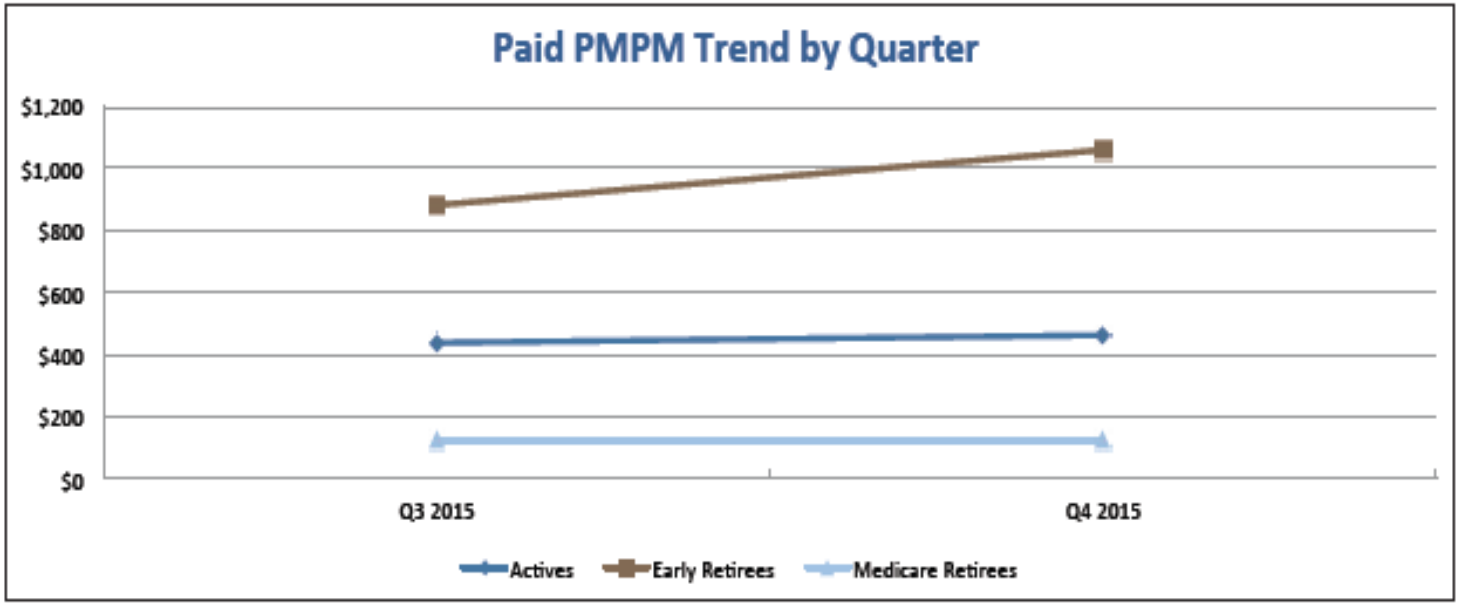


Membership Participation



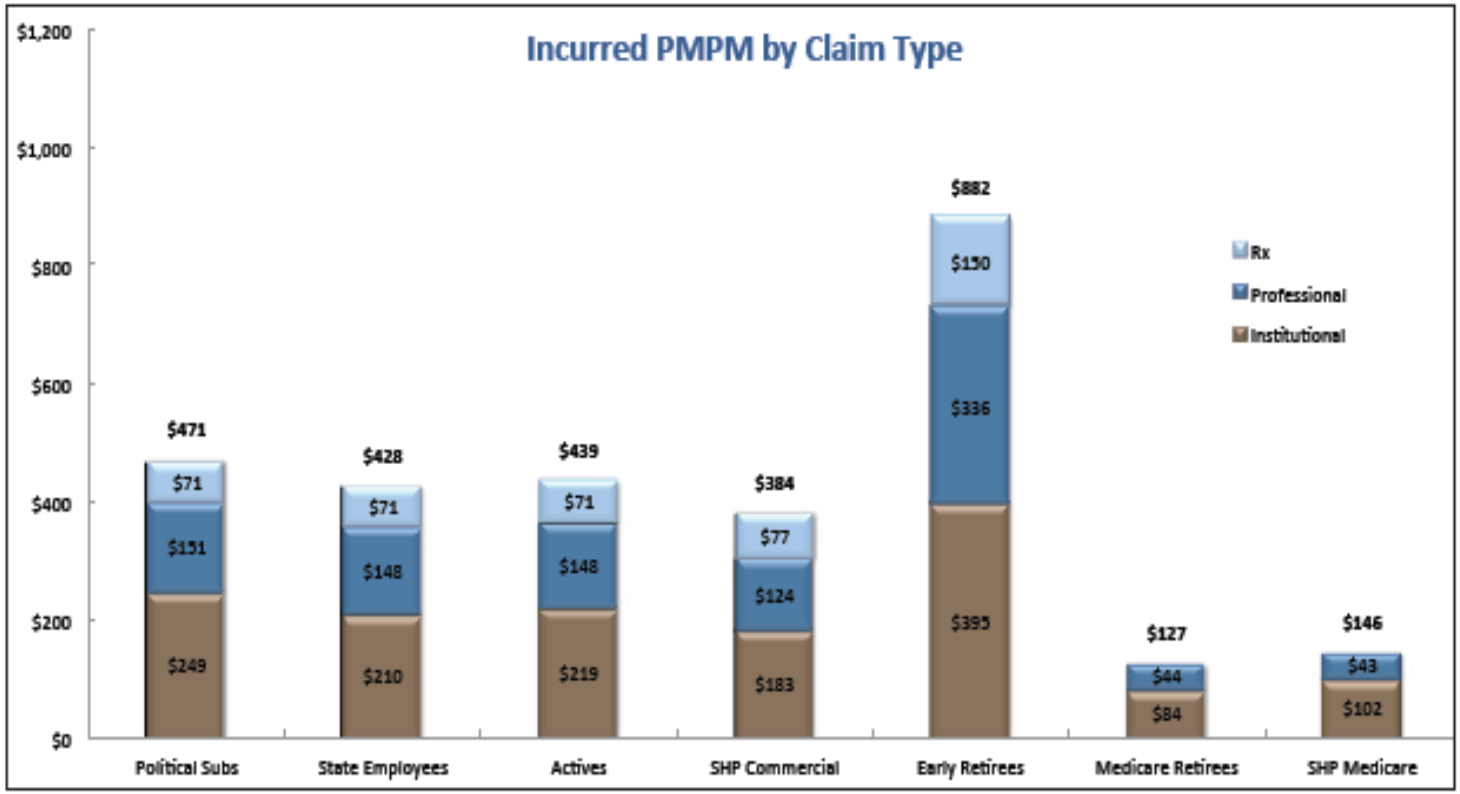


PMPM By Claim Type



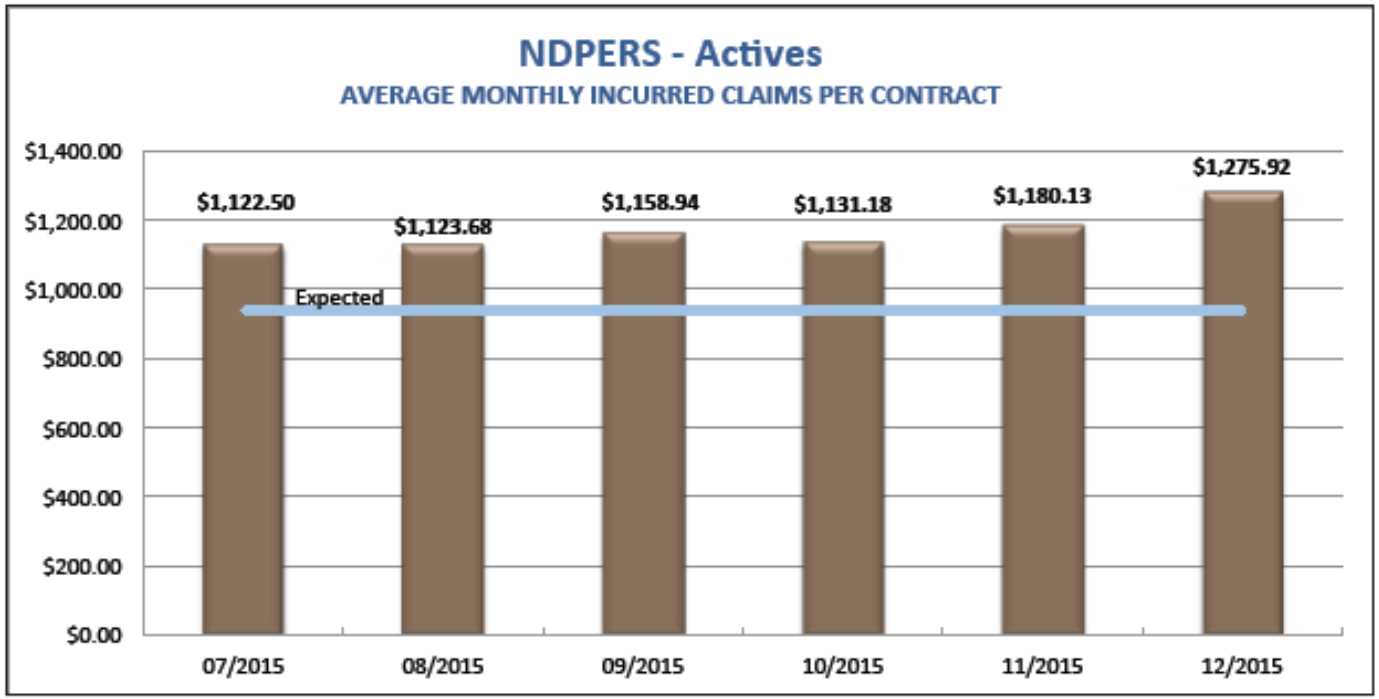
*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.
Includes IBNR for July through December, as of Feb. 29, 2016.

PMPM By Claim Type



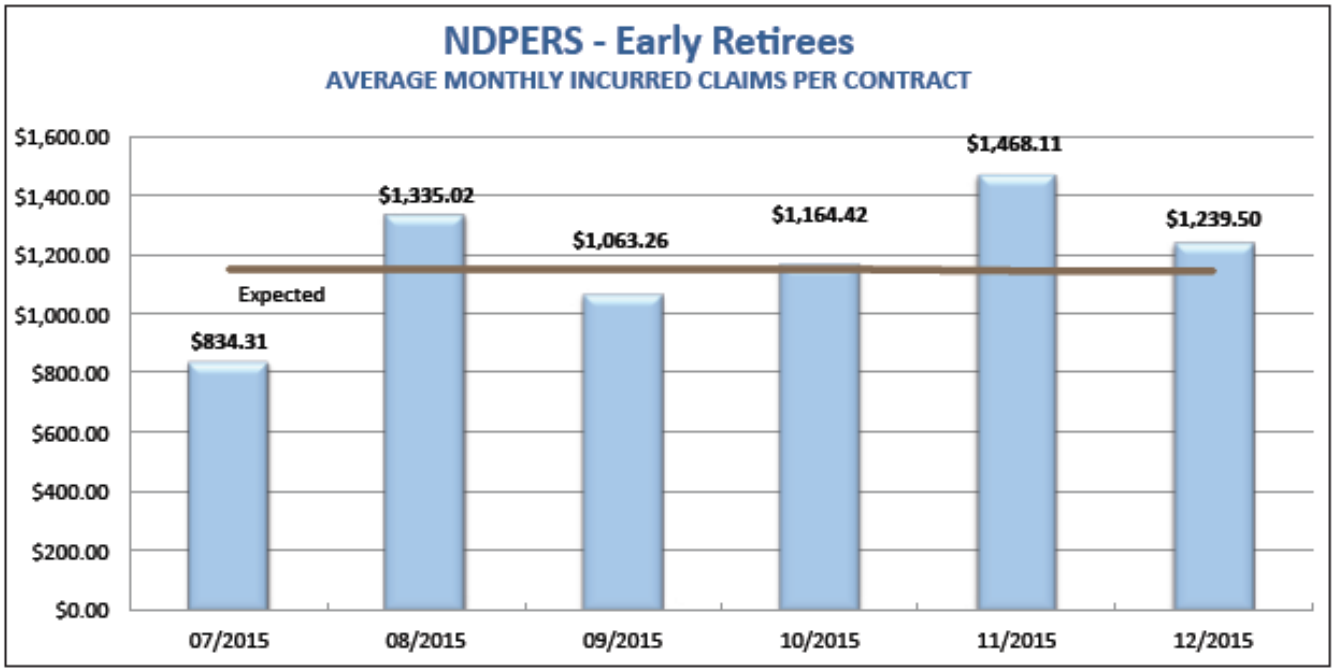
*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.
Includes IBNR for July through December, as of Feb. 29, 2016.

Paid Claims Per Contract



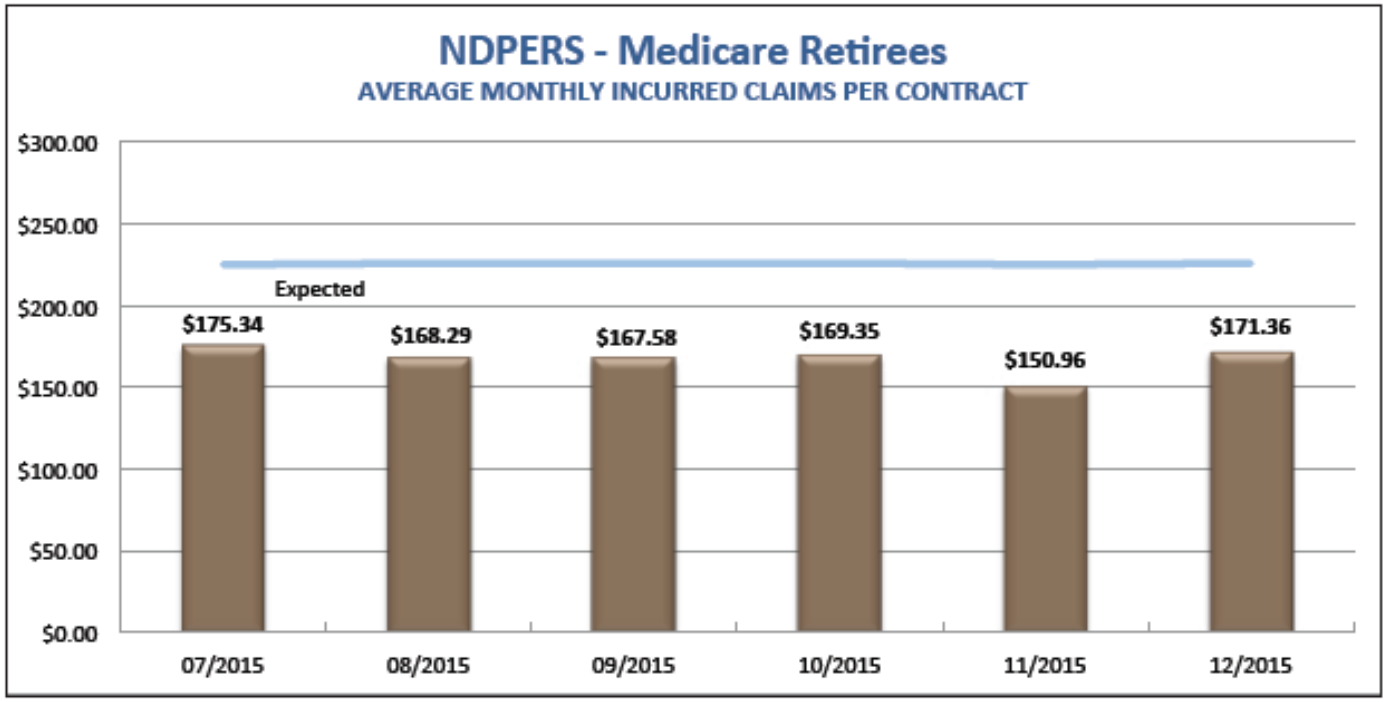
*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.
Includes IBNR for July through December, as of Feb. 29, 2016.
** Historically, 98% of claims will be accounted for within 90 days of the effective date.
*NDPERS Active contracts have approximately 2.59 members per contract.

Paid Claims Per Contract



*** Incurred between July 1, 2015 and Dec. 31. 2015 and paid through Feb. 29, 2016.
Includes IBNR for July through December, as of Feb. 29, 2016.
** Historically, 98% of claims will be accounted for within 90 days of the effective date.
*NDPERS Active contracts have approximately 1.22 members per contract.

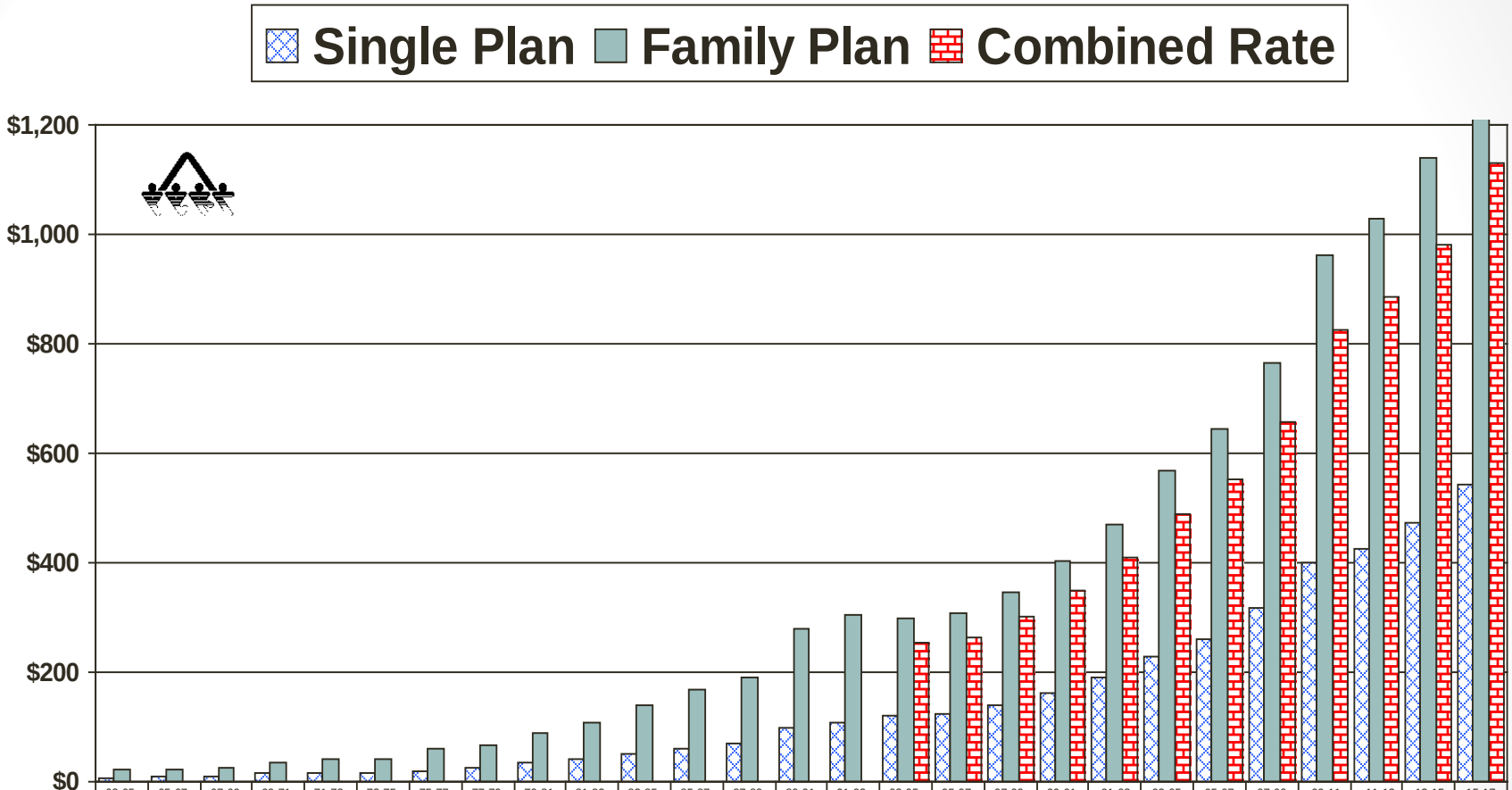
Paid Claims Per Contract



*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.
Includes IBNR for July through December, as of Feb. 29, 2016.
** Historically, 98% of claims will be accounted for within 90 days of the effective date.
*NDPERS Active contracts have approximately 1.34 members per contract.

HEALTH PLAN PREMIUM

Active State Billed Health Insurance Premium

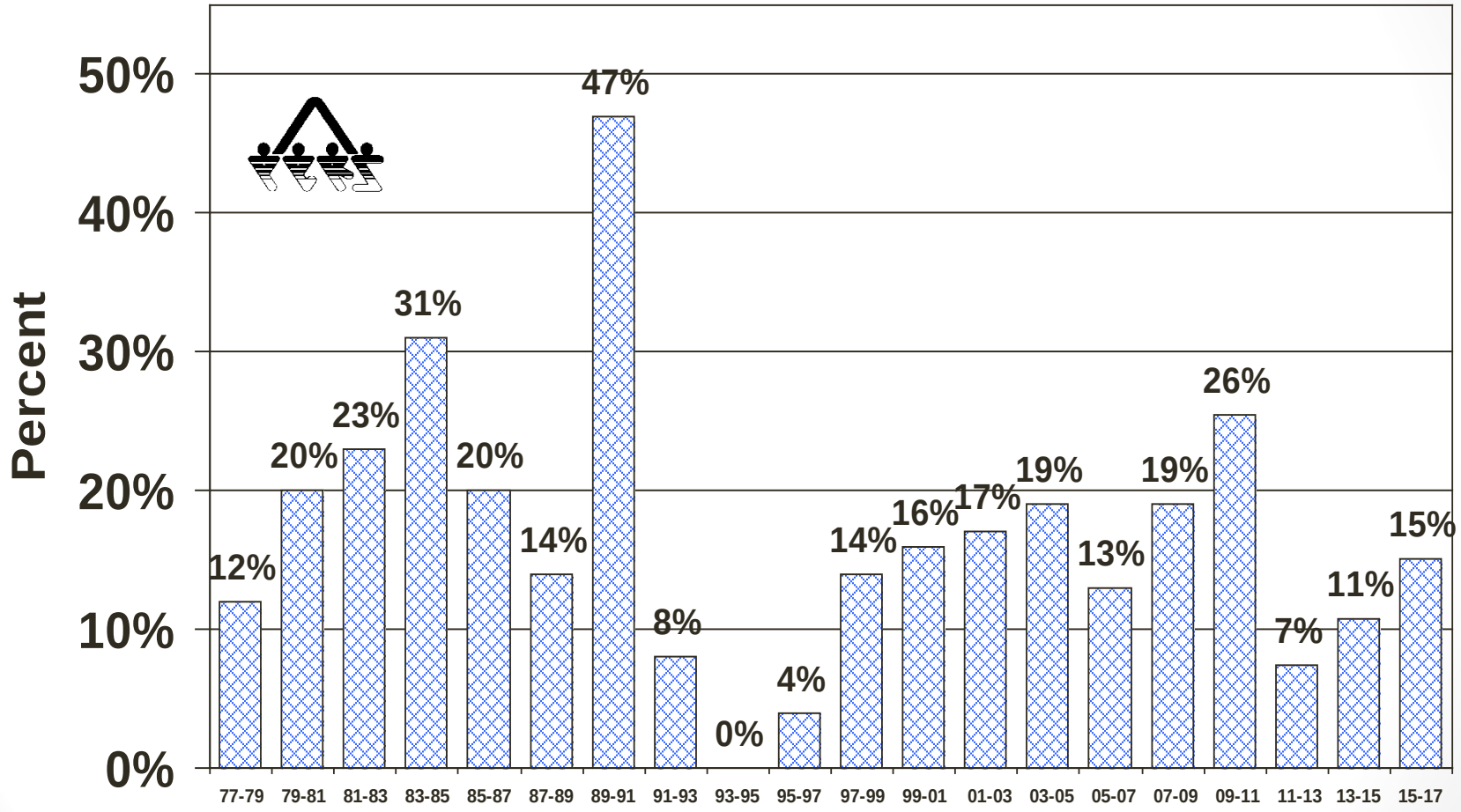


	63-65	65-67	67-69	69-71	71-73	73-75	75-77	77-79	79-81	81-83	83-85	85-87	87-89	89-91	91-93	93-95	95-97	97-99	99-01	01-03	03-05	05-07	07-09	09-11	11-13	13-15	15-17
Single Plan	$5.00	$8.55	$10.75	$14.45	$15.95	$14.46	$19.50	$25.50	$34.84	$42.68	$50.28	$60.00	$68.28	$99.82	$108.00	$120.00	$125.00	$139.69	$162.48	$190.33	$229.93	$260.62	$318.30	$400.06	$426.96	$472.74	$544.28
Family Plan	$21.00	$21.50	$25.00	$34.90	$41.90	$41.90	$59.95	$67.42	$87.40	$107.07	$140.28	$168.00	$191.28	$280.39	$304.00	$297.00	$309.00	$345.32	$401.67	$469.78	$567.52	$643.12	$764.02	$962.84	$1,029.00	$1,139.34	$1,311.74
Combined Rate																$254.00	$265.00	$301.00	$349.72	$409.09	$488.70	$553.94	$658.08	$825.66	$886.62	$981.68	$1,130.22

State Health Premium Percentage Increase

From Previous Biennium

(Excludes Plan Design Changes)



Last bid – fully insured

- **Fully insured Target:**
- **BCBS 19 - 20%**
- **Sanford 15.0%**

2017-19 Premiums

1. **Likely to be a double digit increase**
2. **Could be in the range of 14%-18%**
3. **Very difficult to estimate at this time so this will change**

ACTIVITIES & TIMELINE FOR RENEWAL PROCESS

Timeline

- **May – August** – Prepare RFP's in case the decision is to go to bid
- **July/August** - Do the renewal estimate
- **August/September** – Receive and consider the proposed renewal and other information required in NDCC 54-52.1-05. We need to make a decision by the middle of September
- **September** – If the renewal is not approved we need to go to bid immediately with the following timeline
  - Sept – issue RFP
  - Nov – receive RFP's
  - Dec/Jan/Feb – review RFP's
- **Feb** – award the plan for the 2017-19 biennium

Next Steps

- **Renewal Steps (54-52.1-05(2):**
- **Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.**

Next Steps

- **Renewal Steps:**

1. Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.
2. **Solicit a renewal from the existing vendor**

Next Steps

- **Renewal Steps:**

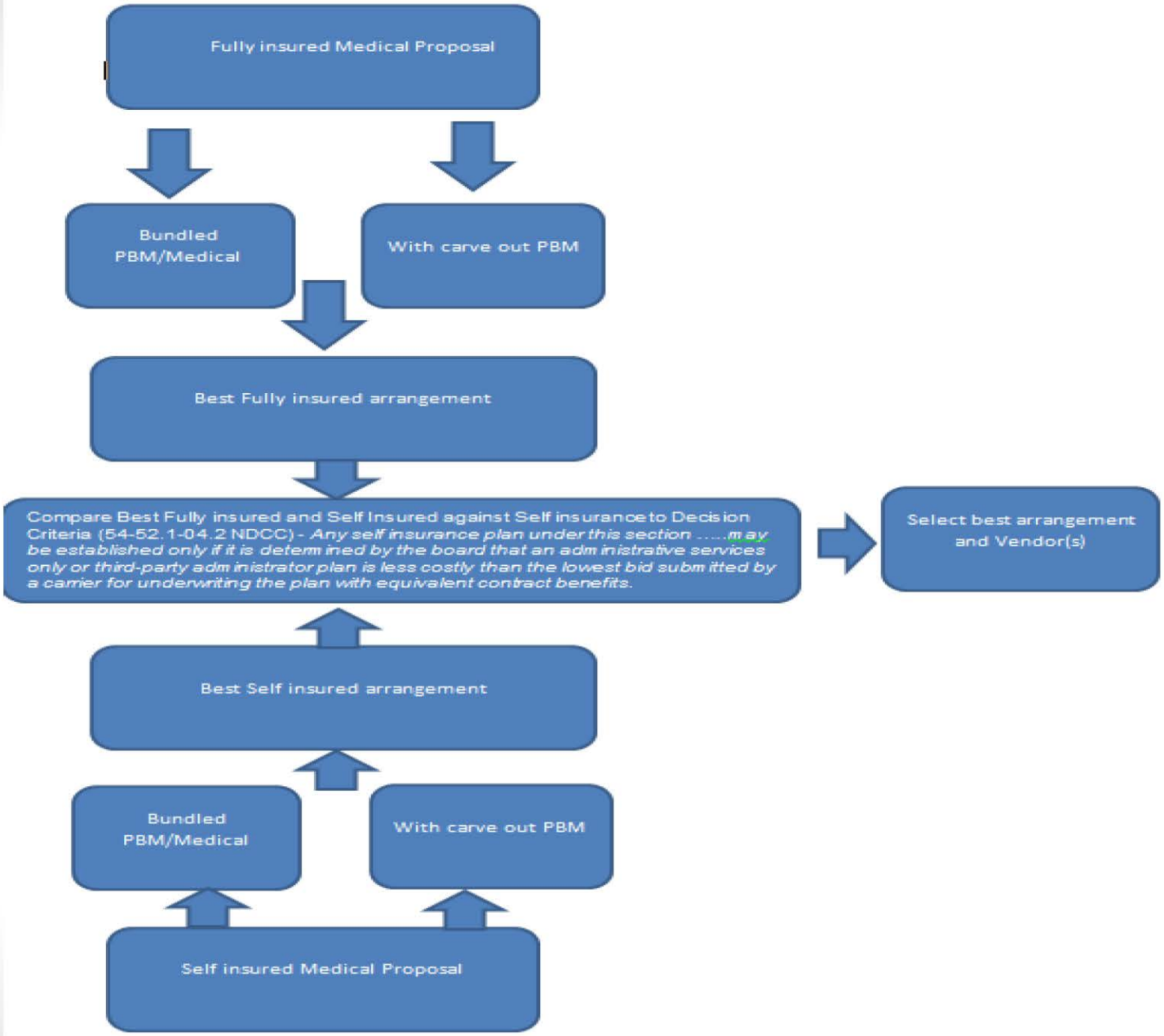
1. **Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.**
2. **Solicit a renewal from the existing vendor**
3. **Review the carrier's performance measures, including payment accuracy, claim processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.**

Next Steps

- **Renewal Steps:**
  1. Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.
  2. Solicit a renewal from the existing vendor
  3. Review the carrier's performance measures, including payment accuracy, claim processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.
  4. **If the board determines the carrier's performance under the existing contract does not meet the board's expectations or the proposed premium renewal amount exceeds the board's expectations and the board determines to solicit a bid under section 54-52.1-04, the board shall specify its reasons for the determination to solicit a bid.**

Other information

- 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.


Fully insured Medical Proposal
Bundled PBM/Medical
With carve out PBM
Best Fully insured arrangement
Compare Best Fully insured and Self Insured against Self insurance to Decision Criteria (54-52.1-04.2 NDCC) - Any self insurance plan under this section .....may be established only if it is determined by the board that an administrative services only or third-party administrator plan is less costly than the lowest bid submitted by a carrier for underwriting the plan with equivalent contract benefits.
Select best arrangement and Vendor(s)
Best Self insured arrangement
Bundled PBM/Medical
With carve out PBM
Self insured Medical Proposal

Self Insurance NDCC 54-52.1-04.2

allows the board to self insure the plan if it is more competitive than fully insured

Self insurance Reserve Requirement (54-52.1-04.3 NDCC)

1. The board shall determine the amount necessary to provide a balance in the contingency reserve fund between one and one-half months and three months of claims paid based on the average monthly claims paid during the twelve-month period immediately preceding March first of each year.
2. The board also shall determine the amount necessary to provide an additional balance in the contingency reserve fund between one month and one and one-half months for claims incurred but not yet reported.
3. Upon the initial changeover from a contract for insurance pursuant to section 54-52.1-04 to a self-insurance plan pursuant to section 54-52.1-04.2, the board must have a plan in place which is reasonably calculated to meet the funding requirements of this chapter within sixty months.

DB/DC Election

DB/DC Election

% members	# members	
	226	Eligible DC Participants 11/1/2015
	-3	Employment Status Change (Nov-Jan)
	223	**Total Eligible DC Participants**

DB/DC Election

19.52%	41	November Elections
28.57%	60	December Elections
49.05%	103	January Elections
2.86%	6	February Elections (DC plan only)
100.00%	**210**	**Total Election Forms Received**
	13	**No Election Form Received**

DB/DC Election

76.23%	170	Defined Benefit Plan Election
17.94%	40	Defined Contribution Plan Election
5.83%	13	Defined Contribution Plan - No election
100.00%	**223**	**Total Participants**

DC 401(a) Plan – Feb 2016

% members	# members	
	226	Eligible DC Participants 11/1/2015
	-3	Employment Status Change (Nov-Jan)
	223	**Total Eligible DC Participants**
19.52%	41	November Elections
28.57%	60	December Elections
49.05%	103	January Elections
2.86%	6	February Elections (DC plan only)
100.00%	**210**	**Total Election Forms Received**
	13	**No Election Form Received**
76.23%	170	Defined Benefit Plan Election
17.94%	40	Defined Contribution Plan Election
5.83%	13	Defined Contribution Plan - No election
100.00%	**223**	**Total Participants**

DC elections since 2013 – 2.8% elect to join

New employee DB/DC estimates sent out	Eligible	Elections to Date
2013 October - 104	110	1
2013 November - 91	90	6
2013 December - 92	93	1
2014 January - 119	105	3
2014 February - 90	89	4
2014 March - 73	65	2
2014 April - 79	68	2
2014 May - 81	77	4
2014 June - 112	123	3
2014 July - 136	123	4
2014 August - 111	149	3
2014 September - 140	132	5
2014 October - 138	116	2
2014 November - 117	110	1
2014 December - 117	111	8
2015 January - 110	122	7
2015 February - 89	76	4
2015 March - 76	86	2
2015 April - 103	94	1
2015 May - 89	96	1
2015 June - 92	116	4
2015 July - 162	165	8
2015 August - 169	172	6
2015 September - 196	154	1
2015 October - 124	117	0
2015 November - 126	132	1
2015 December - 91	107	3
2016 January - 113	97	1
	3095	88 (2.8%)

DB/DC Option

- Expires at the end of this biennium

QUESTIONS FROM LAST MEETING

Cadillac tax?

- The 2018 premium targets are $10,200 individual and $27,500 family for annual premiums.
- Excess coverage over these amounts are subject to a 40% employer tax (on fully insured plans tax is assessed to the insurer not the employer)
- Our current converted flat rate premium to single/family premium through July 2017 are $6,531.36 individual ($544.28 X 12) and $15,740.88 family ($1,311.74 X 12). This is well below the targets premiums
- **Cadillac Tax Delayed Until 2020**

Are Buyouts factored into covered payroll

The following are **NOT** considered Wages or Salary:

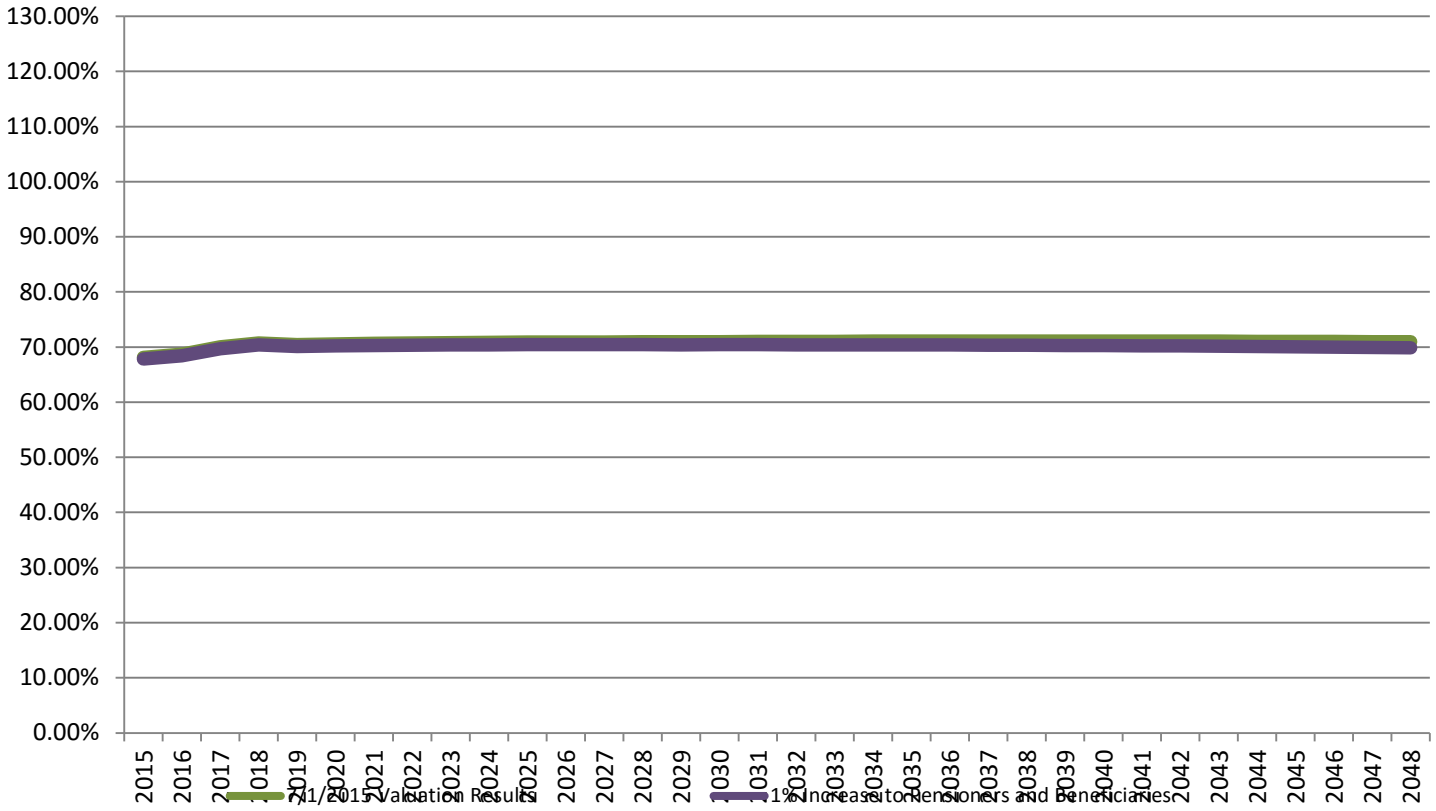
- Amounts contributed by employer to a qualified Section 125 cafeteria plan (Flex Comp), 401k plan, 403b 414(h) or 457 plan

Fringe benefits such as, but not limited to:

- Lump sum payouts of unused sick leave, personal leave, vacation or annual leave. (Anything submitted after the termination date is considered a lump sum and not reportable. However, if is included before the termination as a substitution in place of actual work, then that is reportable)
- **Overtime or Straight Overtime (Straight Time)**
- Housing allowances
- Transportation expenses
- Early retirement incentive pay
- Severance Pay
- Medical insurance
- Workforce Safety and Insurance benefits
- Disability insurance premiums or benefits
- Salary received by an employee in lieu of previous employer-provided fringe benefits under an agreement between the employee and participating employer. *Example:* An employer who previously paid for an employee's life insurance but now does not participate in the plan, decides to pay the employee extra pay for what would have been paid in for that employee benefit.
- Retention or Recruitment Bonuses
- Shift Differential

Change in payroll growth assumption

Payroll Growth	4.50%	4.00%

Reduce employer contribution requirement by approximately .3%

Change in Retiree payroll/benefits - 1% increase