

Government Finance Committee

June 16, 2016

Topics

- ▶ **Activities & Timeline for Renewal Process**
- ▶ **Health Plan premium**

Activities & Timeline for Renewal Process

Renewal Steps (54-52.1-05(2):

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2. **Solicit a renewal from the existing vendor**

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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.**

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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.**

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

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.

Statutory RFP requirements

▶ Bid Timeframes and Notice NDCC

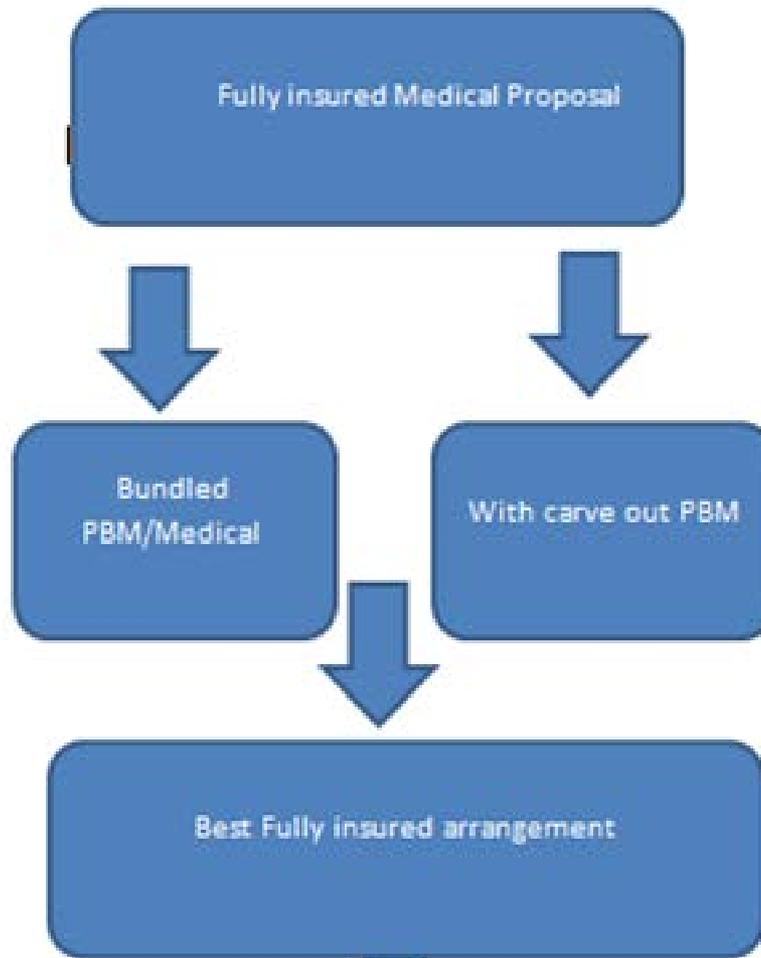
- ▶ Fully Insured: Solicitations must be made not later than ninety days before the expiration of an existing uniform group insurance contract (54-52.1-04 NDCC)
- ▶ Self Insured: All bids under this section are due no later than January first, and must be awarded no later than March first, preceding the end of each biennium. (54-52.1-04.2 NDCC)
- ▶ Bids must be solicited by advertisement in a manner selected by the board that will provide reasonable notice to prospective bidders (54-52.1-04 NDCC)

▶ PERS Plans to issue RFP's if needed by Oct 2016

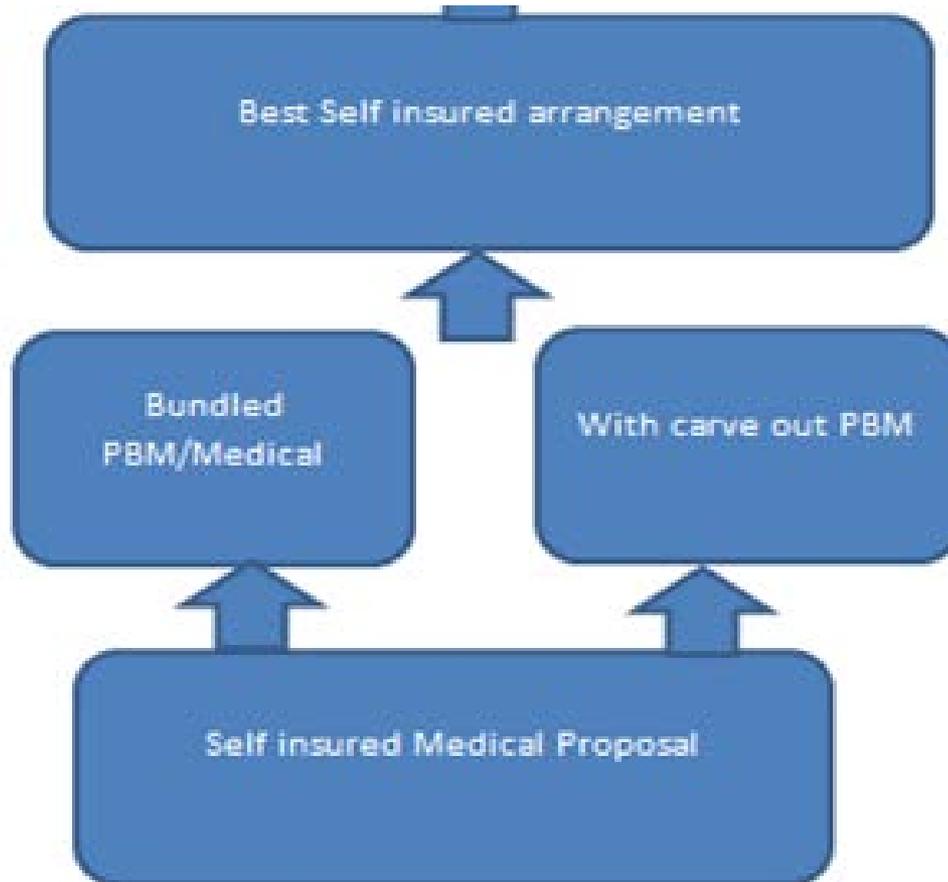
RFP Timeline

- ▶ **September** – If the renewal is not approved we need to go to bid immediately with the following timeline
 - ▶ Sept/Oct – issue RFP
 - ▶ Nov/Dec – receive RFP's
 - ▶ Dec/Jan/Feb – review RFP's
- ▶ **Feb** – If self insured award the plan for the 2017-19 biennium
- ▶ **March** – If fully insured award the plan for 2017-19

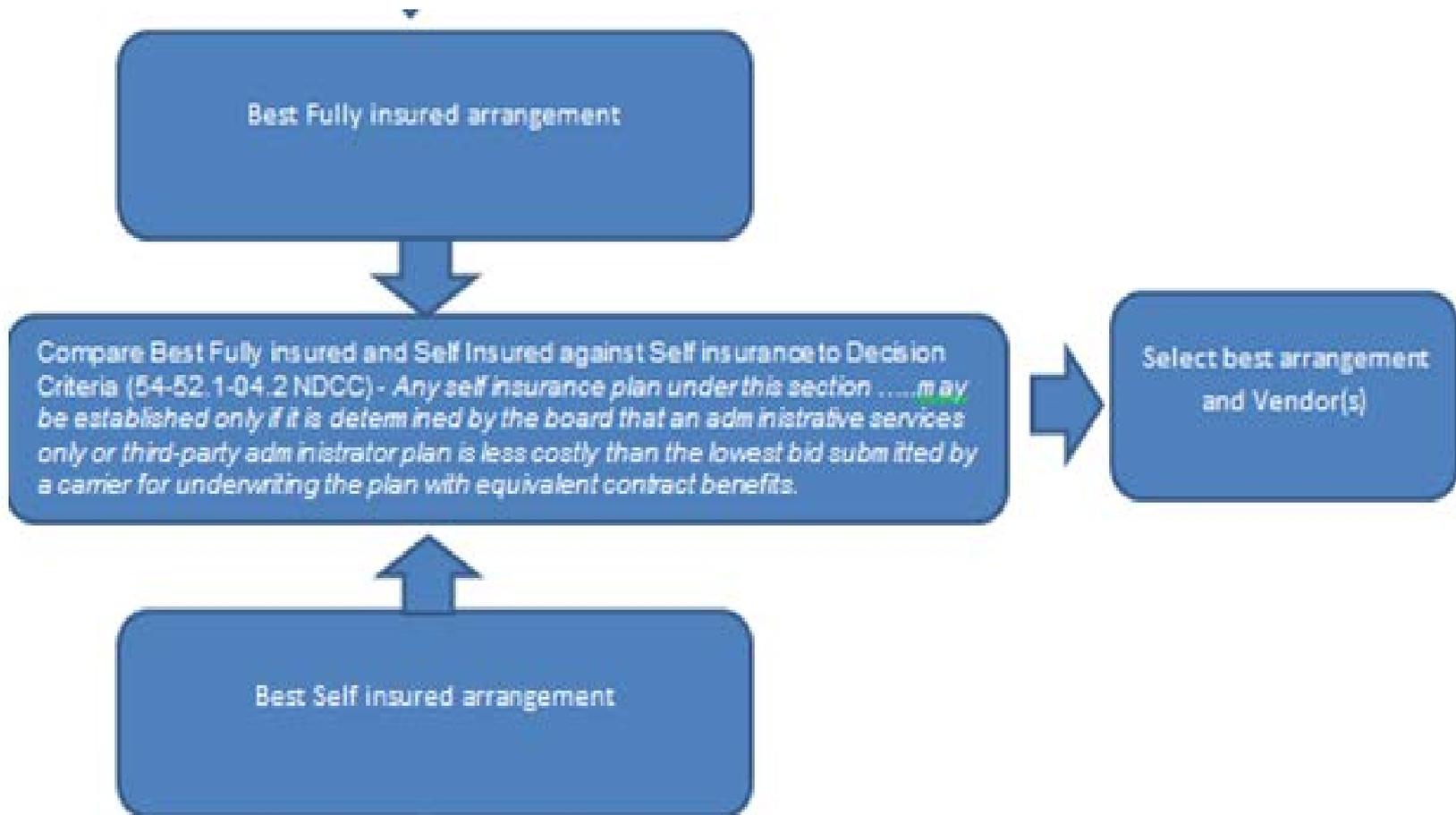
Bid Methodology – Fully Insured

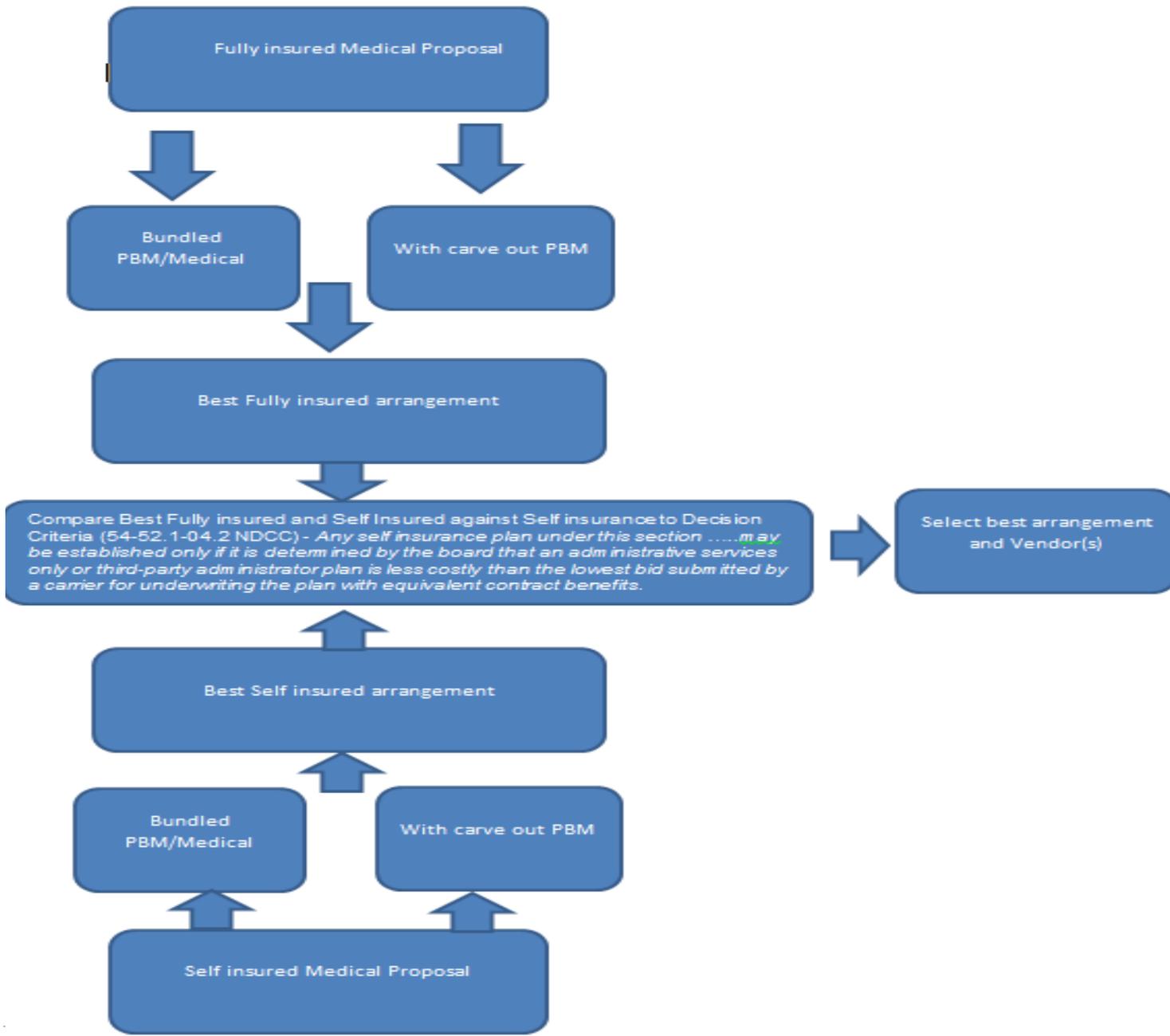


Bid Methodology – Self Insured



Bid Methodology – Fully Vs Self Insured





**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.

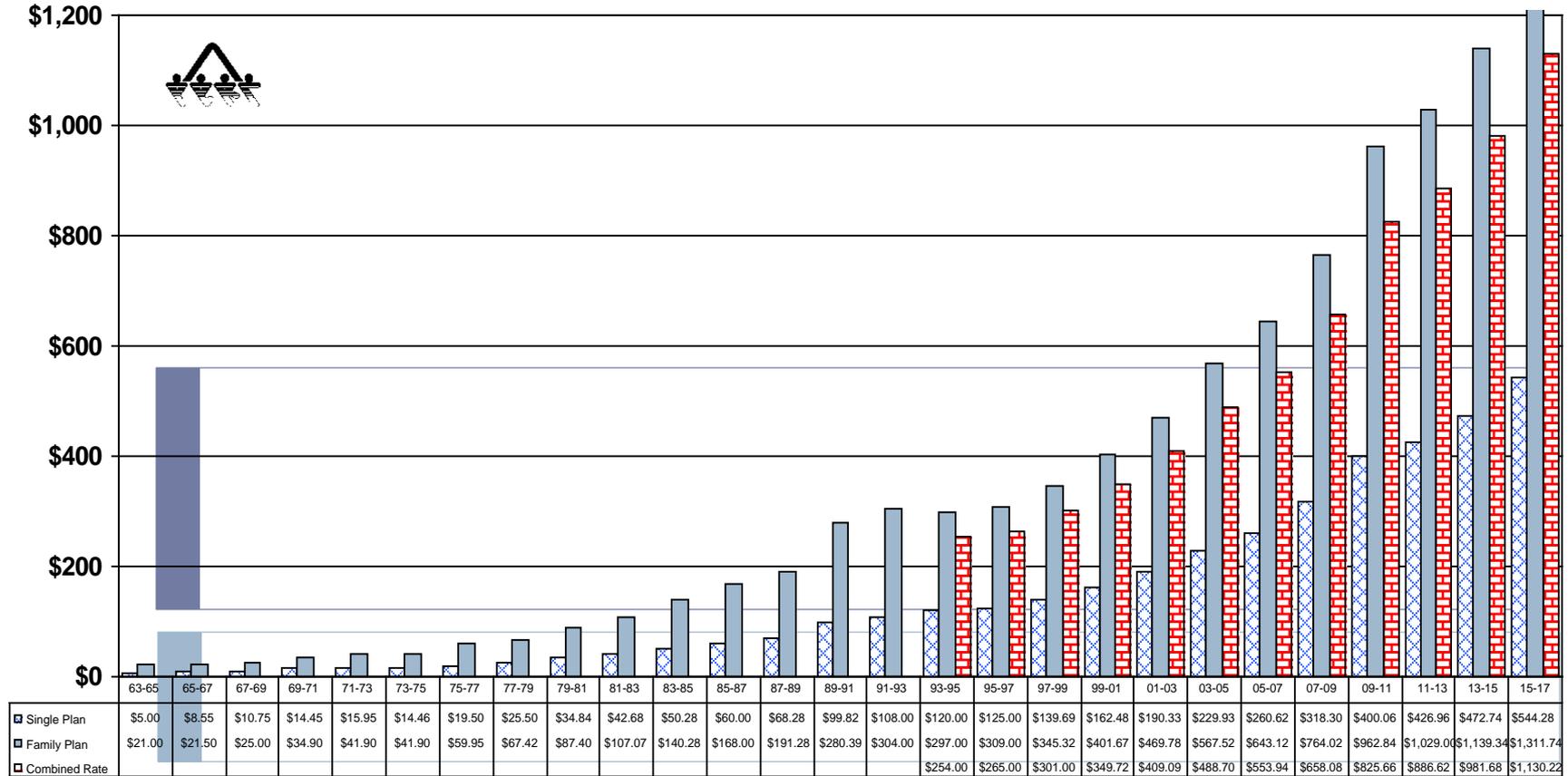
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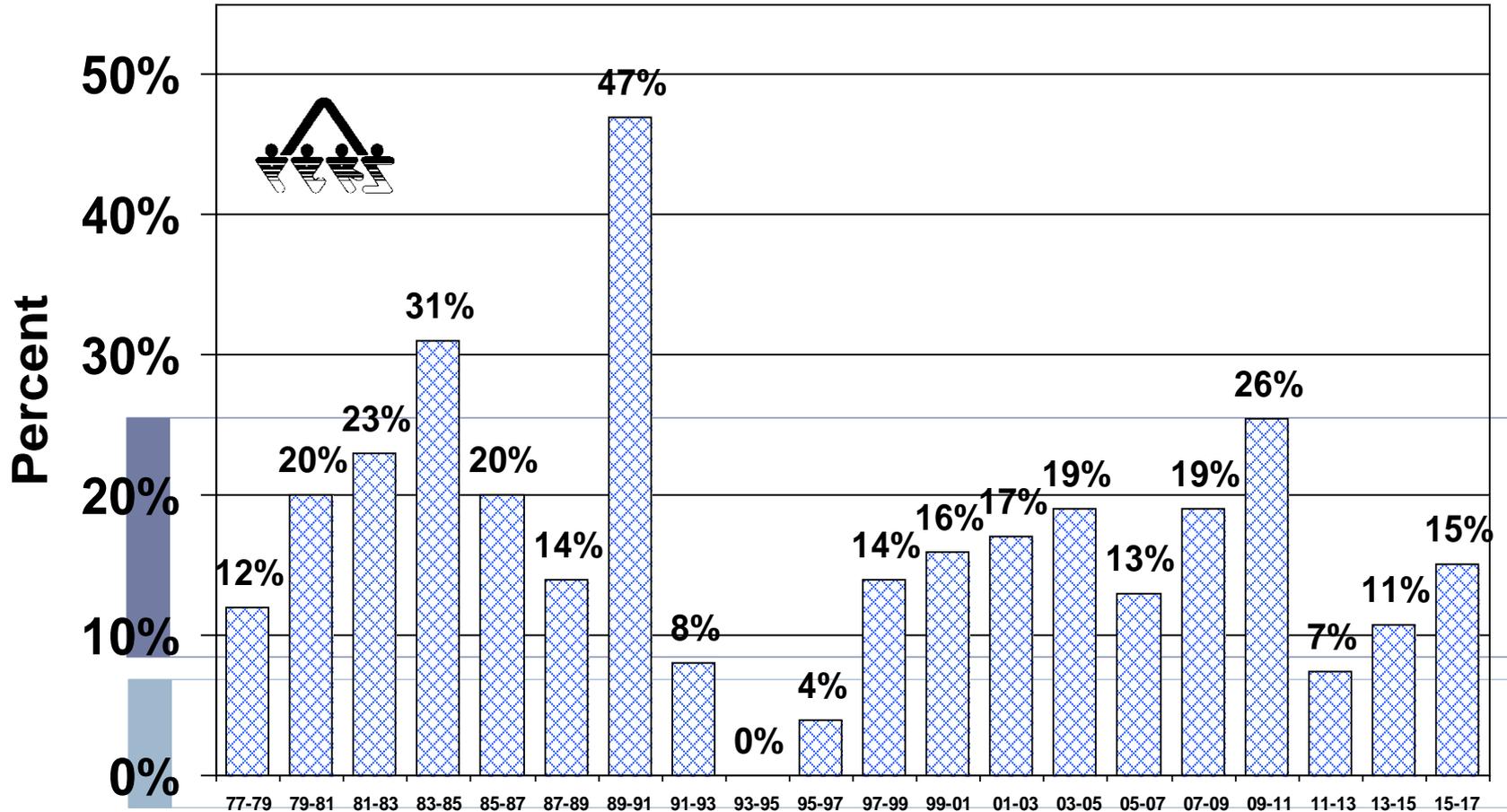
Health Plan Premium

Active State Billed Health Insurance Premium



State Health Premium Percentage Increase From Previous Biennium

(Excludes Plan Design Changes)



2013-15 Premiums

BCBS Premium

Sanford Premium

12.98%

\$1001.72

25.49%

\$1112.62

Last bid – fully insured

▶ **Fully insured Target:**

- | | |
|------------------|-----------------|
| ▶ BCBS | 19 - 20% |
| ▶ Sanford | 15.0% |

2009-11 Premium

\$825.66

2011-13 Premium

\$886.62

2013-15
PREMIUM

\$981.68

2015-2017 PREMIUM

\$1,130.22

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**

Active State Renewal Rate

NDPERS 2015- 2017 Allocation and 2017-2019 Projection	NDPERS 2017-2019 Planning Projections			
	12% Increase	15% Increase	18% Increase	20% Increase
2015-2017 State rate	\$1130.22	\$1130.22	\$1130.22	\$1130.22
2017-2019 % Annual Trend	5.83%	7.24%	8.63%	9.54%
Projected 2017-2019 rate	\$1265.85	\$1299.75	\$1333.66	\$1356.26
2017-2019 \$ Increase	\$135.63	\$169.53	\$203.44	\$226.04
2017-2019 % Increase	12.00%	15.00%	18.00%	20.00%
Total State additional funds*	\$39,061,440	\$48,824,640	\$58,590,720	\$65,099,520
Total additional general funds**	\$21,483,792	\$26,853,552	\$32,224,896	\$35,804,736

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

** - Assumed to be 55% of total funds

Every \$1 million buys down \$1.42 in premiums