



# Benefits Administration Update

Presentation for  
2016 Department of Education Spring Fiscal Workshop

# Agenda

## Operations

- ACA Status
- Implementation of Zendesk
- Edison Forms Automation

## Procurement Update

## Insurance Committee Action re Supplemental; “Gap” Benefits

- Background
- Fiscal Issue
- Insurance Committee Action
- Next Steps

## 2017 Health Insurance Benefit Considerations

# ACA Status

## Benefits Administration Responsibility

- Employer mandate
- Transitional Reinsurance
- PCORI fee
- Employer reporting of Health Insurance Information (for state and higher education)
- Cadillac Tax - Delayed

## Local Education Agency Responsibility

- Employer mandate
- Employer Reporting of Health Insurance Information

### Individual Mandate

Individuals must buy health insurance or pay shared responsibility tax

# Operations

## Zendesk

- Customer Service Software and telephone system
- User Acceptance testing June 2016
  - [Benefits.Info@tn.gov](mailto:Benefits.Info@tn.gov)
- Go-Live Date 7/1/2016
- Check out State websites currently using Zendesk
  - <http://www.tn.gov/revenue/> Click on “Revenue Help”
  - <http://www.tn.gov/workforce/> Click on “Help Desk”

# Operations

## Enrollment Forms Automation

User Friendly Electronic Enrollment Form entered by ABC

Member will still sign a completed enrollment form

ABC will enter benefit selections and attach required dependent verification

Once the ABC submits, the form will be routed to BA who will review and approve

User Acceptance testing June/July 2016

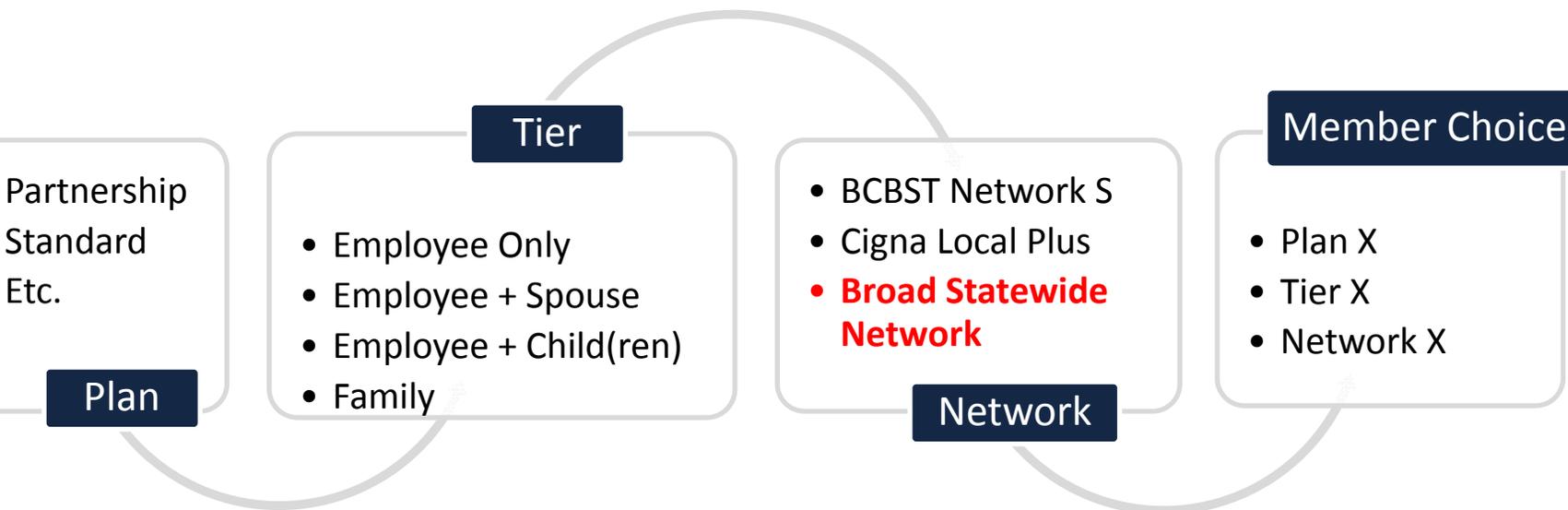
- [Benefits.Info@tn.gov](mailto:Benefits.Info@tn.gov)

Go-Live Date 7/18/2016

# Procurement Update

Broad statewide network

## Member Decision Points



Broad network will have higher price point

Contract award expected in May

# Procurement Update

## Behavioral Health / Employee Assistance Program

- No member action required
- Automatic enrollment with health plan coverage

## Medicare Supplement

- Members automatically transitioned if vendor changes

Contract awards expected in May

Vendor announcements to follow on BA calls with ABCs

# Background – State Group Insurance Plan

## Purpose of state-sponsored group insurance plan

- Comprehensive, affordable, sustainable group benefits
- Market competitive

## Advantages of state group insurance plan

- Self-funded – no premium tax, no reinsurance fees, surplus remains with the plan and its members
- All agencies benefit from low group rates and low premium increases
- Rich, affordable benefits for all plan types
- Support for retiree health contribution

## History of providing low cost, high value products

- Surplus returned to members and agencies through below-market rate increases: 3% average premium rate increase over five years
- Leverages competitive procurement and group purchasing power
- Product design encourages members be better consumers

## Background – Statutory Authority

Local Education Insurance Committee governs the plans

- Fiduciary responsibility to ensure fund is fiscally sound
- Protects financial integrity of the plans

Statute also protects fiscal integrity

- Requires that the state's insurance plans are the only state supported insurance plans offered by participating LEAs
- Voluntary benefits defined as fully paid by enrolled members; only offered if established by the insurance committees

Committee can set premiums, approve the overall plan structure and take actions to manage the plan in a fiscally responsible manner

No provision in statute for "Gap" benefits

# Impact of Agency “Gap” Policies

What happens when agencies offer unauthorized group “Gap” products?

- Changes which state-sponsored options members select and how they use the benefit
- Results in unplanned changes in cost, utilization and revenue to the local education insurance fund
- Dramatically changes the risk profile of the Limited PPO as well as the other products

The local education insurance group plan is underwritten as a whole based on the portfolio of plan offerings

- Permitting “Gap” policies would likely require pricing each LEA separately
- Seriously erode the benefits of the state group insurance plan

## Background – Limited PPO

In 2014, Local Education Committee introduced the Limited PPO so agencies could offer affordable coverage to all employees as required by PPACA

Anticipated the employer responsibility requirement would be a challenge for some LEAs

Limited PPO has a lower premium because it has a higher deductible with member cost-sharing

Experience with the Limited PPO in the Local Government Plan since 2004; priced anticipating similar enrollment and utilization

“Gap” insurance not contemplated or permitted under current Memorandum of Understanding (MOU); would have changed price based on higher risk

## “Gap” Policies with the Limited PPO

The Limited PPO with “Gap” policies changes the enrollment in and utilization of the state-sponsored products

Very attractive to members and agencies

- Many agencies pay 100% of both the Limited and the “Gap” policy
- Combination provides a rich benefit at a lower price than Partnership PPO

Low-cost “Gap” policy picks up the member’s deductible and coinsurance only up to our Limited PPO Plan’s out of pocket maximums

The Limited Plan is paying out MORE benefits while taking in LESS premiums than projected due to the “Gap” policies and the local education insurance fund is taking up the deficit

State’s insurance fund **picks up the rest of the cost; the plan does not have fewer claims, just less revenue**

## “Gap” Policies with the Limited PPO

LEAs with “Gap” coverage disproportionately account for the local education plan loss

- 24 of the 32 agencies we examined with the “Gap” caused a loss to the LEA plan
- Average enrollment in the Limited+“Gap” in those agencies is 60%
- Our analyses are ongoing; our recent calculation showed the average loss to the LEA fund per agency is \$665K

Limited PPO claims in 2015 increased 53% for those agencies who began offering “Gap” products in 2015; overall Limited PPO increased 39% compared to entire LE plan, which increased 5%

Enrollment of members in Limited PPO with “Gap” option is over 50%, compared with 7% in non-“Gap” agencies

Higher migration to the Limited PPO resulted in less revenue to the fund—estimated at \$34M in 2016

## Insurance Committee Action - 2/4/16 Mtg

Meeting held prior to review of proposed legislation to change statute

MOU has always prohibited "Gap" policies

"Gap" policy on the agenda. Committee voted to:

- Amend the Memorandum of Understanding to specifically list what is permitted
- Enforce sanctions if agencies do not comply

Did not change existing policy regarding "Gap" health insurance

Requested updated Aon Hewitt analysis of claims and projections

Present recommendations to the Committee for 2017 insurance offerings

# Options/Considerations for 2017

## Considerations

- If you currently offer "Gap", how much do you pay toward the "Gap"? How much toward the Ltd/"Gap" combination?
- If 100% for both, that contribution is 80% toward Partnership PPO
- Consideration of the CDHP as alternative low-cost option

Presence of "Gap" policies affect determination of 2017 product design and premiums

No determination yet re the Limited PPO or any premiums

Anticipate that the Committee will continue to prohibit the "Gap" in 2017

Will work with the Insurance Committee and agencies to develop the best long-term solution