

A Survey of Health Care Plans for Education Employees

Joyce Manchester
Chloe Wexler
Joint Fiscal Office
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Overview

- The plans in place in CY 2018 differ in important ways from the Gold Consumer-Driven Health Plan (CDHP) envisioned by the actuaries in the spring of 2017
- They also differ from the Governor's Target Gold CDHP
- Differences include some important factors that affect health care costs – HRA vs HSA, HRA rollover vs. not, size of out-of-pocket (OOP) costs
- Plan design going forward will affect the growth of health care costs for education employees and their employers

What plans are in place for CY 2018?

- The transition to new health plans in January 2018 led to a different mix of plans
- ~91% of employees now have a Gold CDHP (Consumer-Driven Health Plan)
 - High-deductible health plan AND
 - Health Reimbursement Arrangement (HRA) or Health Savings Account (HSA)
- New plans have lower actuarial value (**before HRA/HSA funding**) and lower premiums in response to the Affordable Care Act “Cadillac Tax”

Details matter

- Gold CDHP as priced by the actuaries, Early 2017
 - 80/20 premium split
 - HRA **with** rollover to cover **75%** of OOP (\$1875 out of \$2500 maximum)
 - Employee pays 1st **\$625** in OOP costs
- Governor's Target CDHP
 - 80/20 premium split
 - HRA to cover **84%** of OOP (\$2100 out of \$2500 maximum), silent on rollover
 - Employee pays 1st **\$400** in OOP costs
- Implemented Gold CDHP
 - 81.9/18.1 premium split
 - Most HRAs with **NO** rollover to cover ~**84%** of OOP (\$2100 out of \$2500 maximum)
 - Mixed 1st \$\$ responsibility

Consequences of details

- Transition from Gold CDHP as priced by the actuaries to the Governor's Gold CDHP
 - Governor's plan: ER covered 84% of OOP costs, not 75%
 - Hence, VEHI had to subsidize premium cost even prior to January 2018: \$3.5 million to cover Jan-June, and another \$3 million toward July-Dec
- Transition from Governor's Gold CDHP to plans as implemented
 - Implemented plans: 81.9% employer premium share (avg.)
 - Most plans used HRAs with **NO** rollover
 - Mixed responsibility for 1st \$\$ OOP
 - Hence, premiums will rise 10% starting July 1st, 2018, even with the VEHI subsidies

Proposed plans in H.858

- Gold CDHP for everyone
 - 80/20 premium split
 - H.S.A. for everyone to cover \$2100 out of maximum \$2500, no HRA
 - Employee pays 1st \$400
- Note difference in funding of HRA vs. H.S.A.
 - HRA belongs to employer
 - No rollover means that any excess reverts to employer
 - Health care utilization may be higher (“use it or lose it”)
 - Funding is assumed to be 60% when the employee pays 1st dollar
 - H.S.A. belongs to employee
 - Funding must be 100%
 - Health care utilization may be lower, (more careful with own money)

Employer Education Health Care Costs, CY 2018**

Millions of \$\$, Annual Basis, CY2018							
Education Health Plan Scenarios	Employer Premium Share	Employer HRA Contribution	Employer H.S.A Contribution	Total Employer Cost	Difference from Baseline	Difference from Implemented	VEHI Subsidy CY2018*
Baseline - Gold CDHP as priced by actuaries 80/20 premium, all HRA with rollover to cover 75% of OOP, EE 1st \$625	130.7	24.3	0	155.0	-	-13.7	-
Governor's Target - Gold CDHP 80/20 premium, HRA to cover \$2100 (84% of OOP), EE 1st \$400	134.2	27.2	0	161.4	6.4	-7.3	6.5
Implemented (Bargained) - Mix of plans, 91.5% Gold CDHP, 81.9%/18.1% premium, most HRA no rollover to cover 84% OOP, mixed 1st \$	138.1	25.8	4.8	168.7	13.7	-	6.5
Proposed in H.858 (if in effect CY 2018) Gold CDHP, 80/20 premium, all H.S.A. for \$2100, EE 1st \$400	134.2	0	45.3	179.5	24.5	10.8	6.5

*VEHI used the baseline plan to set rates. Both the target and bargained plans were more generous than the baseline as anticipated in Spring 2017, increasing utilization and driving up premium rates. VEHI used \$3.5 million in reserves to cover the increase in FY18 (Jan – Jun 2018) and will use an additional \$6 million in FY19 to cover a portion of the premium increase (\$3 M July – Dec 2018).

**St. Johnsbury SD and White River Valley SU are omitted from this analysis because they are still bargaining.

What drives health care costs?

What share of health care costs are covered by the plan, or what is the actuarial value (AV)

- Gold CDHP, \$2500 maximum OOP: AV = 81.6%
- Gold CDHP with HRA, no rollover, that covers \$2100: AV = 95% to 97%
- Higher AV (lower OOP, no rollover in HRA) means higher utilization and higher premium cost in the future
 - In addition, future premiums will have to reimburse the VEHI reserves

VEHI Premium Increase and Effect on Employers and Employees

\$\$, VEHI Monthly Premium FY19					
Plan Tier	Single	Self + Spouse	Parent + Child(ren)	Family	Percent Increase over FY18
Gold CDHP	576.11	1081.95	890.68	1595.82	10.1%
Silver CDHP	534.65	1069.31	901.28	1521.45	17.2%
Gold	671.34	1342.68	1123.53	1900.39	7.8%
Platinum	699.34	1398.69	1169.4	1978.43	6.4%

Millions of \$\$, Annual Basis, CY2018							
Scenario	Premium - Jan to June 30th	Premium - July to Dec 31st	Employer Premium - Jan to June 30th	Employer Premium - July to Dec 31st	Employee Premium - Jan to June 30th	Employee Premium - July to Dec 31st	Percent Increase over FY18
Baseline*	79.9	83.5	63.9	66.8	16.0	16.7	4.5%
H.858/Governor's	79.9	88.0	63.9	70.4	16.0	17.6	10.1%
Implemented	80.9	89.0	65.8	72.3	15.1	16.7	10.0%

The increase in FY19 premiums led to a 10% increase in overall premium spend. A \$6.4 million increase for employers and a \$1.6 million increase for employees. As noted on previously these increases are inclusive of \$6.5 million of VEHI reserves in CY18.

*Baseline assumes medical inflation was 4.5% in 2018-2019.

<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/ForecastSummary.pdf>

Flexibility in Plan Design

- IRS sets limits for HDHPs
 - In 2018, deductible must be \geq \$1,350 self only, \geq \$2,700 family
 - In 2018, maximum out-of-pocket is \$6,650 self only, \$13,300 family
- VEHI Gold CDHP in 2018
 - Deductible \$1,800 self only, \$3,600 family
 - Maximum out-of-pocket is \$2,500 self only, \$5,000 family

Example: FEHB HDHP

- Aetna HDHP through Federal Employee Health Benefits program
 - Offered nationwide with long history
 - 14 HDHPs first offered in January 2005
 - Employer premium not much different for single plan, but employee premium is higher
 - Employer contribution to H.S.A. ~1/3 of VEHI
 - Deductible similar, but in-network vs. out-of-network
 - VEHI says must use BCBS network if at all possible
 - Maximum out-of-pocket higher, and again differs in-network vs. out-of-network

For Calendar Year 2018									
	Annual Premium		HSA Contribution		Deductible		Max OOP		
Type of Enrollment	Employer Share	Employee Share	By Employer	By Employee*	In network	Out of network	In network	Out of network	
VEHI: Vermont Education Health Initiative									
Gold CDHP Self Only	\$5,531	\$1,383	\$2,100	\$400	\$1,800	\$1,800	\$2,500	\$2,500	
Gold CDHP Self + Spouse	\$10,387	\$2,597	\$4,200	\$800	\$3,600	\$3,600	\$5,000	\$5,000	
Gold CDHP Parent + Child(ren)	\$8,551	\$2,138	\$4,200	\$800	\$3,600	\$3,600	\$5,000	\$5,000	
Gold CDHP Family	\$15,320	\$3,830	\$3,800	\$1,200	\$3,600	\$3,600	\$5,000	\$5,000	
FEHB: Federal Employees Health Benefits				*If 55+, catch-up contribution of \$1,000					
HDHP Option Self Only	\$5,467	\$1,822	\$750	\$2,700	\$1,500	\$2,500	\$4,000	\$5,000	
HDHP Option Self Plus One	\$11,823	\$3,941	\$1,500	\$5,400	\$3,000	\$5,000	\$6,850	\$10,000	
HDHP Option Self and Family	\$12,059	\$4,020	\$1,500	\$5,400	\$3,000	\$5,000	\$6,850	\$10,000	
IRS HDHP Limits in 2018					Deductible		Max OOP		
Self Only					>= \$1,350		\$6,650		
Family					>= \$2,700		\$13,300		

Going Forward

Expiration dates of current contracts

Contract Duration (Years)	Number of SUs
1 (Jul 17 - Jun 18)	13
2 (Jul 17 - Jun 19)	33
2 (Sep 17 - Aug 19)	3
3 (Jul 17 - Jun 20)	3
3 (Sept 17 - Aug 20)	1
4 (Jul 17 - Jun 21)	2
Interim	3
Bargaining	2

Going Forward, continued

- Key features of a plan
 - Premium share
 - HRA, rollover vs. not
 - HRA vs. HSA affects funding but also utilization
 - Employee deductible
 - Employee maximum OOP, employee first dollar
 - Actuarial value