



**Department of Budget & Management**  
**Employee Benefits Division**

Presentation to the Public Employees' and Retirees'  
Benefits Sustainability Commission  
October 19, 2010

# Overview

- Eligibility
- Benefit Program
- Cost Sharing Ratio
- Enrollment
- Comparison to Peers
- Impact of Healthcare Reform

# Eligibility – Active Employees

- Full-time and part-time working at least 50% of the work week, receiving regular pay/wages
- Includes
  - State agency personnel
  - University personnel
  - Elected State Officials
  - State Board or Commission members (and employees)
- Eligible for maximum State subsidy

# Eligibility – Active Employees

- Employees of a political subdivision
  - as approved by appropriate governing body of county or municipal corporation
  - Not subsidized under the State program, but as employers may subsidize premium for their employees
- Employees of an agency, commission or organization
  - as permitted by law
  - Not subsidized under the State program, but as employers may subsidize premium for their employees
- Contractual employees
  - No State subsidy

# Eligibility – MSRS Retirees

- Must be currently receiving a monthly State retirement allowance and meet one of the following:
  - Left State service with at least 16 years of creditable service
  - Retired directly from the State service with at least five years of creditable service
  - Left State service, deferring retirement allowance, with at least 10 years of creditable service and within five years of normal retirement age
  - Retired directly from State service with a disability retirement allowance
  - State employment ended before July 1, 1984
- State subsidy amount based on years of service
  - 16 years eligible for maximum subsidy
  - Less than 16, subsidy is pro-rated

## Eligibility – MSRS Retirees

- **Creditable Service:** all service counted by State Retirement Agency toward retirement allowance
  - regardless of the participating employer with whom the individual worked to earn the creditable service
  - accumulated at the time State service ends
  - used to determine eligibility and the subsidy for the Program for MSRP retirees

## Eligibility – ORP Retirees

- Must be receiving a periodic distribution from ORP account and:
  - Have at least five years of State service with a Maryland State institution of higher education and retired directly from State service
  - Ended State service with a Maryland State institution of higher education with at least 10 years of State service and at least age 57; or
  - Ended service with a Maryland State institution of higher education with at least 16 years of State service
- Retiree eligible for maximum State subsidy after 16 years
  - Eligible for dependent subsidy after 25 years

# Eligibility - Dependents

- Spouse
- Same-sex domestic partner
- Child
  - Biological, adopted, step-child
  - Resides with employee
  - Under age 25 (beyond 25 if disabled)
  - Unmarried
- Grandchild
- Legal ward
- Other relatives

## Dependent Eligibility Verification

- Employee Benefits Division requires extensive documentation to verify a dependent's eligibility upon new enrollment/new hire
- Annual post-Open Enrollment dependent verification audits began in 2001
- Disability certification required every two years for dependent children over age 25

# Benefit Plans

- PPO/POS
  - Two PPO plans - similar plan design
  - Three POS plans – similar plan design
  - 100/80 coinsurance, \$2M lifetime max
  - \$250/\$500 OON deductible, \$3,000/\$6,000 OOP max
  - \$15/\$25 PCP/Specialist copay
  - State subsidy = 80% for PPO and 83% for POS
- EPO
  - Three plans – similar plan design
  - No OON coverage (except for emergency)
  - Unlimited lifetime max
  - \$15/\$25 PCP/Specialist copay
  - State subsidy = 85%

# Prescription Drug

## Retail Pharmacy

- Up to 45-day Supply
  - \$5/\$15/\$25
- Between 46 and 90-day Supply
  - \$10/\$30/\$50
- \$700 OOP max per family unit

## Mail Order Pharmacy

- Up to 45-day Supply
  - \$5/\$15/\$20
- Between 46 and 90-day Supply
  - \$10/\$20/\$20
- \$700 OOP max per family unit

Note: 9/1/09 implemented \$0 generic for specific categories to encourage compliance with treatment of targeted chronic conditions.

## Other Benefits

- Dental
  - DPPO and DHMO (50% cost share)
- Flexible Spending Accounts
  - Healthcare and Dependent Care
- Term life
  - Employee, spouse, children
- Accidental Death & Dismemberment
  - Employee or Family
- Group Long Term Care
  - Employee, spouse, children over 18, parents, in-laws, grandparents

## Current Cost Containment Mechanisms – Program-wide

- Internal claims/eligibility auditing
- Quarterly vendor meetings to review trends/utilization
- Contract auditor conducts full plan year audits
- Eligibility rules
- 100% pass-through of Rx rebates
- Competitive procurement

# Current Cost Containment Mechanisms – Health Plans

- Coverage limitations
  - days of therapy
  - service maximums
  - lifetime maximums
- Copays, deductibles
- Disease management
- Case management
- Wellness programs
  - healthy pregnancy
  - preventive care coverage
  - fitness plan discounts
  - quarterly health fairs

# Current Cost Containment Mechanisms – Prescription Drugs

- Quantity limits
- Prior Authorization
- Step Therapy
- Specialty drug management
- \$0 generics
- Generic preference (penalty)
- Mail order option
- Controlled Substance program

## Benefit Plan Cost Sharing Ratio

- One measure of a benefit plan's cost sharing ratio is the percentage of paid charges compared to covered charges
  - Covered charges include both plan paid costs and the costs borne by the participant through copays, deductibles, etc.
  - Paid charges represent the plan payment exclusive of participant-paid copays, deductibles, etc.
  - Higher coverage ratio equals higher plan costs

## Benefit Plan Cost Sharing Ratio

Ratios are a function of plan design

- State medical plans are all 100% coinsurance In Network and 80% coinsurance Out of Network
- State plan average ratio is 95% (all medical plans, actives)
- GRS indicates other state government plans are typically in the 83% range.



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# Plan Costs (FY10)

	Total Cost	Employee Portion	State Portion
PPO	282,956,918	61,563,258	221,393,660
POS	160,179,060	30,139,487	130,039,573
EPO	66,442,170	13,740,428	52,701,742
Behav. Health	11,522,200		11,522,200
Prescription	167,788,954	47,065,525	120,723,429
Dental	30,380,022	15,184,005	15,196,017
<b>Subtotal Actives</b>	<b>719,269,324</b>	<b>167,692,703</b>	<b>551,576,621</b>
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PPO	145,242,595	28,316,763	116,925,832
POS	50,213,896	8,056,898	42,156,998
EPO	18,539,315	2,759,316	15,779,999
Behav. Health	3,732,634		3,732,634
Prescription	175,864,754	25,754,293	150,110,461
Dental	8,911,752	4,633,144	4,278,608
<b>Subtotal Retirees</b>	<b>402,504,946</b>	<b>69,520,414</b>	<b>332,984,532</b>
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PPO	428,199,513	89,880,021	338,319,492
POS	210,392,956	38,196,385	172,196,571
EPO	84,981,485	16,499,744	68,481,741
Behav. Health	15,254,834		15,254,834
Prescription	343,653,708	72,819,818	270,833,890
Dental	39,291,774	19,817,149	19,474,625
<b>Grand Totals</b>	<b>\$ 1,121,774,270</b>	<b>\$ 237,213,117</b>	<b>\$ 884,561,153</b>



# Current Enrollment

Actives		
Medical	Dental	Rx
PPO 35,664	PPO 45,048	65,968
POS 22,644		
EPO 12,237	HMO 20,110	
Totals 70,545	65,158	65,968

Retirees		
Medical	Dental	Rx
PPO 26,515	PPO 17,297	38,295
POS 9,015		
EPO 3,342	HMO 8,455	
Totals 38,872	25,752	38,295

As of 9/30/10 – “door bells”

## Enrollment Changes (Medical)

- FY09 over FY08
  - Increase in employee and retiree enrollment
  - Decrease in dependents of employees
  - Increase in dependents of retirees
- FY10 over FY09
  - Decrease in employee enrollment
  - Increase in retiree enrollment
  - Increase in dependents of both

## Peer Comparison – Medical Plans

### PPO Plans:

- Most comparison states apply a deductible and out-of-pocket maximum for in-network services on the PPO Plan
- Other states have higher emergency room copays
- Other states generally have in-network coinsurance less than 100%

## Peer Comparison – Medical Plans

### HMO Plans:

- Some states are beginning to apply annual deductibles to their HMO plans.
- Some other states have emergency room copays that are higher than the State of Maryland
- Some other states have a per admission hospital copay while the State of Maryland does not



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# Peer Comparison – Prescription Plans

	State of Maryland	Client A	Client B	Client C	Client D	Client E
<b>Formulary</b>	Catalyst Preferred	Custom	Open	Catalyst Preferred	Catalyst Preferred	Catalyst Preferred
<b>Deductible</b>	N/A	N/A	N/A	\$50 per person	\$50 per person on 2 <sup>nd</sup> tier only	N/A
<b>OOP</b>	\$700 Family	Two plans with \$250 / \$500	\$1,200 then \$0 copay for generic and \$15 for brand	N/A	N/A	N/A
<b>DAW</b>	DAW 1 & 2, Generic copay plus difference	DAW 1 & 2, Brand copay plus difference	No	DAW 1 & 2, Generic copay plus difference	No, member pays 100% of non-preferred	DAW 1 & 2, Non-Pref. Brand copay plus difference
<b>Days Supply – Retail / Mail</b>	90 / 90	30 / 90	30 / 90	30 / 90	30 / 90	30 / 90
<b>Retail Copays</b>	\$5 / \$15 / \$25 (1 - 45 DS) \$10 / \$30 / \$50 (46 - 90 DS)	\$5 / \$15 / \$30	50%, max of \$50	\$12 / \$36 / \$60	\$5 / \$40	\$10 / \$25 / \$50
<b>Mail Copays</b>	\$10 / \$20	\$10 / \$30 / \$60	50%, max of \$50	\$24 / \$72 / \$120	\$10 / \$70	\$25 / \$62.50 / \$125
<b>Union</b>	No	Yes	No	No	No	Yes, 70%
<b>Retirees</b>	Yes	Yes	Yes	Yes	Yes	No
<b>OTCs Covered</b>	None	None	None	None	Prilosec OTC  Zaditor	Prilosec OTC  Omeprazole OTC



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# Peer Comparison – Prescription Plans

State Government Benchmark Report  
Key Indicator Comparison  
Reporting Period: 07/01/2009 through 06/30/2010

	State of Maryland	State A	State B	State C	State D	State E
<b>Member Count</b>	215,468	79,516	224,758	192,672	50,098	123,346
<b>% Utilizing</b>	47.20%	50.20%	57.20%	41.40%	47.30%	35.40%
<b>Claims PMPM</b>	2.01	1.72	2.14	1.14	1.45	0.93
<b>Brand w/Generic Available % of Total Claims</b>	1.70%	2.30%	3.80%	2.60%	1.90%	1.30%
<b>Generic % of Total Claims</b>	62.40%	67.40%	63.40%	69.10%	71.60%	69.30%
<b>Mail Order % of Total Claims</b>	1.50%	1.00%	1.10%	2.40%	9.60%	9.90%
<b>Avg Total Cost per Claim</b>	\$74.32	\$62.60	\$64.50	\$65.11	\$72.36	\$73.55
<b>Total Cost PMPM</b>	\$149.04	\$107.68	\$137.76	\$74.40	\$105.02	\$68.76
<b>Copay % of Total Cost</b>	8.80%	16.00%	25.70%	33.40%	24.60%	19.60%
<b>Avg Plan Cost per Claim</b>	\$67.80	\$49.52	\$47.70	\$43.36	\$54.56	\$59.11
<b>Plan Cost PMPM</b>	\$135.96	\$85.18	\$101.88	\$49.55	\$79.18	\$55.26
<b>Open or Closed Formulary</b>	Open	Open	Open	Open	Open	Open

Source: Catalyst Rx 09.22.10

# Impact of Healthcare Reform

- Grandfathered Status
  - Plan was in effect on 3/23/10
  - Can be applied on a plan by plan basis rather than Program-wide
- Exempts plan from certain aspects of HCR
  - Not required to implement \$0 copay for preventive services, nor expand preventive services covered
  - Not required to implement ERISA-like internal/external claims appeals procedures

# Impact of Healthcare Reform

- Plan changes that could jeopardize Grandfathered status
  - Raise percentage costs/out of pocket payments under the plan in any manner
  - Raise fixed costs/out of pocket payments by more than 15% above medical inflation (with respect to copayments, it's the greater of the above amount or \$5, increased by medical inflation)
  - Decrease in employer contribution rate by more than 5% points below rate in effect on 3/23/10 measured tier by tier Add or tighten annual limits on benefits
  - Significantly reduce or cut/eliminate a covered benefit
  - Change insurance companies or change insurance policies

# Impact of Healthcare Reform

- Plan changes permissible under Grandfathering rules
  - Plan changes to voluntarily comply with non-applicable HCR
  - Increase in benefits
  - Add new employees (newly hired or newly enrolled) or new family members of employees
  - Copay increases that do not exceed the greater of \$5 (adjusted for medical inflation) or medical inflation from 3/23/10 PLUS 15%

# Impact of Healthcare Reform

- June 1, 2010
  - Early Retiree Reinsurance Program
  - Application approved
  - Two year estimated reimbursement \$27M
- January 1, 2011
  - OTC medication without a prescription no longer reimbursable under healthcare FSA

# Impact of Healthcare Reform

- July 1, 2011
  - Young Adult coverage to age 26
  - Elimination of lifetime maximum on PPO and POS
  - Elimination of annual dollar limits
  - Prohibition on rescissions

# Impact of Healthcare Reform

- July 1, 2012
  - Uniform explanation of coverage
- January 1, 2013
  - Healthcare FSA capped at \$2,500
- January 1, 2014
  - Employer reporting of coverage to IRS
  - Exchanges available

# Impact of Healthcare Reform

- July 1, 2014
  - Pay and Play penalty
  - Employee vouchers
- January 1, 2018
  - Cadillac excise tax

# Questions

