GESC/Health Insurance
Board of Trustees
Presentation
Before the

Committee of the Whole
September 29, 2015

Beverly A. Joseph,
Chairperson
GESC/Health Insurance Board of Trustees

Good day members of the 31st Legislature of the Virgin Islands, members of the Committee of the Whole. I am Beverly Joseph, Chairperson of the GESC Health Insurance Board of Trustees and the elected representative for active employees in St Croix. Today, on behalf of the Board, I would like to present our recommendations for renewal of the Medical, Prescription Drug, Dental, Vision and Life Insurance plans for Fiscal Year 2016.

I would like to thank the members of the Legislature for the opportunity to appear before you. I would also like to thank Governor Kenneth E. Mapp. And I would like to thank my fellow Board members, Clemmie Moses Vice-Chair, appointed; Lori Anderson, Secretary, elected retiree representative for St Thomas & St John; Gilbert Comissiong, elected active representative for St Thomas & St John; and Adelbert Bryan elected retiree representative for St Croix.

I would also like to thank our Advisory members, the Division of Personnel including the Director, the Chief and staff of Group Health Insurance, the Counsel to the Board, our consultant, Buck, and all the insurers for their assistance in developing these recommendations.

I would like to begin with some background information about how we arrived at our recommendations.

The preliminary insurance renewals were presented to the Board by the carriers on April 23rd, 2015. We met again on May 15th and on June 18th with the carriers to negotiate the final renewal projections and to solicit costs for alternative plan designs. We also received updates from our consultants on various aspects of the program including:

- Health Care Reform impacts
- Year-end surplus projections
- Provider reimbursement arrangements
- COBRA coverage
- Rate tier restructuring
- Wellness program initiatives
- Eligibility data issues
- Utilization data analytics

On May 27th, well into the renewal process, the Board received a letter from the Director-Designee of the Office of Management and Budget, advising us that the Government's contribution to the Fiscal Year 2016 program was not to exceed \$95.0 million – or 4% less than the projected FY15 contribution of \$99.1 million.

We did not believe that it would be feasible for the Board to recommend a renewal for FY16 that reduced the Government's expenditure to only \$95.0 million and yet that still provided employees, retirees and their dependents with comprehensive coverage at a reasonable cost to them. OMB's proposal would require reductions in the members' benefits while at the same time increasing the members' contributions.

The Board however was agreeable to soliciting quotes from the insurers for plan design cutbacks that would meet OMB's cost guidelines – and sharing those with the Governor when we submitted our renewal recommendations. Those proposed plan design cutbacks impacted all participants, including retirees, and involved increasing the office visit copays, deductibles, out of pocket maximums, prescription drug copays, drug formulary and pre-certification requirements. With this information, the Administration and the Legislature were in a position to impose plan design or cost sharing changes that met OMB's financial criteria – although ultimately they chose not to.

Our formal renewal recommendations were presented to the Governor in writing on July 31st. There was a delay in submitting these recommendations because our consultant was working for seven months without payment or a contract. The consultant's standard renewal contract was originally submitted to Property & Procurement on November 24, 2014, but it took until July 29, 2015 (or 8 months), before it was processed and signed by the Governor. In order for the Board to perform its duties properly such contracting delays cannot be allowed to recur.

As is our standard practice, we held off on negotiating the underlying contracts until we received indication from Government House that the renewal was acceptable. We received such indication on August 12th and our Attorney immediately began the re-contracting process.

Before I ask the Board's consultant to outline in detail the Board's renewal recommendations for FY16, I would like to take a few minutes to speak to you about some important issues impacting the Health Insurance plan.

Firstly, I would like to recommend some changes to the V.I. Code to help the Board do its job more effectively.

It would be helpful to eliminate the requirement that when the Board invites proposals every five years, it must submit final contracts to the Governor before he will decide upon the Board's recommendations. It can take as long as 2-3 months to negotiate final contract language with the selected vendor. The Board needs a decision from the Governor on whether its recommended carriers will be approved before it enters into the long and time consuming process of developing insurance contracts. We provided draft wording to the Code in our follow-up package to the June 9, 2014, Senate hearing.

There should be some provision added to allow for, at maximum, a one-year extension (subject to prior approval by the Legislature) of the 5-year insurance contracts in exceptional situations when it is not feasible to select a new vendor within the normal bidding cycle. The current legislation makes no allowance for a temporary extension of the contract or a delay in the RFP process.

Finally, it would be prudent to try to obtain an agreement with the insurance carriers to allow for the temporary continuation of the insurance contract beyond the annual termination date (subject to the addressing of any required rate increases), without the necessity of having new contracts finalized. This could protect plan members in extraordinary circumstances when there may be a delay in ratification of the renewal by the Government.

The Government's Wellness Program has continued to gain traction this year, thanks in large part to funding from CIGNA in the amount of $400,000 per year and from UHC in the amount of $100,000 per year as well as the focus given to Wellness by the Division of Personnel and the new penalty for not completing the Health Risk Assessment. The focus of the Wellness initiative is to reduce future claims costs by creating a healthier workforce –achieved by promoting healthier lifestyles and by more careful management of health conditions. A mere 4% of the plan participants are responsible for 61% of the total plan costs – and most of these claimants have one or more chronic conditions. We must start targeting this 4% --- which are called the "at risk" sub-population -- before they get sick. The best way to identify them is for everyone to do a Health Risk Assessment and Biometric Screening – and we have made great strides this year in ensuring that all plan members to do so.

For this next section of the presentation I will ask the Board's consultant, Mr. Steve Burrows of Buck Consultants, to detail the proposed benefits and contract terms for Fiscal Year 2016.

[NEW SPEAKER: STEVE BURROWS OF BUCK CONSULTANTS]

Thank you Chairperson Joseph. And good day members of the 31st Legislature, Board members, other team members and persons in the listening and viewing audience. I am Steve Burrows of Buck Consultants – and am Consultant to the Health Insurance Board.

I would like to begin my presentation today by speaking about the Medical and Dental plans. The Medical plan (which includes prescription drugs) is currently insured by CIGNA for the Actives and pre-65 Retirees and by United HealthCare for the post-65 Retirees. The Dental plan for all members is insured by Cigna.

Medical and prescription drug benefits represent by far the largest expenditure under the Government Employees' benefit program. For the fiscal year ending September 30, 2015 (FY15), it is estimated that premiums for this coverage will have totaled $147.4 million (excluding participating entities such as the University of the Virgin Islands and the Virgin Islands Port Authority, etc.). Premiums for the dental coverage represent another $5 million. Of this total amount of $152.4 million, the Government will have paid 65% or $99.1 million.

For the Actives and pre-65 Retirees, Cigna had originally requested a Medical/Rx increase of **+11.5%**. After negotiations, Cigna agreed to reduce the increase to **+9.1%**. In addition, Cigna determined that a surplus was likely to accrue by the end of FY15 in the amount of approximately 7% of premium (or \$10.6 million) which would be refundable to the Government in early 2016. As a result, Cigna was agreeable to reducing the increase further to **+6.5%** by allocating a portion of the expected surplus (i.e., \$4 million), to pay down the claim fluctuation corridor. This means that when the FY15 year-end surplus is refunded, only the amount above \$4 million will be released (i.e., approximately \$6.6 million, if current trends continue). Finally, the Board voted to make some plan changes to save costs. There will be an increase in the Cigna out of pocket maximum to \$5,000 (from \$3,000) for an individual going in-network, with commensurate increases for other categories. New pre-certification requirements will be implemented under Cigna's "PHS+" initiative. And COBRA-like coverage will be offered as an alternative to the current conversion option. These changes bring the final Cigna renewal increase for Medical/Rx down to **+3.3%**.

For the post-65 Retirees, UHC required a prescription drug increase of **+5%** to maintain the current benefit level, effective January 1, 2016, and a

Medical increase estimated at 3%, effective April 1, 2016. (The medical increase must be filed and approved via CMS, so at this time UHC is only able to offer an approximation.) The Board has voted to modify the Rx plan design to eliminate the need for a rate increase this year.

CIGNA also requires a 10.2% dental rate increase this year which is equivalent to $500,000. The claims experience warrants a 15.7% dental rate increase, but the Board had previously negotiated multi-year rate caps.

The overall premium increase for all Actives and Retirees covered under the Cigna and UHC plans for Medical/Rx and Dental combined is +3.4% or $5.1 million for a total FY16 premium of $157.5 million. Based on current enrollments, the cost to the Government for its 65% share of the health insurance and dental premiums for FY16 would be $102.4 million, which is 3.4% (or $3.3 million) higher than the FY15 cost estimate of $99.1 million – all of which should be recoverable when the FY15 Cigna surplus is released in early 2016.

Actual FY16 costs could also come in lower than currently projected due to some current Board initiatives including:

- Better claims utilization management
- Elimination of ineligible members

- Elimination of ineligible dependents
- Reduction in late premium payment penalties

They could also come down as a result of continued improvements in the eligibility data. We witnessed such a reduction this year. Last year at this time we were projecting FY15 costs of $159.7 million. Now the projected FY15 costs are only $152.4 million – or 4.5% lower.

We have enclosed financial exhibits that detail our recommendations for FY16.

The life insurance and AD&D premiums (insured by Aetna) are shared between the Government and participating plan members. The Government's current annual expenditure is approximately $700,000 for the Basic Life/AD&D insurance. The four year rate guarantee that has been in place since October 1, 2011, is expiring this year and Aetna had originally requested rate increases of +45% for the employer-paid Basic Life and +7.5% for the employee-paid Optional Life. After negotiations, Aetna has agreed to no increase for the employer-paid Basic Life insurance (although separate Active and Retiree rates will be established), and an average increase of +6.1% to the employee-paid Optional Life rates (achieved through the addition of new age bands and a restructuring of the rates to better reflect the higher claims costs for older participants and retirees). The new rates will be guaranteed for three years. In addition, Aetna will begin providing $25,000 in annual funding that can be used for wellness or employee communications.

The Government sponsors a member-pay-all voluntary Vision Care plan currently insured by Standard Insurance. The rates are guaranteed for another year.

The Government also sponsors an Employee Assistance Program (EAP) for Active Employees insured by CIGNA. The EAP is included in the CIGNA Medical rates.

This concludes my part of today's formal presentation and I would now like to return the microphone to Chairperson Joseph.

[NEW SPEAKER: BEVERLY JOSEPH OF GESC BOARD]

Members of the 31st Legislature of the Virgin Islands, the GESC/Health Insurance Board of Trustees is appreciative of your continued interest and involvement in the Group Insurance Program and we look forward to your assistance to ensure this year's recommendations are approved as presented. And we ask for your ongoing support and direction with respect to the issues I raised at the beginning of my presentation.

The staff, consultants, providers, members of the Board and I stand ready to answer any questions you may have in regard to our insurance programs.

Once again, I thank you.

END

EXHIBITS FOLLOW

Bi-weekly Payroll Deductions
Employee & Employer Shares
Effective October 1, 2015 (Reflecting Cigna increases)

Active Employees	Employee Share	Employer Share	Bi-weekly Total
Health Coverage*	**35%**	**65%**	
***(Medical="M" Dental="D")**			
Employee "M&D"	$131.87	$244.90	$376.77
Employee "M&D" + Family "M" (only)	$228.28	$423.95	$652.23
Employee "M&D" + Family "M&D"	$233.04	$432.79	$665.83
(Life Coverage)			
Basic Life & AD&D ($10,000)	N/A	$0.92	$0.92
Dependent Child Life	$0.34	N/A	$0.34
Employee Supplemental Life *	Age-banded	N/A	
Dependent Spouse Life *	Age-banded	N/A	
Vision (Voluntary)			
Employee	$2.07	N/A	$2.07
Employee & Family	$5.50	N/A	$5.50

* For age-banded rates please refer to the Supplemental & Dependent Life Payroll Deduction Worksheet.

		Bi-Weekly	Monthly
Dental costs included in above rates	Single	$ 8.77	$ 17.54
	Family	$ 22.38	$ 44.75

Semi-monthly Payroll Deductions
Retiree & Employer Shares
Effective October 1, 2015

Retirees	Retiree Share	Employer Share	Semi-monthly Total
(Health Coverage)	**35%**	**65%**	
Under age 65			
Retiree Medical & Dental	$ 170.06	$ 315.83	$ 485.89
Retiree Med/Den & Family Medical (only)	$ 301.53	$ 559.98	$ 861.51
Family Medical & Dental	$ 306.29	$ 568.83	$ 875.12
Over age 65			
Retiree Medical & Dental	$ 43.01	$ 79.87	$ 122.88
Retiree Med/Dental & Family Medical(only)	$ 81.41	$ 151.19	$ 232.61
Family Medical & Dental	$ 86.17	$ 160.04	$ 246.21
Under/Over age 65			
Retiree Under/Family Over 65 Med (only)	$ 233.22	$ 433.13	$ 666.35
Retiree Over/Family Under 65 Med (only)	$ 210.00	$ 389.99	$ 599.99
Retiree Under/Family Over 65 Med & Den	$ 237.98	$ 441.96	$ 679.94
Retiree Over/Family Under 65 Med & Den	$ 214.76	$ 398.84	$ 613.60
(Life Coverage)			
Basic Life ($5,000)	N/A	$2.90	$2.90
Dependent Child Life	$0.34	N/A	$0.34
Supplemental Life *	Age-banded	N/A	Age-banded
Dependent Spouse Life *	Age-banded	N/A	Age-banded
Vision (Voluntary)			
Retiree	$2.07	N/A	$2.07
Retiree & Family	$5.50	N/A	$5.50

* For age-banded rates please refer to the Supplemental & Dependent Life Payroll Deduction Worksheet.

		Semi-Monthly	Monthly
Dental Inclusive in above rates	Single	$ 8.77	$ 17.54
	Family	$ 22.38	$ 44.75

Over 65 Plan F Retiree Only Add $26.13

Over 65 Plan F Retiree & Family Add $49.64

Over 65 Plan F Retiree & Family Under Add $26.13

The Board is recommending the following cost-saving plan design modifications for FY16:

- Implementing more stringent pre-certification requirements for some outpatient services under the Cigna plan (called "PHS+").

- Increasing the out-of-pocket maximums under the Cigna plan, as outlined in the following table:

OAP-OOP Max		Current	Revised*
In-network	Single	$3,000	$5,000
	Family	$6,000	$10,000
Out of network	Single	$7,500	$10,000
	Family	$15,000	$20,000

**includes Rx copays*

COMP-OOP Max		Current	Revised*
	Single	$3,000	$5,000
	Family	$6,000	$10,000

**includes Rx cop*

- Increasing the retail Tier 2 drug copayment under the UHC plan from $20 to $40.

- Enhancing the current medical conversion provision with COBRA coverage.

Our final renewal recommendations are the culmination of all of the above considerations and are summarized in the following charts.

Annualized premium projections
(central Government only)
All figures in $millions

	Proposed Cigna Med/Rx renewal	CIGNA Med/Rx	Cigna Dental	UHC Med/Rx	TOTAL	% Change from prior yr
FY15	+6.41%	$130.0	$5.0	$17.4	$152.4	6.4%
FY16	**+3.30%**	**$134.3**	**$5.5**	**$17.7**	**$157.5**	**3.4%**

For all coverages combined, the following chart shows the current and renewal costs for central Government entities only.

Medical/Rx/Dental Premiums
All figures in $millions

	FY15	FY16	$ change from FY15
Total Cost (100%)	$152.4	**$157.5**	**$5.1**
Employer Share (65%)	$99.1	**$102.4**	**$3.3**
Employee Share (35%)	$53.3	**$ 55.1**	**$1.8**

*Numbers may not add due to rounding

Rates Quoted By AETNA for Oct 1, 2015					
Coverage		LIVES	Current Monthly Rate/Fee per $1,000	Change in Rate/Fee +/- %	Renewal Rate/Fee per $1,000
Basic Life					
· Active Employees		9,766	0.410	-60.24%	0.163
$10,000	VIPA: 150% to $100k				
· Retirees		7,379	0.410	183.17%	1.161
$5,000				-0.08%	
Optional Life - ACTIVES					
· Less than 20		1	0.042	-28.57%	0.030
· 20-24		119	0.042	-28.57%	0.030
· 25-29		415	0.051	-25.49%	0.038
· 30-34		664	0.068	-33.82%	0.045
· 35-39		784	0.077	-32.47%	0.052
· 40-44		988	0.085	-25.88%	0.063
· 45-49		1,176	0.129	-34.88%	0.084
· 50-54		1,160	0.212	-36.79%	0.134
· 55-59		832	0.367	-37.06%	0.231
· 60-64		453	0.564	-27.84%	0.407
· 65-69		186	1.086	-40.79%	0.643
· 70-74		71	1.760	-52.56%	0.835
· 75-79		12	1.760	-52.56%	0.835
· 80-84		3	1.760	-38.86%	1.076
· 85-89		1	1.760	-38.86%	1.076
· 90-94		-	1.760	-38.86%	1.076
· 95+		-	1.760	-38.86%	1.076
				-35.40%	
Optional Life - RETIREES					
· Less than 20		-	0.042	19.05%	0.050
· 20-24		-	0.042	19.05%	0.050
· 25-29		-	0.051	17.65%	0.060
· 30-34		-	0.068	17.65%	0.080
· 35-39		1	0.077	16.88%	0.090
· 40-44		12	0.085	17.65%	0.100
· 45-49		54	0.129	16.28%	0.150
· 50-54		260	0.212	8.49%	0.230
· 55-59		637	0.367	17.17%	0.430
· 60-64		986	0.564	17.02%	0.660
· 65-69		1,418	1.086	16.94%	1.270
· 70-74		1,325	1.760	17.05%	2.060
· 75-79		881	1.760	35.57%	2.386
· 80-84		586	1.760	70.28%	2.997
· 85-89		278	1.760	120.00%	3.872
· 90-94		112	1.760	163.98%	4.646
· 95+		28	1.760	294.60%	6.945
				32.89%	

Rates Quoted By AETNA for Oct 1, 2015				
Coverage	LIVES	Current Monthly Rate/Fee per $1,000	Change in Rate/Fee +/- %	Renewal Rate/Fee per $1,000
Spouse Dependent Life - ACTIVES				
· Less than20	3	0.070	0.00%	0.070
· 20-24	41	0.060	0.00%	0.060
· 25-29	33	0.080	0.00%	0.080
· 30-34	99	0.100	0.00%	0.100
· 35-39	162	0.120	0.00%	0.120
· 40-44	253	0.140	0.00%	0.140
· 45-49	308	0.210	0.00%	0.210
· 50-54	369	0.390	0.00%	0.390
· 55-59	226	0.630	0.00%	0.630
· 60-64	139	1.110	0.00%	1.110
· 65-69	44	1.870	0.00%	1.870
· 70-74	19	2.990	0.00%	2.990
· 75-79	1	5.020	0.00%	5.020
· 80+	-	8.330	0.00%	8.330
			0.00%	
Spouse Dependent Life - RETIREES				
· Less than20	-	0.070	0.00%	0.070
· 20-24	-	0.060	0.00%	0.060
· 25-29	-	0.080	0.00%	0.080
· 30-34	-	0.100	0.00%	0.100
· 35-39	-	0.120	0.00%	0.120
· 40-44	3	0.140	0.00%	0.140
· 45-49	19	0.210	0.00%	0.210
· 50-54	78	0.390	0.00%	0.390
· 55-59	163	0.630	0.00%	0.630
· 60-64	211	1.110	0.00%	1.110
· 65-69	357	1.870	0.00%	1.870
· 70-74	697	2.990	0.00%	2.990
· 75-79	-	5.020	0.00%	5.020
· 80+	-	8.330	0.00%	8.330
			0.00%	
· Child(ren)	3,839	0.675	0.00%	0.675
Personal AD&D				
· Active Employees	9,762	0.021	0.00%	0.021
Optional AD&D				
· Active Employees	6,880	0.025	0.00%	0.025
*varies for VIPA				