

# Department of Human Resource Management

## COMMONWEALTH HEALTH BENEFITS UPDATE

SENATE FINANCE AND APPROPRIATIONS  
COMMITTEE



September 17, 2024

# AGENDA

- Key Messages
- Health Benefits Overview
- Current Trends
- Retiree Status
- Re-Solicitation Goals

# KEY MESSAGES

- Health Benefits
  - Claims increasing, but below national average
  - Recent changes in prescription drug programs are expected to produce savings to the Health Insurance Fund
  - Request for better dental coverage for retirees
  - Self-insured plans and pharmacy benefits re-solicitation

# HEALTH BENEFITS

# HEALTH BENEFITS

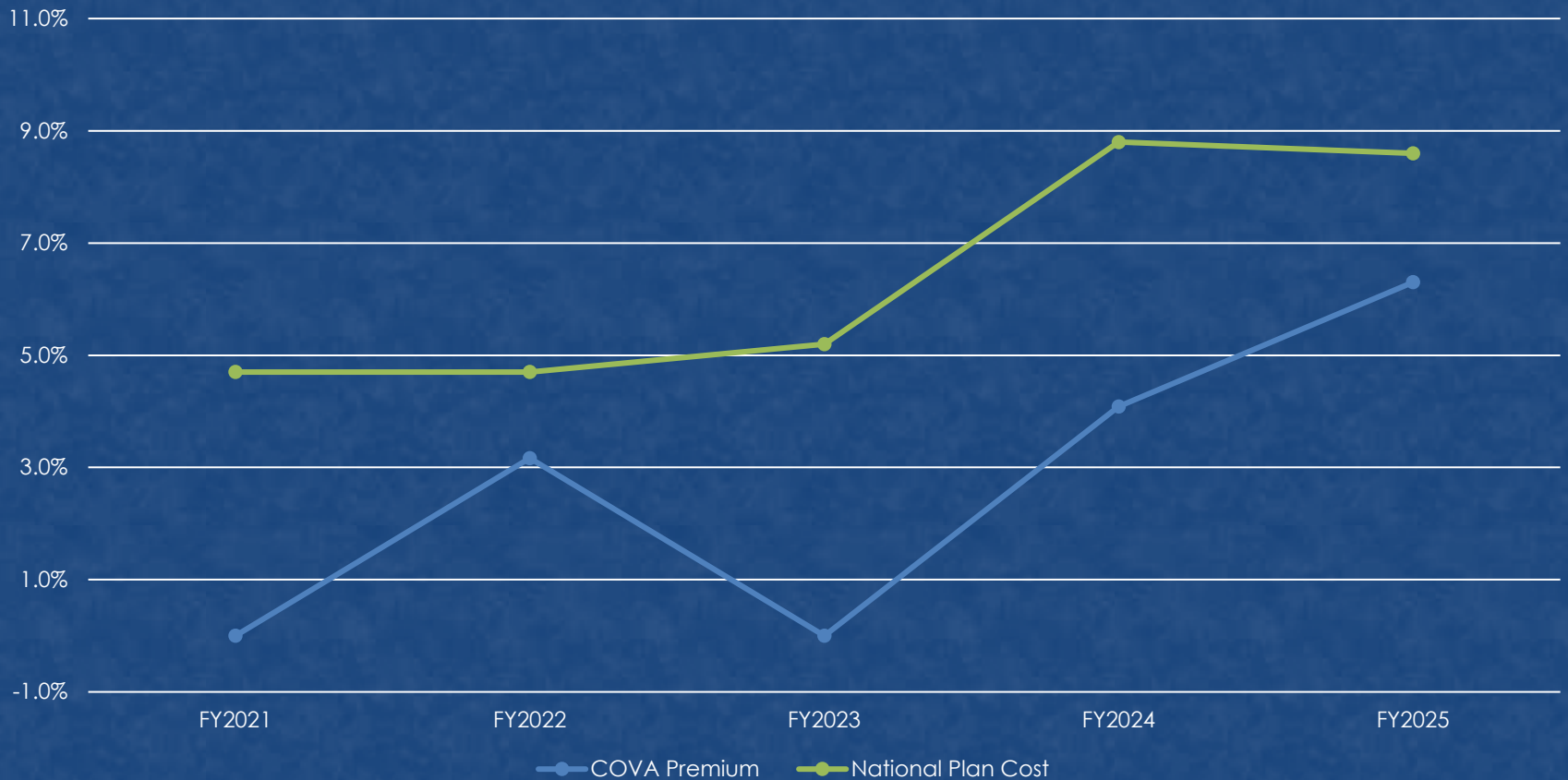
- Office of Health Benefits provides oversight for the state health plan that covers:
  - COVA covers 201,030 eligible state employees, non-Medicare retirees and their dependents
  - A local government/political subdivision health plan (TLC) that covers 78,262 participants
  - A Medicare retiree health plan that covers 41,707 members
  - The Line of Duty Act health program with 3,602 members.
- In aggregate, these plans have a total claims and administrative cost of approximately \$2 Billion a year.
- Current contract in place since 2019 for 10 years, however we are in the process of a rebid for 2025.

# CURRENT TRENDS

- Open Enrollment - May 2024 – continued to utilize the online open enrollment system with 22,000 transactions processed online.
- FY24-25 – monthly health insurance premiums increased by 6.3% for the plan year
- FY25-26 the premiums are projected to increase by 4-7% (under review) for classified employees and non-Medicare retirees. The current national healthcare inflation rate is 9%.
- Average premium increase of only 2.7% over the last 5 plan years which is well below the national average of 7% over the last 5 plan years.
- Source: Aon Consulting

# HEALTH INSURANCE PREMIUM INCREASES

COVA Premium vs National Plan Cost Increase Percentages



# HEALTH BENEFITS - HIGHLIGHTS

- Formulary drug program effective 7/1/23
  - State health plan saved \$15 million annually
- Prescription drug rebates have increased by approximately \$100 million since 2019
- Cutting edge Anthem and Aetna claims and policy review (initiated by OHB) that could save the state plan millions of dollars. Potential for savings over the life of the revised contract (RFP in process).

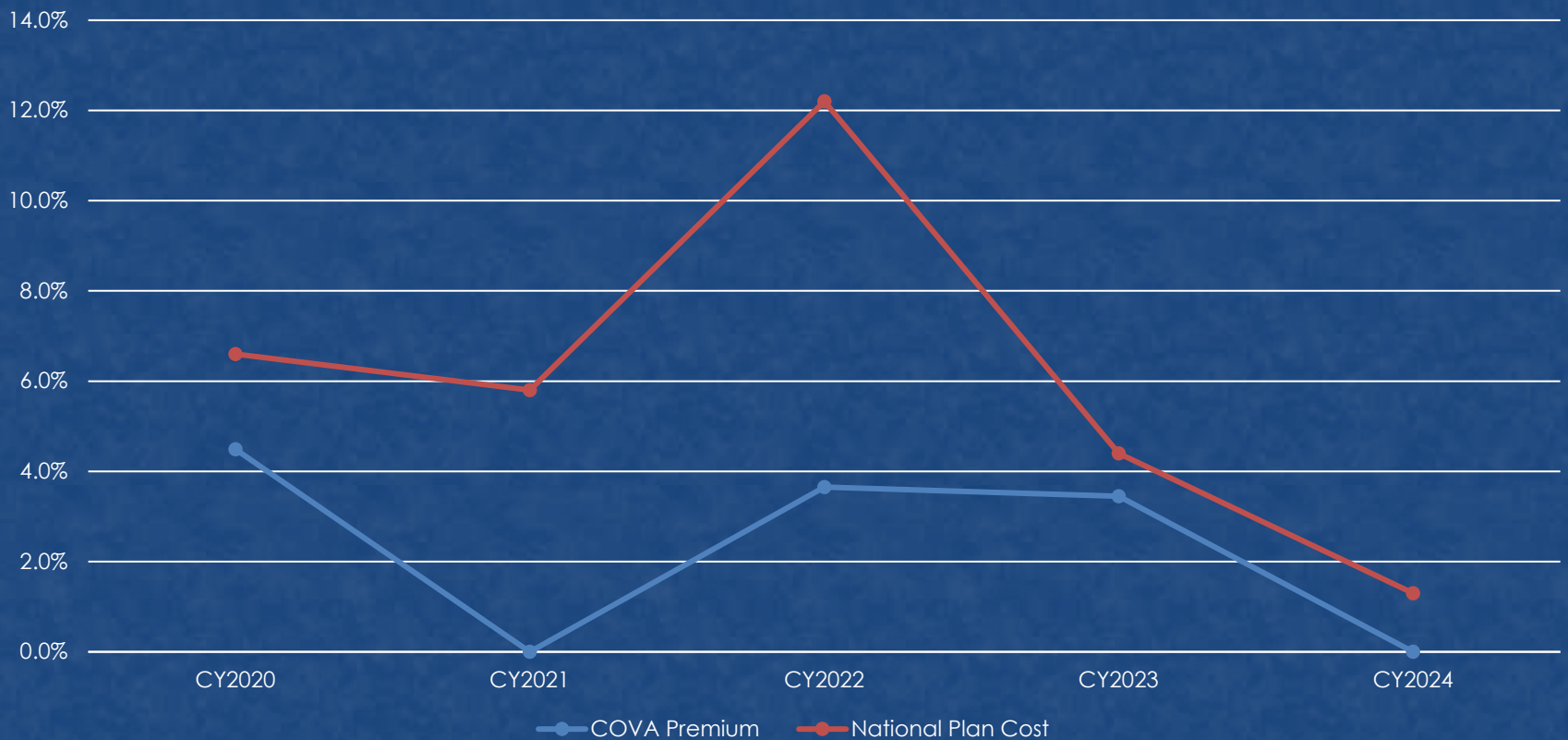


# HEALTH BENEFITS - RETIREEES

- Post 65 Medicare retirees received a 0% premium increase for 2024 which is directly related to OHB negotiating a very favorable prescription contract with Express Scripts (9% reduction). 2025 premium rates are under review.
- Optional dental coverage will increase from 5% to 50% based on requests from retirees.

# HEALTH BENEFITS - RETIREES

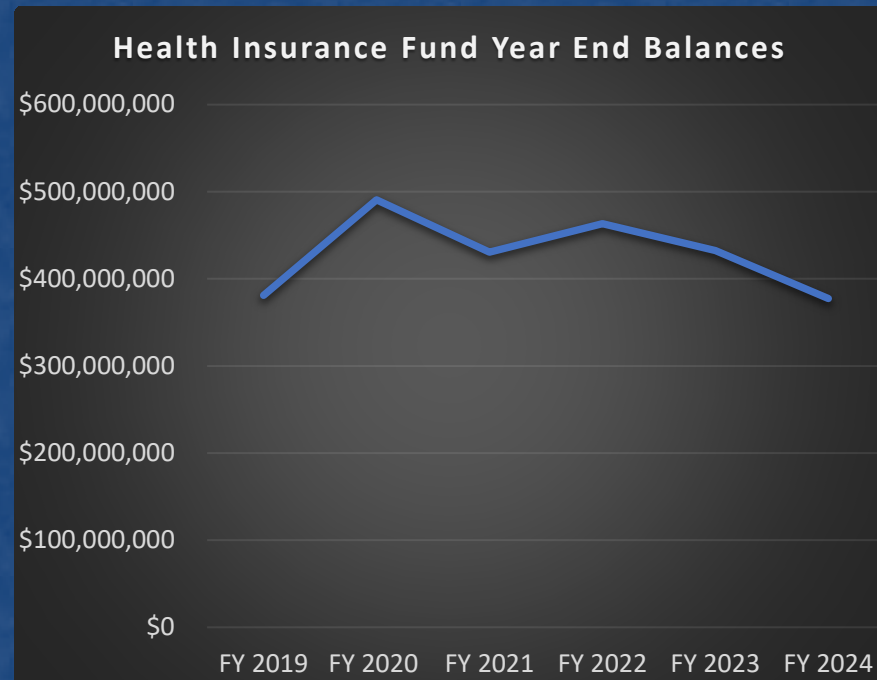
Medicare Retirees: COVA Premium vs National Plan Cost Increase Percentages



# HEALTH BENEFITS HEALTH INSURANCE FUND

## Active & Early Retiree Plan Year End Balances

- FY 2019 - \$380.9 million
- FY 2020 - \$490.7 million
- FY 2021 - \$430.7 million
- FY 2022 - \$463.3 million
- FY 2023 - \$432.5 million
- FY 2024 - \$377.4 million



# RE-SOLICITATION

# PURPOSE



## Why now?

- Ensure market competitiveness
  - Current contract term deemed too long (10 years)
  - Shorten term and include specific deliverables
- Incorporate Definitive Expectations based on recent in-depth review of claims billing
- Consider new, innovative solutions
  - Reference-based pricing models
  - Values-based models

# GOALS & OPPORTUNITIES



- Provide the Commonwealth's plan participants with comprehensive healthcare coverage at affordable costs to the participants and the Commonwealth
- Opportunities
  - Pharmacy
    - Express Scripts lost the active business in 2019 and provided a 9% reduction for the retirees this past year so they may come hard for the active business. A 9% reduction for the active plan would equate to \$30 million in savings.
  - Innovative administrative parameters- Savings opportunity
    - Healthcare administrators must be a plan fiduciary
    - Utilize CMS as the claims processing standard
    - Always pay lesser of billed charges or contracted rate
    - No pay for performance

# QUESTIONS

