

# **AUDITOR'S REVIEW: THE 2011 STATE & SCHOOL EMPLOYEES' LIFE AND HEALTH INSURANCE PLAN**



**STACEY E. PICKERING**  
STATE AUDITOR

**A Report from the Performance Audit Division**

**#133**

**December 10, 2012**

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
**AUDITOR**

December 10, 2012

Department of Finance and Administration, Office of Insurance  
State and School Employees Health Insurance Management Board  
Members of the Mississippi Legislature

Ladies and Gentlemen:

The Office of the State Auditor (OSA) has completed its review of *The 2011 State & School Employees' Life and Health Insurance Plan*. I am pleased to present to you the results of this review in the report published herein. This review was initiated based on the request of the Department of Finance and Administration, Office of Insurance, on behalf of the State and School Employees Health Insurance Management Board (Board), pursuant to requirements of Section 25-15-11, Mississippi Code of 1972, Annotated.

Since the State and School Employees' Life and Health Insurance Plan (Plan) is an extremely important government program protecting the health of thousands of state and public school employees, the significance of this report cannot be overstated. Like the December 2010 surplus of \$139.1 million, the Plan continued to operate at a surplus of \$205.3 million in CY 2011. This operating surplus is the result of premium increases, benefit changes, competitive provider and vendor contracting, as well as successful cost containment programs and other actions that have helped create the operating surplus.

The OSA hope the information included in this report will be beneficial to state and public school employees in understanding the condition of their life and health insurance plan and to state officials and policy-makers in the administration of this vital program.

Additional copies of this report may be downloaded from the State Auditor's Office web page (<http://www.osa.state.ms.us>).

Sincerely,

A handwritten signature in black ink, reading "Stacey E. Pickering", is written over a light blue rectangular background.

Stacey E. Pickering  
State Auditor



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**Office of the State Auditor**  
**Stacey E. Pickering**

***Auditor's Review: The 2011 State & School Employees' Life and Health Insurance Plan***

Performance Audit Report #133

December 10, 2012

***Executive Summary***

The Department of Finance and Administration, Office of Insurance (DFA-Insurance), on behalf of the State and School Employees Health Insurance Management Board (Board), requested the Office of the State Auditor (OSA) to conduct a performance review of the State and School Employees' Life and Health Insurance Plan (Plan). The OSA limited the scope of this performance review to analysis and summarization of the other studies conducted on the Plan.

The OSA's analysis of the CY 2011 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA (Actuarial Report) and the August 31, 2011 financial statements prepared by DFA-Insurance, indicated several important items:

1. The Plan's revenue exceeded claims and expenses by \$66.1 million in CY 2011. The Plan had a surplus of \$205.3 million on December 31, 2011.
2. The Plan's enrollment decreased for CY 2011. Retired employee membership grew by 3.6%, while active employee membership decreased by 2.9%.
3. A comparison of claims incurred to premiums received shows health insurance premiums exceeded claims by \$83.5 million in CY 2011.

For the fiscal year that ended June 30, 2011, the Plan's receipts exceeded disbursements by \$35.4 million. For the year that ended December 31, 2011, the Plan's assets exceeded its liabilities by \$205.3 million, an increase of \$66.1 million over CY 2010.

In CY 2011 Actuarial Report Townsend stated, "*These projections indicate that the Plan will experience a slight increase in Plan surplus in CY12, but a decline in Plan surplus in CY13. Based on these projections, the Plan is expected to end CY13 with surplus of \$190.5 million under Scenario A, \$192.8 million under Scenario B, and \$195.8 million under Scenario C. Under all 3 scenarios, the Plan is expected to end CY13 with Plan surplus well in excess of the Plan's stated minimum funding policy. According to the Plan's stated funding policy, the Board shall endeavor to hold Plan surplus in an amount at least equal to*

*approximately one half (1/2) of one month's Plan expenditures (based upon the average monthly expenditures for the last twelve months). One half (1/2) of one month's expected Plan expenditures during CY13 is about \$33 million."*

- Employee enrollment in the Insurance Program decreased by 2.9% during 2011;
- Base Insurance Coverage is still paid 100% by the State;
- Both Horizon and Legacy employees now pay a portion of their premium for Select coverage;
- The plan ended 2011 with a \$205.3 million surplus and premiums exceeded claims by \$83.5 million

Senate Bill 2744, as enacted by the Legislature during 2010, included several provisions that affected the Plan beginning in CY 2011. According to the law, the State continues to pay 100% of the premium for any employee who chooses Base coverage. The Health Insurance Management Board implemented the changes allowed by Senate Bill 2744, as of January 1, 2011, at which time Horizon employees were required to pay \$38 for Select coverage and Legacy employees were required to pay \$20 for Select coverage. Legacy refers to an employee or retiree who was initially hired prior to January 1, 2006

and Horizon refers to an employee or retiree who was initially hired on or after January 1, 2006.

Prior to January 1, 2011, Horizon employees were required to pay \$18 for Select coverage and Legacy employees were not required to pay anything for Select coverage. The monthly premium rate for Legacy employees who chose Select coverage was also increased, effective January 1, 2011, from \$361 to \$376, an increase of 4.2%. Beginning January 1, 2011, the State's contribution rate was \$356 per month for all employees. This briefly describes the effect of the active employee premium rate changes that took effect on January 1, 2011.

Several benefit changes were implemented for CY 2011. In addition, the Board voted to implement the changes allowed in Senate Bill 2744, as of January 1, 2011, by requiring Legacy and Horizon employees to pay \$20 and \$38, respectively for Select coverage, which was a 4.2% increase in monthly premium rates for these groups.





**Office of the State Auditor  
Stacey E. Pickering**

***Auditor's Review: The 2011 State & School Employees' Life and Health Insurance Plan***

Performance Audit Report #133

December 10, 2012

***Introduction***

**Purpose** The Department of Finance and Administration, Office of Insurance (DFA-Insurance) on behalf of the State and School Employees Health Insurance Management Board (Board), requested the Office of the State Auditor (OSA) to conduct a performance review of the State and School Employees' Life and Health Insurance Plan (Plan). The letter requesting this review is in compliance with Section 25-15-11, Mississippi Code of 1972, Annotated, which states, in part:

"Annually, the board [State and School Employees Health Insurance Management Board] shall request, and the Department of Audit shall conduct, a comprehensive audit of the State and School Employees Life and Health Insurance Plan..."

**Scope** In addition to an annual performance review by the OSA as part of the State's Comprehensive Annual Financial Report, the Board also contracts for an Actuarial Report every six months, an annual claims review of the third party medical claims administrator and the pharmacy benefit manager.

Due to the number and scope of other financial and compliance audits of the Plan conducted annually, OSA limits the scope of this performance review to a summary and analysis of the other studies conducted for the Plan. The work conducted for these required and elective audits should provide the Plan sufficient oversight.

***Actuarial Report***

**Analysis**

The Board contracted with Wm. Lynn Townsend, FSA, MAAA (Townsend) to prepare an actuarial report based on a review of the experience through December 31, 2011, of the Plan. The OSA's analysis of CY 2011 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA (Actuarial Report) and the August 31, 2011, financial statements prepared by DFA-Insurance, indicated several important items:

1. The Plan's revenue exceeded claims and expenses by \$66.1 million in CY 2011. This \$66.1 million resulted in the plan having a surplus of \$205.3 million on December 31, 2011.
2. The Plan's enrollment decreased for CY 2011. Excluding dependents, retired employee membership grew by 3.6% while active employee membership decreased by 2.9%.
3. A comparison of claims incurred to premiums received shows that health insurance premiums exceeded claims by \$83.5 million in CY 2011.

- **Legacy** refers to an employee or retiree who was initially hired prior to January 1, 2006

- **Horizon** refers to an employee or retiree who was initially hired on or after January 1, 2006.

- Total Plan enrollment decreased in 2011

- More money from premiums was collected in 2011 than was paid out in claims

- Revenue exceeded claims and Plan expenses by \$66.1 million

- This resulted in a \$205.3 million surplus on December 31, 2011

**CY 2011 Actuarial Report Results****Plan's Current Funding Status**

Townsend compared the Plan's current funding status with the funding status of prior periods. Table 1 shows the results of this comparison. Note the amounts shown for the Plan's liabilities for prior years are based upon a retroactive review of the life and health insurance claims liabilities based on actual incurred claims. The Plan's liabilities also include an offset based on an evaluation of drug rebates receivable as of the end of each year. As shown in Table 1, in CY 2011 the Plan improved with a surplus of \$205.3 million as of December 31, 2011.

<b>Table 1: Comparison of Funding Status (In Millions)</b>				
	<b>December 2008</b>	<b>December 2009</b>	<b>December 2010</b>	<b>December 2011</b>
<b>Plan Assets</b>	<b>\$282.8</b>	<b>\$258.6</b>	<b>\$251.9</b>	<b>\$314.4</b>
<b>Less Plan Liabilities</b>	<b>108.8</b>	<b>90.0</b>	<b>112.7</b>	<b>109.1</b>
<b>Surplus Funds (Unfunded Liabilities)</b>	<b>174.0</b>	<b>168.7</b>	<b>139.1</b>	<b>205.3</b>
<b>Annual Change in Funding Status</b>	<b>\$26.1</b>	<b>(\$5.3)</b>	<b>(\$29.5)</b>	<b>\$66.1</b>

Source: CY 2011 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA.

**Health Plan Enrollment**

As shown in Table 2, the average total Plan enrollment decreased in CY 2011. In CY 2011, a decrease of 5.3% occurred in dependent's enrollment for this same period.

<b>Table 2: Health Plan Average Enrollment</b>				
<b>Participant</b>	<b>CY 2008</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>
<b>Employees</b>	<b>143,113</b>	<b>144,985</b>	<b>144,023</b>	<b>141,220</b>
<b>Dependents</b>	<b>49,464</b>	<b>50,060</b>	<b>50,723</b>	<b>48,036</b>
<b>Members</b>	<b>192,577</b>	<b>195,044</b>	<b>194,746</b>	<b>189,256</b>

Source: CY 2011 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA.

Townsend reports: "Historically, the growth in early retiree enrollment generally has been far greater than the growth in active employee enrollment. Since premium rates are set at a level below cost for the early retiree premium rate classes, higher retiree enrollment growth tends to exert upward pressure on the active employee premium rate...the growth in early retirees has recently slowed compared to historical growth rates, and in CY08 through CY09, early retiree enrollment actually exhibited slight declines. However, early retirees grew by 2.8% in CY10 and 3.7% in CY11."

Table 3 shows the retired employees as a percentage of total employees for the last four calendar years.

<b>Table 3: Retirees as a Percentage of Employees</b>			
<b>CY 2008</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>
<b>14.4%</b>	<b>14.5%</b>	<b>15.1%</b>	<b>15.9%</b>

Source: CY 2011 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA.

**Health Insurance Premiums Versus Claims**

Incurred health insurance premiums are estimated to have exceeded claims (prior to administrative expenses but after drug rebates) by \$83.5 million in CY 2011. Table 4 compares premiums to claims incurred for the last five calendar years. The amounts shown for claims incurred for prior years are based on a retroactive review of health insurance claims liabilities based on actual incurred claims.

<b>Table 4: Health Insurance Premiums Versus Claims Incurred (In Millions)</b>					
	<b>CY 2007</b>	<b>CY 2008</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>
<b>Premiums</b>	<b>\$678.9</b>	<b>\$706.2</b>	<b>\$718.7</b>	<b>\$714.3</b>	<b>\$741.9</b>
<b>Claims Incurred</b>	<b>570.7</b>	<b>646.3</b>	<b>682.5</b>	<b>704.5</b>	<b>658.4</b>
<b>Gain (Loss) Prior to Expenses</b>	<b>108.2</b>	<b>59.9</b>	<b>36.2</b>	<b>9.8</b>	<b>83.5</b>
<b>Loss Ratio (Claims/Premium)</b>	<b>84.1%</b>	<b>91.5%</b>	<b>95.0%</b>	<b>98.6%</b>	<b>88.8%</b>

Source: CY 2011 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA any columns or rows that do not total exactly are due to rounding.

Townsend stated: "Based on current claim liability estimates, incurred claims (net of subrogation receipts, claim refunds, and pharmacy rebates) decreased from \$704.5 million in CY10 to \$658.4 million in CY11, a decrease of 6.5%."

**Retiree & Dependent Rate Subsidies**

Townsend stated: "Historically, premium rates for retirees - and for most active dependent premium classes have been set below true actuarial cost. In effect, the State subsidizes those premium classes..." "Early Retiree Reinsurance Program (ERRP) payments were allocated to non-Medicare retirees on the basis of incurred claims."

Table 5 shows the CY 2011 Plan subsidy costs.

<b>Table 5: State and School Employees' Life and Health Insurance Plan CY 2011 Plan Subsidy Costs</b>					
	<b>Premiums</b>	<b>ERRP Payments</b>	<b>Claims</b>	<b>Expenses less Other Income</b>	<b>Gain (Loss)</b>
<b>Active Dependents</b>	<b>\$101,723,147</b>	<b>-</b>	<b>(\$121,810,227)</b>	<b>(\$5,236,781)</b>	<b>(\$25,323,860)</b>
<b>COBRA Employees</b>	<b>4,333,937</b>	<b>-</b>	<b>(17,759,918)</b>	<b>(211,510)</b>	<b>(13,637,491)</b>
<b>Disabled Retirees - Plan Primary</b>	<b>1,291,147</b>	<b>1,622,304</b>	<b>(9,783,449)</b>	<b>(61,164)</b>	<b>(6,931,163)</b>
<b>Retirees - Plan Primary</b>	<b>61,305,383</b>	<b>12,805,742</b>	<b>(77,189,890)</b>	<b>(1,762,606)</b>	<b>(4,841,372)</b>
<b>Retirees - Medicare Primary</b>	<b>36,057,624</b>	<b>-</b>	<b>(31,109,413)</b>	<b>(3,449,378)</b>	<b>1,498,833</b>
<b>Disabled Retirees - Life Insurance</b>	<b>-</b>	<b>-</b>	<b>(1,923,786)</b>	<b>-</b>	<b>(1,923,786)</b>
<b>Subtotal - Subsidized Classes</b>	<b>\$204,711,238</b>	<b>\$14,428,046</b>	<b>(\$259,576,682)</b>	<b>(\$10,721,440)</b>	<b>(\$51,158,839)</b>
<b>Active Employees</b>	<b>\$537,182,983</b>	<b>-</b>	<b>(\$400,779,193)</b>	<b>(\$19,113,615)</b>	<b>\$117,290,174</b>
<b>Total</b>	<b>\$741,894,221</b>	<b>\$14,428,046</b>	<b>(\$660,355,875)</b>	<b>(\$29,835,055)</b>	<b>\$66,131,336</b>

Source: CY 2011 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA. Any columns or rows that do not total exactly are due to rounding in the original report

**Plan Receipts Exceed Disbursements**

According to Cash Flow statements provided by DFA-Insurance, the Plan's receipts in FY 2011 exceed disbursements by \$35.4 million.

Table 6 on the following pages shows the Plan's receipts and disbursements for fiscal years 2009, 2010, and 2011.

<b>Table 6: State &amp; School Employees' Life &amp; Health Insurance Plan Cash Receipts and Disbursements</b>	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2011</b>
<b>Receipts</b>			
<b>Premiums Received</b>			
<b>Health</b>	<b>\$714,251,172</b>	<b>\$720,546,551</b>	<b>\$737,606,276</b>
<b>Life</b>	<b>19,129,554</b>	<b>19,281,173</b>	<b>19,400,953</b>
<b>Refunds of Claim Overpayments</b>	<b>920,055</b>	<b>1,971,634</b>	<b>1,729,487</b>
<b>Subrogation Receipts</b>	<b>1,283,601</b>	<b>1,331,136</b>	<b>1,796,501</b>
<b>Late Fees Received</b>	<b>17,173</b>	<b>8,134</b>	<b>17,220</b>
<b>Interest Received</b>	<b>9,229,204</b>	<b>5,962,468</b>	<b>3,375,922</b>
<b>Pharmacy Rebates</b>	<b>9,135,810</b>	<b>9,310,145</b>	<b>9,562,303</b>
<b>Pharmacy Settlement</b>	<b>0</b>	<b>1,296,512</b>	<b>14,841</b>
<b>ERRP</b>	<b>0</b>	<b>0</b>	<b>11,790,014.37</b>
<b>Total Receipts</b>	<b>753,966,569</b>	<b>759,707,753</b>	<b>785,293,517</b>
<b>Disbursements</b>			
<b>Claims/Refunds</b>			
<b>Medical Claims</b>	<b>575,064,013</b>	<b>589,635,064</b>	<b>574,505,625</b>
<b>Pharmacy Claims</b>	<b>113,934,874</b>	<b>114,559,724</b>	<b>115,091,205</b>
<b>Life Insurance Claims</b>	<b>12,553,264</b>	<b>14,881,350</b>	<b>12,914,822</b>
<b>Premium Refunds</b>	<b>591,993</b>	<b>518,559</b>	<b>607,736</b>
<b>Patient Audit Incentive Program</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Claims/Refunds</b>	<b>702,144,144</b>	<b>719,594,697</b>	<b>703,119,388</b>
<b>Administrative Expenses</b>			
<b>State Administrative Expenses</b>	<b>1,649,863</b>	<b>1,551,911</b>	<b>1,378,902</b>
<b>PricewaterhouseCoopers – Consultant</b>	<b>398,357</b>	<b>367,730</b>	<b>189,771</b>
<b>Wm. Lynn Townsend – Actuarial</b>	<b>106,978</b>	<b>170,179</b>	<b>145,453</b>
<b>Blue Cross Blue Shield (TPA)</b>	<b>21,100,765</b>	<b>22,540,471</b>	<b>22,690,292</b>
<b>Cavanaugh MacDonald – Actuarial</b>	<b>33,998</b>	<b>34,000</b>	<b>29,980</b>
<b>Aetna (Life Insuror)</b>	<b>521,687</b>	<b>0</b>	<b>0</b>
<b>Minnesota Life – Life Insuror</b>	<b>367,387</b>	<b>737,029</b>	<b>719,894</b>
<b>APS – Wellness and Health Promotion</b>	<b>1,479,045</b>	<b>(115,504)</b>	<b>0</b>
<b>WEBMD – Wellness and Health Promotion</b>	<b>3,337,567</b>	<b>4,787,351</b>	<b>2,517,873</b>
<b>CTI – Claims/Performance Review</b>	<b>155,488</b>	<b>137,454</b>	<b>140,754</b>
<b>Trustmark - Bank Charges</b>	<b>26,804</b>	<b>28,074</b>	<b>29,102</b>



<b>Table 6: State &amp; School Employees' Life &amp; Health Insurance Plan Cash Receipts and Disbursements</b>	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2011</b>
Thomson Reuters – Decision Support System	447,834	473,709	738,279
Total Administrative Expenses	29,625,773	30,712,404	28,580,300
Cost Containment Fees			
Intracorp – Medical Management	15,134,685	16,265,351	8,175,044
Active Health – Medical Management	0	0	3,028,946
Network Fees			
Catalyst Rx – Pharmacy Network	3,906,990	4,085,192	3,893,198
AHS - PPO Network	3,207,620	3,119,199	3,056,161
Total Network Fees	7,114,610	7,204,391	6,949,359
Total Disbursements	754,019,212	773,776,842	749,853,037
Net Increase (Decrease) To Plan Assets	(\$52,643)	(\$14,069,089)	35,440,480

Source: Financial statements prepared by Department of Finance and Administration, Office of Insurance. Any columns or rows that do not total exactly are due to rounding.

### Financial Summary

On December 31, 2011, the Plan's assets exceeded liabilities by \$205.3 million. Townsend stated, "Historically, the Plan has generally operated with a funding deficit, i.e. with insufficient assets to cover the liabilities for claims and expenses already incurred but not yet reported and/or paid. Only recently has the Plan developed significant Plan surplus. It should be pointed out, however, that Plan surplus, as defined in this Report, does not take into account the liabilities of the State, as an employer, associated with retiree health insurance. Although there are significant surplus funds that exist in the Plan, there are much higher liabilities for the State, as an employer, for future retiree benefits that have not been funded." Based on results contained in the Report of the Actuary on the Other Postemployment Benefits Valuation, Prepared as of June 30, 2011 by Cavanaugh Macdonald, the State's unfunded actuarial accrued liability associated with retiree benefits provided through the State and School Employees' Life and Health Insurance Plan were about \$652 million as of June 30, 2011."

**Excess Receipts over Disbursements.** Cumulatively, for the fiscal year 2011, the Plan disbursed fewer funds than it received. In other words, Plan receipts exceeded disbursements. Receipts for these periods exceeded disbursements by \$35.4 million. Table 7 shows the Plan's total receipts and disbursements for fiscal year 2009, 2010, and 2011.

<b>Table 7: State and School Employees' Life and Health Insurance Plan Excess Receipts over Disbursements</b>				
	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2011</b>	<b>Total</b>
Total Receipts	\$753,966,569	\$759,707,753	\$785,293,517	\$2,298,967,839
Total Disbursements	754,019,212	773,776,842	749,853,037	\$2,277,649,091
Excess Receipts Over (Under) Disbursements	(\$52,643)	(\$14,069,089)	\$35,440,480	\$21,318,748

Source: Financial statements prepared by DFA-Insurance. Any columns or rows that do not total exactly are due to rounding.



**Plan Receipts and Disbursements.** The Plan's receipts increased from FY 2010 to FY 2011. Receipts grew from \$760 million in FY 2010 to \$785 million in FY 2011, an increase of 3.36%. The Plan's disbursements decreased from FY 2010 to FY 2011. Disbursements fell from \$774 million in FY 2010 to \$750 million in FY 2011, a decrease of 3.10%.

### *Benefit Changes for CY 2011 & Proposed Future Changes*

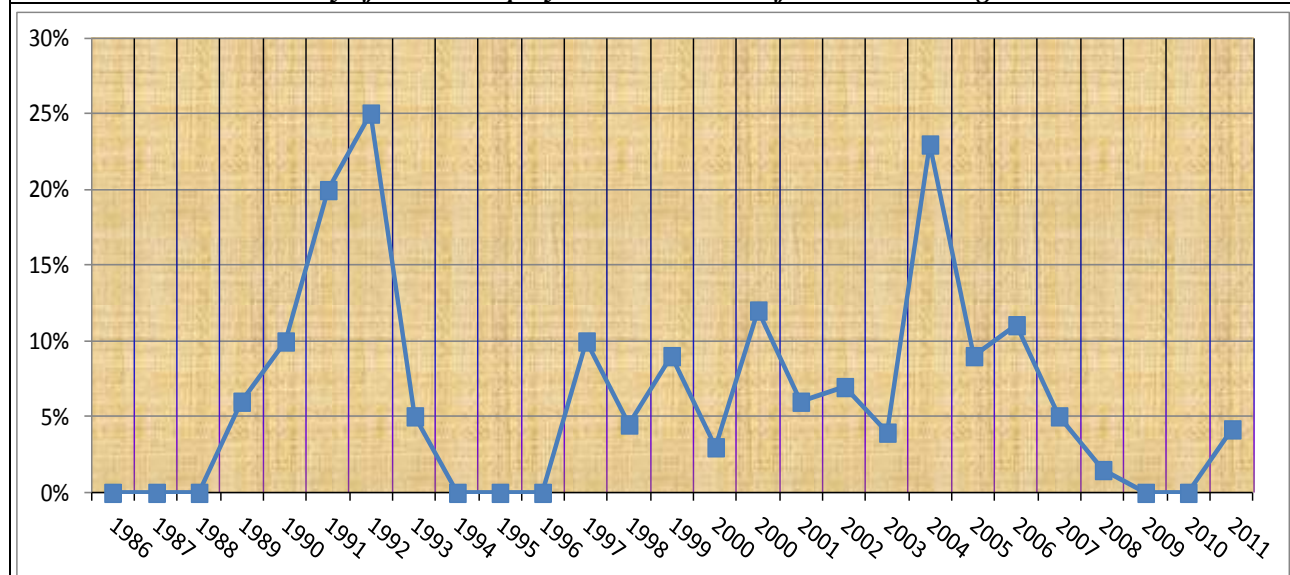
#### **Annual Increases in Plan Premiums are Common**

In the last 25 years, from CY 1986 through CY 2011, the Plan has increased health insurance premiums 19 times. On January 1, 2011, the monthly premium for Legacy employees who chose Select coverage was increased from \$361 to \$376; which includes an applicable premium of \$20 per month paid by employees), an increase of 4.2%. Effective January 1, 2011, the monthly premium for a Horizon employee enrolled in Select coverage increased to \$394, of which \$38 is paid by the employee.

#### **Prior Premium Increases**

The Plan has increased health insurance premiums several times over the last few years to meet increased cost and utilization. See Table 8 for a listing of previous Plan premium percent increases.

**Table 8: Historical Premium Rate Increases**  
**Summary of Active Employee Rate Increases from 1986 through 2011**



Source: CY 2011 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA

**CY 2011 Approved Premium Rates**

Actuarial reports are used as a basis for establishing the health benefit premium rates. Projections in the actuarial report are made to indicate when the Plan will be fully funded. *Beginning January 1, 2011, the State's contribution rate was at \$356 per month for all employees.* See Table 9 for a listing of January 1, 2011 approved premium rates for Legacy and Horizon Select employees. Legacy refers to an employee or retiree who was initially hired prior to January 1, 2006 and Horizon refers to an employee or retiree who was initially hired on or after January 1, 2006.

<b>Table 9: CY 2011 Approval Premium Rates</b>		
<b>Premium Class</b>	<b><u>Legacy</u> Select Employees</b>	<b><u>Horizon</u> Select Employees</b>
<b>Active Employee paid by state</b>	<b>\$356</b>	<b>\$356</b>
<b>Active Employee and Spouse</b>	<b>819</b>	<b>837</b>
<b>Active Employee and Family</b>	<b>1,023</b>	<b>1,041</b>
<b>Active Employee and Children</b>	<b>688</b>	<b>706</b>
<b>Active Employee and Child</b>	<b>531</b>	<b>549</b>
<b>Early Retiree (Non-Medicare)</b>	<b>432</b>	<b>620</b>
<b>Early Retiree and Spouse (Non-Medicare)</b>	<b>941</b>	<b>1,317</b>
<b>Early Retiree and Family (Non-Medicare)</b>	<b>1,176</b>	<b>1,472</b>

Source: Department of Finance and Administration-Insurance

**Board Efforts to Reduce Costs Continue**

In its five-year strategic plan to address problems with the Mississippi's State and School Employees' Health Insurance Plan, the Board includes requiring provider contracts to be priced on a fixed fee basis and working with the Retirement System to design a funding mechanism for retiree health insurance. The trend has been to utilize existing surplus and to minimize and/or avoid premium increases over the past several years.

**Strategic Plan**

This strategic plan is in the process of being updated. The last major update was in FY 2009. The FY 09 plan recognizes changing trends in the health care industry, alternative health care delivery systems, any foreseeable problems with the present system of delivering and administering health care benefits in Mississippi, and develops options and recommendations for changes in the Plan.

The Board has identified several problem areas with the current health benefit Plan and has developed proposed changes in it.

*"In light of the trends in the health care delivery system and in employee benefit plans, and based on an examination of cost and utilization data, survey results, and comments from Plan participants and others, several target areas have been noted in the State and School Employees' Plan:*

- *Excessive growth in costs*
- *A growing retiree population*
- *High employee out-of-pocket costs*
- *Poor understanding of the benefits and operation of the Plan by participants*
- *Limited coverage of preventive/routine care*
- *Rapidly growing utilization of outpatient services*
- *A complicated and error-prone premium billing and payment system*



- *Complex regulations under the Health Insurance Portability and Accountability Act*
- *Potential changes in GASB reporting requirements*

*Strategic actions to be taken to address some of these problem areas are similar to actions being taken by most large employer and state employee health benefit plans. These strategic actions include the following:*

- *Improving benefits for preventive services*
- *Improving communications to employees*
- *Increasing the number of providers with contracts reflecting prospective fixed-cost pricing*
- *Working with the Retirement System to implement a pre-funded retiree health insurance plan*
- *Developing the capacity to electronically enroll participants and transfer premium billing information and payments*

*These strategic directions reflect a commitment to maintaining an important employee benefit that will allow the State to attract and retain employees while ensuring that the benefit is affordable for both the State and the Plan participants."*

### **Plan Changes**

The Board implemented several Plan changes for the CY 2011. The following sections detail those changes.

### **Enhance Wellness Benefits as Required by PPACA**

The Plan's current list of covered wellness services was compared to the list of services recommended by the U.S. Preventative Services Task Force as required by the Patient Protection and Affordable Care Act (PPACA). The list below contains the required wellness services that will be added to the list of wellness services covered under the Plan:

- Abdominal Aortic Aneurysm screening for male smokers, ages 65-75
- Screening and counseling for alcohol abuse
- Aspirin counseling for the prevention of cardiovascular disease
- Hepatitis B and asymptomatic bacteria screening for pregnant women
- Breast and Ovarian Cancer Susceptibility, Genetic Risk Assessment & BRCA Mutation Testing
- Primary care intervention to support breastfeeding
- Chlamydial infection screening
- Preventive dental care for preschool children
- Depression screening
- Diet/behavioral counseling for participants with cardiovascular and diet-related chronic disease
- Gonorrhea screening
- Hearing loss screening for newborns
- HIV screening
- Osteoporosis in postmenopausal women screening, ages 65 and older, and 60 and older at increased risk
- Rh (D) Incompatibility screening for pregnant women
- Sickle Cell Disease screening for newborns
- Phenylketonuria screening for newborns



- Congenital Hypothyroidism screening for newborns
- Sexually Transmitted Infections counseling
- Syphilis infection screening
- Visual Impairment screening in children younger than age 5 years

**Eliminate Pre-existing Exclusions for Children as Required by PPACA**

As required by PPACA, the Plan will eliminate pre-existing exclusion periods for children under age 19.

**Eliminate Lifetime Maximum as Required by PPACA**

As required by PPACA, the Plan will eliminate lifetime maximums for all participants.

**Eliminate Calendar Year Limit for Diabetic Self-management Training & Education**

The Plan will no longer impose a \$250 calendar year limit for benefits for diabetic self-management training and education. Subject to prior approval, benefits will continue to be provided at 100% (not subject to the calendar year deductible). Participation in the disease management program would continue to be a requirement for receiving this benefit.

**Eliminate Calendar Year Limit for Home Health & Private Duty Nursing Services**

The Plan will no longer impose a \$10,000 calendar year limit for home health and private duty nursing services. Approval of services through the Plan's medical management vendor will continue to be a requirement for receiving these benefits.

**Change Medical Necessity Review of Pulmonary Rehabilitation Services**

The Plan will no longer impose a 14-visit limit for pulmonary rehabilitation services. Effective January 1, 2011, the Plan will no longer offer a disease management program for COPD. In lieu of requiring participation in the disease management program to qualify for this benefit, the Plan will require that these services be prior approved through Blue Cross Blue Shield.

**Eliminate Limitation on Cardiac Rehabilitation Sessions**

The Plan will no longer impose a 36-session limit for cardiac rehabilitation services. The Plan will require that these services be prior approved through Blue Cross Blue Shield.

**Change Requirements to Receive Tobacco Cessation Prescription Products**

Coverage for the approved tobacco cessation prescription drugs is subject to the participant's applicable deductible and the appropriate prescription drug co-payment amount, and is limited to a lifetime maximum of \$350. Over-the-counter tobacco cessation products are not covered. Effective January 1, 2011, the Plan will no longer offer telephonic coaching for tobacco cessation through WebMD. The participant will be required to participate in the on-line tobacco cessation program through WebMD.

**Increase in Deductibles and Annual Coinsurance Maximums**

Base and Select Coverage deductibles and coinsurance maximums will increase as follows:

<b>2011 Base Coverage</b>		
<b><u>Self Only Coverage</u></b>	<b><u>Deductible</u></b>	<b><u>Coinsurance Maximum</u></b>
In-Network	\$1,800	\$2,500
Out-of-Network	\$1,800	\$4,000
<b><u>Family Coverage</u></b>		
In-Network	\$3,000	\$5,000
Out-of-Network	\$3,000	\$8,000
<b>2011 Select Coverage</b>		
	<b><u>Individual Deductible</u></b>	<b><u>Individual Coinsurance Maximum</u></b>
<b>In-Network</b>	\$1,000	\$2,500
<b>Out-of-Network</b>	\$2,000	\$3,500
Family Deductible limited to 2 times the Individual Deductible		

**Increase Emergency Room Co-payment**

The Plan will increase the emergency room co-payment to \$100 to apply after the first emergency room visit in any calendar year.

**Amend Coverage of Proton Pump Inhibitors**

The Plan will provide coverage for PPI medications (used to treat gastroesophageal reflux disease (GERD), ulcers, erosive esophagitis, Barrett's Esophagitis, and Zollinger-Ellison syndrome) in generic form only (with coverage for brand products provided only by prior authorization through Catalyst Rx).



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