

## House Study Committee Hears Recommendations For SHBP; GSRA Fears Large Cost Increases

The House State Health Insurance Plan Alternative Funding Study Committee met for the final open session on November 10, 2011. The Study Committee, composed of Representatives Carl Rogers, Katie Dempsey, Rahn Mayo, Richard Smith, Sharon Cooper, Buddy Harden, John Meadows, Butch Parrish and Darlene Taylor, was created by House Resolution 810 by the 2011 General Assembly. The Committee's findings and recommendations were to be completed for the 2012 General Assembly.

HR 810 provides that the Committee address alternative funding, cost management strategies, and reinsurance options for the State Health Benefit Plan to determine how to address:

- The rapidly rising health insurance premiums that are impacting state budgets that encourage proposals to change funding and cost sharing,
- Limiting the liability for catastrophic losses by purchasing stop-loss insurance,
- Trends for greater cost sharing for all plan types,
- Expanding wellness and disease management programs.

The Committee heard testimonies about local school systems costs, predictive health philosophies, SHBP costs and enrollment, worker's compensation, flexible benefits, and the insurance companies who are interested in providing a proposal to enroll SHBP members for CY 2014, when the current contract expires.

### Local School Systems

Spokespersons on behalf of a local school system addressed concerns about increased local school systems' mandates by the Department of Community Health for medical coverage for their employees. According to the spokesperson, the local school systems' health care expense has increased by 82%, and such an increase is creating a squeeze on local tax payers. A suggested solution is to adopt a "Business Model Approach" that is focused on stakeholder concerns while providing high-quality health care and cost efficiencies and savings. The

approach is to carve-out coverage of the teachers/employees for a group of voluntary participating local systems from the main SHBP group and to provide coverage through locally negotiated provider contracts. The spokesperson stated that it installs the best cost control through local accountability, freedom of choice and local rewards. Examples of cost savings at approximately 10%-15% for two medical procedures—knee replacement and normal delivery—were provided to demonstrate the spokesperson's point.

### Predictive Health Philosophy

Staff from the Predictive Health Institute, an Emory and Georgia Tech Partnership, presented comments about the future ability to predict an individual's health status based on leading-edge science and technology. The revolutionary approach could prescribe interventions that proactively optimize wellness and move health care from a reactive disease focused system to a proactive health focused system. Predictive health would be focused on three domains—biology, environment, and behavior. Such activity could address such issues as obesity, which has grown in the State of Georgia from "less than 10% in 1990" to "20%-24% in 2010."

### SHBP Costs and Enrollment

The Department of Community Health Commissioner, **David Cook**, and staff of the State Health Benefit Plan provided a myriad of cost and enrollment comparative information for CY 2009, CY 2010, and FY 2011. A sampling of the information follows.

<i>Payment Trends (Prepared by Thomson Reuters)<sup>1</sup></i>		
	Net SHBP Cost Per Employee Per Year (PEPY)	Net SHBP Cost Per Life Per Year (PMPY)
CY 2009	\$ 8,492	\$ 4,018
CY 2010	\$ 8,822	\$ 4,169
Percent Change	3.9%	3.8%

<sup>1</sup> Costs exclude Medicare Retirees.

<b>Cost Trends (CY 2010) By Option<sup>2</sup></b>			
<b>Option</b>	<b>SHBP Cost</b>	<b>Member OOP<sup>3</sup></b>	<b>Total</b>
OAP/PPO	\$5,020	\$1,311	\$6,331
HDHP	\$4,713	\$ 874	\$5,587
HMO	\$3,798	\$792	\$4,590
HRA	\$4,030 <sup>4</sup>	\$774	\$4,804

DCH staff also presented an analysis, referred to as a Diagnostic Cost Grouper<sup>5</sup>. The analysis assesses population risk based on age, gender, and diagnosis information over a 12-month time period. The DCG develops a Relative Risk Score (RRS) (probability of health costs) that then allows a prediction of the future burden of illness for a population. Any score below 100 indicates predicted cost below the population average and any score above 100 suggests an illness cost above average within a given health plan or population. The OAP/PPO members *were at a 35% higher cost (health) risk* than the average SHBP population, the *HMO members were 1.3% lower and the HRA members were 4.8% lower than the average cost (health) risk.* Based upon these percentages, the members in the OAP/PPO were less healthy by 35% than the average of all SHBP members. One can assume that since the analysis is based on age, gender, and illness diagnosis, members in the OAP/PPO are older and sicker than the average SHBP member.

#### **Workers Compensation and Flexible Benefits**

Staff from the Department of Administrative Services commented on Workers' Compensation, Property Insurance, and General Liability Insurance. The Workers' Compensation plan for employees includes reinsurance above a certain amount; however, the value is being reviewed since the premium cost for the reinsurance approaches the recovery amount for the claims. The Property Insurance for State property includes a reinsurance provision that has benefited the State because of past property damages. The General Liability Insurance for State actions also includes a reinsurance provision with the value undeterminable over several years.

<sup>2</sup> Costs exclude Medicare Retirees.

<sup>3</sup> Member out-of-pocket (OOP) cost at the point of medical service.

<sup>4</sup> Includes the SHBP payment (\$3,623) and the HRA credit payment (\$407).

<sup>5</sup> Prepared by Thomson Reuters, DCH Contractor

Staff from the State Personnel Administration presented comments about the Flexible Benefits program for state employees. The staff stated that the entire cost of the benefits and administration is borne by the employees. In fact, participation in the Spending Account program requires a \$3.25 monthly fee from the employee to pay for the administration of the option. The Flexible Benefit options have been "employee-pay-all" from inception in 1986; however, the conservative administrative cost was paid by the State until the last couple of years.

#### **Insurance Companies Interest**

Kaiser Permanente, UnitedHealthcare, Blue Cross and Blue Shield, and CIGNA presented each company's relative philosophy of wellness, disease management, and managing health care cost. Each company stated that the company has a definite interest in submitting a proposal for a new contract to begin January 1, 2014 to administer the State Health Benefit Plan and help the State control the cost of the Plan.

#### **Concluding Remarks**

Study Committee Chairman Representative Carl Rogers closed the meeting with comments to the SHBP Division Director to consider reinsurance and setting premiums based on bands of income. Division Director Trudy Nacin acknowledged the Study Committee's concern and stated that the concerns would be considered. Chairman Rogers stated that the Study Committee would finalize recommendations and possible resolutions by the end of the 2011.

Based on Chairman Rogers comments, implementing a reinsurance provision for excessive costs and setting premiums based on income bands—much like the current Medicare income banding—will probably be included in the recommendations. GSRA is very concerned that the recommendations will also include transferring additional costs to the SHBP members by reduced benefits or decreased employer participation from 75% to a lower percentage.

GSRA members should familiarize themselves with the draining of SHBP reserves of approximately \$900 million in FY 2009 and FY 2010. The SHBP charts in this article demonstrate that the per employee cost has increased at a rate less than 4% while the members' out-of-pocket costs have increased at a much greater percentage. Members' costs have increased at a minimum of 10% each year through increased premiums and increased plan deductibles, copayments, coinsurance, and out-of-pocket annual maximums over the last two years.

## You Need You! Save the Date

### **GSRA Day at the Capitol**

Capitol Activities and Legislative Reception

January 31, 2012

Action Alerts coming soon with details about the day events, evening reception, registration, and interaction with legislators. Also, check our Facebook page for updates.

Current, active GSRA members who register/pay for the Legislative Reception by the January 24, 2012 deadline will receive a one year free extension of membership.

## **Follow Up Annual Meeting Q&A with DCH – Part I**

GSRA prepared a list of questions for DCH Commissioner Cook and staff for response at the GSRA Annual Meeting. Verbatim written responses from DCH to the first ten questions (Part I) regarding the State Health Benefit Plan are printed below. Part II, the remaining ten questions, will follow in the January newsletter.

1. What is the national cost trend for state employees' health benefits programs?

*A: National medical cost trend for all health plans is 8.5%. It is 4.1% for the State Health Benefit Plan.*

2. If I am covered under my spouse's retiree SHBP policy and she/he predeceases me, how long do I have after the death to continue my coverage? Will you notify me of the eligibility to continue?

*A: The spouse has 90 days from the date of coverage termination to request to continue coverage as a surviving spouse. If the surviving spouse receives an annuity, the spouse may continue health coverage with the cost of coverage deducted from the annuity. If the spouse will not be receiving an annuity, additional rules apply (must have been married at least one year, etc.) and the spouse has to directly pay the health plan for coverage. Once SHBP is notified of a death, a notification is sent to the surviving spouse. The spouse does not have to wait for the SHBP notification to request to continue coverage*

*(GSRA Note: A member in the Medicare Advantage Option should notify the SHBP as quickly as feasible since it is easy for a disconnect to occur with Medicare administration.)*

3. The SHBP print material cautions us about the length of time to inform the SHBP of an error in the premium deduction from our retirement checks. The deadline has been set for December 31<sup>st</sup>. Since the Employees' Retirement System no longer mails a notice of the deduction amount to the retiree and requires that we look for the information on the ERS website after the payment is issued, will you consider extending this deadline to January 31, 2012?

*A: SHBP will extend the deadline. SHBP will be sending letters to every retiree in the last half of December notifying the retiree of their new premium deduction that will come from their annuity. Please note that, with this extension, the retiree will have to pay any difference in premium if the error results in a higher premium and a refund may be requested for*

any benefits used under the wrong plan, and claims may have to be resubmitted to the correct plan.

**4. The SHBP materials include a notice that the SHBP has chosen not to comply with the Mental Health Parity Act. What mental health and substance abuse benefits do not comply with this act?**

*A: An analysis of the Mental Health Parity Act revealed SHBP already provides comprehensive coverage in compliance with Parity and that just one benefit, residential treatment for autism, currently is not covered by SHBP. The cost to comply with this requirement is estimated at \$2.5 million. Due to this cost, SHBP chose to 'opt out' for CY 2012 as allowed by the Parity Act.*

**5. Since the member's prescription drug copays were changed to exclude these costs from the member's out-of-pocket maximum under the HRA, is there a separate member out-of-pocket maximum for prescription drugs under the HRA, HMO or HDHP?**

*A: No, there is not a separate member out-of-pocket maximum for prescription drugs under the HRA and HMO plans. The HDHP does include prescription drug coinsurance as part of the out-of-pocket maximum. Members covered under the HRA plan effective January 1, 2012 will start paying coinsurance on day 1 and will no longer have to meet a deductible*

**6. I am under age 65 and I am considering enrolling in one of the Wellness Options. Explain what I will be required to do? Have doctors been notified of these requirements? Since most doctors are now charging for completing forms, will doctors waive their fee or will SHBP cover these costs? What will the SHBP do if I don't meet the guidelines? Give some examples of what it means "to attempt to meet the guidelines."**

*A: Members enrolling in a Wellness Option must complete the health assessment, available online through CIGNA and United Healthcare, and obtain a biometric screening, through their physician. This screening must include the following measurements: body mass index, blood pressure, cholesterol, and glucose. Your physician must complete the designated form, which will be available on January 1, 2012, and send it to your vendor. Georgia*

*physicians are being notified of these requirements. It is up to the physician whether a fee is charged or not. SHBP does not cover the cost of completion of forms so, if your physician charges for the form, the member will be responsible for payment. There are no other guidelines that must be met in CY2012. In 2013, SHBP will require members with measurements that are outside the national, medically established guidelines, to attempt to work toward those guidelines. SHBP is working with the vendors as to what will be accepted and will announce it during next year's Retiree Option Change Period.*

**7. If I am under age 65 and enroll in the HRA, HMO, or HDHP, is there a program like Silver Sneakers that is covered in any of these options?**

*A: No. but there are gym discounts, lifestyle and telephonic coaching where you can work on weight management and increasing physical activity. More information is available at each of the vendor's websites.*

**8. I am under age 65. Am I required to complete the questions about my spouse's coverage and tobacco use in order not to be charged these extra charges?**

*A: Yes. Surcharges are applicable to both active and retirees EXCEPT those enrolled in a Medicare Advantage PPO plan or a split plan with someone in MA.*

**9. If I will turn 65 sometime in Calendar Year 2012 and I have the HRA when I turn 65, what will happen to my unused HRA credit?**

*A: If the balance of your HRA is \$100 or greater, your vendor will set up an HRA 'standalone' account. You may use those HRA dollars toward copayments and out of pocket amounts in the Medicare Advantage PPO plans. If the balance is less than \$100, the HRA is forfeited. The vendor will not set up the standalone account until the claims run out period is over. This is usually around 6 months.*

**10. If I turn 65 during CY 2012 and the SHBP automatically moves me to the Standard Medicare Advantage PPO Option, will I start over with my out-of-pocket maximum? If so, why?**

A: As with all plan options, if a member changes plan options, deductibles and out-of-pocket amounts start over. This applies to all plan members – active and retired. This is also true when a member

changes from a commercial option to the Medicare Advantage PPO Option. These are all completely different plan options.

## Local Chapter News

### Northeast Metro

The Northeast Metro Atlanta Chapter held a meeting November 2<sup>nd</sup> in Lawrenceville. Just over 100 members were in attendance. All 15 State Representatives who represent some part of Gwinnett County were invited to attend. Seven Representatives accepted the invitation and

participated in a panel discussion. They were: Brian Thomas (D), Donna Sheldon (R), Brett Harrell (R), Len Walker (R), Pam Dickerson (D), Valerie Clark (R), and Buzz Brockway (R).



**Representatives Brian Thomas, Donna Sheldon and Brett Harrell**

Each Representative was asked to give a brief overview of their priorities for the upcoming session. Next, the panel moderator, Holly Pounders asked the representatives a series of questions covering topics our members were especially interested in, including: support for additional increased funding of the Retirement Systems, Consumption tax, equal treatment of all retirees concerning COLA's, and alternative investments of pension funds. The



**Representatives Len Walker, Pam Dickerson, Valerie Clark and Buzz Brockway**

Representatives offered a variety of opinions on each subject.

After the panel discussion, Ernie Melton presented the new Advocacy Software Alert System and provided a Power Point presentation to familiarize the members with how it will work. Following that, a business meeting was held and officers were elected for 2012. They are: President, Ernie Melton, Vice President, Mike Murdock, Secretary, Holly Pounders, and Treasurer, Darrell Thompson. The Membership Director is currently vacant.

### Southern Crescent

The Southern Crescent local chapter held a meeting November 30 in Fayetteville with 25 members in attendance and Claude Vickers as the speaker.

President Mary Ann Schaapman also reviewed with members the state issues discussed at the last GSRA Board Meeting and welcomed five new members. The next meeting is scheduled for April 25, 2012.

### GSRA New Members in October

Name	County	Name	County	Name	County
Amy Addison	Polk	Odis Griffin	Wayne	Dennis Richardson	Lumpkin
Kathy Albritton	Harris	Nancy Hall	Fulton	Donald Richardson	Henry
Deborah Ammons	Appling	Dot Harrell	Appling	Jean Richardson	Lumpkin
Sharon Angel	Henry	Marynell Harrell	Emanuel	Beverly Robertson	Coffee
John Ayers	Elbert	John Harris	Wayne	Grace Rollolazo	Fulton
Gerald Bailey	Gwinnett	Charlotte Hayes	Hall	Judith Salmon	Oconee
Verona Barnes	Paulding	Tom Hodgson	Effingham	Louis Schweizer	Rabun
Clarke Bell	Laurens	Mary Hopkins	Thomas	Alice Shavers	Spalding
Jerry Bennett	Walton	Sherry Huff	Coffee	Christine Shaw	Muscogee
Jeff Binion	Coweta	Castell Jackson	Dekalb	Frank Shaw	Muscogee
Cindy Bishop	Rockdale	Boyd James	Douglas	John Sides	Coweta
Emily Bowman	Coffee	Edward Johnson	Cherokee	Joseph Siman	Toombs
Barbara Burnham	Dekalb	Lillian Jones	Laurens	Sue Stephenson	Clarke
Larry Chastain	Barrow	Pamela King	Henry	Sarah Stewart	Walton
David Cochran	Forsyth	Joy Kniskern	Dekalb	Charles Storm	Fulton
Stephen Corn	Clarke	John Knox	Pierce	Marihope Troutman	Coweta
Carolyn Cox	Harris	Charles Lorenz	Chatham	Harold Turner	Bibb
Jamie Crisp	Pierce	Joyce Lorenz	Chatham	Christine Vickery	Elbert
Karen Crowe	Fayette	Sherry Lyle	Coweta	Paul Vickery, Jr	Elbert
James Eason	Clayton	William McDaniel	Harris	Andrew Victrum	Fayette
Joseph Fletcher	Tift	Elizabeth McEuen	Ware	Leo Virgil, Sr.	Thomas
William Fletcher	Coffee	Donna McIntyre	Bulloch	Jacqueline Watson	Baldwin
Joyce Fowler	Chatham	Curt Mitchell	Gwinnett	Clarence Weatherby	Fayette
Ronald Frazier	(Alabama)	Paul Musgrove	Coffee	William Whiddon, Jr	Coffee
Vickie Frazier	(Alabama)	Martha Newsome	Coweta	Gregory Whitley	Coffee
Thomas Fricks	Habersham	Patsy Patrick	Hall	Patricia Whitley	Coffee
Angela Garcia	Fulton	Connie Posey	Coweta	James Wynn	Appling
Willie Gillis	Atkinson	Judith Railey	Meriwether	Ed Yawn	Henry
James Griffin	Coffee	Jo Reed	Coffee		

#### Piedmont Hospital/Humana Medicare Advantage Plan Question

A question was raised at the Southern Crescent local chapter meeting concerning recent announcements by Piedmont Hospital that they were initiating a Medicare Advantage Plan with Humana, asking if you weren't a member of that plan would you be treated as "Out of Network", a more costly proposition. According to DCH, this is not the case for either United Healthcare MA PPO or Humana MA PPO. United MA PPO has confirmed that there is no impact to UHC MA members, who will continue to pay the same copay/coinsurance as if Piedmont were participating.

**Georgia State Retirees Association**

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## Member Spotlight



This month's Member Spotlight is on Kaye Carter. Kaye, who just completed a two year term as GSRA Treasurer, started her state career in 1982 as a Budget Analyst with the Legislative Budget Office. After three years, she moved to the Georgia Court of Appeals as the Financial Director. Then, in 1999, Kaye moved to the Governor's Office of Planning and Budget as the Division Director of Administration and retired from there in 2006. Kaye was an active member of the Fiscal Management Council during her whole career, holding various offices in the Council over the years. Appointed as the Governor's designee to the Board of the Georgia Peace Officers Annuity and Benefit Fund in 2002, Kaye continues to serve in that position. She joined the Georgia State Retirees' Association when it was founded and has played an active role in the organization.

*Q - What was your first job in State Government? Why did you want to work in public service/state government?*

**A - Budget Analyst in the Legislative Budget Office**

*Q - Did you have a role model or mentor in your career?*

**A - My first boss was Pete Hackney and I was awed at how smart he was.**

*Q - What's the biggest lesson you learned in your public service career?*

**A - That red tape and government bureaucracy is a real deterrent to efficiency**

*Q - If you could turn the clock back on one aspect of technology-examples being email, automated phone systems, cell phones, PDAs, etc.- what would you most like to see go away?*

**A - Definitely, automated phone systems. It seems the choice I need is always "other"**

*Q - Best thing about your public service career?*

**A - The people I worked with over the years.**

*Q - Worst thing about your public service career?*

**A - The long hours I worked stole precious time when my child was small.**

*Q - What do you think is the biggest change in state government we will see in the next 10 years?*

**A - That communication with the public will become so web-based they will almost forget there are state employees working on their behalf.**

*Q - What did you do in your first year of retirement?*

**A - Traveled and cared for ill relatives.**

*Q - Favorite hobbies or activity in retirement?*

**A - Visiting my vacation home in the mountains.**

*Q - What was the last book you read? Do you have things you read daily or regularly? If yes, what do you read regularly?*

**A - Tuesdays With Morrie**

**I don't get a chance to read daily or regularly.**

### Does GSRA Have Your Correct Contact Information?

Please be sure to update your **email address** with GSRA when it changes. Simply log in to [www.mygsra.com](http://www.mygsra.com) using your old email address and password; select "Our Members" and "My Profile", and then change your information using the "edit" feature.

If your **mailing address** changes, and you do not use a computer, please notify us of your new address by sending a card or letter to the address at the bottom of this page.