

Commonwealth of Virginia

Health Benefits Overview

State and Local Health Plans

Department of Human Resource Management

Joint Legislative Subcommittee
Statewide Health Insurance Experience Pool
September 5, 2007

Health Insurance Basics

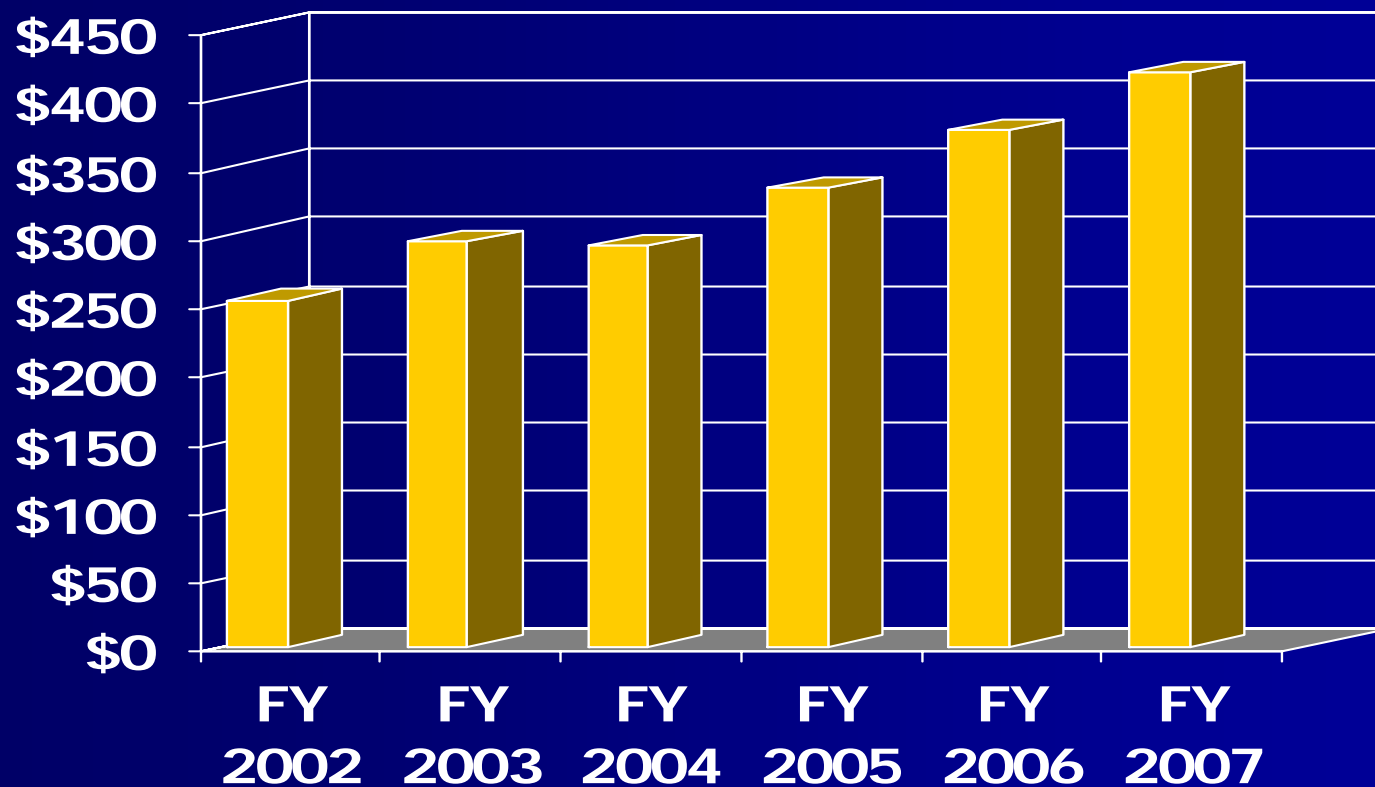
- Insured versus self-funded plans
- What drives premiums
- Underwriting
- Pooling
- Impact of adverse selection on pools

State Health Plan - History

- Began in the early 1970s
- Evolved to two self-funded plans in the 1990s
- Two plans merged to form COVA Care in FY2004
- COVA HDHP plan in FY2007
- Regional fully-insured Kaiser HMO
- 94,000+ state and early retirees enrolled

State Premiums

Single Rate Up 67% Since 2002



Monthly rate for single coverage

State Premiums

- **4.5% increase in FY 2008**
- **Single digit increase projected for FY 2009**

The Local Choice - History

- Established 1990 by General Assembly
- Self-funded with a fully insured regional HMO option
- Exclusively for schools and political subdivisions
- Managed by DHRM
- Self-funded plans administered by program specialists
- Funded entirely through group premiums

Plan Choices

- **Active employees and early retirees**
 - Key Advantage Expanded
 - Key Advantage 200
 - Key Advantage 300
 - Key Advantage 500
 - TLC HDHP (High Deductible Health Plan)
 - Fully insured regional Kaiser HMO
- **Optional Medicare supplemental plan**

TLC Enrollment

- **238 school and local government groups**
- **25,000+ employees**
- **43,000+ members**

Group Size - Up to 3,000 Employees

- **55% - under 50 employees**
- **36% - 50 to 299 employees**
- **9% - 300+ employees**
- **\$125 million+ claims and admin
in FY 2006**

TLC Groups by Type

- 4 - schools as part of local government group
- 25 - independent school groups
- 119 - local government groups
- 8 - Community Service Boards
- 82 - other (commissions, authorities, regional jails, etc.)

TLC Rating Pools

- Drug, behavioral health, dental and Medicare experience (40% of claims) pooled across all TLC groups
- Medical experience (60% of claims) pooled based on group size
- Demographic adjustment for smaller groups

TLC Rating Pools

- **1 – 49 employees**
 - Community rated within 1-49 pool
 - Demographic adjustment
 - 135 groups, 2,600 members
- **50 – 299 employees**
 - Partially experience rated – sliding scale based on group size
 - Balance of rate based on 50-299 pool experience
 - 83 groups, 10,800 members

TLC Rating Pools

- **300+ employees**
 - Fully experience rated
 - 18 groups, 11,400+ members
- **1500+ employees**
 - Fully experience rated, cost plus basis
 - New groups only

Underwriting and Eligibility Requirements

- Created by or under an Act of General Assembly
- No minimum participation required
- Minimum employer contribution
 - 80% for full-time employees
 - 40% for part-time employees
 - No contribution required for retirees
- Employers may fund from average plan cost

TLC Advantages

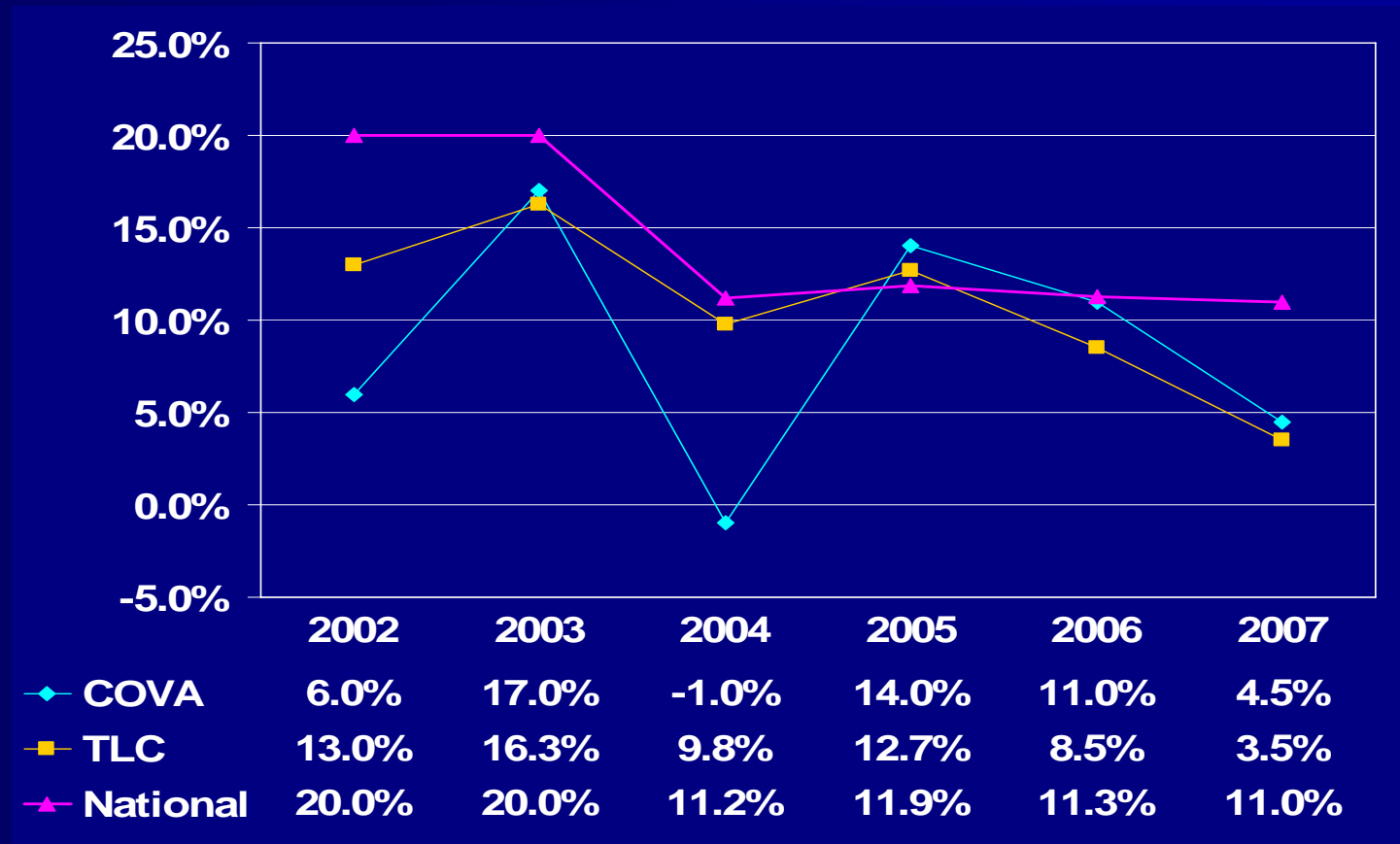
- Procurement savings
- Multiple plan choices
- Shared risk multiple employer pooling
- Drug, behavioral, dental and Medicare component pooling
- Specific stop-loss protection
- Adverse Experience Adjustment (AEA) protection

TLC Advantages +

- **Disease management, EAP and CommonHealth wellness program**
- **Large provider network with substantial network discounts**
- **Low administrative costs**
- **Stable composition**
 - 100+ original group members
 - 98%+ persistency
- **Access to DHRM benefits expertise**

TLC Advantages ++

■ Competitive premiums



Source for projected 2007 national PPO increase: Milliman 2006 Group Health Insurance Survey

2007 Average TLC Premiums

TLC Plan	Monthly Premium	#Groups Offering
Key Advantage Expanded	\$475	176
Key Advantage 200	\$458	74
Key Advantage 300	\$446	41
Key Advantage 500	\$406	23
TLC HDHP (High Deductible)	\$343	4