

This message presents the State Health Plan (Plan) budget requirements for fiscal 2016-2017.

Maintain 2016 Plan of Benefits

It is now estimated that the Plan will require a 0.6% rate increase effective January 1, 2017 to maintain the 2016 level of benefits. With annualization of the 4.5% increase in the employer contribution effective January 1, 2016 and projected net growth in the number of funded retirees, the sum of all elements in State-appropriated funds are as follows:

Annualization of 2016 increase = \$17.733 M

Retiree Enrollment Growth = \$4.418 M

2017 increase @ 0.6% = \$2.491 M with associated monthly EE increase = \$0.92

Total State-Appropriated Funds \$24.642 M

Alternatively, if the employer is to absorb the entire amount without a member contribution increase, the 2017 amount moves to \$3.246 M and the total in State-appropriated funds will equal \$25.397 M.

Permissible plan design actions to remain grandfathered

The Plan remains a grandfathered plan under the Affordable Care Act (ACA) for 2016. Although options are limited if grandfathered status is retained, it is expected that any or all of the 2017 estimated rate increase could be obtained through plan design actions with grandfathered status maintained, assuming continuation of the 2.5% growth rate in the Medical Care CPI during 2015 and at least 2.0% Medical Care inflation in 2016. (See permitted GF plan design actions at the end of this message)

Addition of ACA-mandated benefits

It is estimated that the addition of ACA-mandated benefits that will not be provided in the Plan in 2016 will add another 2.6% in expense, bringing the total rate increase requirements to 3.2% for 2017. This would bring the State-appropriated amounts to the following:

Annualization of 2016 increase = \$17.733 M

Retiree Enrollment Growth = \$4.418 M

2017 increase @ 3.2% = \$13.287 M with associated monthly EE increase = \$4.94

Total State-Appropriated Funds \$35.438 M

Alternatively, if the employer is to absorb the entire amount without a member contribution increase, the 2017 amount moves to \$17.311 M and the total in State-appropriated funds will equal \$39.462 M.

Dental

The State Dental Plan last received an increase in employer contribution rates in 1997. While dental allowances have increased relatively little over the history of this program, the growing popularity of the employee-pay-all Dental Plus product, which coordinates with the base Dental Plan, has led to additional service volume in the base program. There are now over 226,000 participants in Dental Plus, almost half of the State Dental Plan membership. The cost resulting from the additional service volume has brought about deterioration of the base Dental Plan's fiscal condition, where its cash balance is now barely positive. It is proposed that the State fund a 15% increase in the Dental Plan's employer contribution, from \$11.72/month to \$13.48/month in order to bring the program's fiscal situation in accord with statutory requirements as well as sound business practices. State-appropriated funds necessary for the Dental rate increase equal \$1.511 M for the January-June 2017 period.

I hope this information is helpful, and please do not hesitate to call if you have questions about any of these items.

Permissible Plan Design Actions to remain grandfathered under the ACA

This assumes a continuation of the current 2.5% increase Medical Care CPI ongoing in 2015 and at least a 2.0% increase in Medical Care inflation in 2016.

- Annual Deductible from \$445 to \$465
- Annual Coinsurance Maximum from \$2540 to \$2650
- Outpatient Hospital per Occurrence Deductible from \$95 to \$100
- Emergency Room per Occurrence Deductible from \$159 to \$165
- Office Visit per Occurrence Deductible from \$12 to \$13
- Prescription Drug Copays from \$9/\$38/\$63 to \$9/\$40/\$66

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