



**PEBA**<sup>SM</sup>  
SC Retirement Systems  
and State Health Plan

Serving those who serve South Carolina

# Fiscal year 2021 budget request

House Ways & Means  
Healthcare Subcommittee

January 14, 2020

# Preliminary State Health Plan budget requirements for FY21

Base requirements	State \$ (M)
2021 employer only rate increase	\$25.328
Projected retiree enrollment growth for FY 2020	\$4.647
<b>Total base requirements</b>	<b>\$29.975</b>

# Preliminary State Health Plan budget requirements for FY 2021

	Percent	EE only	ER and EE share proportionally		ER only
		EE+ per month	State \$ (M) <sup>1</sup>	EE+ per month	Without EE increase
<b>Current plan</b>	3.9%	\$28.28	\$24.612	\$6.00	\$29.975
<b>Current plan with expanded well visit</b> (annually with no patient liability)	5.25%	\$38.08	\$31.523	\$8.08	\$38.742
<b>Current plan with expanded well visit</b> (current age frequency schedule with no patient liability)	4.9%	\$35.54	\$29.732	\$7.54	\$36.469
<b>Current plan with expanded well visit</b> (annually with patient liability)	4.25%	\$30.82	\$26.404	\$6.54	\$32.248

<sup>1</sup>State \$ includes amounts for 2021 rate increase for January to June 2021 and estimated retiree enrollment growth (\$4.647 million).

# Historical State Health Plan increases and funding

	Employee increase	Employer increase	State \$ (M) <sup>1</sup>	Plan design changes
2011	0.0%	10.3%	\$48.060	
2012	4.5%	4.5%	\$63.601	
2013	0.0%	6.37%	\$51.528	
2014	0.0%	6.8%	\$54.0	Increased deductible and coinsurance maximum
2015	0.0%	3.9%	\$57.174	Increased deductible and coinsurance maximum
2016	0.0%	4.5%	\$35.70	
2017	0.0%	0.8%	\$25.727	
2018	0.0%	3.3%	\$25.456	
2019	0.0%	7.4%	\$56.4	Added adult well visit coverage; increased deductible and coinsurance maximum
2020	0.0%	0.0%	\$49.708	
<b>Total</b>			<b>\$467.354</b>	

<sup>1</sup>State \$ includes amounts for rate increase for January-June of the following year, annualization of rate increase for July-December of the current year and estimated retiree enrollment growth.

# State Health Plan highlights

# State Health Plan enrollment as of January 2020

Participants		
Subscribers		291,024
Actives	196,857	
Retirees	90,803	
Others	3,364	
Spouses		85,645
Children		138,049
<b>Total covered lives</b>		<b>514,718</b>

**Total employer groups: 764**

Active subscribers	
State agencies	35,451
Higher education	26,498
School districts	86,457
Local subdivisions	36,034
Other	12,417
<b>Total employees</b>	<b>196,857</b>

Retirees	
Medicare	71,171
Non-Medicare	19,632
<b>Total retirees</b>	<b>90,803</b>

Numbers represent enrollment in the State Health Plan, the MUSC Health Plan and TRICARE Supplement Plan.

# State Health Plan versus national trends

Target is to maintain net expenditure growth at least two points below benchmark.

	Benchmark	State Health Plan
2015	7.2%	7.9%
2016	6.9%	0.2%
2017	6.6%	2.4%
2018	6.6%	3.4%
2019	6.6%	2.3% <sup>1</sup>
5-year average (2015-2019)	6.8%	3.2%

The benchmark is a blended number derived from annual health care cost trend surveys produced by national consulting firms including Aon, Buck, PriceWaterhouseCoopers and Segal.

<sup>1</sup>Incurred in nine months; paid in nine months.

# 2019 Average monthly total premiums<sup>1</sup>

	Single	Family
State Health Plan	\$500	\$1,305
Large public and private sector employers <sup>2</sup>	\$640	\$1,807
Public and private sector in South <sup>3</sup>	\$620	\$1,758
Public employers	\$711	\$1,880
Private – manufacturing	\$592	\$1,725
Private – financial services	\$651	\$1,884

<sup>1</sup>Average monthly total premiums in PPO (Preferred Provider Organization) plans

<sup>2</sup>Large public and private sector employers: ≥ 200 employees in public and private sectors

<sup>3</sup>Public and private sector employers in South includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the *Kaiser Family Foundation Employer Health Benefits 2019 Annual Survey*



# 2019 Average annual deductible<sup>1</sup>

	Amount
State Health Plan	\$490
Large public and private sector employers <sup>2</sup>	\$986
All employers	\$1,206

<sup>1</sup>Average annual deductible in PPO (Preferred Provider Organization) plans

<sup>2</sup>Large public and private sector employers: ≥ 200 employees in public and private sectors

Data from the *Kaiser Family Foundation Employer Health Benefits 2019 Annual Survey*

# 2019 Average annual gross plan cost per active employee<sup>1</sup>

	Amount <sup>2</sup>
State Health Plan	\$10,528
Public employers	\$12,387
Private – manufacturing	\$13,751
Private – financial services	\$13,607
All employers	\$12,486
Employers – 500+	\$13,178
Employers – 20k+	\$12,245
South <sup>3</sup>	\$11,257

<sup>1</sup>Average cost in PPO (Preferred Provider Organization) and POS (Point of Service) plans

<sup>2</sup>Average annual gross plan cost per employee (medical and pharmacy only for active employees and their dependents) = (Claims cost for employee and dependents + administrative costs + employee contributions)/number of active employees

<sup>3</sup>South includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the 2018 Mercer National Survey of Employer-Sponsored Health Plans

# 2020 Composite monthly premiums<sup>1</sup>

	Employer	Employee	Total
State Health Plan	\$573.36	\$159.64	\$733.00
South <sup>2</sup>	\$757.86	\$185.70	\$943.56
United States	\$931.91	\$164.18	\$1,096.08

Survey uses most prevalent plan among state employee options for analysis.

<sup>1</sup>Composite monthly premiums: Weighted average of all PEBA health subscribers enrolled in each coverage level

<sup>2</sup>South includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the 2020 *PEBA 50-State Survey of State Employee Health Plans*

# Operating budget

# FY 2021 budget request

	FY20 approved	FY21 budget request
<b>I. Administration</b>		
Personal Services	\$295,582	\$295,582
Other Operating (New IT System Project)	\$10,000,000	\$10,000,000
<b>Administration Total</b>	<b>\$10,295,582</b>	<b>\$10,295,582</b>
<b>II. A. Employee Insurance Program</b>		
Personal Services	\$7,044,995	\$7,044,995
Adoption Assistance <sup>1</sup>	\$300,000	\$300,000
Other Operating	\$3,945,263	\$3,945,263
<b>Employee Insurance Program Total</b>	<b>\$11,290,258</b>	<b>\$11,290,258</b>
<b>II. B. Retirement Systems</b>		
Personal Services	\$9,218,212	\$9,218,212
Other Operating	\$5,003,246	\$5,003,246
<b>Retirement Systems Total</b>	<b>\$14,221,458</b>	<b>\$14,221,458</b>
<b>Operating IT Systems Total</b>	<b>-</b>	<b>-</b>
<b>III. Statewide Employer Contributions<sup>2</sup></b>	<b>\$112,368,739</b>	<b>\$112,266,880</b>
<b>IV. Employee Benefits</b>		
Employer Contributions	\$6,222,793	\$6,222,793
<b>Employer Contributions Total</b>	<b>\$6,222,793</b>	<b>\$6,222,793</b>
<b>GRAND TOTAL</b>	<b>\$154,398,830</b>	<b>\$154,296,971</b>

<sup>1</sup>Adoption Assistance is funded from the State Health Plan. Requests for reimbursement are expected to be more than \$300,000.

<sup>2</sup>Detail available on Slide 15.

# Authorized operating budget trends

	Authorized budget						FY 2021 request
Trust Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Personal services	\$14,593,889	\$14,593,889	\$15,403,176	\$16,221,729	\$16,558,789	\$16,558,789	\$16,558,789
Other operating	\$12,663,734	\$12,663,734	\$11,049,436	\$9,704,626	\$8,948,509	\$8,948,509	\$8,948,509
Adoption assistance	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Employer contributions	\$4,472,468	\$4,472,468	\$5,277,479	\$5,803,736	\$6,222,793	\$6,222,793	\$6,222,793
New IT system project	-	-	-	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
<b>Total Trust Funds</b>	<b>\$32,030,091</b>	<b>\$32,030,091</b>	<b>\$32,030,091</b>	<b>\$42,030,091</b>	<b>\$42,030,091</b>	<b>\$42,030,091</b>	<b>\$42,030,091</b>
General Funds <sup>1</sup>	-	\$8,271,510	\$7,495,020	\$125,737,331	\$109,468,739	\$112,368,739	\$112,266,880
<b>Total</b>	<b>\$32,030,091</b>	<b>\$40,301,601</b>	<b>\$39,525,111</b>	<b>\$167,767,422</b>	<b>\$151,498,830</b>	<b>\$154,398,830</b>	<b>\$154,296,971</b>

<sup>1</sup>Details available on Slide 15.

# FY 2021 statewide employer contributions

	FY20 authorized	FY21 budget request
<b>III. Statewide Employer Contributions</b>		
Ret Suppl-State Employee	\$233,258	\$233,258
Ret-Suppl-Public School Employee	\$199,855	\$199,855
Ret-Police Insur & Annuity Fund	\$960	\$960
Ret Suppl-Police Officer	\$17,506	\$17,506
Pension Ret-National Guard <sup>1</sup>	\$5,289,727	\$5,187,868
OPEB Trust Fund Pymt	\$2,375,300	\$2,375,300
<b>Subtotal</b>	<b>\$8,116,606</b>	<b>\$8,014,747</b>
SCRS Trust Fund	\$88,230,143	\$88,230,143
PORS Trust Fund	\$13,121,990	\$13,121,990
JSRS Trust Fund	\$2,900,000	\$2,900,000
<b>Subtotal</b>	<b>\$104,252,133</b>	<b>\$104,252,133</b>
<b>Total pass through funds</b>	<b>\$112,368,739</b>	<b>\$112,266,880</b>

<sup>1</sup>The amount requested for fiscal year 2021 was determined by the annual valuations.

# Provisos

Fiscal year 2020



## Proviso 106.1

(SEB: SCRS & PORS Allocation) The funds appropriated in the current fiscal year for SCRS Employer Contributions and PORS Employer Contributions shall be allocated to state agencies and school districts by the Department of Administration, Executive Budget Office for SCRS and PORS rate increases.

## Proviso 108.1

(PEBA: Lottery, Infrastructure Bank, and Magistrates Health Insurance) South Carolina Lottery Commissioners and South Carolina Transportation Infrastructure Bank Board members and their eligible dependents are eligible to participate in the State Health and Dental Insurance Plan, upon paying the full premium costs as determined by the Public Employee Benefit Authority. If a county is participating in the State Health and Dental Insurance Plan, magistrates and their eligible dependents are eligible to participate in the State Health and Dental Insurance Plan, upon the magistrate paying the full premium costs as determined by the Public Employee Benefit Authority.

## Proviso 108.2

(PEBA: Adoption Assistance Program) The Employee Adoption Assistance Program is established to provide grants to eligible employees to assist them with the direct costs of adoption. The program shall be an employee benefit through the Public Employee Benefit Authority (PEBA) and shall be funded from the appropriation for the State Health Plan as provided in this act. Total funding for the Adoption Program shall not exceed the amount authorized by the General Assembly in the annual appropriations act. Employees are eligible for the Adoption Program if they participate in PEBA insurance benefits, have adopted a child during the prior fiscal year, apply for the grant during the annual application period, and meet any other Adoption Program criteria. The application period shall be July first through September thirtieth of the current fiscal year for an adoption in the prior fiscal year. The maximum grant amounts shall be \$10,000 in the case of the adoption of a special needs child and \$5,000 for all other child adoptions. Should the total amount needed to fund grants at the maximum level exceed the amount authorized, the amount of a grant to an eligible employee shall be determined by dividing the authorized amount evenly among qualified program applicants, with the adoption of a special needs child qualifying for two times the benefit of a non-special needs child.

## Proviso 108.3

(PEBA: Health Plan Tobacco User Differential) For health plans adopted under the authority of Section 1-11-710 of the 1976 Code by the Public Employee Benefit Authority during the current fiscal year, the board is authorized to differentiate between tobacco or **e-cigarette** users and nonusers regarding rates charged to enrollees in its health plans by imposing a surcharge on enrollee rates based upon tobacco or **e-cigarette** use. The surcharge for tobacco or **e-cigarette** use may not exceed \$40 per month per subscriber or \$60 per month per subscriber and dependent(s).

## Proviso 108.4

(PEBA: Funding Abortions Prohibited) No funds appropriated for employer contributions to the State Health Insurance Plan may be expended to reimburse the expenses of an abortion, except in cases of rape, incest or where the mother's medical condition is one which, on the basis of the physician's good faith judgment, so complicates the pregnancy as to necessitate an immediate abortion to avert the risk of her death or for which a delay will create serious risk of substantial and irreversible impairment of major bodily function, and the State Health Plan may not offer coverage for abortion services, including ancillary services provided contemporaneously with abortion services. The Public Employee Benefit Authority must determine the amount of the total premium paid for health coverage necessary to cover the risks associated with reimbursing participants in the plan for obtaining an abortion in the circumstances covered by this provision. The determination must be based on actuarial data and empirical study in the same manner and by the same method that other risks are adjusted for in similar circumstances. The plan must report this determination annually to the respective Chairmen of the Senate Finance Committee and the House Ways and Means Committee.

## Proviso 108.5

(PEBA: TRICARE Supplement Policy) The Public Employee Benefit Authority (PEBA) shall offer a group TRICARE Supplement policy or policies to its TRICARE-eligible subscribers through its flexible benefits program to provide that subscribers may pay premiums for such policies on a pretax basis, in accordance with federal law and regulations. PEBA may charge TRICARE Supplement subscribers an amount not to exceed \$2 per subscriber per month for any associated administrative costs.

## Proviso 108.6

(PEBA: State Health Plan) Of the funds authorized for the State Health Plan pursuant to Section 1-11-710(A)(2) of the 1976 Code, employer and subscriber premiums for Plan Year 2020 shall remain the same as in Plan Year 2019. Copayments for participants of the State Health Plan shall remain the same in Plan Year 2020 as in Plan Year 2019. Notwithstanding the foregoing, pursuant to Section 1-11-710(A)(3), the Public Employee Benefit Authority may adjust the plan, benefits, or contributions of the State Health Plan during Plan Year 2020 to ensure the fiscal stability of the Plan.

**This proviso needs to conform to dollars and be updated for FY 2021.**

## Proviso 108.7

(PEBA: Exempt National Guard Pension Fund) In the calculation of any across-the-board cut mandated by the Executive Budget Office or General Assembly, the amount of the appropriation for the National Guard Pension Fund shall be excluded.



## Proviso 108.8

(PEBA: Inactive SCRS Account Transfer) A current employee or teacher who is an active participant in the State Optional Retirement Program but who has an inactive account in the South Carolina Retirement Program due to previous service in that system, shall be allowed to transfer previous contributions to the employee's or teacher's active State Optional Retirement Program account.

## Proviso 108.9

(PEBA: Network Pharmacy Publications) All pharmacy publications or lists must include independent retail pharmacies. Abridged pharmacy lists are prohibited.

## Proviso 108.10

(PEBA: Covered Contraceptives) For the Plan year beginning in January of the current fiscal year, the State Health Plan shall not apply patient cost sharing provisions to covered contraceptives. This provision does not alter the current approved list of contraceptives and complies with the requirements of Proviso 108.4.

## Proviso 108.11

(PEBA: Former Spouses on the State Health Plan) For the Plan Year beginning in January of the current fiscal year, the State Health Plan shall cover a subscriber's former spouse, who is eligible to be covered pursuant to a court order, on the former spouse's own individual policy and at the full amount of the premium for the coverage elected, with such rates, billing, and other administrative policies to be determined by the Public Employee Benefit Authority. The former spouses may only elect such health, dental, and vision coverage as required by the court order. The former spouse's individual coverage may continue under the State Health Plan as long as authorized under the court order and the subscriber remains a participant in the State Health Plan. This proviso does not affect a subscriber's ability to cover a current spouse on an employee/retiree and spouse or full family policy when the subscriber's former spouse is covered on a separate policy.

# Proviso 117.131

(SCRS & PORS Trust Fund) Unless otherwise provided in Paragraphs A through D of this provision, the funds appropriated to the Public Employee Benefit Authority (PEBA) for the South Carolina Retirement System Trust Fund and the Police Officers' Retirement System Trust Fund in Part IA, Section 108 of this act shall be credited toward the contributions due from participating employers in SCRS and PORS for Fiscal Year 2019-20. Each employer's credit shall be determined at the same rate as calculated by PEBA for the pension funding allocation credit for Fiscal Year 2017-18. A participating employer shall not receive a credit that exceeds the employer contributions due from the employer.

(A) From the funds available for allocation pursuant to this provision, no credits shall be issued for covered employees of special purpose districts, joint authorities, or non-profit corporations; however, this provision does not apply to the South Carolina State Ports Authority and the South Carolina Public Service Authority.

(B) From the funds available for allocation pursuant to this provision, no credits shall be issued for covered employees of hospitals; however this provision does not apply to the Medical University Hospital Authority.

(C) From the funds available for allocation pursuant to this provision, no credits shall be issued for covered employees of participating associations or service organizations as defined in Section 9-1-10(11)(e) of the 1976 Code.

(D) From the funds available for allocation pursuant to this provision, no credits shall be issued for state employees who are funded with federal funds. The Public Employee Benefits Authority shall collaborate with the Department of Administration, Executive Budget Office and the Revenue and Fiscal Affairs Office to determine the amount of credit exclusion for federally-funded employees of state agencies.

**This proviso needs to conform to dollars and be updated for FY 2021.**

## Proviso 117.132

(Retirement System Assets and Custodial Banking Relationship Transfer) In order to facilitate the transfer of custodianship of the assets of the Retirement System to the Public Employee Benefit Authority and governance of the custodial banking relationship to the Retirement System Investment Commission, all portions of contracts, agreements, and exemptions from the Consolidated Procurement Code providing for and relating to custodial banking, general banking, accounting, or any other ancillary services are transferred to, and devolved upon, the Public Employee Benefit Authority and the Retirement System Investment Commission in accordance with the authority transferred to the respective agency.

## 117.145

(School Resource Officer Critical Needs) Any Class 1 law enforcement officer who retired under the Police Officers Retirement System on or before December 31, 2017, may return to employment with a public school district as a critical needs School Resource Officer without affecting the monthly retirement allowance that they are receiving from the Police Officers Retirement System. The Law Enforcement Training Council must develop guidelines and curriculum for these officers to be recertified and must not require recertification through basic training for those that have been inactive for a year or more.

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