

MEMO TO: Joint Appropriations Committee Chairs & Members

FROM: Laurie R. Gill, Commissioner
Bureau of Human Resources

Date: February 25, 2014

RE: Joint Appropriations Committee February 18 Follow-up Items

I appreciate the opportunity to answer questions and provide information at the request of the members of the Joint Committee on Appropriations from the February 18, 2014 presentation.

1. At Representative Hawley 's and Senator Peters' request, we are providing the IBNR (Incurred But Not Reported) numbers for the state employee health insurance plan. Those numbers are as follows:

FY13 - \$15,952,000
FY14 - \$17,123,000
FY15 - \$17,304,000

2. Representative Hawley asked for information concerning capping the out of pocket expense for a family rather than requiring each member of a family to meet the established out of pocket expense. In the past, the State has not had a family out of pocket maximum for medical costs. However, the Affordable Care Act (ACA) requires a family out of pocket maximum, so at a minimum, the State must cap a family's out of pocket maximums at \$12,700 for all in network pharmacy and medical costs combined on July 1, 2014. Therefore, our actuaries at Aon Hewitt have worked that requirement into our plan as a 2.5 times the individual out of pocket and there will be no additional cost to our plan to implement for July 1, 2014.
3. At Senator Tidemann's request, we have presented scenarios of the potential financial impact of health plan changes on employees.

Scenario #1 – A Conservation Officer makes \$20.37 per hour, the job worth of Pay Grade N15. This employee is single and in the \$500 deductible plan. The employee uses a generic maintenance drug. New costs include \$250 increase in deductible and \$64 increase in pharmacy for a total benefits cost of \$314.

| Annual Salary | 3% Across the Board | Movement to Job Worth | Total Proposed Inc | Proposed % Inc | Total Benefits Costs | Total Proposed Inc – Total Benefits Costs | Adjusted Proposed % Pay Increase |
|---------------|---------------------|-----------------------|--------------------|----------------|----------------------|---|----------------------------------|
| \$42,370 | \$1,271 | \$0 | \$1,271 | 3.0% | \$314 | \$957 | 2.26% |

Scenario #2 – An HR Generalist makes \$42,540 annually, a Pay Grade N15. This employee has three dependent children on the \$500 deductible plan. The employee is diabetic and uses five medications found in the tier 1 and tier 2 groups. In the event that one member of this family would experience a health issue or injury, the family would also see an additional expense due to the increase in the out of pocket maximum of \$750. New costs include \$625 increase in deductible, \$750 increase for out of pocket maximum and \$200 increase in pharmacy for a total benefits cost of \$1,575.

| Annual Salary | 3% Across the Board | Movement to Job Worth | Total Proposed Inc | Proposed % Inc | Total Benefits Costs | Total Proposed Inc – Total Benefits Costs | Adjusted Proposed % Pay Increase |
|---------------|---------------------|-----------------------|--------------------|----------------|----------------------|---|----------------------------------|
| \$42,540 | \$1,071 | - | \$1,071 | 3.0% | \$1,575 | -\$504 | -1.2% |

Scenario #3 – A Medication Aide makes \$13.23 per hour, job worth of Pay Grade N10. This employee is on the \$500 deductible plan and has no dependents. The employee takes medication for high blood pressure and heart issues. New costs include \$250 increase in deductible and \$450 increase in pharmacy for a total benefits cost of \$700.

| Annual Salary | 3% Across the Board | Movement to Job Worth | Total Proposed Inc | Proposed % Inc | Total Benefits Costs | Total Proposed Inc – Total Benefits Costs | Adjusted Proposed % Pay Increase |
|---------------|---------------------|-----------------------|--------------------|----------------|----------------------|---|----------------------------------|
| \$27,518 | \$792 | - | \$792 | 3.0% | \$700 | \$92 | 0.3% |