

01/30/14

**PRESENTATION:
INDIANA'S
EXPERIENCE
WITH CONSUMER
DRIVEN HEALTH
PLANS**

<TARGET><BILL></BILL><SUBJECT>01-30-14 PRESENTATION
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PLANS</SUBJECT><COMM>SSTA28</COMM></TARGET>

Invest In Your Health

Indiana's Experience with Consumer Driven Health Plans

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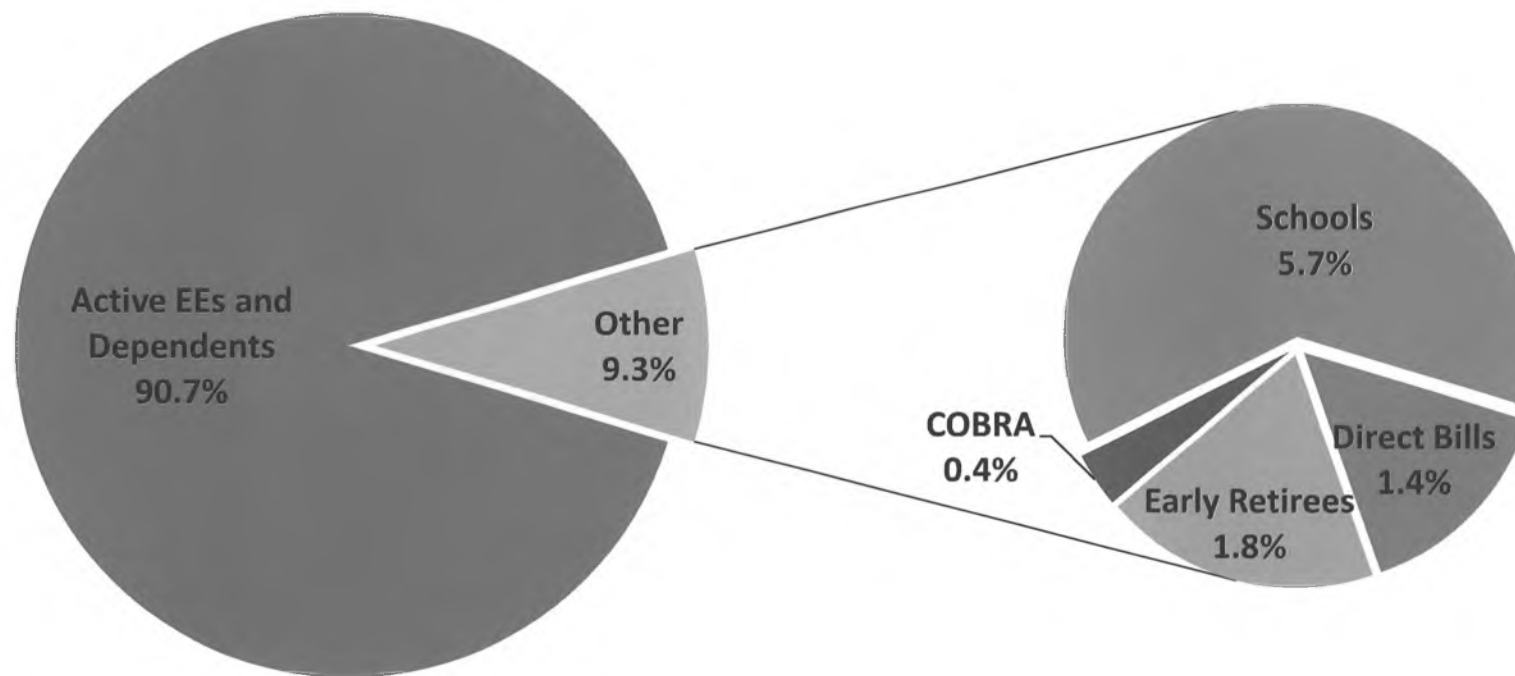
January 30th , 2014



Profile of the State of Indiana

65,600 Plan Members

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Average Age: 45



Decision Point

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During the 2004 gubernatorial campaign, candidate Mitch Daniels began talking about consumer-driven health plans and health savings accounts as essential tools to slow the growth rate for the cost of healthcare:

1. to empower employees to take control of their health and ...
2. to make informed choices in spending their own dollars on healthcare



Indiana in 2005: faced with key challenges

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- Trend rising at unsustainable rates
- Employees insulated from true cost of healthcare-- *third party* versus *personal* payments
 - Low deductibles, minimum co-pays
 - First-dollar coverage
 - Co-pays not subject to a deductible
- Little or no emphasis on preventive care
- Prescriptions not subject to plan deductible
- No “skin-in-the-game”



Why Consumer Driven Plans and HSAs?

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- Encourage long-term improvement in health status of employee population & their families
- Inspire “consumerism mindset:” instill responsibility for efficient purchase of medical services
- Increase personal stake in making informed health care decisions and positive behavior changes
- Portability
- Triple tax advantages with HSA

What we believe: financially invested employees will make better decisions



What did we do?

CDHP Launch in 2006



CDHP plan design:

- Standard 80/20 split coverage
 - \$2,500 Single Deductible
 - \$5,000 Family Deductible
- Opportunity to open an HSA (health savings account)
- State contribution to HSA **60%** of deductible.
 - \$1,500 Single
 - \$3,000 Family
- No plan premium for employee
- Approximately 1,400 benefit eligible employees (4%) enrolled
- Concurrent plan offerings: two PPOs; one large HMO



2007: additional CHDP offered

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Second CDHP introduced, replacing one of two PPO plans:

- More affordable choice than PPO with less risk than CDHP 1
- Lower deductible than CDHP 1, maximum out-of-pocket and nominal premium
- 100% preventive coverage for both CDHP1 and CDHP2, not subject to plan deductibles
- Employer contribution to HSA was 55% of deductible
- 6,300 subscribers; 18% of enrollees



2008: participation doubles



- By 2008, enrollment in the two CDHP's reached 12,100 or 35% of subscribers
- Market exit by our HMO plan
- Minimal plan design changes
- Education focused on maximizing one's HSA and/or flexible spending dollars, using preventative, transparency of cost information, and place of service alternatives
- No skipping or skimping on needed services



2009: major funding change for HSA

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Governor Daniels reaffirms both his trust and belief in the power of personal choice and responsibility:

- Pre-funds each HSA with one-half the 55% contribution on January 1
- Balance of contribution to be deposited into HSA in equal bi-weekly installments
- CDHP enrollment climbed to 15,500 (47%)



2010: CDHP growth is super-charged

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- Current (Traditional) PPO plan redesigned to approximate current 80/20 consumer-driven plans
- Prefunding of HSAs and premiums remained same
- State contribution to HSA remained at 55% of the plan deductible
- Enrollment climbed to 20,164 (70%) at end of 2009 open enrollment



CDHP: Where we are today



The Evolution and Growth of Consumer Driven Health Plans in Indiana								
Year	2006	2007	2008	2009	2010	2011	2012	2013
CDHP Enrollment	4%	18%	36%	47%	70%	85%	91%	96%

- Empowers employees to make better choices about their health and educates them on how to wisely spend their healthcare dollars
- State continues to offer the two CDHP options and one PPO option to our employees
- State contributes 45% of the annual CDHP deductible into employee Health Savings Accounts





**Highlights of Governor
Commissioned, Independent Study
by Mercer Consulting**

**Savings and Effectiveness in the
Indiana CDHP Model**



CDHP Total Costs

Mercer's findings over course of study (1/2006 – 9/2009)

- Total costs show savings vs. traditional PPO plan
 - PPO Cost: \$12,317
 - CDHP1 Cost: \$9,444
 - CDHP2 Cost: \$5,462
- State's health risk scores have improved, in spite of expectations of an aging state workforce



CDHP Total Costs

Cost differences vs. PPO plans fall into 5 categories

- Plan Design
- Demographic differences (age, gender, family size)
- Health Status
- Consumerism or behavior change
- Unidentified differences



CDHP adoption yielded significant savings

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- Greater use of cost-effective treatments—*no evidence of employee avoidance of care*:
 - Generic vs. brand drugs
 - Fewer hospital admissions, with shorter stays
 - Less frequent use of ER
 - Use of outpatient vs. inpatient procedures visits
 - Visiting primary physicians instead of specialists when possible and appropriate

- State has saved 10.7% through both CDHPs, roughly \$28M from 2006—2009
- 2010 savings projection: \$17M-\$23M



Employee Savings

- Employees projected to be advantaged by:
 - Approximately \$7 to \$8 million in 2010
 - Contributions and/or richer plan designs would not have been affordable had the State not pursued the consumerism strategy
- Consumerism effect from reduced or more efficient utilization of health care, also reduces an employee's out of pocket expenses



Employee HSA Experience

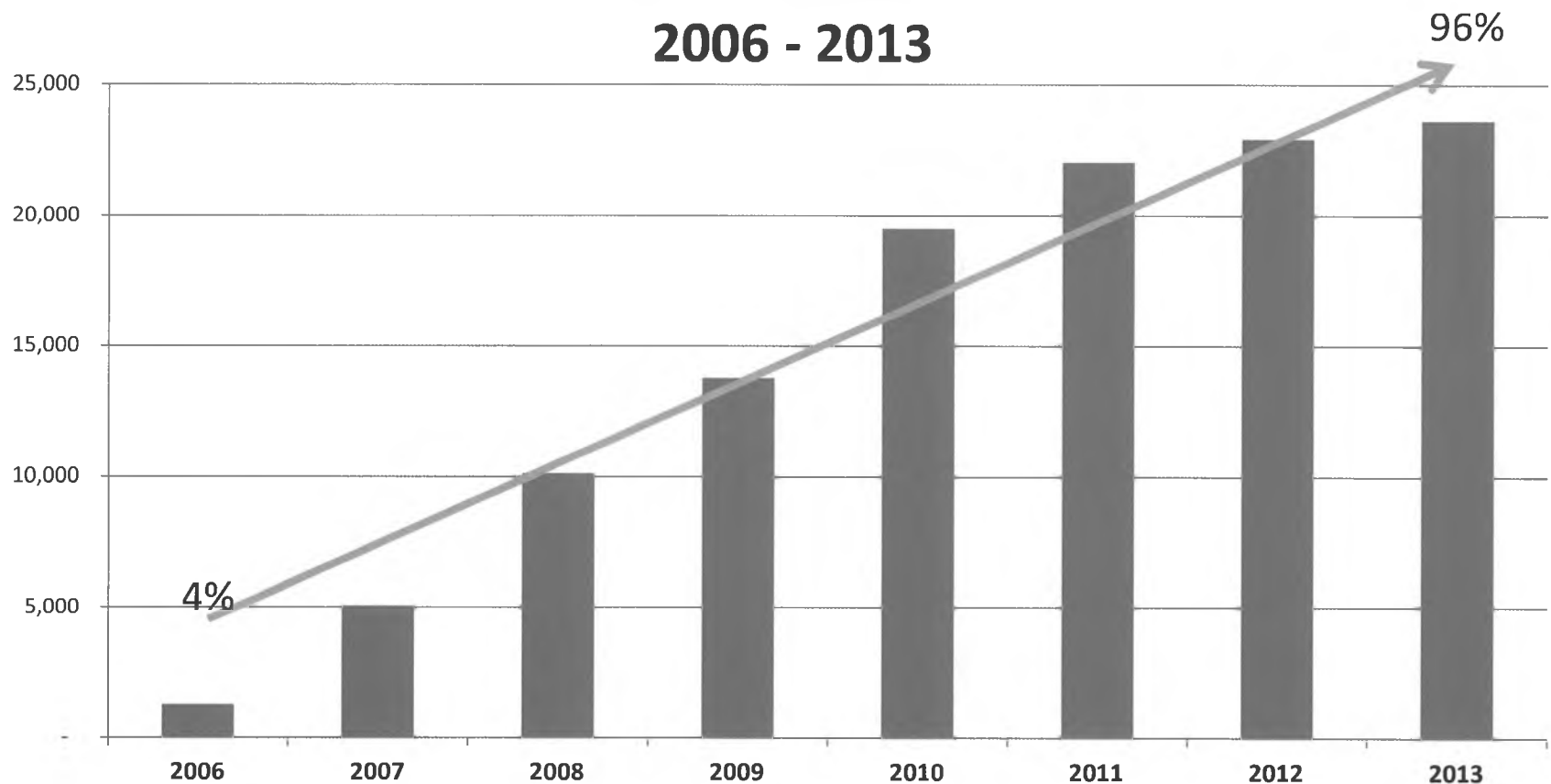
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- HSA Balances 12/31/2013
 - \$59 million in employee accounts
 - Average employee balance of \$1,728
- 2013 employee HSA equity accumulation is estimated to be between \$5M and \$6M from State contributions
- Savings Vehicle – Avg. account balance grows about 5% each year
- Super Savers – 1,238 employee accounts with an average of \$10,000 balance



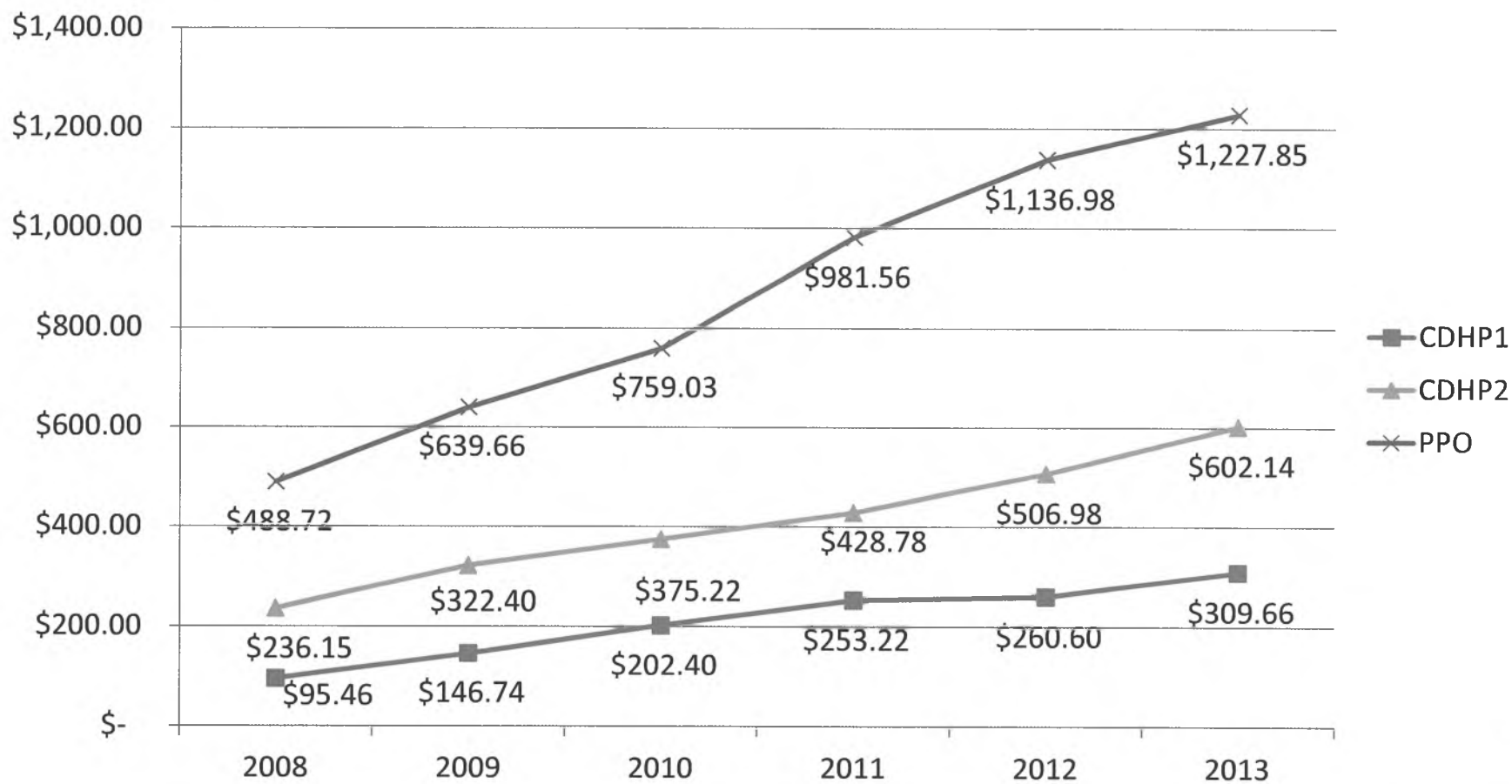
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CDHP Enrollment 2006 - 2013



CDHP has addressed our 2005 challenges

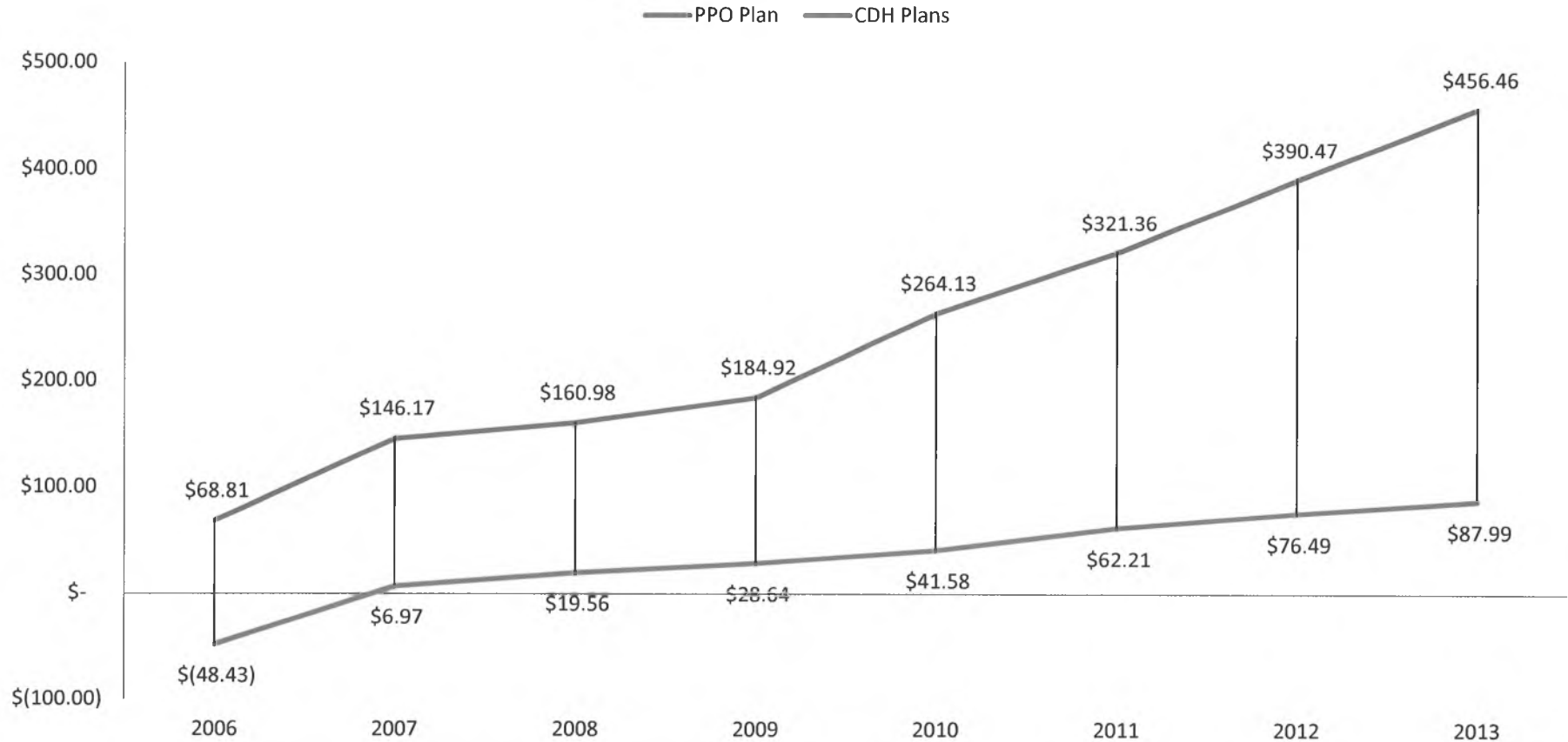
PMPM Trend by Plan



Results are not just a cost shift to employees



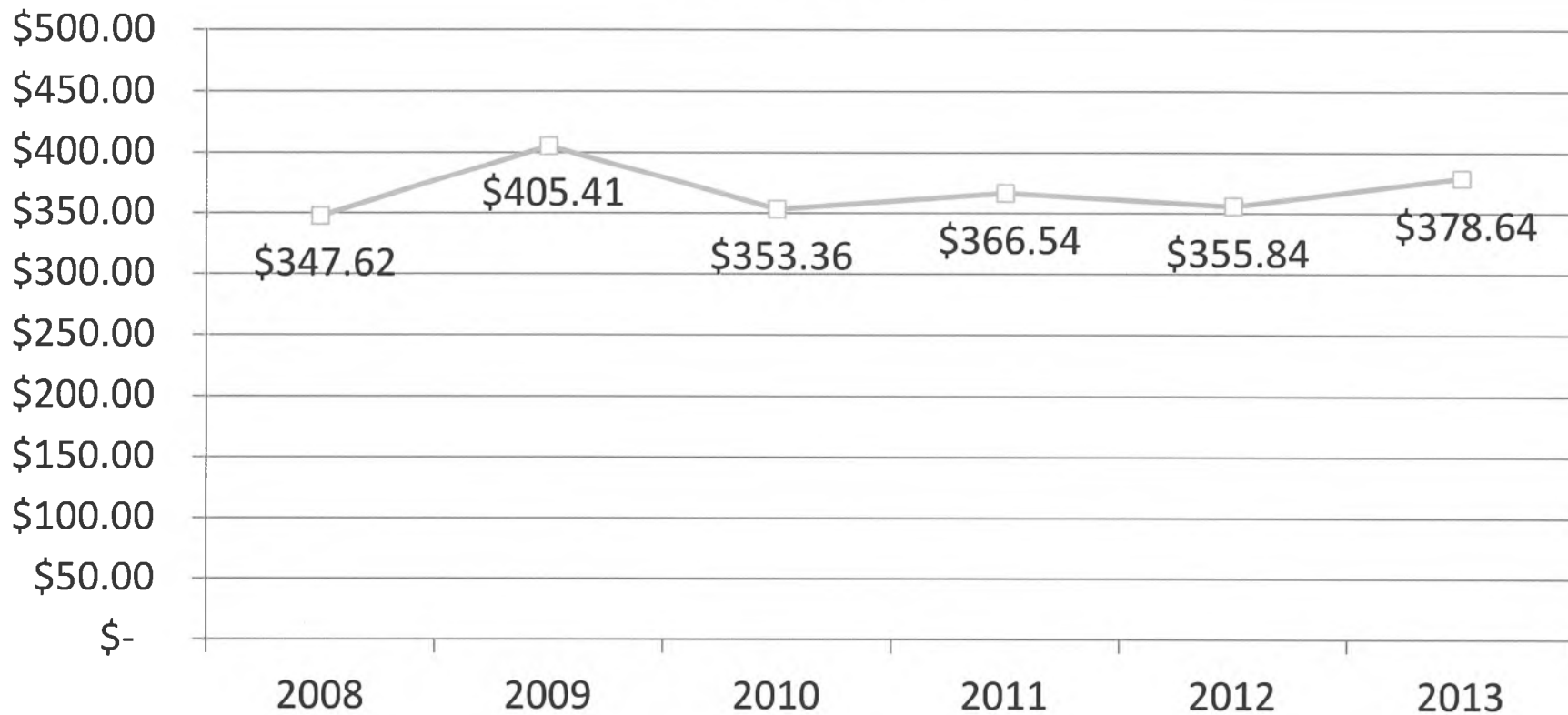
Employee PMPM Out-Of-Pocket Spending*



* Employee PMPM out of pocket spend = EE Paid Claims + EE Paid Premiums – ER Paid HSA Contributions



Plan Cost Trend 2008 - 2013



SPD

Results are also not just lower utilization

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- Medication adherence is up
- Condition Care and Disease Management participation is up
- Preventative Care is way up!

Preventive Category	SOI Compliance	Anthem Benchmark
Adult Annual Well Visits	31.4% ↑	22.9%
Childhood Immunizations*	7,483 ↑	6,696
Mammogram Screen Rate	48.2% ↑	41.4%
PSA Screen Rate	40.2% ↑	32.5%
Cholesterol Screen Rate	49.6% ↑	37.2%

*Rate per 1,000



Success: it starts at the top

- Overt, consistent, and passionate support from Governor and agency heads
- Positive communications
 - Advantages and opportunities of new plan(s)
 - Honest dialogue on costs, trends, future impact on budgets
 - Commitment to execute comprehensive education
- Choosing the right HSA/Bank partner a key to program design and buy-in



Internal Challenges

- Lack of committed support from executive agencies' directors
 - Oppose CDHPs and HSAs conceptually
 - Do not actively market or educate middle management on the advantages of the CDHPs
- Other plan designs
 - Competing plans with minimum or first-dollar coverage & low premiums; rich HMOs



Observations

- Our initial education period was six weeks – totally insufficient
- Written and web-based education alone are inadequate for initial engagement
- Expend the time and money to present live educational series throughout your state; critical to emphasize the ways employees can maximize success through integration of CDHP, HSA and health FSA as well as HSA eligibility regulations
- It was always important for our plan members to have a choice—plan participation has always been voluntary

