

Retiree Health Credit, Retiree Rates and Plan Expenses

(deductibles, copayments and co-insurance)

Legislative Employee Benefits Committee
April 22, 2008



Use of Retiree Health Credit to purchase
group insurance coverage

RETIREMENT - RETIREE HEALTH CREDIT PROGRAM

BENEFIT FORMULA:

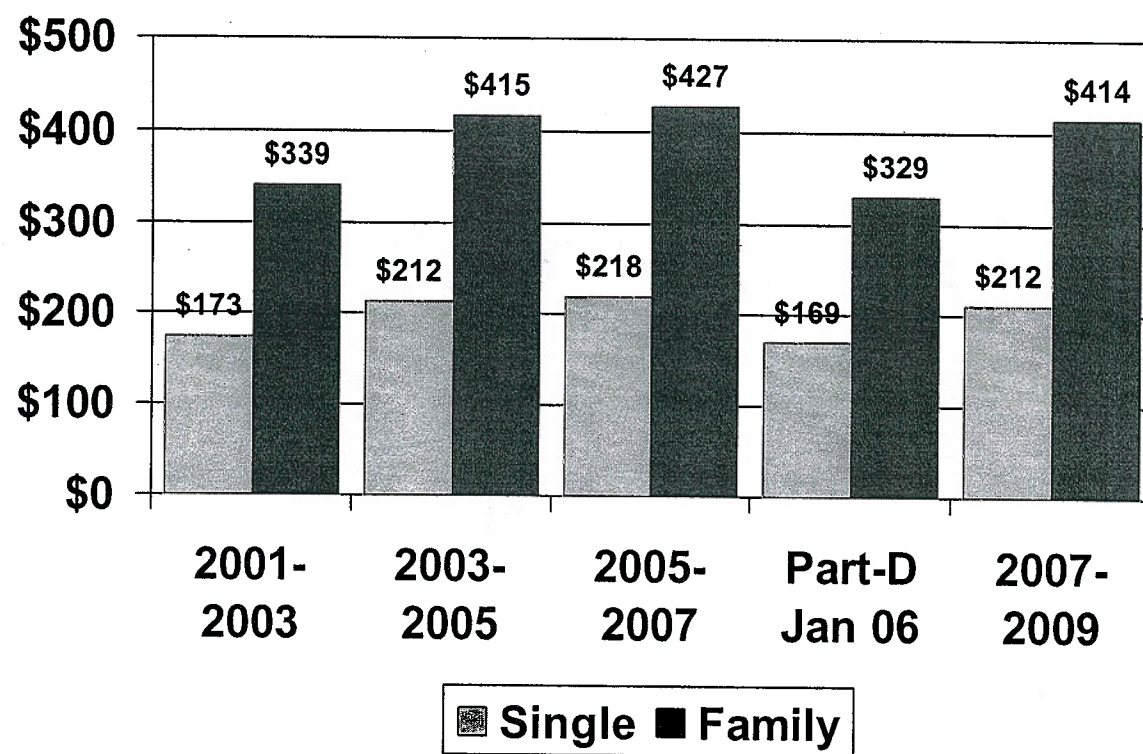
\$4.50 for each year of credited service

Example: $\$4.50 \times 25 = \112.50

CONTRIBUTION

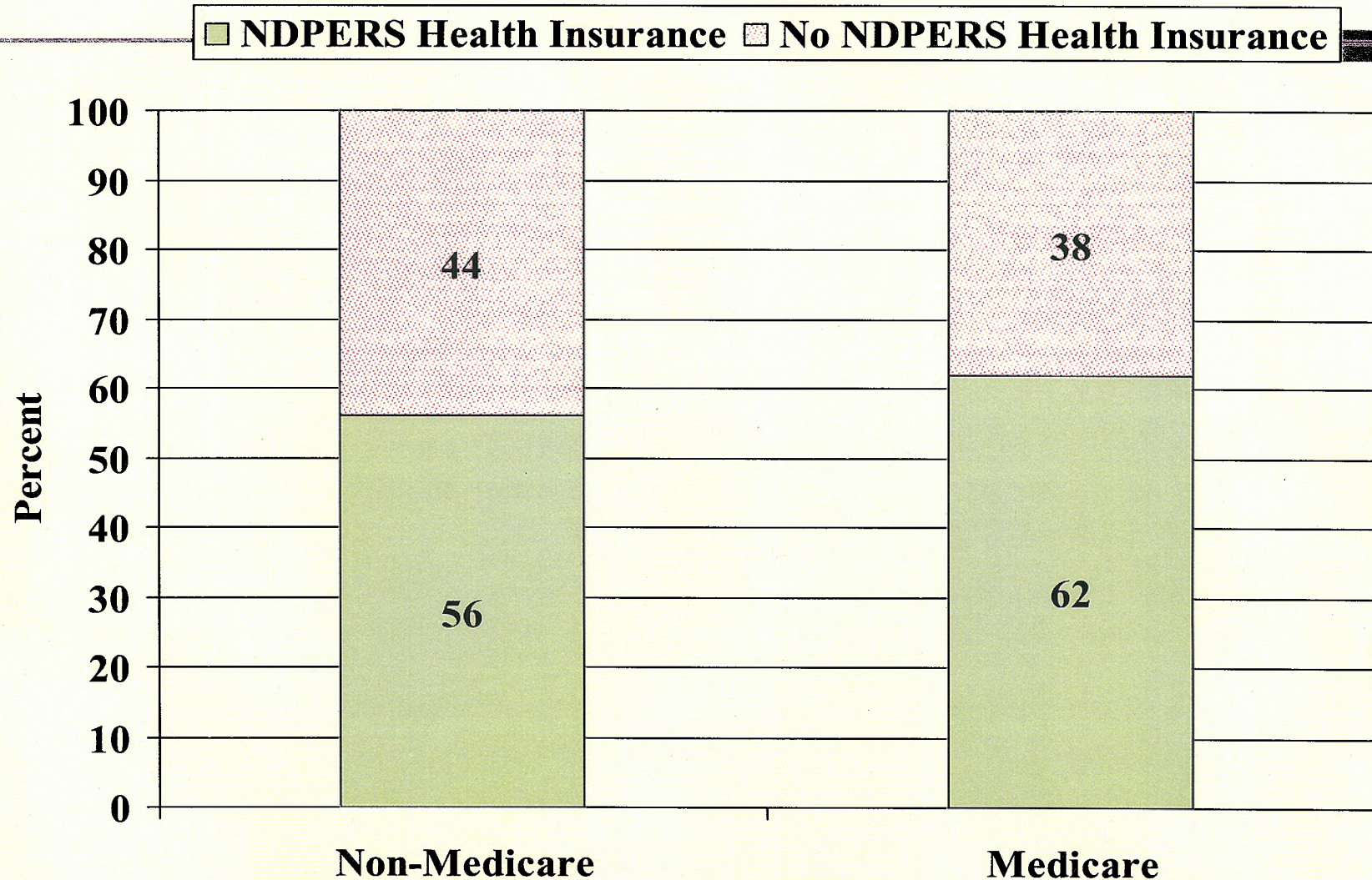
1% of payroll

NDPERS Medicare Premiums



NDPERS Retiree Health Credit

July 2007 NDPERS Retirees

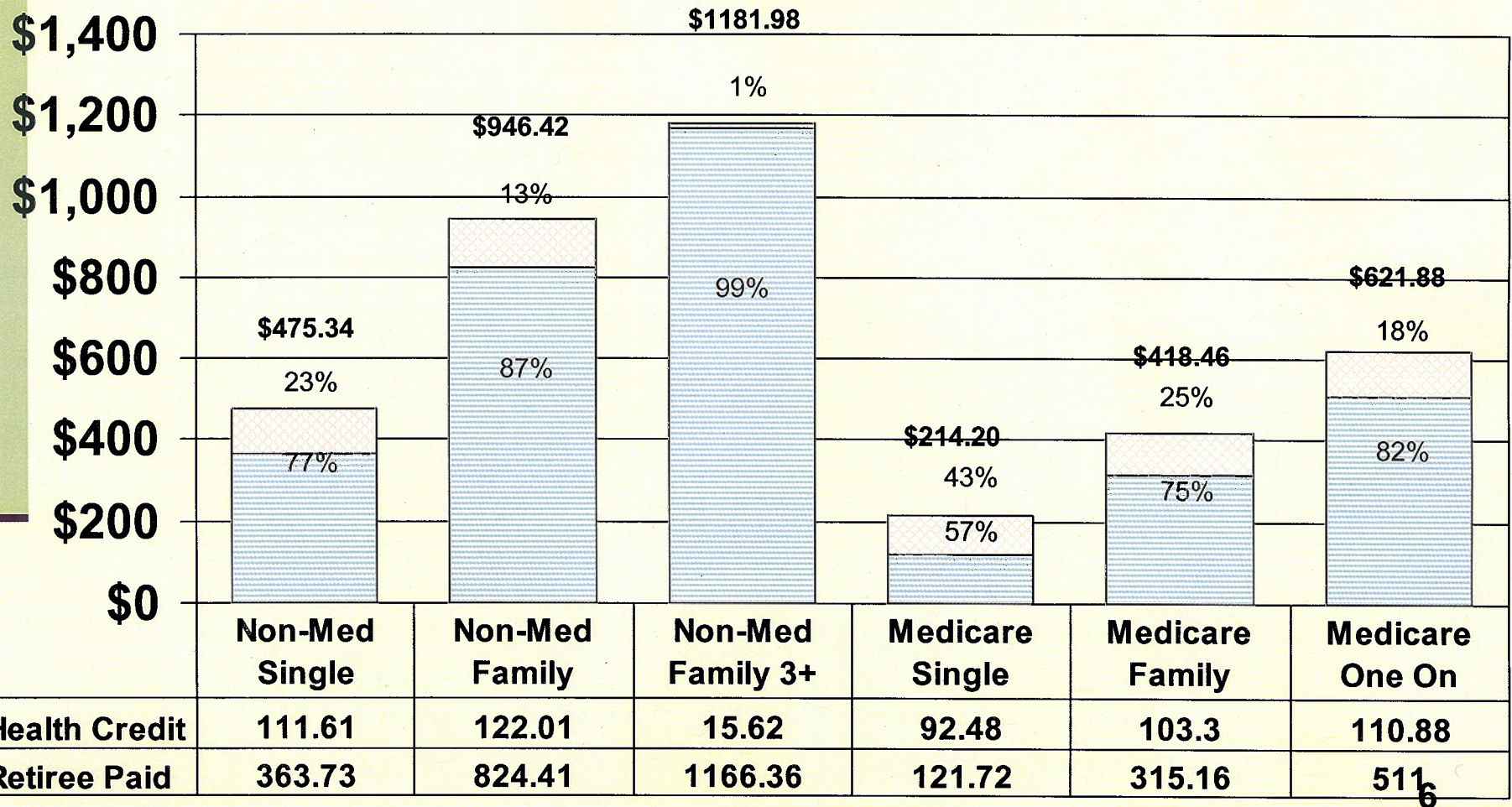


In total 61% of the NDPERS retirees take the NDPERS Retiree Health Credit.

NDPERS Retiree Health Credit

2007 Average Premiums & Health Credit

(Excludes COBRA Retirees)



Contracts:

315

89

2

2128

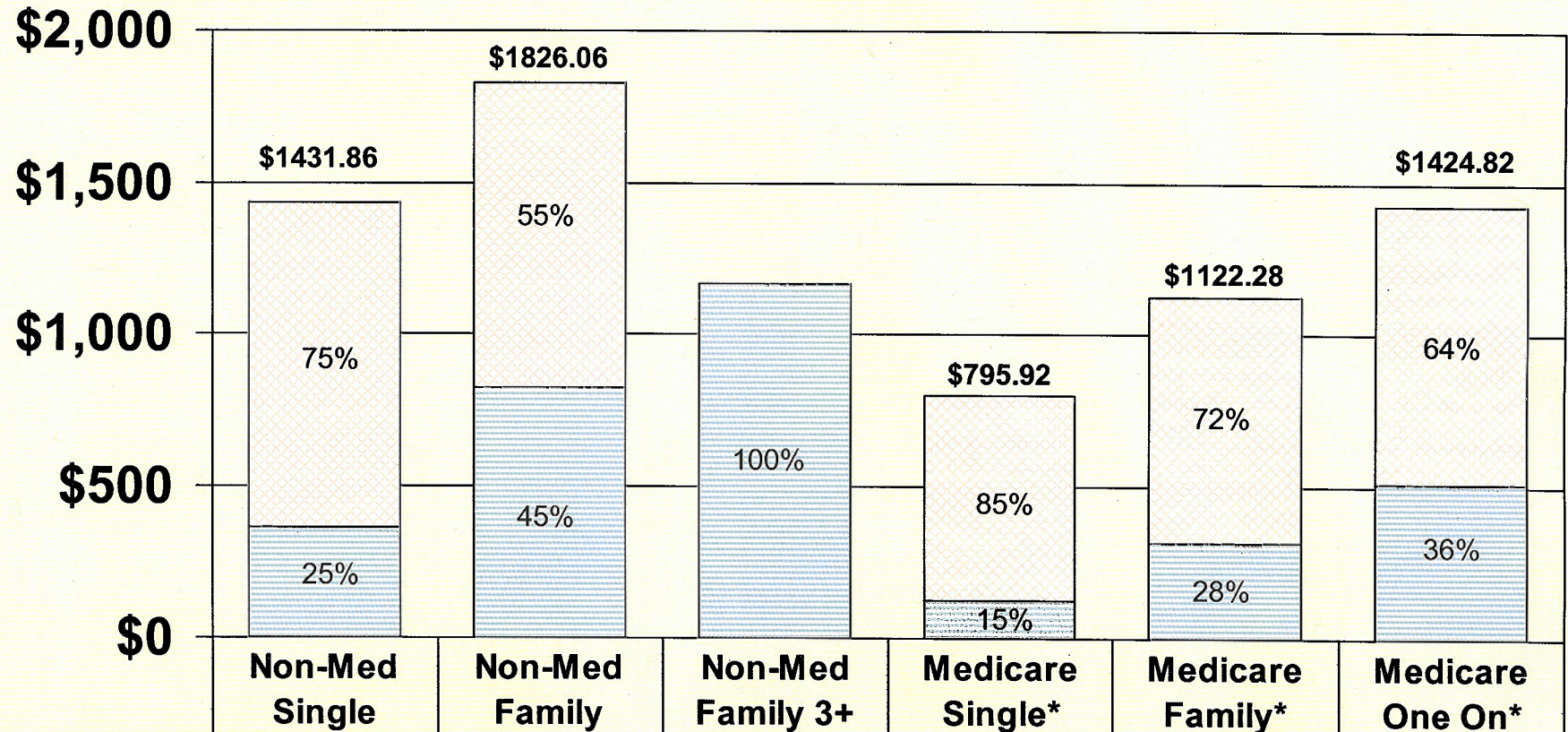
922

183

NDPERS Retirees with Health Credit

2007 Average Health Premium & Remaining Benefit

(Excludes COBRA Retirees)



Retiree Benefit	1068.13	1001.65	0	674.2	807.12	913.82
Health Premium	363.73	824.41	1166.36	121.72	315.16	511

Contracts: 315 89 2 2128 922 183₇

* - Medicare contracts must pay \$93.50 per person for Medicare coverage.

Retiree Health Credit Challenge – Support for retiree premiums

NDPERS Retiree Health Credit History / Example

20 Year Employee

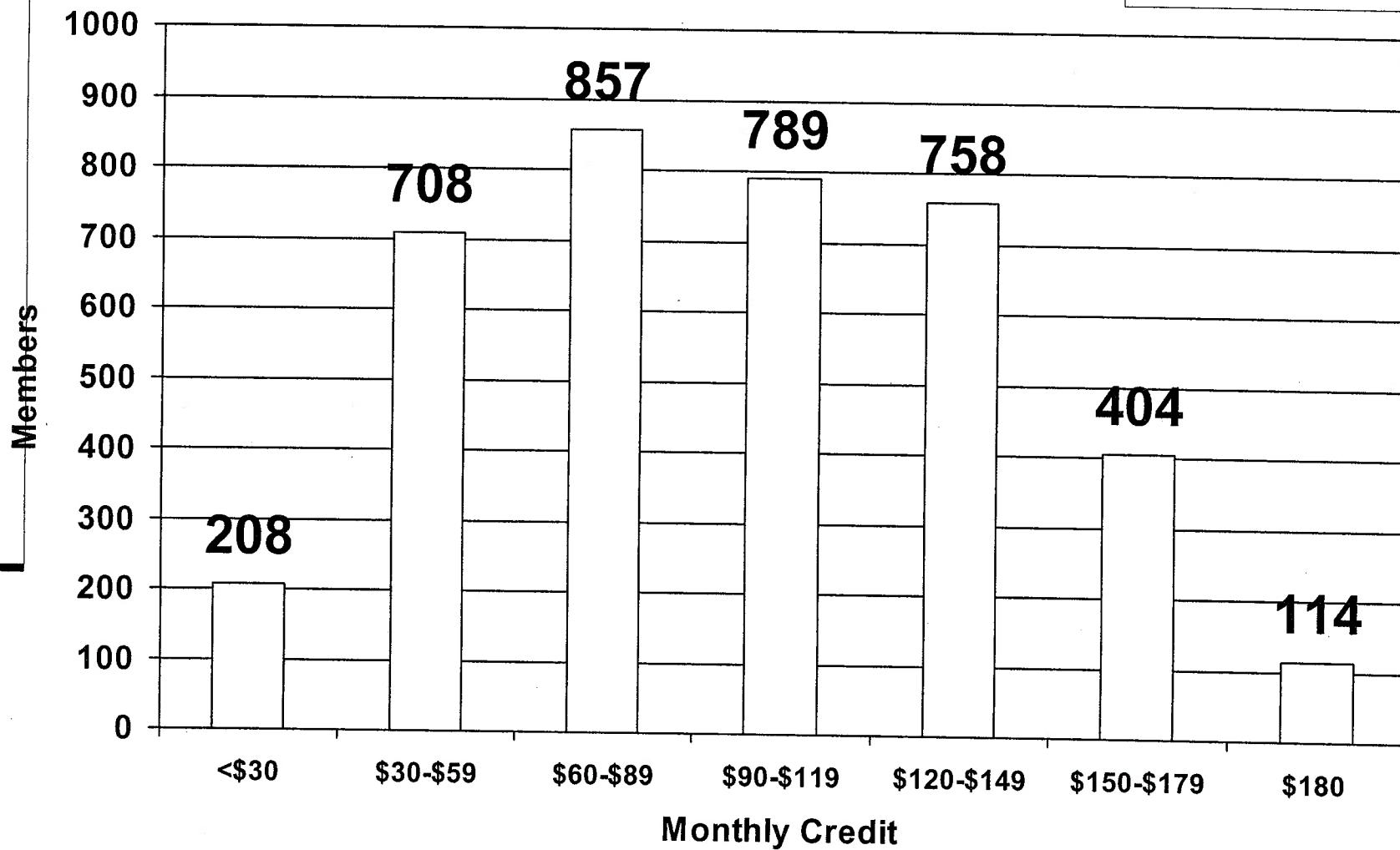
Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
1989	\$3.00	\$60.00	\$360.07	17%	\$190.50	31%
1991	\$4.00	\$80.00	\$321.00	25%	\$230.00	35%
1993	\$4.50	\$90.00	\$368.00	24%	\$230.00	39%
1995	\$4.50	\$90.00	\$390.00	23%	\$239.00	38%
1997	\$4.50	\$90.00	\$438.48	21%	\$264.98	34%
1999	\$4.50	\$90.00	\$500.38	18%	\$308.62	29%
2001	\$4.50	\$90.00	\$570.00	16%	\$339.30	27%
2003	\$4.50	\$90.00	\$702.47	13%	\$415.18	22%
2005	\$4.50	\$90.00	\$781.86	12%	\$427.24	21%
2006	\$4.50	\$90.00	\$781.86	12%	\$329.24	27%
2007	\$4.50	\$90.00	\$946.42	10%	\$418.46	22%
2008	\$4.50	\$90.00	\$946.42	10%	\$418.46	22%

Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
2009	\$4.50	\$90.00	\$1059.99	8%	\$468.68	19%
2011	\$4.50	\$90.00	\$1187.19	8%	\$524.91	17%
2013	\$4.50	\$90.00	\$1329.65	7%	\$587.91	15%
2015	\$4.50	\$90.00	\$1489.21	6%	\$658.45	14%
2017	\$4.50	\$90.00	\$1667.92	5%	\$737.47	12%
2019	\$4.50	\$90.00	\$1868.07	5%	\$825.97	11%

Future premiums assume a conservative 12% 2-year increase.

NDPERS Retiree Health Credit

July 1, 2006



Non Medicare Rate

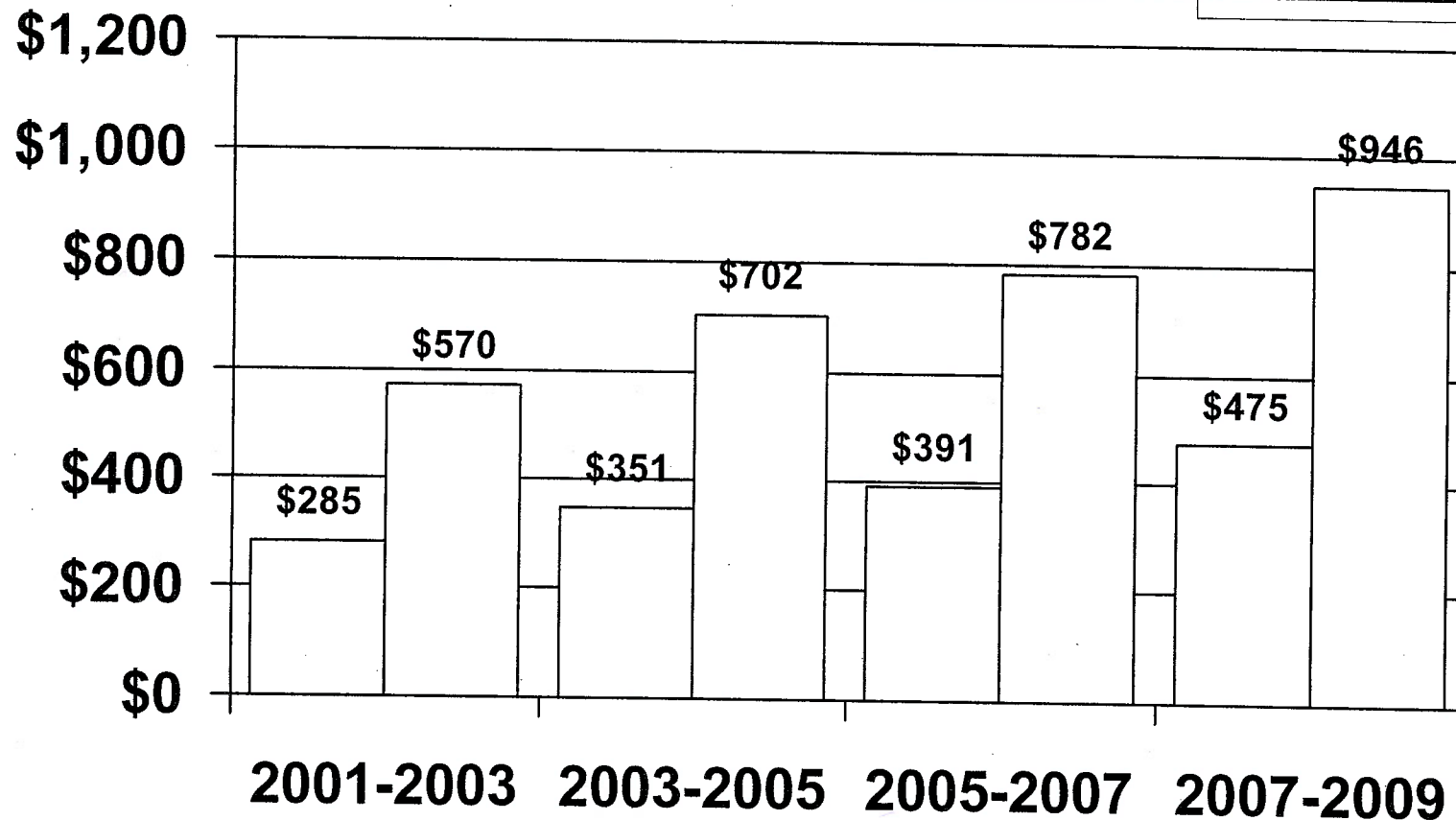
Premium

■ Set in Statute:

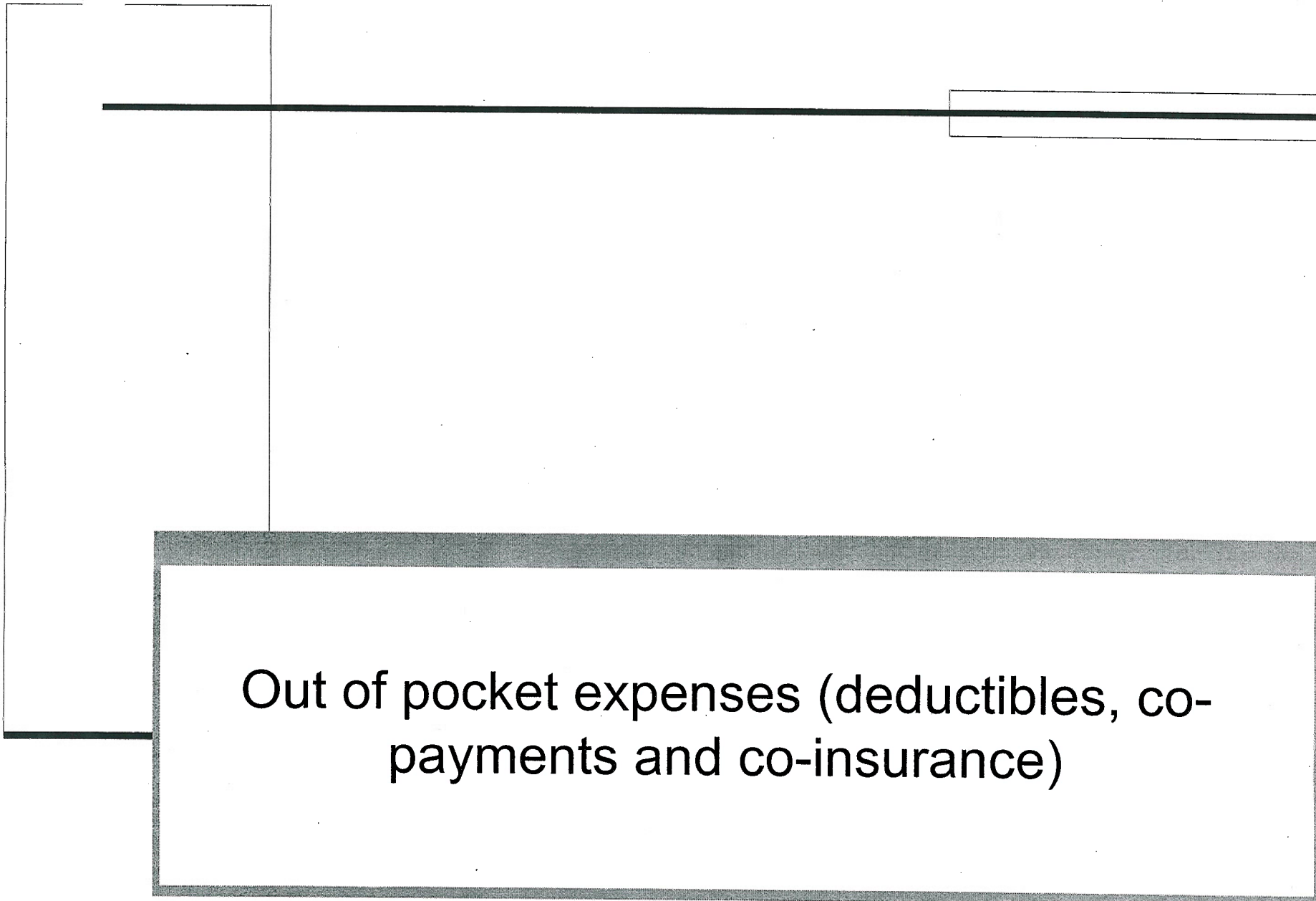
1. Medical and hospital benefits coverage group consisting of active eligible employees and retired employees not eligible for medicare. In determining premiums for coverage under this subsection for retired employees not eligible for medicare, the rate for a non-medicare retiree single plan is one hundred fifty percent of the active member single plan rate, the rate for a non-medicare retiree family plan of two people is twice the non-medicare retiree single plan rate, and the rate for a non-medicare retiree family plan of three or more persons is two and one-half times the non-medicare retiree single plan rate.

54-52.1-02 NDCC

NDPERS Non-Medicare Premiums



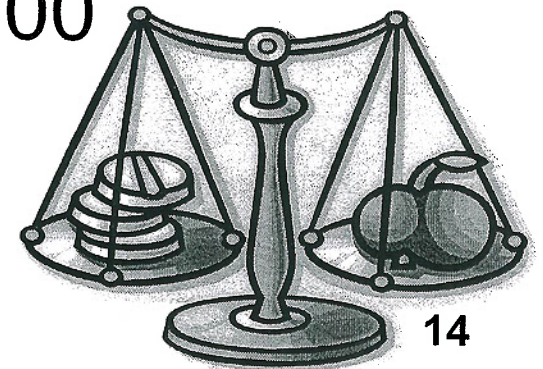
□ Single □ Family



Out of pocket expenses (deductibles, co-payments and co-insurance)

Deductible (*Non-Physician Services ONLY*)

	<u>Basic</u>	<u>PPO</u>	<u>EPO</u>
Individual	\$400	\$400	\$200
Family (3 or more)	\$1200	\$1200	\$600

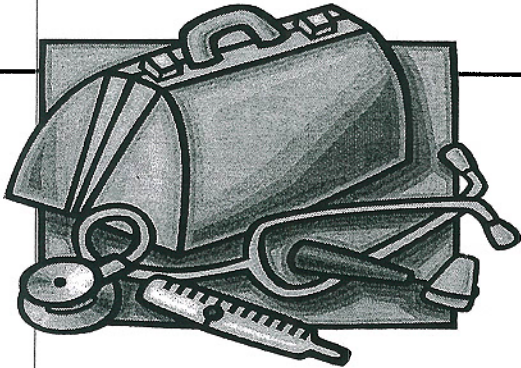


Co-payment Amounts



	<u>Basic</u>	<u>PPO</u>	<u>EPO</u>
Office Visit (No limit)	\$30	\$25	\$20
Emergency Room (No limit)	\$50	\$50	\$50

Coinsurance Amounts

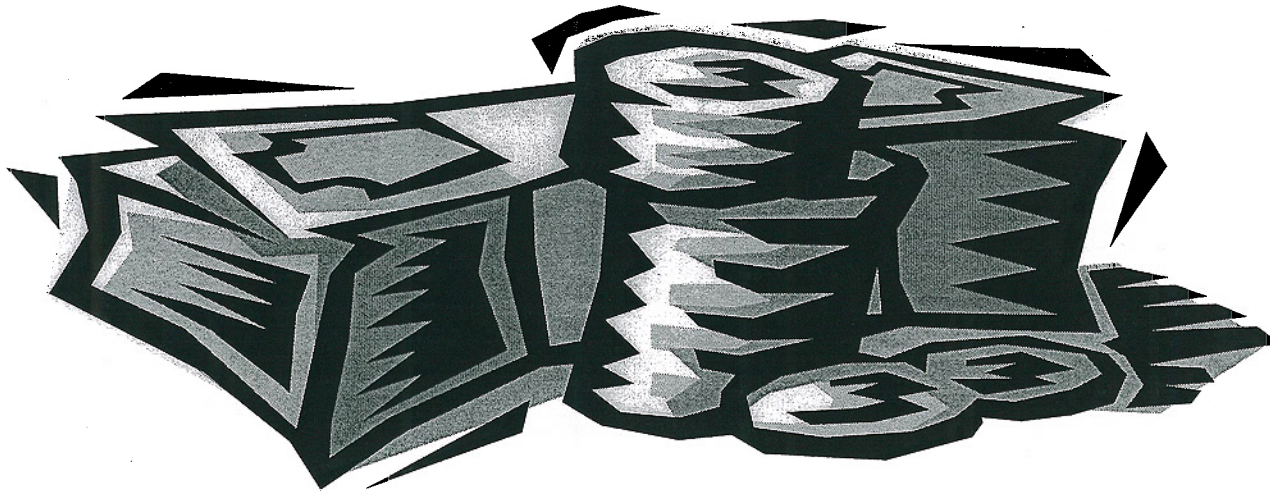


	<u>Basic</u>	<u>PPO</u>	<u>EPO</u>
Coinsurance All Services except office visits	75/25	80/20	85/15
Coinsurance Maximum			
Individual	\$1,250	\$ 750	\$ 500
Family	\$2,500	\$1,500	\$1,000

Annual Out-of-Pocket Maximums

(Includes Deductible & Coinsurance)

	<u><i>Basic</i></u>	<u><i>PPO</i></u>	<u><i>EPO</i></u>
Individual	\$1,650	\$1,150	\$ 700
Family	\$3,700	\$2,700	\$1,600



Prescriptions

- **Formulary - Generic**
 - \$5.00 Copayment
 - 15% Coinsurance*
- **Formulary - Brand Name**
 - \$20 Copayment
 - 25% Coinsurance*
- **Non-Formulary - Generic or Brand**
 - \$25 Copayment
 - 50% Coinsurance



* \$1,000 Formulary coinsurance maximum per person per benefit period. After maximum is met, only the copayment applies.

Members

Basic Utilization Equation 2006

NDPERS PAID	% Members	% of	% of Charges		
		NDPERS Paid	Plan	Member*	Other**
\$0	10.7%	0.0%	0%	11%	89%
\$1 - \$499	41.9%	3.5%	21%	10%	69%
\$500 - \$999	13.6%	4.2%	27%	11%	62%
\$1000 - \$2119	13.9%	8.7%	23%	8%	69%
\$2120+	20.0%	83.6%	45%	5%	50%

* - Includes Deductibles, Coinsurance, and Copayments

** - Includes Fee Schedule, UCR, Discounts, other payers, non-covered, etc.

20% of NDPERS members account for 84% of Health Plan medical expenses.
80% of NDPERS members account for 16% of Health Plan medical expenses.

10% of NDPERS members account for 71% of Health Plan medical expenses.
90% of NDPERS members account for 29% of Health Plan medical expenses.

Employee out of pocket expenses

NDPERS Active Health Plan Out-of-pocket (Deductibles, Copayments, Coinsurance)

	2003	2004	2005	2006	2007
75%	\$1,375	\$1,641	\$1,690	\$1,690	\$1,726
Mean	\$983	\$1,144	\$1,191	\$1,180	\$1,206
Median	\$681	\$836	\$873	\$862	\$911
25%	\$249	\$316	\$338	\$331	\$346

Draft Estimates

Employee out of pocket expenses

NDPERS Active Cost Sharing 1992 – 2007

The following table shows the average out-of-pocket cost sharing (deductibles, coinsurance, and copayments) for the active contracts on the NDPERS Health Plan.

The average out-of-pocket cost sharing does not include over the limit, non-covered services, or costs paid by other insurance/payers.

The bottom line labeled 'Percentage' shows the average percentage of an active employee's salary that goes to pay medical costs.

Year	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07
Active Contracts	14,213	14,785	14,961	15,302	15,382	15,498	15,827	16,154	16,602	17,298	17,679	17,615	17,856	18,080	18,265
Average Cost Sharing	\$572	\$566	\$584	\$572	\$562	\$600	\$639	\$829	\$699	\$726	\$977	\$1,139	\$1,191	\$1,180	\$1,206
Average Salary*	\$20,158	\$20,125	\$22,312	\$22,981	\$22,898	\$23,637	\$24,345	\$24,978	\$25,864	\$26,998	\$27,943	\$28,408	\$29,063	\$30,218	\$31,387
Percentage	2.84%	2.81%	2.62%	2.49%	2.45%	2.54%	2.62%	3.32%	2.70%	2.69%	3.49%	4.01%	4.10%	3.90%	3.84%

* - Average Salary is taken from the Actuarial Valuation Retirement Reports by Segal.

Draft Estimates