

Legislative Counci Meeting

October 13 , 2008

Active State Renewal Rate

NDPERS 2007- 2009 Allocation and 2009-2011 Projection	NDPERS 2009-2011 Planning Projections			
	7.5% Trend	10% Trend	12.5% Trend	15% Trend
1999-2001 buy down rate	\$349.72	\$349.72	\$349.72	\$349.72
2001-2003 reserve option rate	\$409.09	\$409.09	\$409.09	\$409.09
2003-2005 reserve option rate	\$488.70	\$488.70	\$488.70	\$488.70
2005-2007 reserve option rate	\$553.94	\$553.94	\$553.94	\$553.94
2007-2009 rate	\$658.08	\$658.08	\$658.08	\$658.08
2007-2009 % increase	18.8%	18.8%	18.8%	18.8%
Expected 2007-2009 BCBS rate	\$760.49	\$796.28	\$832.88	\$870.31
Expected available surplus in 2007-2009 (\$1 million)?	\$1.67	\$1.67	\$1.67	\$1.67
Expected 2009-2011 buy down rate	\$758.82	794.61	831.21	\$868.64
2009-2011 \$ increase	\$100.74	\$136.53	\$173.13	\$210.56
2009-2011 % increase	15.3%	20.7%	26.3%	32.0%
Total additional funds*	\$27,804,000	\$37,862,000	\$47,784,000	\$58,115,000
Total additional general funds**	\$16,683,000	\$22,609,000	\$28,670,000	\$34,869,000

* - For biennium assuming 11,500 FTE's

** - Assumed to be 60% of total funds

Expected was between \$794.61 to \$831.21

BCBS Bid

Renewal Bid

\$846.64

Present Rate

\$658.08

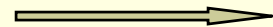
Expected

\$794.61 to \$831.21



\$188.56

28.65%



\$15.43

Revised Proposal

Issue	BCBS Position	BCBS response	PERS
1% contingency	It is part of trend and appropriate	Agreed to drop, in return PERS would share 50/50 in first 6 million in losses	Eliminate
Adm	PERS gets a good deal, better than most and it is appropriate	No Change, however they will offer us the BCBS wellness programs (Health Clubs, incentives & MyHealth Center)	Reduce to 10%. Eliminate adm increase for Medicare contracts.
2007-2009 trend	BCBS assessment is this is the correct trend and with the Feb reprojection if this is too high it will be reduced	No Change	Reduce by .5%
2009-2011 trend	BCBS assessment is this is the correct trend	No Change	Reduce by .5%
Conversion	required	No Change	Per conversion

Other Provisions

- February reprojection
- Gain provision remains the same (50/50 first \$3 million then 100% to PERS)
- PERS will continue to get interest on account balance
- PERS will continue to get rebates

Could also
coordinate
with PERS
Employer
Based
Program

Health Club
program also
included

Activity	Points	Rules	Affected by weekly maximum?	Notes
INITIATION LEVEL				
Initial enrollment	1200	Once per enrollee	No	
HRA completion	1200	Once per year	No	Only one bonus per year
Setting up a fitness plan	400	Once per year	No	
Setting up a nutrition plan	400	Once per year	No	
Setting up a stress management plan	400	Once per year	No	
ACTIVITY LEVEL				
Smoking cessation - Login into program	25	Per login (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Participate in community	25	Per message post in forums or club (Subject to weekly max of 125 pts.)	Yes	Unlimited message posts are possible, but only once per day will be rewarded.
Web login	25	Per login (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Ask a web coaching question	25	Per question asked (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on fitness plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on nutrition plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on stress management plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - weight	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - blood pressure	25	Weekly only (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - cholesterol	25	Quarterly only (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points

Incentives

Redemption Center - Standard

- **\$10 - 3,500 points**
- **\$20 - 4,500 points**
- **\$50 - 5,500 points**
- **\$100 - 6,500 points**
- **\$150 - 7,500 points**
- **\$200 - 8,500 points**
- **\$250 - 9,500 points**

1% Contingency

		Contracts	07-09 Rates	Biennium Inc	09-11 Rates	Biennium Inc	09-11 Rev.	1% Red	Biennium Inc
Active	Single	3307	\$ 658.08	\$ 52,230,493	\$ 846.64	\$ 67,196,124	\$ 838.20	\$ 8.44	\$ 66,526,258
	Family	11031	\$ 658.08	\$ 174,222,732	\$ 846.64	\$ 224,142,860	\$ 838.20	\$ 8.44	\$ 221,908,421
Actives LOA, COBRA, Temp	Single	293	\$ 318.30	\$ 2,238,286	\$ 408.22	\$ 2,870,603	\$ 404.16	\$ 4.06	\$ 2,842,053
	Family	138	\$ 764.02	\$ 2,530,434	\$ 987.94	\$ 3,272,057	\$ 978.08	\$ 9.86	\$ 3,239,401
Non-Medicare Retirees	Single	548	\$ 475.32	\$ 6,251,409	\$ 612.34	\$ 8,053,496	\$ 606.22	\$ 6.12	\$ 7,972,961
	Family	226	\$ 946.40	\$ 5,133,274	\$ 1,224.66	\$ 6,642,556	\$ 1,212.46	\$ 12.20	\$ 6,576,383
	Family 3+	6	\$ 1,181.95	\$ 170,201	\$ 1,530.34	\$ 220,369	\$ 1,515.58	\$ 14.76	\$ 218,244
Political Subs	Single	1625	\$ 339.56	\$ 13,242,840	\$ 433.90	\$ 16,922,100	\$ 429.58	\$ 4.32	\$ 16,753,620
	Family	1881	\$ 817.58	\$ 316	\$ 1,053.66	\$ 47,566,427	\$ 1,043.14	\$ 10.52	\$ 47,091,512
Political Subs EPO	Single	378	\$ 312.05	\$ 761	\$ 403.72	\$ 3,662,548	\$ 399.72	\$ 4.00	\$ 3,626,260
	Family	516	\$ 756.61	\$ 9,369,858	\$ 980.10	\$ 12,137,558	\$ 970.32	\$ 9.78	\$ 12,016,443
Medicare Retirees	1 Medicare	2965	\$ 154.06	\$ 10,962,910	\$ 127.22	\$ 9,052,975	\$ 125.98	\$ 1.24	\$ 8,964,737
	2 Medicare	1424	\$ 298.18	\$ 10,190,600	\$ 245.78	\$ 8,399,777	\$ 243.34	\$ 2.44	\$ 8,316,388
	3 Medicare	5	\$ 317.02	\$ 38,042	\$ 261.28	\$ 31,354	\$ 258.68	\$ 2.60	\$ 31,042
	4 Medicare	0	\$ 194.66	\$ -	\$ 160.62	\$ -	\$ 159.06	\$ 1.56	\$ -
	Part A	1	\$ 424.32	\$ 10,184	\$ 349.54	\$ 8,389	\$ 346.06	\$ 3.48	\$ 8,305
	1 Medicare + 1	328	\$ 561.74	\$ 4,422,017	\$ 462.58	\$ 3,641,430	\$ 457.98	\$ 4.60	\$ 3,605,219
	2 Medicare + 2	7	\$ 439.38	\$ 73,816	\$ 361.92	\$ 60,803	\$ 358.34	\$ 3.58	\$ 60,201
	3 Medicare + 3	1	\$ 317.02	\$ 7,608	\$ 261.28	\$ 6,271	\$ 258.70	\$ 2.58	\$ 6,209
		24680		\$ 291,095,780		\$ 413,887,695.84			\$ 409,763,655

Retiree rates subject to final review

1% Contingency

- BCBS will eliminate subject to PERS establishing a risk sharing arrangement for losses of 50/50 of the first 6 million

1% Corridor – PERS Bd Decision

- Corridor is better then buying down premiums with gains:
 - In buying down premiums PERS is responsible for 100% of first \$3 million in risk sharing we become responsible for 50%.
 - Unlikely we will have a loss greater then \$3 million
 - Risk corridor allows for us to leverage funds. Risk corridor is a \$8.44 reduction and direct buydown across all contracts would be about \$5
- To approve the corridor subject to review

Medicare Rx

North Dakota Public Employees Retirement System

2009 Renewal for Group Prescription Drug Plan
Based on Current Plan Design

Enrollment on 6/30/2008	2008		2009		Rate Increase
	Monthly Premium	Annual Income	Monthly Premium	Annual Income	
6,201	56.40	\$4,196,837	63.70	\$4,740,044	12.9%

\$7.30 increase effective January 1, 2009

- Direct CMS subsidy payments, which account for more than half of expected claim costs for the NDPERS GPDP, are derived from bidding averages discussed above. For the 2009 NDPERS GPDP rating estimated total CMS payments are expected to decrease by 12.4% from that assumed in the 2008 GPDP rating.



Funding

Plan Funding

Estimate NDPERS Reserves	\$10,000,000 (3.6 Million still at risk for 9 months)
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Commitments:

PERSLink	(\$3,000,000)
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HB 1433	(\$1,200,000)
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Reserves after commitments	\$5,800,000
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Plan Funding - Renewal

- Set aside \$3,000,000 for the risk sharing corridor that would be established as part of the renewal

Plan Funding –Leg Recommendation

- From PERS staff and Retiree Committee:
 - Use up to \$2 million to fund the PERS proposed legislation to reduce preMedicare rates

Reserve

Estimated Balance	\$5,800,000
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Commitments

Risk Corridor	-\$3,000,000
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PreMedicare Retiree	<u>-\$2,000,000</u>
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Estimated Balance	\$800,000
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\$3,000,000 is at risk for 10 months. The \$800,000 would be to handle any adverse claims.



Plan Design

Plan Design Alternatives

Option A	Increase individual coinsurance by \$250 and family by \$500
Alternative 1	Increase individual deductibles by \$50 on EPO and \$100 on PPO and Basic plans. Increase family deductible by \$150 on EPO and \$300 on PPO and Basic Plans
Alternative 1.A	Both Alternative 1 and Option A
Alternative 2	Increase individual deductibles by \$300 on EPO and \$350 on PPO and Basic plans. Increase family deductible by \$900 on EPO and \$1050 on PPO and Basic Plans
Alternative 2.a	Both Alternative 2 and Option A
Alternative 3	HDHP with \$1250 individual deductible and \$2,500 family deductible

EPO Elimination

■ Reason to eliminate:

- Providers were enrolled who agreed to share risk sharing
- In so doing the provider had an incentive to manage care
- Members were encouraged to go to providers who agree to participate
- Providers have withdrawn from all risk sharing
- Funds could be used to provide benefits to all members such as immunization & preventive screening that could have a more direct benefit on plan health

■ Concerns with elimination

- 50% of active employees are in a EPO and will loss that benefit
- EPO participation was contingent on being in the PPO. EPO was the reason some providers joined. Without EPO they could withdraw.

NDPERS Health Plan 2009-2011 Wellness Additions:

\$200 Screening Benefit	\$5.84
HPV Vaccine	\$0.36
Zoster Vaccine	\$0.30
Tetanus Vaccine	\$0.20
Influenza Vaccine	\$0.10
Chiropractic Copay Standardization	\$0.24
LRD Obesity Visit	\$0.72
<u>7 Well Child Care Visits</u>	<u>\$0.12</u>
Subtotal	\$7.88
 Circumcisions	 \$0.18
<u>My Health Center</u>	<u>\$0.72</u>
 Total	 \$8.78

NDPERS Health Plan 2009-2011 Benefit Reductions:

Well Child Care Copays	\$1.02
PT/OT/ST Copays	\$1.06
<u>Maintenance Drug Copays</u>	<u>\$1.32</u>
Total	\$3.40

Health Options 2009-2011

Current Rate: \$658.08

	Existing Plan	Existing Plan	Existing Plan	Existing - EPO	Option A	Alt 1	Alt 1 - A	Alt 2	Alt 2 - A	Alt 3 HDHP
BCBS bid	\$846.64	\$846.64	\$846.64	\$829.71	\$839.00	\$837.88	\$830.64	\$810.56	\$803.70	\$751.90
Deductions										
Remove 1% Contingency	(\$8.44)	(\$8.44)	(\$8.44)	(\$8.27)	(\$8.36)	(\$8.36)	(\$8.28)	(\$8.08)	(\$8.02)	(\$7.50)
Sub total	\$838.20	\$838.20	\$838.20	\$821.44	\$830.64	\$829.52	\$822.36	\$802.48	\$795.68	\$744.40
	27.37%	27.37%	27.37%	24.82%	26.22%	26.05%	24.96%	21.94%	20.91%	13.12%

Biennium

Cost

Increase: FTE's

State 11,500	\$49,713,120	\$49,713,120	\$49,713,120	\$45,087,360	\$47,626,560	\$47,317,440	\$45,341,280	\$39,854,400	\$37,977,600	\$23,824,320
General Fund 60%	\$29,827,872	\$29,827,872	\$29,827,872	\$27,052,416	\$28,575,936	\$28,390,464	\$27,204,768	\$23,912,640	\$22,786,560	\$14,294,592
Other Funds 40%	\$19,885,248	\$19,885,248	\$19,885,248	\$18,034,944	\$19,050,624	\$18,926,976	\$18,136,512	\$15,941,760	\$15,191,040	\$9,529,728

Wellness Package	With EPO + Ben	W/O EPO +/-Ben	W/O EPO -Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	
EPO	\$0.00	(\$16.71)	Inc. above	(\$16.56)	(\$16.53)	(\$16.39)	(\$15.99)	(\$15.85)		
Benefit Standard	\$0.00	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)		
Wellness Benefits	\$7.88	\$7.88	\$0.00	\$7.88	\$7.88	\$7.88	\$7.88	\$7.88		
Subtotal	\$7.88	(\$12.23)	(\$3.40)	(\$12.08)	(\$12.05)	(\$11.91)	(\$11.51)	(\$11.37)		
Sub Total	\$846.08	\$825.97	\$838.20	\$818.04	\$818.56	\$817.47	\$810.45	\$790.97	\$784.31	\$744.40
Increase \$'s	\$188.00	\$167.89	\$180.12	\$159.96	\$160.48	\$159.39	\$152.37	\$132.89	\$126.23	\$86.32
Increase %	28.57%	25.51%	27.37%	24.31%	24.39%	24.22%	23.15%	20.19%	19.18%	13.12%

PERS Benefits Committee Priority:	1	3	2	7	4	5	6	8	9	10
NDPERS Priority:	1	2	3	4	5	6	7	8	9	10

Biennium

Cost

Increase: FTE's

State 11,500	\$51,888,000	\$46,337,640	\$49,713,120	\$44,148,960	\$44,292,480	\$43,991,640	\$42,054,120	\$36,677,640	\$34,839,480	\$23,824,320
General Fund 60%	\$31,132,800	\$27,802,584	\$29,827,872	\$26,489,376	\$26,575,488	\$26,394,984	\$25,232,472	\$22,006,584	\$20,903,688	\$14,294,592
Other Funds 40%	\$20,755,200	\$18,535,056	\$19,885,248	\$17,659,584	\$17,716,992	\$17,596,656	\$16,821,648	\$14,671,056	\$13,935,792	\$9,529,728