REPORT OF THE DEPARTMENT OF
PERSONNEL AND TRAINING

STUDY OF ESTABLISHING A HEALTH CARE PLAN FOR POLITICAL SUBDIVISION BENEFICIARIES OF THE VIRGINIA RETIREMENT SYSTEM

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

SENATE DOCUMENT NO. 3

COMMONWEALTH OF VIRGINIA
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Executive Summary

A discussion of retiree health insurance costs must distinguish between early retirees--those not eligible for Medicare--and retirees eligible for Medicare. The reason is that Medicare is the primary payer of health care services for its eligible population. In 1992, Medicare spent an average of $3,391 per enrollee. Any insurance which supplements Medicare pays a relatively small amount.

An analysis of claims costs, the incidence of morbidity, and actuarial data leads to the conclusion that it is not feasible to offer a health insurance plan with meaningful benefits to early retirees of VRS in the absence of a significant subsidy. A high percentage of Retirees cannot afford the cost of coverage. The Department found no financially sound insurance plan which is the primary payer for a broad range of health benefits for early retirees only.

Subsidies for insurance plans for retirees are virtually always derived from the employer's active employee group. This is illustrated by the state employee health benefits program, where active employees pay higher than necessary premiums in order to provide coverage for early retirees at the same rates active employees pay. (In the case of Medicare, costs are borne by the younger, working population.)

Many early retirees, including the retirees of most school jurisdictions in Virginia, have access to health insurance through their former employers. Those who are without access have no coverage because their employers have not followed the normal practice of other employers by making provision for covering their retirees.

Those employers which have not provided coverage for their early retirees can provide such coverage for their early retirees through their existing health insurance programs. It is not uncommon to ask the retiree to pay the full premium for this coverage, but these premiums are usually the same amount active employees pay. If the insurers of these programs are unwilling or

unable to provide coverage at reasonable rates, the employer group can be insured through the program established by section 2.1-20.1:02 of the Code, popularly known as The Local Choice.

If it were desirable to create a new funding model for health insurance for early retirees, the General Assembly could appropriate funds directly to the Department for this purpose. A subsidy approximating one-half the expected premium would create an environment for a successful program. The General Assembly, however, may wish to reflect upon the possible impact this would have on the majority of employers which currently provide retiree coverage.

If the General Assembly determines that Medicare-eligible retirees have a need for supplemental coverage, and further determines that Medicare-eligible retirees do not have access to this coverage in the marketplace, the Department would be able to offer VRS Medicare-eligible retirees a Medicare supplement package.

Summary of the Resolution

Senate Joint Resolution No. 66 (Appendix 1) requests the Department of Personnel and Training, in conjunction with the Joint Commission on Health, to continue the study of establishing a health care plan for the Virginia Retirement System beneficiaries who are not state retirees and for retired state employees participating in optional retirement programs. The cost of this optional health care plan would be borne by the participants. The resolution does not embrace retirees of school jurisdictions and local governments who do not participate in VRS.

The study is a continuation of one requested in 1995 under House Joint Resolution No. 474. This additional study was requested due to the complexity of the issues involved.

The resolution requested information be included on: (1) non-state employer health care coverage for retirees, (2) retiree health care coverage before and after age 65, (3) the cost of retiree health care coverage, and (4) the number of retirees covered by employer plans.

Retiree Health Coverage Prior to and after age 65

Discussions of retiree coverage typically observe the distinction between Medicare-eligible retirees and early retirees. The reason for this distinction is based on cost. Plans covering Medicare-eligible retirees may range from very inexpensive, because they provide few benefits, to moderately expensive. Experience with the State plans suggest that supplements to Medicare cost an average of 60% to 80% of the cost for an active employee. On the other hand, the cost of coverage for an early retiree typically ranges from 210% to 250% of the cost of an active employee. The reason that Medicare-eligible retirees cost an employer less than an early retiree is that Medicare is the primary payer of health services for this population. In 1992, Medicare spent an average of $3,391 per

enrollee.[1] Any insurance which supplements Medicare pays a relatively small amount of the health care claim expense.

As an important historical note, when the Medicare program was enacted in 1965, not everyone had coverage as good as that provided to the elderly through Medicare. Large employers, however, with labor union prodding, did provide coverages approximating Medicare. Medicare, in effect, removed the highest risk, most costly segment of the employer risk group. Labor unions, delighted with the new national health insurance program which provided good universal coverage for this population, next sought "maintenance of effort" from employers. Thus, employers offered supplemental Medicare policies which filled in the Medicare deductibles and coinsurance, features which were designed into the program to help control utilization.

Background

Virginia Retirement System records as of July, 1995 indicate that there are 81,023 retirees and survivors who receive a VRS benefit.[2] Of these, 33,051 are state retirees or survivors who are already eligible for post retirement health benefits under the Commonwealth's plan for its employees, retirees and their families. Retirees and survivors of public school teacher or political subdivisions number 47,972.

All State Retirees

Section 2.1 - 2.20 of the Code requires the Governor to establish a health insurance plan for retired state employees. All retirees of the state who are eligible for a periodic payment from VRS or any authorized Optional Retirement Plan are eligible to participate in the plan provided they apply for coverage with in 31 days of separation for retirement and pay premiums for the coverage they elect.

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[1] U. S. Department of Health and Human Services. Health Care Financing Review, Medicare and Medicaid Statistical Supplement. Health Care Financing Administration: Baltimore, MD, February, 1995.

[2] Page 1, Scheil, Barbara V. and Associates. State, Public School, Political Subdivision Retiree Health Plan Feasibility Study. Department of Personnel and Training; Richmond, VA, August, 1995.

The VRS administers a health insurance credit program which assists retirees in paying for their premiums. These credits are based on length of service at retirement. Specifically, retirees with 15 or more years of service at retirement receive credits of $2.50 per month per year of service, up to a maximum of 30 years of service. Thus, credits range from $37.50 to $75.00 per month. These credits can be applied to offset the cost of one of the State programs, or applied to purchase private insurance.

There is no distinction in eligibility for coverage or for the health insurance credit based on the retirement system from which the retiree is receiving periodic payments. Thus, retirees with optional retirement plans are eligible for the state health insurance program and the health insurance credit.

State Retirees Not Eligible for Medicare

Retirees not eligible for Medicare have access to the same health plans which cover active employees. These include Key Advantage, Cost Alliance and the HMOs. The total premiums for retirees are the same as the total premiums for active employees, ranging from $172 to $574 per month depending on the coverage selected and the number of persons covered. The claims costs for retirees tend to be 2.1 to 2.5 times the claims cost of active employees. Thus, active employees provide a significant subsidy to retired employees.

State Retirees Eligible for Medicare

Retirees eligible for Medicare have a choice of Option I, the Medicare Complementary Plan, or Option II, the Medicare Supplementary Plan. Option I provides coverage for the Medicare Part A deductible after the first $100, Part A copayment in full, 20 percent of approved charges for Part B professional services after a $1,000 per year out-of-pocket deductible, outpatient prescription drugs through a drug card with a mail order pharmacy option, vision care, and dental services. Option II provides coverage for the Medicare Part A deductible after the first $100, Part A copayment in full,

Part B in full, and Major Medical coverage ($200 annual deductible and 20% coinsurance) for prescription drugs and other ancillary medical service.

The Department is currently investigating the desirability of replacing those two options with a single plan for future retirees (and current retirees who may wish to select the new plan) which combines the best features of the existing two plans. In addition to improving coverage, the Department believes administrative costs would be lower with the new plan.

The premiums for Option I and Option II are $100 and $150 per person per month, respectively. These policies pay for services after Medicare discharges its obligations to the policyholder. This coverage is rated separately from the employee group, and this group pays 100% of its claims costs.

Other VRS Retirees

Coverage for retirees of school jurisdictions and local governments varies widely. Some employers provide no coverage, others pay 100 percent of the premium for the coverage they provide. There is no one standard survey or report which adequately describes the range of arrangements among Virginia public employers, but the Virginia Education Association conducts an annual survey of school jurisdictions. The survey dated June 1996 discloses that 109 of 125 reporting districts allow retired teachers to remain in the district's health plan, while 16 do not.

Retiree Coverage Among Non-State Employers

Eligibility rules for post-retirement health care typically follow the employer's pension plan definition of retirement. Nearly all retiree medical plans extend coverage to the spouses and children of retirees as those relationships are defined in the active employee plan. Some plans are more restrictive, however, and may, for example, exclude the spouses of marriages that occur after employees retire.

Table 1. Percent of Employers Offering Insurance to Retirees[3]

	Early Retirees	Medicare-Eligibles
All Employers with 10+ Employees	13	12
Large Employers (500 +)	44	37
Southern States	37	31
Service Industry	48	36
Government	85	72

These eligibility rules are quite liberal, considering the value of lifetime medical benefits and the potentially short working careers of some covered retirees. Employers have begun to re-examine their retiree health care benefit programs with a view toward limiting costs. This activity has been prompted both by benefit cost increases and by the Financial Accounting Standards Board change in accounting rules (FAS 106). Techniques employers are using to reduce costs include greater use of managed care, increases in retiree premium contributions, limits on the employer premium contributions, revisions in covered expenses, and larger patient deductibles, coinsurance and copayments.

The Foster Higgins surveys over the past five years have shown a gradual erosion in the number of employers offering retiree coverage. The following summary is adapted from their 1995 Report.

- The prevalence of retiree health benefits continued to decline in 1995, particularly benefits for Medicare-eligible retirees. The number of large employers offering coverage to retirees under age 65 fell from 43 to 41 percent, while the number providing coverage to Medicare-eligible retirees dropped sharply from 40 percent to 35 percent.
- The larger the organization, the more likely it is to offer retiree benefits. Among those with 5,000 or more employees, 66 percent offer coverage to retirees under age 65 and 59 percent offer coverage to Medicare-eligible retirees. However these figures have dropped since 1993 from 71

[3] Adapted from p. 46, Foster Higgins National Survey of Employer Sponsored Health Plans, Tables. Foster Higgins; New York, 1995.

percent and 65 percent, respectively, as employers looking to cut cost and lower their FAS 106 liability discontinue retiree health coverage.

- In 1995, more employers dropped coverage for Medicare-eligible employees than for early retirees. One reason may be changes in Federal legislation which limit how much providers can bill Medicare participants. These changes have limited in an important way retirees' out-of-pocket costs. Employers, faced with a need to reduce liabilities, may find it less disruptive to eliminate coverage for Medicare-eligible retirees than dropping coverage for retirees under age 65, a move which could also affect employees' retirement decisions.

The Cost of Health Insurance Coverage for the Employer and the Retiree

The following conclusions summarize the data from the Table 2 below.

Early Retirees

- 21 percent of large employers provide free individual coverage, down from 24 percent in 1994.
- The percentage of large employers requiring retirees to pay the full cost of coverage rose from 30 to 34. The remainder (45 percent) share the cost with the retiree.
- Family coverage is provided free by 14 percent of large employers.
- 36 percent of large employers require the retiree to pay the full cost of family coverage.

Retirees Eligible for Medicare

- 28 percent of large employers provide free individual coverage, and 28 percent require retirees to pay the full cost.
- The number of large employers requiring retirees to pay full cost of family coverage held steady at 30 percent. Free family coverage is provided by 20 percent.

Table 2. Retiree Contribution to Health Plan[4]

etirees Under Age 65 With Retiree Only Coverage

	100% Employer	100% Retiree	Shared Payment	% Average Contribution
All Employers with 10+ Employees	44	38	18	79
Large Employers (500 +)	21	34	45	61
Southern States	20	47	33	72
Service Industry	26	49	55	49
Government	12	48	41	68

Retirees Over Age 65 With Retiree Only Coverage

	100% Employer	100% Retiree	Shared Payment	% Average Contribution
All Employers with 10+ Employees	44	39	17	82
Large Employers (500 +)	28	28	44	57
Southern States	29	33	38	63
Service Industry	22	48	32	77
Gover: nent	21	49	30	71

Retire nder Age 65 With Dependent Coverage

	100% Employer	100% Retiree	Shared Payment	% Average Contribution
All Employers with 10+ Employees	40	40	21	79
Large Employers (500 +)	14	36	50	66
Southern States	11	52	37	75
Service Industry	17	47	36	78
overnment	6	52	41	85

Retirees Over Age 65 With Dependent Coverage

	100% Employer	100% Retiree	Shared Payment	% Average Contribution
All Employers with 10+ Employees	46	35	19	78
Large Employers (500 +)	20	30	50	60
Sou.he-n States	17	38	45	66
Serv Industry	14	46	39	75
Gov ıment	9	59	32	78

For a similar perspective among state and local government employers only, the following conclusions are drawn fro Table 3 below.

- For early retirees, governments made coverage available in three cases out of four, but paid for the coverage only one time in seven. Where coverage was made available, governments paid for or shared the cost with retirees in four cases out of five.

[4] Adapted from p. 48. Foster Higgins National Survey of Employer Sponsored Health Plans, Tables. Foster Higgins; New York, 1995.

- For Medicare-eligible retirees, the data are similar, but there is slightly less government participation.

Table 3. Retiree Medical Benefits, State and Local Governments[5]

	Early Retirees	Retirees Eligible for Medicare
Retiree Coverage Available	75%	71%
Employer paid	14%	13%
Jointly paid	46%	42$
Retiree paid	8%	7%
Cost unknown	7%	8%
No Coverage Available	23%	26%
Not Determinable	3%	4%

The Number of Retirees Covered Under Employer Sponsored Health Plans

For ease of reference, Table 1 is reproduced here. This table shows the percentages of employers who in 1994 provided health insurance to retirees. This table shows that nationally, 85 percent of government entities provide health care insurance to their retirees under age 65, and 72 percent provide coverage for their Medicare-eligible retirees. (The number for early retirees is somewhat higher than that reported in the BLS survey.) Only 13% and 12% of all employers provided health insurance for early and Medicare-eligible retirees, respectively. For large employers in southern states, these percentages were 37 and 31, respectively.

Table 1. Percent of Employers Offering Insurance to Retirees[3]

	% less than age 65	% greater than 65
All Employers with 10+ Employees	13	12
Large Employers (500 +)	44	37
Southern States	37	31
Service Industry	48	36
Government	85	72

U. S. Department of Labor. Employee Benefits in State and Local Governments, 1994. Bureau of Labor Statistics, Washington, DC. May, 1996.

The Current Problem

Early Retirees

VRS records indicate that a substantial number of the total non-state retirees are under age 65, the usual age of Medicare eligibility. For all retirees combined, the average age at retirement of present retirees is 60. The average age (at the time the survivor becomes qualified for benefits) of a retiree's survivor is 61.[2] This data indicates that some early retirees and their survivors without health care insurance could face several years with the need to purchase private insurance if the employer did not provide the coverage.

Many employers provide health insurance for early retirees through their employee health benefits programs. Table 1 discloses that 44% of large employers and 85% of government employers make such coverage available. The key to making such coverage affordable to early retirees is not the percentage of the retiree premium which the employer pays, but rather, the key is the amount of the premium itself. Early retirees are rated in the same pool as active employees, and both active employees and early retirees pay the same total premium for the same coverage. The employer typically then steps forward to pay a significant portion of that total premium for active employees, but does so less often for early retirees. Only 21% of large employers (12% of government employers) pay 100% or the premiums for early retirees (retiree only), while 34% of larger employers (48% of government employers) require early retirees to pay 100% of these premiums (Table 2).

Some insurance companies offer individual policies. Open enrollments, a period when insurance companies accept all applicants regardless of health status, are mandated in 12 states. In states which do not have mandated open enrollment requirements, participants must pass the insurer's underwriting requirements (principally, health status) to buy a health policy, regardless of how much money the retiree is willing to pay for the coverage.

In Virginia, nonstock corporations licensed under section 38.2-4216 of the Code of Virginia are required to offer comprehensive accident and sickness contracts to individuals and groups of fewer than 49 enrolled members located within the plan's service area. These contracts are issued without imposition of any underwriting criteria under which coverage may be denied, canceled or not renewed because of age, health, medical history employment status or industry or job classification. These plans, however, may be expensive from the point of view of the individual (or group) paying the premium, and they may require the out of pocket payment of significant deductibles and coinsurance.

Association sponsored plans, from fraternal, professional or other organizations, are available to pre-Medicare-eligible retirees who are members of the sponsoring group. The American Association of Retired Persons (AARP) may be the most prominent provider in this category. It offers a hospital indemnity plan to this age group, an important, but limited coverage, less inclusive than typical employer sponsored plans.

Retirees Eligible for Medicare

Many retirees eligible for Medicare choose to buy Medicare supplements. In 1992, the federal government standardized the Medicare supplement policies into ten plans. Plan A offers a basic package of benefits. The other nine plans offer these basic benefits and add various other benefits. All states must adopt Plan A and may choose to adopt the other plans. In addition, insurers must offer Plan A and may choose among the other standardized plans approved by the various states in which they operate. The standardization of Medicare supplement policies was designed to help retirees compare policies and prices and to reduce, perhaps, the incidence of duplicate coverage.

It should be noted that neither of the current Medicare supplement plans offered as part of the employee health benefits program conform to a standard plan, nor does the new plan under development as a replacement to these plans. The reason is that adoption of any of the standard

plans might appear to retirees as a taking back of current coverage. Inasmuch as the state plans are self insured, its plans may deviate from the standard plans.

Associations sponsor individual policies for persons eligible for Medicare. Again, a principle player is AARP, which offers all ten of the Medicare supplement plans in the 44 states that have approved all the options. There is, however, great variability in the pricing structure of Medicare supplement plans. For example, the 1993, AARP Prudential Medicare Supplement Plan A monthly premium was $20 in Hawaii and $57.25 in Florida.

According to a June, 1996 article in the Richmond Times-Dispatch, one-third or more of the premiums for Medicare supplement insurance is retained by the insurer. Retention includes claims reserves, selling expenses, overhead and profit. (By way of comparison, the state plans used 76% of premiums to pay claims, 7% for administrative expenses, and 17% was added to reserves.) While generalizations are never completely accurate, many of the elderly know that prices for health care have been increasing rapidly, and they fear out of pocket expenses, but they seem not to understand how broad Medicare coverage is. This fear prompts older Americans to buy Medicare supplement policies which may not be a good value, or which may not be needed at all.

There may be an argument for insuring expenses for prescription drugs because Medicare does not cover prescription drugs and because prescription drug management companies pay far less than retail for drugs and rebate part of their savings to the consumer in the form of lower premiums. The other major expense for the elderly, long term care, is outside the scope of this discussion.

A current trend is the movement of Medicare-eligible retirees into Medicare risk contract HMOs. Currently, 7 percent of Medicare-eligible retirees are in HMOs. Under a Medicare risk contract, the government agrees to pay a qualified HMO 95 percent of the estimated average Medicare cost of coverage a Medicare beneficiary in a given geographic area. Enrollees assign their benefits to the HMO in exchange for more comprehensive coverage than Medicare provides.

Medicare HMOs are not well developed in the Virginia marketplace. Only 3 percent of the Virginia Medicare population is enrolled in Medicare risk HMOs. It is possible that these plans will eventually reduce the cost of supplemental Medicare coverage.

Since Medicare pays the greater proportion of health care costs for Medicare-eligible retirees, it is possible to offer a Medicare supplement plan without the certainty of adverse risk selection. The Medicare Complementary Plan (see Appendix 2) offered to State retirees would provide desirable coverage for prescription drugs. The new Medicare supplement plan will also contain such coverage. The Department is willing and able to offer VRS retirees an appropriate Medicare supplement plan if it is determined that its offering is sufficiently superior in terms of coverage, premiums, or both to the plethora of Medicare supplemental plans available in the marketplace.

Efforts at Solutions

It is clear that HJR No. 474 (1995 session) and SJR No. 66, which requested this study, recognize a problem in coverage and are looking for a solution whose cost would "be born by such beneficiaries." In the 1995 study (Appendix 3), the monthly cost of a program like Key Advantage for retirees without Medicare was estimated at $395 per month for single coverage, $790 for dual coverage and $1,106 for family coverage. Although these premiums would be higher today, they were reasonably competitive in the marketplace for a population with the demographic and health characteristics of the early retiree population. These premiums, however, are so high that the Department expects the only people who would purchase this coverage are in very poor health and expect to incur significant medical costs. Healthier retirees would purchase plans from other vendors at lower rates, leaving the more costly retirees in the proposed program. In a typical "rate spiral," these very high premiums would shortly prove to be inadequate because the group retains only the highest cost risks rather than the typical cross-section of risks on which the premium was

based. Rates would need to be increased, marginally good risks would then leave the group, and rates would need to be increased again.

- The report submitted in response to HJR No. 474 presented the following conclusions.
  - Comprehensive coverage, similar to that offered to employees of school jurisdictions and local governments covered under the TLC program would likely not be affordable to most early retirees. Although some administrative economies would reduce the cost of providing coverage, these economies are not sufficient to offset the underlying medical cost drivers--age and health status--of the early retiree population.
  - Although affordable plans can be designed, the scope of coverage provided would be very limited and, consequently, would lack broad appeal.
  - Since early retiree coverage is expensive, younger and healthier early retirees may elect to purchase private insurance, rather than enroll in a State-sponsored plan. This would further increase rate requirements for the remaining early retirees.
  - For retirees with Medicare, a supplemental plan would be reasonably affordable. However, since many plans on the market (Blue Cross and Blue Shield, AARP and many others) already cover large Medicare populations, the incremental economies of administration in a State-sponsored alternative would be modest.
  - Administration through the VRS system would be difficult. The current system allows identification of plan codes and health insurance deductions. However, the plan code field is limited to two characters and cannot fully describe the number of individuals covered (single, dual or family) and their Medicare status. Furthermore, there is not presently an automatic validation to assure that plan codes and health insurance deductions are consistent. Thus, we suspect that a significant systems effort would be needed to administer the program.

- Communications with retirees, especially early retirees, is another important issue. Since post-retirement benefits would be different from pre-retirement benefits, thorough plan materials and extensive plan service support would be needed.

In summary, that study concluded that the proposal, as written, was not financially or administratively viable. There have been no significant developments in the year since that study was completed which would alter these conclusions.

For the purpose of this resolution, the Department asked Trigon Blue Cross Blue Shield to estimate the cost of offering Cost Alliance to early retirees. Cost Alliance is a managed care plan offered to active state employees. It uses the same provider network as Key Advantage and offers the same benefits, but copayments under Cost Alliance are higher (see Appendix 4 for a comparison of benefits). The single rate was estimated at $326 per month, the retiree plus one coverage rate was estimated at $652, and the family rate was estimated at $913.

Also for the purpose of this study, the Department asked its consulting actuary to estimate the cost of providing Medicare type coverage to early retirees. Based on last year's demographic dat the cost of single coverage is estimated at $392, retiree plus one at $794, and family at $1,098.

Although early retiree cost could be reduced by offering less extensive coverage with significant deductibles and coinsurance, the Department has not been able to find a level of benefits which can be provided under a stand alone retiree plan with benefits which would be attractive to most early retirees at rates comparable to those of active workers. Retirees' preference for more complete coverage is illustrated in the State retiree health insurance program where 354 retiree families elected to pay $482 per month for Key Advantage family coverage while only 27 elected to pay $257 for Cost Alliance coverage.

Conclusions

- It is not feasible to offer a health insurance plan with meaningful benefits to early retirees of VRS in the absence of a significant subsidy.
- Many early retirees have access to health insurance through their former employers.
- Those employers which have not provided coverage for their early retirees can provide such coverage for their early retirees through their existing health insurance programs. If these programs are unwilling or unable to provide coverage at reasonable rates, the employer group can be insured through the program established by section 2.1-20.1:02 of the Code, popularly known as The Local Choice.
- The employer subsidy for retiree health insurance is entirely within the control of the local employer. For example, state retirees pay 100% of the premium.
- If it were desirable to create a new funding model for health insurance for early retirees, the General Assembly could appropriate funds directly to the Department for this purpose. A subsidy approximating one-half the expected premium would create an environment for a successful program, where success is measured by affordability and risk selection.
- Another alternative is to rely on commercially available coverages.
- If the General Assembly determines that Medicare-eligible retirees have a need for supplemental coverage, and further determine that Medicare-eligible retirees do not have access to this coverage in the marketplace, the Department would be able to offer VRS Medicare-eligible retirees a Medicare supplement package.

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16) Trigon BlueCross BlueShield. Letter to The Department of Personnel and Training dated August 7, 1996. Subject: Open Enrollment Under the Code of Virginia.

17) Trigon Bluecross BlueShield. Letter to The Department of Personnel and Training dated August 2, 1996. Subject: State, Public School, Political Subdivision Retiree Health Plan.

Appendix 1: Senate Joint Resolution No. 66

SENATE JOINT RESOLUTION NO. 66

Requesting the Department of Personnel and Training, in conjunction with the Joint Commission on Health Care, to continue to study the efficacy of establishing and administering a health care plan for all beneficiaries of the Virginia Retirement System and for retired state employees participating in optional retirement programs.

Agreed to by the Senate, February 27, 1996
Agreed to by the House of Delegates, February 23, 1996

WHEREAS, there are approximately 72,000 retired public employees of the Commonwealth receiving benefits from the Virginia Retirement System; and

WHEREAS, many of those retirees are not covered under an employer-sponsored health insurance plan; and

WHEREAS, the cost of health care has risen steadily over the years; and

WHEREAS, for many, a group health insurance plan would make quality health care available and enhance the quality of their lives; and

WHEREAS, the 1995 Session of the General Assembly, pursuant to House Joint Resolution No. 474, requested the Department of Personnel and Training to study the efficacy of establishing and administering a health care plan for all beneficiaries of the Virginia Retirement System and for retired state employees participating in optional retirement programs; and

WHEREAS, due to the large quantity and complexity of the issues involved, another year of study is necessary; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Department of Personnel and Training, in conjunction with the Joint Commission on Health Care, be requested to continue its study of the efficacy of establishing and administering a health care plan for all beneficiaries of the Virginia Retirement System and for retired state employees participating in optional retirement programs, the cost of which will be borne by such beneficiaries. In the course of its study, the department shall examine (i) whether non-State employers offer health insurance coverage to retired employees, (ii) the types of health insurance coverage offered both prior to, and after, retirees attain age 65, (iii) the cost of health insurance coverage to both the employer and the participating retirees, and (iv) the number of retirees covered and not covered under an employer-sponsored health plan. The Joint Commission on Health Care shall assist the department in the conduct of this study.

The Department of Personnel and Training, in conjunction with the Joint Commission on Health Care, shall submit a report of its findings to the Governor and the General Assembly on or before September 15, 1996, as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Appendix 2: Medicare Complementary Plan for Commonwealth Retirees

OPTION I MEDICARE COMPLEMENTARY PLAN

Administered by Trigon Blue Cross Blue Shield

Service Area

Wherever State retirees live within the United States. Option I provides services only in areas where Medicare provides coverage. In most cases, neither Medicare nor Option I provides services outside the United States.

General Description

The Option I Medicare Complementary Plan provides retirees enrolled in Medicare the opportunity to select unique benefits to help with the following costs:

- Medicare Part A deductible after you pay the first $100 each benefit period
- Part A copayment amounts in full
- 20% of approved charges for Part B doctors' care and medical services once you meet a $1,000 calendar year out-of-pocket expense limit
- Outpatient prescription drugs (new program - see page 65)
- Other medical expenses such as vision care, dental services, and Medicare-approved charges for chiropractic services

If You Enroll In Option I:

- You must also be enrolled in both Medicare Parts A and B.
- Your family members not eligible for Medicare who wish to enroll in the Commonwealth of Virginia Health Benefits Program may enroll in either the Key Advantage or Cost Alliance plan.

To Help Save On Your Out-Of-Pocket Medical Expenses

- Whenever possible, use doctors who participate in the Medicare program.
- Choose a dentist who contracts with Trigon Blue Cross Blue Shield.
- Have your prescriptions filled at participating pharmacies in your networks or use the mail service program.

Appendix 3: Retiree Health Plan Feasibility Study (1995)

Commonwealth of Virginia

State, Public School, Political Subdivision Retiree Health Plan Feasibility Study

August 31, 1995

Barbara V. Scheil and Associates, Ltd.

with

ADP Benefit Services
WTR Consulting Group

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I. EXECUTIVE SUMMARY

We have been engaged by the Department of Personnel and Training (DPT) to evaluate the "efficacy of establishing and administering a health care plan for all beneficiaries of the [Virginia Retirement] System and for retired state employees participating in optional retirement programs, the cost of which will be borne by such beneficiaries." [1]

Virginia Retirement System records as of July, 1995, indicate that there are 81,023 retirees and survivors who would be eligible for such a plan.[2] Of these, 33,051 are State retirees or survivors who are already eligible for post-retirement health benefits under the Commonwealth's plan for its employees, retirees and their families; approximately 23,500 have elected this coverage. The remaining 47,972 are retirees or survivors of public school teacher or political subdivisions groups. Relatively few of these – approximately, 3,000 – have post-retirement health insurance administered through the VRS system.[3]

House Joint Resolution No. 474, which requested the study of this issue, proposed that the cost of such a program "be borne by such beneficiaries." This proposal would have serious implications for the State's own retirees since they currently receive "Health Insurance Credits" to offset the premiums for post-retirement health insurance. These credits are based on length of service at retirement. Specifically, retirees with 15 or more years of service at retirement receive credits of $2.50 per month per year of

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[1] See Appendix A for House Joint Resolution No. 474 which requested this study. Note the term "beneficiaries" refers to all participants in a health care plan including retirees, their eligible family members and survivors. The Virginia Retirement System (VRS) uses the term "beneficiary" for retirees' survivors only. To avoid confusion, this report will use as applicable the more definitive terms "retiree, survivor, family" in lieu of the term "beneficiary."

[2] The potential number of covered persons exceeds the number of retirees and survivors since many might elect to cover other family members.

[3] We understand, however, that some Teacher and Political Subdivision groups whose retirement benefits are administered by VRS offer health coverage to early retirees that is administered in conjunction with their health plans for active employees.

service, up to a maximum of 30 years of service.[4] Thus, credits range from $37.50 to $75.00 per month. These credits can be applied to offset the cost of one of the State programs, or applied to purchase private insurance (an Alternative Health Plan). In addition, a few localities provide health insurance credits under a similar formula but at the rate of $1.50 per month per year of service.

For purposes of our evaluation, we considered retirees not yet eligible for Medicare separately from retirees with Medicare because access to private insurance coverage and costs differ substantially. For example, we estimate the monthly cost of a program like Key Advantage for retirees without Medicare at $395 per month for Single coverage, $790 for Dual coverage, and $1,106 for Family coverage.[5] Although we believe that these rates are reasonably competitive in the marketplace for a population with the demographic and health characteristics of the early retiree population, their amount makes adverse selection against an employee-pay-all program a very real possibility. We believe that the younger and healthier retirees could (and would) purchase plans at lower rates, leaving older and uninsurable retirees in the proposed program at increasingly higher rates. Although early retiree cost could be reduced by offering less extensive coverage with significant deductibles and coinsurance, we do not believe that the level of benefits that can be provided under a stand-alone retiree plan, at rates comparable to those for active workers, would be attractive to most early retirees.

For retirees with Medicare, projected plan costs are much lower: $150 per month for Single coverage and $300 for Retiree and Spouse coverage. These premiums are relatively low because Medicare pays a high proportion of medical expenses. Many plans in this price range are already available in the commercial marketplace. Although

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[4] These credits are available only to retirees; survivors of the retiree may continue coverage at their own expense.

[5] Gross FY96 Key Advantage rates are $188, $376, and $526, for Single, Dual and Family coverage, respectively. Our analysis of early retiree experience and demographics indicates that the cost for early retirees is approximately 2.1 times this average cost.

Medicare HMOs are not well developed in the Virginia marketplace, it is possible that they will eventually reduce the cost of supplemental Medicare coverage. However, this will never be a solution for all retirement system beneficiaries since some relocate outside of Virginia.

We also briefly considered two administrative implications. First, the capacity of the existing staff and systems to handle a wider range of benefits and larger number of covered persons, and the communications needed to explain differences between pre-retirement and post-retirement benefits to early retirees. We believe both of these are significant issues that would need to be addressed before any implementation.

In summary, we do not believe that economies of state administration and sponsorship can overcome the significant cost obstacles created by the age and health status of the retiree population.

Our observations and conclusions should be considered in the context of the data and methods we used and the assumptions we made. These are described in the remainder of this report.

II. BACKGROUND

The State currently sponsors a benefit plan for State employees and retirees and their families. Under this plan, retirees (and their family members) who are not eligible for Medicare can elect from the same menu of benefit options available to active employees and their families. Retirees (and family members) eligible for Medicare can elect one of two Medicare-related plans: Medicare Complementary and Medicare Supplementary. With the exception of differentiation based on Medicare eligibility, all family members must enroll in the same plan.

Employee contributions are usually deducted from pension payments made by the Virginia Retirement System (VRS). However, some employees pay the plan administrator (for self-funded benefits) or carrier (for HMO benefits) directly; these retirees are classified as "Pay Direct." [6] Finally, retirees are permitted to use the State contribution toward their coverage ("Health Insurance Credit") to purchase coverage in the commercial market; this practice is known as "Alternative Health Credit."

Rates for employees without Medicare-related benefits are established jointly with rates for active employees (*i.e.*, the claims experience of active and early retired employees is combined for rate setting purposes). Rates for Medicare-related coverages are established separately, based on the claims experience of retirees with those coverages.

The distribution of State retirees and survivors as of July, 1995, is indicated below:

Health Benefits	Retirees	Survivors
VRS - No Medicare	6,259	187
VRS - Some or All Medicare	13,336	867
Alternative Health Credit	882	0
Pay Direct	1,714	167
Not Enrolled	8,198	1,441
Total	**30,389**	**2,662**

[6] We understand that these are generally retirees whose monthly retirement benefits are less than the monthly health insurance premiums.

Relatively little post-retirement coverage for Teachers and Political Subdivision retirees is administered through VRS. Key statistics from the VRS system as of July, 1995, are shown in the table.

Health Benefits	Teachers	Political Subdivisions
VRS Administered Plans	2,569	416
Other[7]	29,160	15,817
Total	**31,729**	**16,233**

A health benefit participation database for non-VRS administered plans is not readily available. Based on anecdotal reports, however, relatively few Political Subdivisions or Teachers provide access to Medicare-related benefits. A larger number allow early retirees to continue coverage under their employee plans, but require significant contributions.

VRS records indicate that a substantial number of retirees are under 65, the usual age of Medicare eligibility.[8] For the State, Teachers, and Political Subdivisions combined, the average age at retirement of present retirees is 60. The average age of survivors of retirees, at the time of the event that qualified them for VRS benefits,[9] is 61. As Chart 1, Average Age at Retirement, in Appendix B shows, however, many employees retire even earlier. This means that some early retirees and their survivors face a significant period where private insurance is expensive and, depending on health status, may be difficult to purchase.

[7] Includes those with coverage administered in connection with active employee plans and those without coverage.

[8] Some disabled workers may become entitled to Medicare benefits at an earlier age.

[9] Usually the employee's death.

III. BENEFITS

We considered four potential benefit designs for early retirees: Key Advantage, Cost Alliance, the Comprehensive indemnity plan offered The Local Choice (TLC)[10] participants, and a catastrophic plan whose rates would be comparable to Medicare Supplement rates.

- Key Advantage is the managed care, point-of-service plan offered state employees. Patients who use provider networks and receive primary care physician referrals receive a higher level of benefits than those who do not.
- Cost Alliance is an HMO plan offered to state employees. It is also a managed care plan, but without the out-of-network benefits available to Key Advantage participants. Costs are significantly lower than Key Advantage, but the provider network is more limited and patient co-payments are higher.
- The TLC Comprehensive plan has lower benefits but greater choice of providers than Key Advantage. No network or referral limitations apply. It's costs are roughly comparable to Key Advantage.
- The Catastrophic plan has a $15,000 annual deductible, 50% coinsurance and a $50,000 out-of-pocket expense limit. Its cost is considerably below Key Advantage and is comparable to the cost of more comprehensive coverage for a typical active employee group.

A more complete description of benefits is in Appendix C.

For retirees with Medicare, we used the Medicare Supplementary (Option 2) plan offered State retirees. This plan provides coverage of Medicare Part B deductibles and coinsurance, and Major Medical coverage for prescription drugs and other ancillary medical services.

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[10] Political Subdivisions and Public School Divisions can elect to participate in The Local Choice (TLC), a state-administered health benefit program.

IV. DATA

Our evaluation is based on eligibility and participation data provided by VRS, current State program rates, and plan design relationships derived from claims data for the current State program.

ELIGIBILITY DATA

VRS provided a data file containing records for the 81,023 who would be eligible for the proposed plan. The record for each eligible contained:

- Annuitant type (retiree or survivor),
- Employer code (state agency, school board, or political subdivision),
- Geographic location,
- Retirement type (*e.g.*, service, disability),
- Status (*e.g.*, active, inactive but eligible for health insurance, deferred),
- Year of birth,
- Year of retirement,
- Gender,
- Health insurance type (plan code or reason for no coverage),
- Health insurance deduction, and
- Health insurance credit.

To determine the type of insurance coverage currently elected by eligible State employees, we used a combination of "Health Insurance Type" and "Health Insurance Deduction." During this matching, we noted that certain plan codes or deductions were invalid. We corrected for this by assuming that the deduction, if a valid amount, was correct. If the deduction amount did not match any value in the rate tables, we assigned an "Unknown" plan code. We also used the Type/Deduction combination to establish the enrollment category (Single, Dual or Family).

STARTING RATES

We based our cost estimates on current (FY96) gross rates for the State plans. Representative monthly rates for the most common benefit options are shown below.

	Key Advantage (without Expanded Benefits or "Buy-Down")	Medicare Option 2 (Medicare Supplement)
Single	$188	$150
Dual	$376	*
Family	$526	*

** Medicare-eligible dependent rates are $150 per unit.*

CLAIMS DATA

We developed benefit adjustment factors for other benefit designs from a combination of:

- Claims Analysis Reporting System ("CARS") reports obtained for our evaluation of Key Advantage, [11] and
- FY94 claims distributions by member (participant) and employee (contract) obtained for our analysis of Medical Spending Accounts. [12]

RETIREE COSTS

We developed retiree costs using a combination of:

- Trigon BlueCross BlueShield Data Trend reports for FY92, FY93, and FY94. These reports show the relative cost per participant for active and early retired employees covered under the State self-funded plans, and
- Demographic and enrollment type distribution of active employees (from State plan enrollment data) and retirees (from VRS records).

We did not audit the data other than to perform general tests of reasonableness. During this process, as we noted earlier, certain adjustments were made to the VRS eligibility files with respect to current health plan enrollment and deductions.

[11] See Commonwealth of Virginia Key Advantage Evaluation, June 8, 1994.

[12] See Commonwealth of Virginia Medical Spending Account Actuarial Analysis, July 27, 1995.

V. METHODS

Our general approach relied primarily on experience under the State plan because its design and administration closely parallel the proposal of the Joint Resolution. Specifically, we developed Key Advantage rates for retirees (and their families) not eligible for Medicare, and Medicare Supplement rates for retirees (and their families) with Medicare. For early retirees, we adjusted the resulting Key Advantage rate for alternate benefit designs, generally based on our previous rate analyses for the State and TLC plans.

In developing the early retiree rates, we considered:

- Key Advantage early retiree experience as published in Data Trend reports for FY92, FY93, and FY94,
- The demographic composition and enrollment status of the State's early retired eligible population, and
- The reasonableness of the resulting rates as compared to prices available in the marketplace for individuals of the same age.

VI. ASSUMPTIONS

RATE DERIVATION

We used the rate for the for the State self-funded program as a benchmark to estimate costs for a retiree program. Those rates consist of two components, an expected claims component and an administrative expense component. For purposes of our evaluation, we assumed that the FY96 gross rates will exactly cover FY96 claims and administrative charges.

To derive separate rates for early retirees without Medicare, we analyzed State early retiree experience and demographics. Based on FY92, FY93, and FY94 claims experience, the cost of early retirees is 2.1 – 2.2 times the cost of the combined active and early retiree populations. Based on demographic composition, the expected cost is 1.9 times the combined populations. We attribute the difference between the claims-based and demographic factors to health status, since some early retirements are due to disability. The claims and demographic analyses are in Appendix D.

We used a factor of 2.1 times the corresponding Key Advantage rate to estimate early retiree rates for a Key Advantage plan design. We derived rates for other plan designs by computing the ratio of their actuarial value to that of Key Advantage. The actuarial relationships were derived using data from the State Key Advantage plan. Our rate derivations for these other early retiree plans are also in Appendix D.

PARTICIPATION

We based our participation estimates on the number of State retirees and survivors who elect coverage under the current plan. We made separate estimates by gender and age group. We also made separate estimates for retirees and survivors. Our estimates predict the number who will elect coverage and the type of membership (single, dual, or family) they will choose. Eligibility and participation analyses for State retirees and survivors is included in Appendix D.

SELECTION

We did not make any adjustment for adverse selection. However, since the rates we derived for the entire early retiree population are likely higher than certain young and healthy retirees can obtain on the open market, an adjustment for adverse selection should be considered when final pricing is done.

TREND

The base costs we developed are for FY96. For subsequent years, we assume rates will increase at a 9% annual rate.

VII. RESULTS

FY96 RATES

The FY96 rates we derived are shown in the table below.

	Retirees without Medicare [13]				Retirees with Medicare
	Key Advantage	Cost Alliance	Comprehensive	Catastrophic	Medicare Supplement
Single	$ 395	$ 294	$ 387	$ 150	$ 150
Dual	790	589	774	300	*
Family	1,106	824	1,084	420	*
** Medicare-eligible dependent rates are $150 per unit.*					

We should note that some families include both members with Medicare and members without Medicare. The rates for these combinations will reflect the Medicare status of those enrolled.

We did not project these rates to future years because we believe a current comparison is sufficient to assess the feasibility of the Joint Resolution's proposal. However, we should note that medical costs have typically risen faster than wages and other consumer prices. We project that rates will rise approximately 9% per year in the short-term. Thus, relative affordability of retiree-pay-all coverage will decline in the future.

TOTAL ENROLLMENT

Our analysis of State plan participation by gender and age category is included in Appendix D, separately for retirees and survivors. If enrollment of Teacher and Political Subdivision retirees follows the State patterns (by age and gender), projected enrollment is 23,246 Teacher retirees and survivors and 11,764 Political Subdivision retirees and survivors. This enrollment level represents roughly 70% of the eligible population. Our participation estimates for Teachers and Political Subdivisions are in Appendix E.

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[13] We use the term "early retiree" broadly to describe retirees, survivors, and their covered family members who are not eligible for Medicare.

We should note, however, that the State plan enrollment patterns were developed under a program with Health Insurance Credits and that rates offered the State retirees without Medicare are lower than the ones developed here. Consequently, the Teacher and Political Subdivision participation projections are likely the upper limit of actual enrollment. Enrollment would further be affected by the extent the which Teachers and Political Subdivisions already allow continued participation in their plans for active employees.

TOTAL COST

Based on the plans we evaluated and the rates we used, total annual costs are estimated at $52 million to $76 million for Teachers and $29 million to $43 million for Political Subdivisions. We did not compute the cost of providing the proposed plans to State retirees since most already participate in the State program.

Our analysis of Teacher and Political Subdivision total costs is included in Appendix E.

VIII. CONCLUSIONS AND OBSERVATIONS

Based on our analysis, we conclude that:

- Comprehensive coverage, similar to that offered to State employees and Teacher and Political Subdivision employees covered under TLC options, would likely not be affordable to most early retirees. Although some administrative economies would reduce the cost of providing coverage, these economies are not sufficient to offset the underlying medical cost characteristics – age and health status – of the early retiree population.
- Although affordable plans can be designed, the scope of coverage provided would be very limited and, consequently, would lack broad appeal.
- Because early retiree coverage is expensive, younger and healthier early retirees may elect to purchase private insurance, rather than enroll in a State-sponsored plan. This would further increase rate requirements for the remaining early retirees.
- For retirees with Medicare, a supplemental plan would be reasonably affordable. However, since many plans on the market (BlueCross BlueShield and AARP, for example) already cover large Medicare populations, the incremental economies of administration in a State-sponsored alternative would be modest.
- Administration through the current VRS system would be difficult. The current system allows identification of Plan Codes and health insurance deductions. However, the Plan Code field is limited to two characters and cannot fully describe the number of individuals covered (Single, Dual or Family) and their Medicare status. Furthermore, there is not presently an automatic validation to assure that Plan Codes and Health Insurance Deductions are consistent. Thus, we suspect that a significant systems effort would be needed to administer the program.
- Communications with retirees, especially early retirees, is another important issue. Since post-retirement benefits would likely be different from pre-

retirement benefits, thorough plan materials and extensive plan service support would be needed.

In summary, we do not believe the proposal, as written, is financially or administratively viable.

APPENDIX A
Joint Resolution

LD3659124

HOUSE JOINT RESOLUTION NO. 474

Offered January 18, 1995

Requesting the Department of Personnel and Training to study the efficacy of establishing and administering a health care plan for retired state employees, public school teachers, and political subdivision employees.

Patron—Ball

Referred to Committee on Rules

WHEREAS, there are approximately 72,000 retired public employees of the Commonwealth receiving benefits from the Virginia Retirement System; and

WHEREAS, many of those retirees are not covered under an employer-sponsored health insurance plan; and

WHEREAS, the cost of health care has risen steadily over the years; and

WHEREAS, many retirees cannot afford the cost of health care and/or health insurance; and

WHEREAS, for many, a group health insurance plan would make quality health care available and enhance the quality of their lives; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Personnel and Training be requested to study the efficacy of establishing and administering a health care plan for all beneficiaries of the System and for retired state employees participating in optional retirement programs, the cost of which will be borne by such beneficiaries.

The Department of Personnel and Training shall submit a report of its findings to the Governor and the General Assembly on or before September 15, 1995, as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

LD3659124

HJ4/4

Official Use By Clerks

Passed By The House of Delegates		Passed By The Senate	
without amendment	☐	without amendment	☐
with amendment	☐	with amendment	☐
substitute	☐	substitute	☐
substitute w/amdt	☐	substitute w/amdt	☐

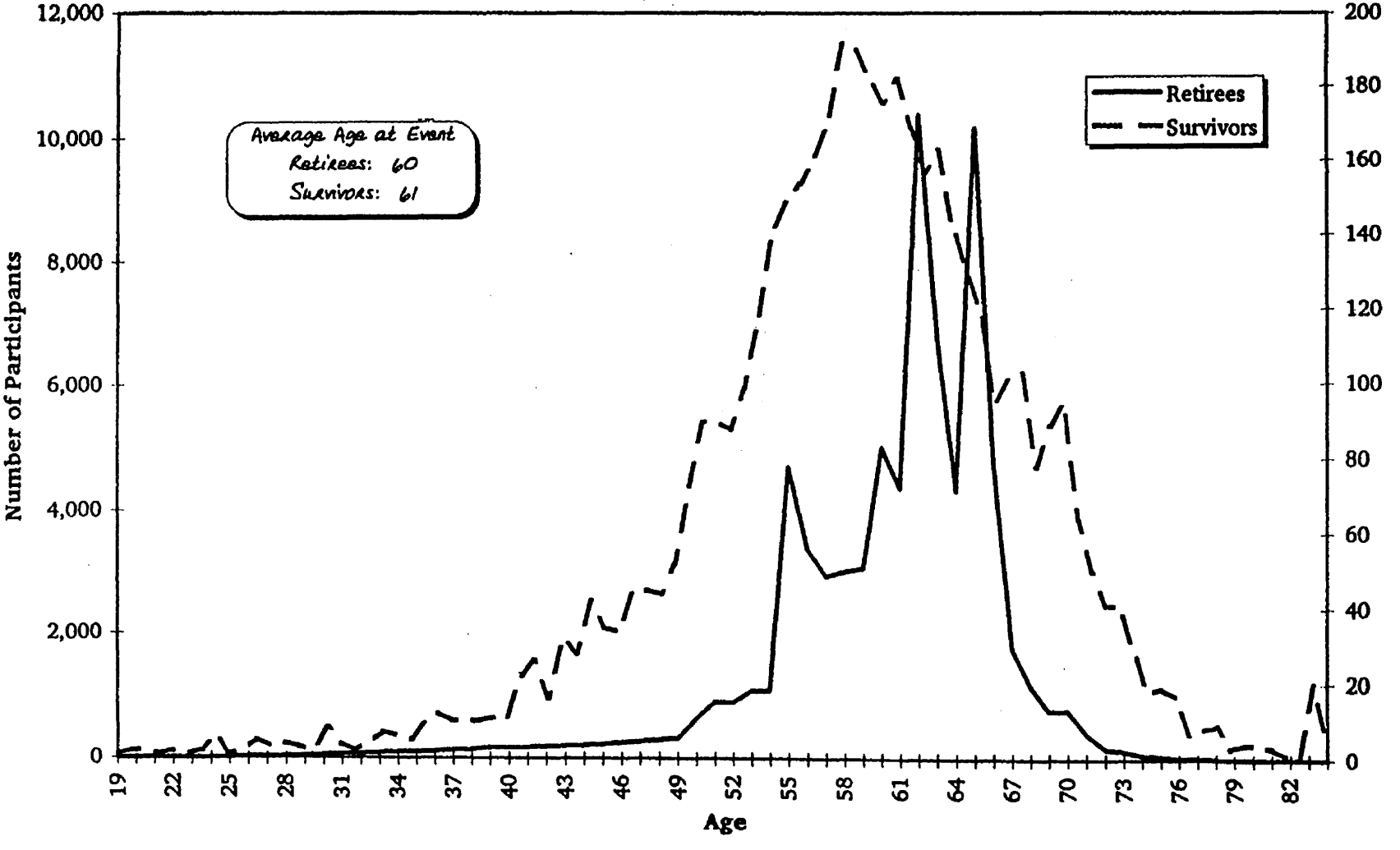
Date: _____ Date: _____

_____ _____

Clerk of the House of Delegates Clerk of the Senate

APPENDIX B
Background

Chart 1
Age at Retirement



APPENDIX C
Benefits

SUMMARY of BENEFITS

Commonwealth of Virginia

	Key Advantage‡	Cost Alliance	Comprehensive	Catastrophic
(1) FACILITY: INPATIENT†				
Med/Surg	100%>$100/adm; 365 days	$100/day; Max $500/adm.	75%*;$100/adm	50%*;$200/adm
Maternity	100%>$100/adm; 365 days	$100/day; Max $500/adm.	75%*;$100/adm	50%*;$200/adm
Psych/SA	100%>$100/adm;30days	$100/day;$500/adm.;30days	75%*;$100/adm;30days	50%*;$200/adm;30days
SNF	100%; 180 days	100%; 100 days	75%*;$100/adm	50%*;$200/adm
(2) HOSPITAL: OUTPATIENT				
ER	100%>$30/visit	100%>$50/visit	75%*	50%*
Surgery	100%>$30/visit	100%>$100/visit	75%*	50%*
Radiology/Pathology	90%	100%>$35/visit	75%*	50%*
Maternity	100%>$30/visit	100%>$100/visit	75%*	50%*
Therapy	100% (>$10/visit, PT)	100%>$35/visit (90 visits)	75%*	50%*
(3) PROFESSIONAL: INPATIENT				
Visits: Medical	100%; 365 days	100%	75%*	50%*
Surgery	100%	100%	75%*	50%*
Maternity	100%	100%	75%*	50%*
Visits: Psych/SA	100%	100%	75%*	50%*
Radiology/Pathology	100%	100%	75%*	50%*
SNF	100%; 180 days	100%;100days	75%*	50%*
(4) PROFESSIONAL: HOSPITAL OP				
ER	100% > $10 copay	100%	75%*	50%*
Surgery	100% > $10 copay	100%	75%*	50%*
Radiology/Pathology	90%	100%	75%*	50%*
(5) PHYSICIAN: OFFICE/HOME				
Visits: Medical	100% > $10 copay	100% > $20/ $35 copay	75%*	50%*
Surgery	100% > $10 copay	100% > $20/ $35 copay	75%*	50%*
Visits: Psych/SA	100%>$10 copay;50 visits	100%>$35 copay;20 visits	75%*:5visits;50%:15visits	50%*:5visits;25%:15visits
Visits: Maternity	100%	100%>$100/preganancy	75%*	50%*
Exams	Well Child, Mammogram, GYN: 100%>$10 copay	100% > $20 copay	Not covered	Not covered
Vision/Hearing Screenings	Not covered	Not covered	Not covered	Not covered
Injections/Immunizations	90%/100%	100%	75%*	50%*
Radiology/Pathology	90%	100%	75%*	50%*
Diagnostic Testing	90%	100%	75%*	50%*
(6) OTHER PROFESSIONAL				
Critical Care	IP 100%; OP $10 copay	100%>$35/visit	75%*	50%*
Consults	IP 100%; OP $10 copay	100%>$35/visit	75%*	50%*
Allergy Testing/Immunotherapy	IP 100%; OP $10 copay	100%>$35/visit	75%*	50%*
Cardiovascular	IP 100%; OP $10 copay	100%>$35/visit	75%*	50%*
Physical Medicine	IP 100%; OP $10 copay	100%>$35/visit	75%*	50%*
Chiropody	$50/$20/$10; $540 max	100%>$35/visit	75%*	50%*
(7) RX DRUGS	$10/$15	$15/$30	$10/$30	$10/$30
(8) AMBULANCE	80%*	100%	75%*	50%*
(9) PDN/HOME HEALTH	80%*/ $10 copay (90 visits)	100%	75%*	50%*
(10) DME/PROSTHETICS/SUPPLIES	80%*	100% Max of $1,000/CY	75%*	50%*
(11) DENTAL	100-80-0-0; $1,000 CY Max	Not covered	Not covered	Not covered
(12) ABMT/HDC	Not covered	Not covered	Not covered	Not covered
(13) OTHER	†PAC Required *after $100 MM deductible $1,000 MM OOP ‡Non-ref & OON = 25% redn	†PAC Required $2,500 MM OOP	†PAC Required *after $400 deductible $3,000 OOP	†PAC Required *after $15,000 deductible $50,000 OOP

APPENDIX D
Assumptions

Rate Derivation
Claim Analysis: Early Retirees

Commonwealth of Virginia
Covered Charges

	Actives			Retirees			Total		
	FY92	FY93	FY94	FY92	FY93	FY94	FY92	FY93	FY94
Hospital Inpatient	100,891,107	104,143,473	107,189,845	14,053,178	15,200,627	13,613,316	114,944,285	119,344,100	120,803,161
Hospital Outpatient	46,655,852	50,262,986	54,673,899	4,836,468	5,293,143	5,565,618	51,492,320	55,556,129	60,239,517
Physician Inpatient	25,032,670	23,135,502	22,494,074	2,967,447	2,624,903	2,562,240	28,000,117	25,760,405	25,056,314
Physician Outpatient	68,135,677	71,849,204	68,948,040	5,547,703	6,895,218	6,212,706	73,683,380	78,744,422	75,160,746
Dental	10,801,583	16,453,365	17,463,298	238,198	798,167	819,359	11,039,781	17,251,532	18,282,657
Drug	640,167	692,246	645,083	54,554	126,450	182,793	694,721	818,696	827,876
Total	252,157,056	266,536,776	271,414,239	27,697,548	30,938,508	28,956,032	279,854,604	297,475,284	300,370,271
Total Medical Only	240,715,306	249,391,165	253,305,858	27,404,796	30,013,891	27,953,880	268,120,102	279,405,056	281,259,738
Covered Persons	180,236	179,287	184,264	8,522	9,423	8,885	188,758	188,710	193,149
Charges/Person									
Total	1,399	1,487	1,473	3,250	3,283	3,259	1,483	1,576	1,555
Medical Only	1,336	1,391	1,375	3,216	3,185	3,146	1,420	1,481	1,456
				Ratio Retiree/Active			Ratio Retiree/Total		
Total				2.32	2.21	2.21	2.19	2.08	2.10
Medical Only				2.41	2.29	2.29	2.26	2.15	2.16

Rate Derivation
Demographic Analysis

KEY ADVANTAGE: YEAR ENDING 10/93

			Enrollment				Estimated Members/Unit						Estimated Members				Cost per Member		
			Single	Ee/Ch	Family	Total	Single	Ee/Child		Family									
							Ee	Ee	Ch	Ee	Sp	Ch	Ee	Sp	Ch	Total	Ee	Spouse	Child
	<	30	3,338	249	1,493	5,080	1.00	1.00	1.00	1.00	0.99	0.73	5,080	1,480	1,343	7,903	0.44	1.60	0.43
	30 -	39	5,129	519	6,461	12,109	1.00	1.00	1.00	1.00	0.98	1.71	12,109	6,323	11,557	29,989	0.62	1.49	0.43
M	40 -	44	2,443	275	4,589	7,307	1.00	1.00	1.00	1.00	0.98	1.71	7,307	4,497	8,116	19,920	0.78	1.39	0.43
A	45 -	49	2,255	238	4,514	7,007	1.00	1.00	1.00	1.00	0.99	1.55	7,007	4,463	7,236	18,706	0.99	1.42	0.43
L	50 -	54	2,014	167	3,476	5,657	1.00	1.00	1.00	1.00	0.99	1.56	5,657	3,440	5,586	14,683	1.32	1.62	0.43
E	55 -	59	1,855	74	2,728	4,657	1.00	1.00	1.00	1.00	0.99	0.94	4,657	2,699	2,644	10,000	1.81	1.89	0.43
	60 -	64	1,695	33	2,266	3,994	1.00	1.00	1.00	1.00	0.99	0.94	3,994	2,244	2,173	8,411	2.45	2.35	0.43
	65 +		228	2	336	566	1.00	1.00	1.00	1.00	0.98	0.37	566	330	126	1,022	2.39	2.20	0.43
	<	30	4,407	618	1,198	6,223	1.00	1.00	1.00	1.00	0.95	1.30	6,223	1,142	2,180	9,545	1.04	0.44	0.43
F	30 -	39	7,523	1,672	5,114	14,309	1.00	1.00	1.00	1.00	0.95	1.51	14,309	4,878	9,399	28,585	1.22	0.62	0.43
E	40 -	44	4,085	832	2,735	7,652	1.00	1.00	1.00	1.00	0.96	1.52	7,652	2,612	4,977	15,241	1.22	0.78	0.43
M	45 -	49	3,922	562	2,074	6,558	1.00	1.00	1.00	1.00	0.96	1.58	6,558	1,997	3,843	12,398	1.34	0.99	0.43
A	50 -	54	3,298	232	1,272	4,802	1.00	1.00	1.00	1.00	0.96	1.58	4,802	1,221	2,245	8,269	1.59	1.32	0.43
L	55 -	59	2,981	92	801	3,874	1.00	1.00	1.00	1.00	0.91	1.24	3,874	730	1,089	5,693	1.88	1.81	0.43
E	60 -	64	3,297	37	438	3,772	1.00	1.00	1.00	1.00	0.91	1.24	3,772	400	579	4,751	2.35	2.45	0.43
	65 +		331	4	41	376	1.00	1.00	1.00	1.00	0.87	0.67	376	36	31	443	2.20	2.39	0.43
	<	30	7,745	867	2,691	11,303	1.00	1.00	1.00	1.00	0.96	1.14	11,303	2,622	3,523	17,448	0.77	1.10	0.43
	30 -	39	12,652	2,191	11,575	26,418	1.00	1.00	1.00	1.00	0.96	1.56	26,418	11,201	20,955	58,575	0.94	1.11	0.43
B	40 -	44	6,528	1,107	7,324	14,959	1.00	1.00	1.00	1.00	0.96	1.56	14,959	7,109	13,093	35,161	1.00	1.17	0.43
O	45 -	49	6,177	800	6,588	13,565	1.00	1.00	1.00	1.00	0.97	1.57	13,565	6,459	11,079	31,103	1.16	1.29	0.43
T	50 -	54	5,312	399	4,748	10,459	1.00	1.00	1.00	1.00	0.97	1.57	10,459	4,661	7,831	22,952	1.44	1.54	0.43
H	55 -	59	4,836	166	3,529	8,531	1.00	1.00	1.00	1.00	0.95	1.11	8,531	3,429	3,732	15,692	1.84	1.87	0.43
	60 -	64	4,992	70	2,704	7,766	1.00	1.00	1.00	1.00	0.95	1.10	7,766	2,643	2,752	13,162	2.40	2.37	0.43
	65 +		559	6	377	942	1.00	1.00	1.00	1.00	0.91	0.57	942	366	157	1,465	2.31	2.22	0.43
Total			48,801	5,606	39,536	93,943	1.00	1.00	1.00	1.00	0.96	1.48	93,943	38,492	63,124	195,559	1.23	1.37	0.43
										2.082								**1.000**	

Rate Derivation
Demographic Analysis

KEY ADVANTAGE: STATE RETIREES & SURVIVORS

		Enrollment				Estimated Members/Unit							Estimated Members				Cost per Member		
		Single	Dual	Family	Total	Single	Dual			Family									
						Ee	Ee	Sp	Ch	Ee	Sp	Ch	Ee	Sp	Ch	Total	Ee	Spouse	Child
	< 30	1	1	0	2	1.00	1.00	0.94	0.06	1.00	0.98	1.71	2	1	0	3	0.44	1.60	0.43
	30 - 39	31	5	6	42	1.00	1.00	0.85	0.15	1.00	0.97	2.19	42	10	14	66	0.62	1.49	0.43
M	40 - 44	37	2	4	43	1.00	1.00	0.85	0.15	1.00	0.97	2.19	43	6	9	58	0.78	1.39	0.43
A	45 - 49	44	12	18	74	1.00	1.00	0.87	0.13	1.00	0.98	2.05	74	28	38	141	0.99	1.42	0.43
L	50 - 54	230	106	54	390	1.00	1.00	0.87	0.13	1.00	0.99	2.07	390	146	125	661	1.32	1.62	0.43
E	55 - 59	550	455	67	1,072	1.00	1.00	0.96	0.04	1.00	0.98	1.52	1,072	503	120	1,695	1.81	1.89	0.43
	60 - 64	741	748	46	1,535	1.00	1.00	0.97	0.03	1.00	0.98	1.52	1,535	768	95	2,398	2.45	2.35	0.43
	65 +	139	93	20	252	1.00	1.00	0.95	0.05	1.00	0.95	1.18	252	108	28	387	2.39	2.20	0.43
	< 30	1	0	0	1	1.00	1.00	0.78	0.22	1.00	0.87	1.69	1	0	-	1	1.04	0.44	0.43
F	30 - 39	33	3	2	38	1.00	1.00	0.82	0.18	1.00	0.87	2.08	38	4	5	47	1.22	0.62	0.43
E	40 - 44	34	4	7	45	1.00	1.00	0.82	0.18	1.00	0.87	2.09	45	9	15	70	1.22	0.78	0.43
M	45 - 49	59	9	4	72	1.00	1.00	0.81	0.19	1.00	0.89	1.99	72	11	10	93	1.34	0.99	0.43
A	50 - 54	226	33	8	267	1.00	1.00	0.80	0.20	1.00	0.89	1.98	267	33	23	323	1.59	1.32	0.43
L	55 - 59	697	117	6	820	1.00	1.00	0.66	0.34	1.00	0.83	1.53	820	82	49	951	1.88	1.81	0.43
E	60 - 64	1,132	103	3	1,238	1.00	1.00	0.68	0.32	1.00	0.83	1.52	1,238	73	37	1,348	2.35	2.45	0.43
	65 +	248	6	1	255	1.00	1.00	0.65	0.35	1.00	0.56	1.37	255	4	3	263	2.20	2.39	0.43
	< 30	2	1	0	3	1.00	1.00	0.94	0.06	0.00	0.00	0.00	3	1	0	4	0.64	1.60	0.43
	30 - 39	64	8	8	80	1.00	1.00	0.84	0.16	1.00	0.95	2.17	80	14	19	113	0.90	1.23	0.43
B	40 - 44	71	6	11	88	1.00	1.00	0.83	0.17	1.00	0.91	2.13	88	15	24	127	1.00	1.01	0.43
O	45 - 49	103	21	22	146	1.00	1.00	0.84	0.16	1.00	0.97	2.04	146	39	48	233	1.16	1.30	0.43
T	50 - 54	456	139	62	657	1.00	1.00	0.85	0.15	1.00	0.97	2.06	657	179	148	984	1.43	1.56	0.43
H	55 - 59	1,247	572	73	1,892	1.00	1.00	0.90	0.10	1.00	0.97	1.52	1,892	585	169	2,646	1.84	1.88	0.43
	60 - 64	1,873	851	49	2,773	1.00	1.00	0.93	0.07	1.00	0.97	1.52	2,773	841	132	3,746	2.40	2.36	0.43
	65 +	387	99	21	507	1.00	1.00	0.94	0.06	1.00	0.93	1.18	507	112	31	650	2.29	2.20	0.43
Total		4,203	1,697	246	6,146	1.00	1.00	0.91	0.09	1.00	0.96	1.72	6,146	1,786	572	8,504	2.05	2.07	0.43
									1.384									1.943	

Monthly Rate Derivation: Early Retirees

	Single	Dual	Family	Source
Key Advantage (Actives and Early Retirees)	$ 188	$ 376	$ 526	
Early Retiree Factor	2.10			From Experience and Demographic Analysis
Key Advantage (Early Retirees)	$ 395	$ 790	$1,106	
Benefit Adjustment: Cost Alliance	0.745			From Cost Alliance Analysis
Cost Alliance (Early Retirees)	$ 294	$ 589	$ 824	
Benefit Adjustment: Comprehensive ($400 Ded)	0.980			From TLC Analysis
Comprehensive (Early Retirees)	$ 387	$ 774	$1,084	
Benefit Adjustment: Catastrophic ($15,000 Ded)	0.380			Catastrophic Plan Analysis
Catastrophic (Early Retirees)	$ 150	$ 300	$ 420	

State: Eligibility and Participation Analysis

		Survivors												
				No Medicare					Some or All Medicare					
		Eligible	Covered	Single	Dual	Family	Unknown	Total	Single	Dual	Family	Family-1	Family-2	Total
F	< 45	54	10	0	0	0	0	0	0	0	0	0	0	0
E	45 - 54	155	48	21	5	3	0	29	2	0	0	0	0	2
M	55 - 64	412	181	125	8	1	0	134	12	1	0	0	0	13
A	65 - 74	813	425	14	0	0	0	14	354	1	0	0	0	355
L	75 - 84	760	395	2	0	0	0	2	333	1	0	0	0	334
E	85 +	298	156	5	0	0	0	5	140	0	0	0	0	140
	Total	2,492	1,215	167	13	4	0	184	841	3	0	0	0	844
	< 45	12	0	0	0	0	0	0	0	0	0	0	0	0
M	45 - 54	16	1	0	0	0	0	0	0	0	0	0	0	0
A	55 - 64	31	6	3	0	0	0	3	0	0	0	0	0	0
L	65 - 74	43	8	0	0	0	0	0	5	0	0	0	0	5
E	75 - 84	33	11	0	0	0	0	0	8	0	0	0	0	8
	85 +	29	9	0	0	0	0	0	9	0	0	0	0	9
	Total	164	35	3	0	0	0	3	22	0	0	0	0	22
T	< 45	66	10	0	0	0	0	0	0	0	0	0	0	0
O	45 - 54	171	49	21	5	3	0	29	2	0	0	0	0	2
T	55 - 64	443	187	128	8	1	0	137	12	1	0	0	0	13
A	65 - 74	856	433	14	0	0	0	14	359	1	0	0	0	360
L	75 - 84	793	406	2	0	0	0	2	341	1	0	0	0	342
	85 +	327	165	5	0	0	0	5	149	0	0	0	0	149
	Total	2,656	1,250	170	13	4	0	187	863	3	0	0	0	866

State: Eligibility and Participation Analysis

Retirees

				No Medicare					Some or All Medicare					
		Eligible	Covered	Single	Dual	Family	Unknow	Total	Single	Dual	Family	Family-1	Family-2	Total
F	< 45	267	161	71	7	9	1	88	32	5	0	0	0	37
E	45 - 54	726	544	291	43	9	6	349	88	22	0	1	1	112
M	55 - 64	3,434	2,688	1,781	220	9	15	2,025	165	162	0	2	0	329
A	65 - 74	5,694	4,231	222	6	1	3	232	2,942	457	5	0	0	3,404
L	75 - 84	3,164	2,217	8	0	0	0	8	1,760	132	0	0	0	1,892
E	85 +	782	570	4	0	0	0	4	473	10	0	0	0	483
	Total	14,067	10,411	2,377	276	28	25	2,706	5,460	788	5	3	1	6,257
	< 45	307	186	73	8	12	2	95	32	3	0	0	2	37
M	45 - 54	924	687	289	119	69	5	482	81	31	0	6	3	121
A	55 - 64	4,369	3,502	1,352	1,245	115	4	2,716	146	236	0	2	2	386
L	65 - 74	6,804	5,147	138	90	19	2	249	1,811	2,419	23	17	10	4,280
E	75 - 84	3,308	2,266	3	5	1	0	9	853	1,042	9	2	0	1,906
	85 +	605	403	1	1	0	0	2	181	165	0	1	0	347
	Total	16,317	12,191	1,856	1,468	216	13	3,553	3,104	3,896	32	28	17	7,077
T	< 45	574	347	144	15	21	3	183	64	8	0	0	2	74
O	45 - 54	1,650	1,231	580	162	78	11	831	169	53	0	7	4	233
T	55 - 64	7,803	6,190	3,133	1,465	124	19	4,741	311	398	0	4	2	715
A	65 - 74	12,498	9,378	360	96	20	5	481	4,753	2,876	28	17	10	7,684
L	75 - 84	6,472	4,483	11	5	1	0	17	2,613	1,174	9	2	0	3,798
	85 +	1,387	973	5	1	0	0	6	654	175	0	1	0	830
	Total	30,384	22,602	4,233	1,744	244	38	6,259	8,564	4,684	37	31	18	13,334

APPENDIX E
Results

Teachers: Participation Analysis

				Survivors										
				Expected Enrollment										
				No Medicare					Some or All Medicare					
		Eligible	Currently Covered	Single	Dual	Family	Unknown	Total	Single	Dual	Family	Family-1	Family-2	Total
F	< 45	24	0	2	0	0	0	2	10	0	0	0	0	10
E	45 - 54	44	0	3	1	0	0	4	18	0	0	0	0	18
M	55 - 64	103	0	8	1	0	0	9	38	3	0	0	0	41
A	65 - 74	181	2	16	0	0	0	16	72	0	0	0	0	72
L	75 - 84	124	0	11	0	0	0	11	50	0	0	0	0	50
E	85 +	57	0	5	0	0	0	5	23	0	0	0	0	23
	Total	533	2	45	2	0	0	47	210	3	0	0	0	213
	< 45	17	0	0	0	0	0	0	3	0	0	0	0	3
M	45 - 54	36	0	1	0	0	0	1	7	0	0	0	0	7
A	55 - 64	62	0	2	0	0	0	2	12	0	0	0	0	12
L	65 - 74	80	0	2	0	0	0	2	15	0	0	0	0	15
E	75 - 84	59	0	1	0	0	0	1	11	0	0	0	0	11
	85 +	26	1	1	0	0	0	1	5	0	0	0	0	5
	Total	280	1	7	0	0	0	7	53	0	0	0	0	53
T	< 45	41	0	3	0	0	0	3	13	0	0	0	0	13
O	45 - 54	80	0	4	1	0	0	5	24	0	0	0	0	24
T	55 - 64	165	0	10	1	0	0	11	50	3	0	0	0	53
A	65 - 74	261	2	18	0	0	0	18	87	0	0	0	0	87
L	75 - 84	183	0	12	0	0	0	12	61	0	0	0	0	61
	85 +	83	1	6	0	0	0	6	28	0	0	0	0	28
	Total	813	3	52	2	0	0	54	263	3	0	0	0	266

Teachers: Participation Analysis

		Retirees												
				Expected Enrollment										
			Currently	No Medicare					Some or All Medicare					
		Eligible	Covered	Single	Dual	Family	Unknow	Total	Single	Dual	Family	Family-1	Family-2	Total
F	< 45	104	5	19	2	2	0	23	47	7	0	0	0	54
E	45 - 54	403	28	75	11	2	2	90	163	41	0	2	2	208
M	55 - 64	5,976	465	1,174	145	6	10	1,335	1,549	1,520	0	19	0	3,088
A	65 - 74	9,245	515	1,977	53	9	27	2,066	4,129	641	7	0	0	4,777
L	75 - 84	5,972	589	1,334	0	0	0	1,334	2,871	215	0	0	0	3,086
E	85 +	2,828	475	632	0	0	0	632	1,431	30	0	0	0	1,461
	Total	24,528	2,077	5,212	211	19	39	5,481	10,189	2,454	7	21	2	12,673
	< 45	25	2	4	1	1	0	6	10	1	0	0	1	12
M	45 - 54	171	14	26	11	6	0	43	57	22	0	4	2	85
A	55 - 64	2,334	190	290	267	25	1	583	439	710	0	6	6	1,161
L	65 - 74	2,551	138	353	230	49	5	637	537	717	7	5	3	1,269
E	75 - 84	1,062	101	89	147	29	0	265	236	289	2	1	0	528
	85 +	245	44	30	31	0	0	61	64	58	0	0	0	122
	Total	6,388	489	792	687	110	6	1,595	1,343	1,797	9	16	12	3,177
T	< 45	129	7	23	3	3	0	29	57	8	0	0	1	66
O	45 - 54	574	42	101	22	8	2	133	220	63	0	6	4	293
T	55 - 64	8,310	655	1,464	412	31	11	1,918	1,987	2,230	0	25	6	4,248
A	65 - 74	11,796	653	2,330	283	58	32	2,703	4,665	1,358	14	5	3	6,045
L	75 - 84	7,034	690	1,424	147	29	0	1,600	3,107	504	2	1	0	3,614
	85 +	3,073	519	662	31	0	0	693	1,495	88	0	0	0	1,583
	Total	30,916	2,566	6,004	898	129	45	7,076	11,532	4,251	16	37	14	15,850

Political Subdivisions: Participation Analysis

		Survivors												
				Expected Enrollment										
			Currently	No Medicare					Some or All Medicare					
		Eligible	Covered	Single	Dual	Family	Unknown	Total	Single	Dual	Family	Family-1	Family-2	Total
F	< 45	54	0	5	0	0	0	5	22	0	0	0	0	22
E	45 - 54	78	0	5	1	1	0	7	31	0	0	0	0	31
M	55 - 64	198	0	16	1	0	0	17	73	6	0	0	0	79
A	65 - 74	370	1	32	0	0	0	32	148	0	0	0	0	148
L	75 - 84	282	3	25	0	0	0	25	113	0	0	0	0	113
E	85 +	68	1	6	0	0	0	6	27	0	0	0	0	27
	Total	1,050	5	89	2	1	0	92	414	6	0	0	0	420
	< 45	8	0	0	0	0	0	0	2	0	0	0	0	2
M	45 - 54	10	0	0	0	0	0	0	2	0	0	0	0	2
A	55 - 64	14	0	0	0	0	0	0	3	0	0	0	0	3
L	65 - 74	21	0	1	0	0	0	1	4	0	0	0	0	4
E	75 - 84	15	0	0	0	0	0	0	3	0	0	0	0	3
	85 +	15	1	0	0	0	0	0	3	0	0	0	0	3
	Total	83	1	2	0	0	0	2	16	0	0	0	0	16
T	< 45	62	0	5	0	0	0	5	23	0	0	0	0	23
O	45 - 54	88	0	5	1	1	0	7	33	0	0	0	0	33
T	55 - 64	212	0	17	1	0	0	18	76	6	0	0	0	82
A	65 - 74	391	1	33	0	0	0	33	152	0	0	0	0	152
L	75 - 84	297	3	25	0	0	0	25	116	0	0	0	0	116
	85 +	83	2	6	0	0	0	6	30	0	0	0	0	30
	Total	1,133	6	91	2	1	0	94	430	6	0	0	0	436

Political Subdivisions: Participation Analysis

		Retirees												
				Expected Enrollment										
			Currently	No Medicare					Some or All Medicare					
		Eligible	Covered	Single	Dual	Family	Unknow	Total	Single	Dual	Family	Family-1	Family-2	Total
F	< 45	100	2	18	2	2	0	22	45	7	0	0	0	52
E	45 - 54	222	17	42	6	1	1	50	90	23	0	1	1	115
M	55 - 64	1,311	52	258	32	1	2	293	339	334	0	4	0	677
A	65 - 74	3,239	41	693	19	3	9	724	1,446	225	2	0	0	1,673
L	75 - 84	1,615	27	361	0	0	0	361	776	58	0	0	0	834
E	85 +	280	14	63	0	0	0	63	142	3	0	0	0	145
	Total	6,767	153	1,434	59	7	12	1,512	2,838	650	2	5	1	3,496
	< 45	277	9	53	6	9	1	69	120	11	0	0	7	138
M	45 - 54	610	36	90	38	22	2	152	202	78	0	15	8	303
A	55 - 64	1,954	95	242	224	21	1	488	368	594	0	5	5	972
L	65 - 74	3,667	63	508	331	70	7	916	772	1,031	10	7	4	1,824
E	75 - 84	1,606	47	133	223	45	0	401	357	437	4	1	0	799
	85 +	219	7	28	27	0	0	55	57	52	0	0	0	109
	Total	8,333	257	1,054	849	167	11	2,081	1,876	2,203	14	28	24	4,145
T	< 45	377	11	72	8	11	1	92	164	18	0	0	7	189
O	45 - 54	832	53	132	44	23	3	202	292	101	0	16	9	418
T	55 - 64	3,265	147	500	256	22	3	781	707	928	0	9	5	1,649
A	65 - 74	6,906	104	1,200	350	73	16	1,639	2,218	1,256	12	7	4	3,497
L	75 - 84	3,221	74	494	223	45	0	762	1,133	495	4	1	0	1,633
	85 +	499	21	90	27	0	0	117	199	55	0	0	0	254
	Total	15,100	410	2,488	908	174	23	3,593	4,714	2,853	16	33	25	7,641

Cost Analysis

Teachers

	Eligibles	Current Enrollment	Expected Enrollment	Monthly Costs KA	CA	Comp	Catastrophic
Retirees without Medicare							
Single			6,056	$ 395	$ 294	$ 387	$ 150
Dual			945	790	589	774	300
Family			129	1,106	824	1,084	420
Total			7,130				
Retirees with Medicare							
Single			11,795	$ 150	$ 150	$ 150	$ 150
Dual			4,254	300	300	300	300
Family			67	450	450	450	450
Total			16,116				
Total all Retirees	31,729	2,569	23,246				
Total Annual Plan Costs				$ 76,283,328	$ 66,247,565	$ 75,493,723	$ 51,860,160

Cost Analysis

Political Subdivisions

	Eligibles	Current Enrollment	Expected Enrollment	Monthly Costs KA	CA	Comp	Catastrophic
Retirees without Medicare							
Single			2,579	$ 395	$ 294	$ 387	$ 150
Dual			933	790	589	774	300
Family			175	1,106	824	1,084	420
Total			3,687				
Retirees with Medicare							
Single			5,144	$ 150	$ 150	$ 150	$ 150
Dual			2,859	300	300	300	300
Family			74	450	450	450	450
Total			8,077				
Total all Retirees	16,233	416	11,764				
Total Annual Plan Costs				$ 43,343,100	$ 37,383,267	$ 42,873,275	$ 28,834,200

Appendix 4: Comparison of Benefits: Key Advantage and Cost Alliance

Comparison of Benefits -- Key Advantage and Cost Alliance

Benefit	Key Advantage	Cost Alliance
Doctors' Office Visits	$10 copayment per visit. 10% of allowable charge (AC) for x-ray, lab test and certain shots	$20 copaymentt per PCP visit. $35 copayment per specialist visit.
Outpatient Prescription Drugs	Mandatory generic program: $10 per prescription up to 34-day supply. $20 per prescription for 35 to 90 day supply	Mandatory generic program: $15 per prescription up to 34-day supply. $30 per prescription for 35 to 90 day supply
Maintenance prescription drugs up to 90-day supply	$ 15 per prescription filled through the mail service of retail maintenance pharmacy.	$ 20 per prescription filled through the mail service of retail maintenance pharmacy.
Preventive Services	$10 per office visit. No copayment for common immunizations. 10% AC for diagnostic test	$20 copayment per PCP visit (includes immunizations, x-rays, lab test, and other diagnostic test).
Annual routine gynecological exam	$10 copayment per visit	$20 copayment per PCP visit and $35 copayment per specialist visit.
Routine pap smear	10% allowable charge	Included in office visit copayment
Diagnostic Test and Lab Services	10% allowable charge	Included in office visit copayment
Outpatient Facility Care *(Including surgery, accidental injuries, and emergencies)*	$30 copayment per facility visit (waived if admitted) in addition to $10 copayment for doctor's care. 10% AC for diagnostic test	$50 copayment per hospital emergency room visit (waived it admitted). $35 copayment per urgent care center visit.
Outpatient Mental Health and Substance Abuse Services	With approval, $10 copayment per visit (up to 50 visits per benefit period)	With approval, $10 copayment per visit (up to 50 visits per benefit period)
Home Health Care	$10 copayment per Doctor's visit (90 approved visits)	No copayment
Hospital Care *(Includes facility and doctor's care for illness and injury in semi-private room)*	$100 copayment per confinement.	$100 copayment per day up to $500 maximum per admission
Mental Health and Substance Abuse Care (90-day lifetime maximum for substance abuse rehabilitation)	$100 copayment per admission. Plan covers per benefit period: 30 days of inpatient care, or 30 days of partial day care. Care must be authorized	$100 copayment per admission. Plan covers per benefit period: 30 days of inpatient care, or 30 days of partial day care. Care must be authorized
Skilled Nursing Home Care	No copayment. 180 days maximum per confinement per member	No copayment. 100 days maximum per calendar year per member
Dental Care	Covered	Not Covered