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October 22, 2018

The Honorable S. Chris Jones, Chairman, House Appropriations Committee
The Honorable Thomas K. Norment, Jr., Co-Chairman, Senate Finance Committee
The Honorable Emmett W. Hanger, Jr., Co-Chairman, Senate Finance Committee
The Honorable Keyanna Conner, Secretary of Administration

Subject: Implementation of Shared-Services Incentive Program

The attached report is pursuant to Chapter 2, Item 82.J. of the 2018 Special Session I, Virginia Acts of Assembly.

Please contact me if there are any questions.

Sincerely,

Emily S. Elliott

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Director

cc: The Honorable Clark Mercer, Chief of Staff, Office of the Governor

VIRGINIA DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

2018 Special Session I, Virginia Acts of Assembly, Chapter 2, Item 82.J.

Implementation of Shared-Services Incentive Program

October 22, 2018

Legislative Requirement

Chapter 2, Item 82.J. of the 2018 Special Session I, Virginia Actos of Assembly requires the Department of Human Resource Management (DHRM) to report to the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2018 on the progress of implementing a shared-services incentive program for the state employee health plan and The Local Choice health plan (TLC).

A shared-services incentive program (sometimes referred to as a shared-savings incentive program) provides a process that encourages health plan participants to “shop” for certain medical services, as identified by the program, and provides the tools to identify better-value/lower-cost facilities in which to seek these services. When the better-value facility is chosen, the participant earns an incentive payment. Incentives range from $25 to $500 depending on the service and chosen facility. The health plan also benefits due to lower costs for the services.

Status of Implementation for State Employee Health Benefits Program

The state employee health plan uses two distinct medical carriers, Anthem and Aetna, to administer plan options. Anthem is the third party administrator for COVA Care and COVA HDHP, while Aetna is the third party administrator for COVA HealthAware. These contracts expire at the end of FY 2019. Anthem has an existing relationship with Vitals, a company that administers a shared-services incentive program called SmartShopper. Currently, Aetna has no such relationship. DHRM worked with Anthem to implement the shared-services incentive program in COVA Care and COVA HealthAware.

The SmartShopper program became available to participants in the COVA Care and COVA HDHP plans effective October 1, 2018. Communications to eligible participants and agency Benefits Administrators began in September with an introductory letter from the Governor. Participants are also being sent a brochure summarizing the program; and resources to facilitate registration, seek assistance, and identify covered services.

DHRM’s current Request for Proposals (RFP) for administrative services for the state employee health plan requires offerers seeking to provide medical/surgical services for COVA Care, COVA HDHP, and COVA HealthAware to present an option for a shared-services incentive program. Contracts resulting from this RFP will become effective in FY 2020.

The SmartShopper Process

When a participant needs an eligible service, they can shop via the COVA-specific web site, by telephone using the Personal Assistant Team (PAT), or by using the PAT Chat function. Vitals will assist with scheduling the service, and once the service is completed and the claim is filed, the incentive will be generated. All incentives are paid directly to the subscriber; no incentives are paid to family members, even if they are the recipients of the service. Vitals will provide a monthly file to DHRM’s Office of Health Benefits, which will distribute the incentive information as follows:

- Active employee incentive information will be sent to either the Department of Accounts (centralized agencies) or the employing agency (decentralized agencies). The incentive amount will be added to the employees’ taxable income, and appropriate withholding will be applied.

- Inactive participants (such as retirees, survivors, and Long-Term Disability (LTD) participants) will be sent to DHRM's Contracts and Finance Group, which will generate a check to the address of record. A Form 1099 will be provided at the end of the tax year if total incentives are $600 or greater.
- The state employee health plan will fund the amount of the incentive, along with the FICA obligation associated with the incentive amount. DHRM's Contract and Finance Group will transfer these amounts to the employing agencies.

Recipients should expect their incentive approximately 60 days after the claim is filed and paid. The process has been thoroughly reviewed to assure privacy in compliance with the Health Insurance Portability and Accountability Act (HIPAA).

Recommendation for TLC

TLC is a voluntary program for localities, local school divisions, and other political subdivisions. DHRM initially contemplated the introduction of the program to TLC population. However, while working through the implementation details for the state plan, DHRM found that the process was more complex than anticipated. Participating TLC employers vary greatly in terms of size and administrative capabilities. Based on the complexities of the process, tax implications, and W-2/1099 requirements that would need to be administered by this very diverse group of employers, it is unclear at this time whether a shared-services incentive program is a good fit for TLC. DHRM recommends postponing the offering of this program within the TLC population, pending more process experience. Careful consideration should be given to TLC group capabilities to effectively and consistently manage the program requirements.