



JANET LAWSON
DIRECTOR

COMMONWEALTH OF VIRGINIA
Department Of Human Resource Management

James Monroe Building
101 N. 14th Street, 12th Floor
Richmond, Virginia 23219
Tel: (804) 225-2131
(TTY) 711

December 15, 2022

The Honorable Barry Knight, Chair, House Appropriations Committee
The Honorable Janet Howell and George Barker, Co-Chairs, Senate Finance Committee
The Honorable Margaret "Lyn" McDermid, Secretary of Administration

Subject: Report on State Employee Health Insurance Program's Proposed Premiums and Benefits Structure

Pursuant to Item 87F of Chapter 2, 2022 Acts of Assembly, Special Session I, the attached report details the assumptions included in the Governor's introduced budget for the state employee health insurance program. It includes the proposed premium schedule and proposed changes to the benefit structure for fiscal year 2024.

Please contact me if there are any questions.

Sincerely,

A handwritten signature in cursive script that reads "Janet L. Lawson".

Janet L. Lawson
Director
Department of Human Resource Management

State Employee Health Plan Proposed Premium and Benefit Structure for Fiscal Year 2024

Pursuant to Item 87 F. of Chapter 2, 2022 Acts of Assembly, Special Session I, this report details the assumptions included in Governor Youngkin's amended budget for the 2022-2024 biennium to the state employee health insurance program. This report includes the provisional premium schedule and proposed benefit changes. Consistent with Fiscal Year (FY) 2023 premiums, all premium schedules assume that available premium rewards have been earned by the employee (and spouse). Premiums will be finalized at the conclusion of the legislative process.

The amended budget assumes a 4.1 percent premium increase (8.2 percent premium increase and 50 percent subsidy from the Health Insurance Fund (HIF)) in FY 2024 compared to the premiums funded in Chapter 2, 2022 Acts of Assembly, Special Session I, at a 4.5 percent increase. This scenario provides the best combination of reduction in the HIF cash balance and smoothing of premiums in FY 2024 and subsequent years. The HIF's cash balance is expected to be reduced by \$54.0 million in FY 2024.

The budget also assumes the following state benefit plan changes and enhancements:

- Basic Formulary Drug Program- **\$12 million** in annual prescription savings (the state health plan is Anthem's only client in Virginia without a Formulary Drug Program)
- Enhanced Virtual Doctor Visits- **\$0** cost to participants and only **\$39** cost per visit to the state plan (average in person visit costs \$125)
- IHAT (In House Alcohol and Drug Treatment- cost neutral to participants and the state plan
- Enhanced Diabetes Prevention Program- cost neutral to participants and the state plan

Description of Exhibit A - Aon Premium Schedule—November 15, 2022

Exhibit A contains the provisional premiums submitted on November 15, 2022, by Aon, the health plan's actuary. These premiums contain the proposed plan design changes for FY 2024. They were developed using projected claims expenses with a trend of 6%. The Health Insurance Fund balance is sufficient to cover the Incurred But Not Paid (IBNP) claims without additional funding in FY 2023; therefore, no cost was added to the premiums to cover these claims.

Description of Exhibit B - Department of Planning and Budget Premium Schedule and General Fund Breakout – December 15, 2022

Exhibit B contains the proposed premium schedule and general fund breakout developed by the Department of Planning and Budget for Governor Youngkin's 2022-2024 amended budget. The proposed premium schedule reflects enrollment as of September 3, 2021, based on data provided by the Department of Human Resource Management, and does not include policy changes to the state employee health insurance plans. The proposed premiums in FY 2024 assume 50 percent of the projected 8.2 percent premium increase will be funded by the existing cash balance in the HIF for the state's self-insured plans. The premiums for the state's two fully insured plans, Kaiser Permanente and Optima Health, are funded at the contractually determined premiums.

Exhibit A- Aon Premium Schedule

Commonwealth of VA
Summary of FY2023 Rating Projections
Actives, COBRAs, and Retirees without Medicare

| | Enrollees(@July22) | Medical | Dental | Rx Drugs | Subtotal | MISA | Total |
|-------------------|--------------------|----------|---------|----------|----------|---------|----------|
| FY2023 COVA Rates | 70,933 | \$566.93 | \$14.31 | \$175.40 | \$756.64 | \$29.36 | \$786.00 |

FY2023 Projected Cost per Contract Unit

| Scenario | COVA Care | Enrollees | Medical | Dental | Rx Drugs | Subtotal | MISA | Total |
|------------|-------------------|-----------|-------------|---------------|-------------|-------------|--------------|-------------|
| Scenario A | COVA Care | 70,933 | \$585.40 | \$9.12 | \$184.15 | \$778.67 | \$29.31 | \$807.98 |
| | % Increase | | 3.3% | -36.3% | 5.0% | 2.9% | -0.2% | 2.8% |
| Scenario B | COVA Care | 70,933 | \$590.81 | \$9.20 | \$185.80 | \$785.82 | \$29.57 | \$815.39 |
| | % Increase | | 4.2% | -35.7% | 5.9% | 3.9% | 0.7% | 3.7% |
| Scenario C | COVA Care | 70,933 | \$596.22 | \$9.29 | \$187.45 | \$792.96 | \$29.83 | \$822.79 |
| | % Increase | | 5.2% | -35.1% | 6.9% | 4.8% | 1.6% | 4.7% |

FY2022 - FY2023 Trend Assumptions

| Scenario | COVA Care | Medical | Dental | Rx Drugs | Subtotal | MISA | Total |
|------------|-----------|---------|--------|----------|----------|--------|-------|
| Scenario A | COVA Care | 4.50% | 2.00% | 10.50% | 6.26% | 8.50% | 6.34% |
| Scenario B | COVA Care | 5.50% | 3.00% | 11.50% | 7.26% | 9.50% | 7.34% |
| Scenario C | COVA Care | 6.50% | 4.00% | 12.50% | 8.27% | 10.50% | 8.34% |

Commonwealth of VA
Summary of FY2024 Rating Projections
Actives, COBRAs, and Retirees without Medicare

| | Enrollees(@July22) | Medical | Dental | Rx Drugs | Subtotal | MISA | Total |
|-------------------|--------------------|----------|---------|----------|----------|---------|----------|
| FY2023 COVA Rates | 70,933 | \$566.93 | \$14.31 | \$175.40 | \$756.64 | \$29.36 | \$786.00 |

FY2024 Projected Cost per Contract Unit

| Scenario | COVA Care | Enrollees | Medical | Dental | Rx Drugs | Subtotal | MISA | Total |
|------------|-------------------|-----------|--------------|---------------|--------------|--------------|--------------|--------------|
| Scenario A | COVA Care | 70,933 | \$614.07 | \$9.29 | \$195.36 | \$818.72 | \$31.88 | \$850.60 |
| | % Increase | | 8.3% | -35.1% | 11.4% | 8.2% | 8.6% | 8.2% |
| Scenario B | COVA Care | 70,933 | \$625.43 | \$9.45 | \$198.82 | \$833.69 | \$32.46 | \$866.15 |
| | % Increase | | 10.3% | -34.0% | 13.4% | 10.2% | 10.6% | 10.2% |
| Scenario C | COVA Care | 70,933 | \$637.33 | \$9.62 | \$202.43 | \$849.38 | \$33.03 | \$882.41 |
| | % Increase | | 12.4% | -32.8% | 15.4% | 12.3% | 12.5% | 12.3% |

FY2023 - FY2024 Trend Assumptions

| Scenario | COVA Care | Medical | Dental | Rx Drugs | Subtotal | MISA | Total |
|------------|-----------|---------|--------|----------|----------|--------|-------|
| Scenario A | COVA Care | 5.00% | 2.00% | 11.50% | 6.97% | 9.00% | 7.04% |
| Scenario B | COVA Care | 6.00% | 3.00% | 12.50% | 7.96% | 10.00% | 8.02% |
| Scenario C | COVA Care | 7.00% | 4.00% | 13.50% | 9.02% | 11.00% | 9.08% |

Note: Costs reflect the change to the pharmacy formulary effective July 1, 2023

Commonwealth of VA
Summary of FY2025 Rating Projections
Actives, COBRAs, and Retirees without Medicare

| | Enrollees(@July22) | Medical | Dental | Rx Drugs | Subtotal | MISA | Total |
|---------------------------------|--------------------|----------|--------|----------|----------|---------|----------|
| Estimated FY2024 COVA Rates (A) | 70,933 | \$614.07 | \$9.29 | \$195.36 | \$818.72 | \$31.88 | \$850.60 |
| Estimated FY2024 COVA Rates (B) | 70,933 | \$625.43 | \$9.45 | \$198.82 | \$833.69 | \$32.46 | \$866.15 |
| Estimated FY2024 COVA Rates (C) | 70,933 | \$637.33 | \$9.62 | \$202.43 | \$849.38 | \$33.03 | \$882.41 |

FY2025 Projected Cost per Contract Unit

| | | | | | | | | |
|------------|--|--------|-------------|-------------|--------------|-------------|--------------|-------------|
| Scenario A | COVA Care | 70,933 | \$644.48 | \$9.47 | \$217.72 | \$871.67 | \$34.67 | \$906.35 |
| | % Increase from Scenario A - FY24 | | 5.0% | 1.9% | 11.4% | 6.5% | 8.8% | 6.6% |
| Scenario B | COVA Care | 70,933 | \$662.33 | \$9.73 | \$223.54 | \$895.60 | \$35.61 | \$931.21 |
| | % Increase from Scenario B - FY24 | | 5.9% | 2.9% | 12.4% | 7.4% | 9.7% | 7.5% |
| Scenario C | COVA Care | 70,933 | \$680.72 | \$9.99 | \$229.51 | \$920.22 | \$36.55 | \$956.77 |
| | % Increase from Scenario C - FY24 | | 6.8% | 3.8% | 13.4% | 8.3% | 10.7% | 8.4% |

FY2024 - FY2025 Trend Assumptions

| | | Medical | Dental | Rx Drugs | Subtotal | MISA | Total |
|------------|-----------|---------|--------|----------|----------|--------|-------|
| Scenario A | COVA Care | 5.00% | 2.00% | 11.50% | 7.09% | 9.00% | 7.15% |
| Scenario B | COVA Care | 6.00% | 3.00% | 12.50% | 8.07% | 10.00% | 8.14% |
| Scenario C | COVA Care | 7.00% | 4.00% | 13.50% | 9.01% | 11.00% | 9.08% |

Note: Costs reflect the change to the pharmacy formulary effective July 1, 2023

Commonwealth of Virginia (COVA)

Assumptions and Methodology

- Aon estimates the claims runout as of June 30th of the current year separately for medical, pharmacy, dental, and mental health for all carriers combined
- The incurred claims for the fiscal year ending June 30th of the current year is used to project the rates beginning July 1st of the following year
- The incurred claims are projected forward with trend and adjusted for the following differences from the experience period to the projection year:
 - Plan differences
 - Mix of enrollment by plans
 - Mix of enrollment by coverage tier
 - Changes in carriers, network differences and pharmacy pricing
 - Adjustments for any new or terminated programs
 - Pharmacy rebates
- The trend assumption is based on a weighted average of COVA's composite trend for the most recent two years (adjusted to the current year) and Aon's internal trend guidance.
 - Due to the deferral of medical services experienced from March 2020 – December 2020, COVA's experience was adjusted to pre-pandemic levels for these months when determining trend assumptions
 - The COVA experience trend is given a 50% weighting.
 - Aon's internal trend guidance is based on data collected from the carriers, governmental agencies, and Aon's book of business
- Incurred claims are adjusted for plan design to represent COVA Care Basic
- Projected pharmacy rebates are based on a blend of the most recent percentage of claims and the IngenioRx projections
- The carrier and internal DHRM administrative fees are added
- A cost adjustment is made for the additional contributions collected for premium rewards
- Does not include costs for the Capital Square Healthcare Clinic
- Projected costs are compared to current year COVA Care Basic rates to determine the percentage increase for COVA Care components combined
- FY2024 and FY2025 include the cost impact for changes in the pharmacy formulary

Commonwealth of Virginia (COVA)

Preparation of This Actuarial Report

This report has been prepared to present our analysis of FY2024 pricing for COVA. The purpose of this analysis is to set premium equivalent rates for the FY2024 plan year. The use of this report for purposes other than those expressed herein may not be appropriate.

In conducting this analysis, we relied on claims and enrollment data provided by Anthem, Aetna, IngenioRx, Delta Dental, and the Commonwealth. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results.

This analysis has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. I, Christina Jackson, am an Assistant Vice President for Aon. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

Aon's relationship with COVA is strictly professional. There are no aspects of the relationship that may impair the objectivity of Aon's work.

Aon's professional services do not in any case include legal, investment, or accounting services, and Aon is not a fiduciary to your plans. The services and work product provided by Aon herein are provided solely for COVA's internal use; they are not intended to be used or relied upon by third parties.

**Description of Exhibit B - Department of Planning and
Budget Premium Schedule and General Fund Breakout –
December 15, 2022**

Proposed Health Insurance Premium Changes

(Premiums Shown Are Monthly Premiums and Include Premium Rewards)

| FY 2023 Plan/Coverage | Enrollment | | FY 2022 Premiums Paid | | | | Actual FY 2023 Premiums | | | | Change Over FY 2022 | | |
|-----------------------------------|------------------|--------------|-----------------------|--------------|----------------|--------------|-------------------------|--------------|--------------|--------------|---------------------|------------|------------|
| | Active Employees | Retirees | Employer | Employee | Total Active | Retirees | Employer | Employee | Total Active | Retirees | Employer | Employee | Retirees |
| COVA Care, Single | 27,423 | 3,242 | \$709 | \$77 | \$786 | \$786 | \$709 | \$77 | \$786 | \$786 | \$0 | \$0 | \$0 |
| COVA Care, Family | 23,544 | 147 | \$1,859 | \$261 | \$2,120 | \$2,120 | \$1,859 | \$261 | 2,120 | \$2,120 | \$0 | \$0 | \$0 |
| COVA Care, Dual-Minor | 4,658 | 86 | \$1,268 | \$200 | \$1,468 | \$1,468 | \$1,268 | \$200 | 1,468 | \$1,468 | \$0 | \$0 | \$0 |
| COVA Care, Dual-Spouse | 12,462 | 573 | \$1,268 | \$183 | \$1,451 | \$1,451 | \$1,268 | \$183 | 1,451 | \$1,451 | \$0 | \$0 | \$0 |
| COVA HealthAware, Single | 4,328 | 112 | \$695 | \$0 | \$695 | \$695 | \$695 | \$0 | 695 | \$695 | \$0 | \$0 | \$0 |
| COVA HealthAware, Family | 3,091 | 10 | \$1,856 | \$19 | \$1,875 | \$1,875 | \$1,856 | \$19 | 1,875 | \$1,875 | \$0 | \$0 | \$0 |
| COVA HealthAware, Dual-Minor | 495 | 4 | \$1,268 | \$35 | \$1,303 | \$1,303 | \$1,268 | \$35 | 1,303 | \$1,303 | \$0 | \$0 | \$0 |
| COVA HealthAware, Dual-Spouse | 1,114 | 23 | \$1,268 | \$18 | \$1,286 | \$1,286 | \$1,268 | \$18 | 1,286 | \$1,286 | \$0 | \$0 | \$0 |
| COVA High Deductible, Single | 352 | 101 | \$602 | \$0 | \$602 | \$602 | \$602 | \$0 | 602 | \$602 | \$0 | \$0 | \$0 |
| COVA High Deductible, Family | 263 | 3 | \$1,637 | \$0 | \$1,637 | \$1,637 | \$1,637 | \$0 | 1,637 | \$1,637 | \$0 | \$0 | \$0 |
| COVA High Deductible, Dual-Minor | 51 | 3 | \$1,120 | \$0 | \$1,120 | \$1,120 | \$1,120 | \$0 | 1,120 | \$1,120 | \$0 | \$0 | \$0 |
| COVA High Deductible, Dual-Spouse | 106 | 17 | \$1,120 | \$0 | \$1,120 | \$1,120 | \$1,120 | \$0 | 1,120 | \$1,120 | \$0 | \$0 | \$0 |
| Kaiser Permanente, Single | 694 | 36 | \$640 | \$77 | \$717 | \$717 | \$675 | \$77 | 752 | \$752 | \$35 | \$0 | \$35 |
| Kaiser Permanente, Family | 733 | 6 | \$1,658 | \$261 | \$1,919 | \$1,919 | \$1,753 | \$261 | 2,014 | \$2,014 | \$95 | \$0 | \$95 |
| Kaiser Permanente, Dual-Minor | 122 | 1 | \$1,134 | \$183 | \$1,317 | \$1,317 | \$1,199 | \$183 | 1,382 | \$1,382 | \$65 | \$0 | \$65 |
| Kaiser Permanente, Dual-Spouse | 318 | 4 | \$1,134 | \$183 | \$1,317 | \$1,317 | \$1,199 | \$183 | 1,382 | \$1,382 | \$65 | \$0 | \$65 |
| Optima Health, Single | 624 | 14 | \$705 | \$77 | \$782 | \$782 | \$705 | \$77 | 782 | \$782 | \$0 | \$0 | \$0 |
| Optima Health, Family | 397 | 2 | \$1,834 | \$261 | \$2,095 | \$2,095 | \$1,834 | \$261 | 2,095 | \$2,095 | \$0 | \$0 | \$0 |
| Optima Health, Dual-Minor | 141 | 1 | \$1,264 | \$183 | \$1,447 | \$1,447 | \$1,264 | \$183 | 1,447 | \$1,447 | \$0 | \$0 | \$0 |
| Optima Health, Dual-Spouse | 147 | 4 | \$1,264 | \$183 | \$1,447 | \$1,447 | \$1,264 | \$183 | 1,447 | \$1,447 | \$0 | \$0 | \$0 |
| Waived Coverage | 10,314 | 1,017 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | - | \$0 | \$0 | \$0 | \$0 |
| Total/Average Amounts | 91,377 | 5,406 | \$1,097 | \$132 | \$1,229 | \$759 | \$1,097 | \$132 | 1,229 | \$759 | \$0 | \$0 | \$0 |

| FY 2024 Plan/Coverage | Enrollment | | Actual FY 2023 Premiums | | | | Proposed FY 2024 Premiums | | | | Increase Over FY 2023 | | |
|-----------------------------------|------------------|--------------|-------------------------|--------------|--------------|--------------|---------------------------|--------------|--------------|--------------|-----------------------|------------|-------------|
| | Active Employees | Retirees | Employer | Employee | Total Active | Retirees | Employer | Employee | Total Active | Retirees | Employer | Employee | Retirees |
| COVA Care, Single | 27,423 | 3,242 | \$709 | \$77 | 786 | \$786 | \$738 | \$80 | 818 | \$818 | \$29 | \$3 | \$32 |
| COVA Care, Family | 23,544 | 147 | \$1,859 | \$261 | 2,120 | \$2,120 | \$1,935 | \$272 | 2,207 | \$2,207 | \$76 | \$11 | \$87 |
| COVA Care, Dual-Minor | 4,658 | 86 | \$1,268 | \$200 | 1,468 | \$1,468 | \$1,320 | \$207 | 1,527 | \$1,527 | \$52 | \$7 | \$59 |
| COVA Care, Dual-Spouse | 12,462 | 573 | \$1,268 | \$183 | 1,451 | \$1,451 | \$1,320 | \$190 | 1,510 | \$1,510 | \$52 | \$7 | \$59 |
| COVA HealthAware, Single | 4,328 | 112 | \$695 | \$0 | 695 | \$695 | \$723 | \$0 | 723 | \$723 | \$28 | \$0 | \$28 |
| COVA HealthAware, Family | 3,091 | 10 | \$1,856 | \$19 | 1,875 | \$1,875 | \$1,932 | \$20 | 1,952 | \$1,952 | \$76 | \$1 | \$77 |
| COVA HealthAware, Dual-Minor | 495 | 4 | \$1,268 | \$35 | 1,303 | \$1,303 | \$1,320 | \$36 | 1,356 | \$1,356 | \$52 | \$1 | \$53 |
| COVA HealthAware, Dual-Spouse | 1,114 | 23 | \$1,268 | \$18 | 1,286 | \$1,286 | \$1,320 | \$19 | 1,339 | \$1,339 | \$52 | \$1 | \$53 |
| COVA High Deductible, Single | 352 | 101 | \$602 | \$0 | 602 | \$602 | \$626 | \$0 | 626 | \$626 | \$24 | \$0 | \$24 |
| COVA High Deductible, Family | 263 | 3 | \$1,637 | \$0 | 1,637 | \$1,637 | \$1,704 | \$0 | 1,704 | \$1,704 | \$67 | \$0 | \$67 |
| COVA High Deductible, Dual-Minor | 51 | 3 | \$1,120 | \$0 | 1,120 | \$1,120 | \$1,166 | \$0 | 1,166 | \$1,166 | \$46 | \$0 | \$46 |
| COVA High Deductible, Dual-Spouse | 106 | 17 | \$1,120 | \$0 | 1,120 | \$1,120 | \$1,166 | \$0 | 1,166 | \$1,166 | \$46 | \$0 | \$46 |
| Kaiser Permanente, Single | 694 | 36 | \$675 | \$77 | 752 | \$752 | \$738 | \$87 | 825 | \$825 | \$63 | \$10 | \$73 |
| Kaiser Permanente, Family | 733 | 6 | \$1,753 | \$261 | 2,014 | \$2,014 | \$1,935 | \$275 | 2,210 | \$2,210 | \$182 | \$14 | \$196 |
| Kaiser Permanente, Dual-Minor | 122 | 1 | \$1,199 | \$183 | 1,382 | \$1,382 | \$1,320 | \$196 | 1,516 | \$1,516 | \$121 | \$13 | \$134 |
| Kaiser Permanente, Dual-Spouse | 318 | 4 | \$1,199 | \$183 | 1,382 | \$1,382 | \$1,320 | \$196 | 1,516 | \$1,516 | \$121 | \$13 | \$134 |
| Optima Health, Single | 624 | 14 | \$705 | \$77 | 782 | \$782 | \$738 | \$88 | 826 | \$826 | \$33 | \$11 | \$44 |
| Optima Health, Family | 397 | 2 | \$1,834 | \$261 | 2,095 | \$2,095 | \$1,935 | \$279 | 2,214 | \$2,214 | \$101 | \$18 | \$119 |
| Optima Health, Dual-Minor | 141 | 1 | \$1,264 | \$183 | 1,447 | \$1,447 | \$1,320 | \$209 | 1,529 | \$1,529 | \$56 | \$26 | \$82 |
| Optima Health, Dual-Spouse | 147 | 4 | \$1,264 | \$183 | 1,447 | \$1,447 | \$1,320 | \$209 | 1,529 | \$1,529 | \$56 | \$26 | \$82 |
| Waived Coverage | 10,314 | 1,017 | \$0 | \$0 | - | \$0 | \$0 | \$0 | - | \$0 | \$0 | \$0 | \$0 |
| Total/Average Amounts | 91,377 | 5,406 | \$1,097 | \$132 | 1,229 | \$759 | \$1,145 | \$138 | 1,283 | \$791 | \$48 | \$6 | \$32 |

Annual Cost Summary

| | GF (Employer) | NGF (Employer) | Employee Share | Early Retiree Share | TOTAL |
|---------|---------------------|----------------|----------------|---------------------|---------------------|
| FY 2023 | \$0 | \$0 | \$0 | \$0 | \$0 |
| FY 2024 | \$25,963,986 | \$26,567,454 | \$6,122,556 | \$2,066,268 | \$60,720,264 |