A Performance Review Of The State And School Employees' Life And Health Insurance Plan

Calendar Year 2008 And 2009

Stacey E. Pickering
State Auditor

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 29, 2011

Department of Finance and Administration, Office of Insurance
State and School Employees Health Insurance Management Board
Members of the Mississippi Legislature

Ladies and Gentlemen:

The Office of the State Auditor has completed *A Performance Review of the State and School Employees' Life and Health Insurance Plan*. I am pleased to present to you the results of this review in the report published herein. This review was initiated based on the request of the Department of Finance and Administration, Office of Insurance, on behalf of the State and School Employees Health Insurance Management Board (Board), pursuant to requirements of Section 25-15-11, Mississippi Code of 1972, Annotated.

Since the State and School Employees' Life and Health Insurance Plan (Plan) is an extremely important government program protecting the health of thousands of state and public school employees, the significance of this report cannot be overstated. Like December 2008's surplus of $172.9 million, the Plan continued to operate at a surplus of $146.1 million in CY 2009. This operating surplus can be credited to premium increases and benefit changes.

It is our hope the information included in this report will be beneficial to state and public school employees in understanding the condition of their life and health insurance plan and to state officials and policy-makers in the administration of this vital program.

Additional copies of this report may be downloaded from the State Auditor's Office web page (http://www.osa.state.ms.us).

Sincerely,

Stacey E. Pickering
State Auditor

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Office of the State Auditor
Stacey E. Pickering

A Performance Review Of The State And School Employees' Life And Health Insurance Plan: Calendar Year 2008 & 2009

Executive Summary

March 29, 2011

The Department of Finance and Administration, Office of Insurance (DFA-Insurance), on behalf of the State and School Employees Health Insurance Management Board (Board), requested the Office of the State Auditor (OSA) conduct a performance review of the State and School Employees' Life and Health Insurance Plan (Plan).

The OSA limited the scope of this performance review to analysis and summarization of the other studies conducted on the Plan.

Actuarial Report

The OSA's analysis of the CY 2008 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA (Actuarial Report) and the August 31, 2008 financial statements prepared by DFA-Insurance, indicated several important items:

1. The Plan's claims and expenses exceeded revenue by $26.9 million in CY 2009. The Plan had a surplus of $146.1 million on December 31, 2009. The improved financial condition occurred as the result of several factors including an improvement in drug benefits costs due to increased utilization of generic drugs and a lower than previously expected non-drug claims level.
2. Like CY 2008, the Plan's enrollment continued to increase for CY 2009. Excluding dependents, retired employee membership grew by 1.8% while active employee membership also increased by 1.2%.
3. A comparison of claims incurred to premiums received shows that health insurance premiums exceeded claims by $13.8 million in CY 2009.
4. According to CY 2009 Actuarial Report, the State subsidizes the premium rates for non-Medicare retirees and active dependent premium classes. In CY 2009, the amount subsidized by the State was $86 million. This amount is up from the $18.3 reported in CY 2008.

FY 2008 Plan Financial Condition

For the fiscal year that ended June 30, 2009, the Plan's receipts exceeded disbursements by $686,451, an improvement of $3.0 million from June 30, 2007.

For the year that ended December 31, 2009, the Plan's assets exceeded its liabilities by $146.1 million, a loss of $26.8 million over CY 2008.

In CY 2009 Actuarial Report Townsend stated, *"The Plan did not implement a rate increase for FY10. Based on current estimates of claims liabilities, current estimates for non-drug and drug benefit trend, and the other assumptions described in this Report, Plan surplus is expected to decline from $189 million at the beginning of FY10 to about $132 million at the end of FY10. The projected $57 million loss in FY10 is equal to about 8% of the expected health insurance premium in FY10."*

House Bill 26 of 2005

House Bill 26, as enacted by the Legislature during 2005, included several provisions that affected the Plan beginning in CY06. Notably, some definitions were provided to describe the active employee enrollment and their coverage options.

Employees are divided into two groups:

- "Horizon" which refers to an employee or retiree who was initially hired on or after January 1, 2006.
- "Legacy" which refers to an employee or retiree who was initially hired prior to January 1, 2006.

The Plan has two coverage options that are available to all employees:

- The "Base" coverage plan option, which is a High Deductible Health Plan, designed to meet the federal requirements for use with Health Savings Accounts.
- The "Select" coverage plan option, which is a traditional health insurance plan that has a separate deductible applicable to prescription drug benefits.

According to the law, Horizon employees may choose either the Base or Select coverage options, but the State will only pay 100% of the premium for Base coverage for a Horizon employee. *If a Horizon employee chooses the Select option, the Horizon employee must contribute the difference between the Select and Base option premiums. (The active employee monthly premium rate differential between the Select and the Base options was $17 as of 07/01/06, $18 as of 07/01/07, $18 as of 7/01/08 and 7/01/09.)*

Legacy employees may also choose either the Base or Select coverage options. The State will pay 100% of the premium for a Legacy employee, regardless of the option chosen by the employee.

FY 2008 and FY 2009 Benefit Changes and Proposed Future Changes

Several benefit changes were implemented for FY 2008 and FY 2009. In addition, the Board approved new health insurance premium rates for FY 2008 and FY 2009 for all Plan participants – active employees, dependents, retirees, and COBRA participants.

Introduction

Purpose

The Department of Finance and Administration, Office of Insurance (DFA-Insurance) on behalf of the State and School Employees Health Insurance Management Board (Board), requested the Office of the State Auditor (OSA) to conduct a performance review of the State and School Employees' Life and Health Insurance Plan (Plan). The letter requesting this review is in compliance with Section 25-15-11, Mississippi Code of 1972, Annotated, which states, in part:

"Annually, the board [State and School Employees Health Insurance Management Board] shall request, and the Department of Audit shall conduct, a comprehensive audit of the State and School Employees Life and Health Insurance Plan."

Scope

In addition to an annual review by the OSA as part of the State's Comprehensive Annual Financial Report, and this annual performance review, the Board also contracts for an Actuarial Report every six months, an annual claims review of the third party medical claims administrator and pharmacy benefit manager, and periodically contracts for an audit of the medical management vendor.

Due to the number and scope of other financial and compliance audits of the Plan conducted annually, OSA limits the scope of this performance review to summarization and analysis of the other studies conducted on the Plan. The oversight provided by these required and elective audits should provide the Plan sufficient oversight.

Actuarial Report

Analysis

The Plan implemented a 1.5% rate increase effective July 1, 2008. Based on current projections, the Plan would have to increase premium rates by 9% in FY 2010 and FY 2011 in order for premiums and other revenue to meet the expected increase in claims and other expenses in FY 2010. Based on current benefit trend assumptions, rate increase assumptions are close to break-even rate increases and would result in level Plan surplus throughout the projection periods.

The Board contracted with Wm. Lynn Townsend, FSA, MAAA (Townsend) to prepare an actuarial report based on a review of the experience through December 31, 2008, of the Plan. The OSA's analysis of CY 2008 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA (Actuarial Report) and the August 31, 2008, financial statements prepared by DFA-Insurance, indicated several important items:

1. The Plan's claims and expenses exceeded revenue by $26.9 million in CY 2009. This $26.9 million resulted in the plan have a surplus of $146.1 million on December 31, 2009.
2. Like CY 2008, the Plan's enrollment continued to increase for CY 2009. Excluding dependents, retired employee membership grew by 1.8% while active employee membership also increased by 1.2%.
3. A comparison of claims incurred to premiums received shows that health insurance premiums exceeded claims by $13.8 million in CY 2009.
4. According to CY 2009 Actuarial Report, the State subsidizes the premium rates for non-Medicare retirees and active dependent premium classes. In CY 2009, the amount subsidized by the State was $86 million. This amount is up from the $18.3 reported in CY 2008.

CY 2008 Actuarial Report Results

Plan's Current Funding Status

Townsend compared the Plan's current funding status with the funding status of prior periods. Table 1 shows the results of this comparison. Note that the amounts shown for the Plan's liabilities for prior years are based upon a retroactive review of the life and health insurance claims liabilities based on actual incurred claims. The Plan's liabilities also now include an offset based on an evaluation of drug rebates receivable as of the end of each year. As shown in Table 1, the Plan improved with a surplus of $172.9 million as of December 31, 2008. In CY 2009, the plan has a surplus of $146.1 million.

	December 2006	December 2007	December 2008	December 2009
Plan Assets	**$151.7**	**$238.9**	**$282.8**	**$258.6**
Less Plan Liabilities	**85.6**	**91.1**	**109.9**	**112.5**
Surplus Funds (Unfunded Liabilities)	**66.1**	**147.8**	**172.9**	**146.1**
Annual Change in Funding Status	**$69.2**	**$81.7**	**$25.1**	**($26.8)**

Source: CY 2008 & 2009 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA. Any columns or rows that do not total exactly are due to rounding in the original report

Health Plan Enrollment

As shown in Table 2, the average total Plan enrollment had increased in CY 2008 and 2009. In CY 2009 an increase of 1.2% occurred in dependents' enrollment for this same period.

Table 2: Health Plan Average Enrollment

Participant	CY 2006	CY 2007	CY 2008	CY 2009
Employees and Retirees	**138,140**	**140,503**	**143,113**	**144,985**
Dependents	**50,976**	**49,706**	**49,464**	**50,060**
Members	**189,116**	**190,209**	**192,577**	**195,045**

Source: CY 2008 & 2009 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA. Any columns or rows that do not total exactly are due to rounding in the original report

Townsend reports: *"Until recently, the growth in early retiree enrollment had been far greater than the growth in active employee enrollment. Since premium rates in the past have been set at a level below cost for the early retiree premium rate classes, higher retiree enrollment growth tended to exert upward pressure on the active employee premium rate…the growth in early retirees has recently slowed compared to historical growth rates, and in CY08 and CY09, early retiree enrollment actually exhibited slight declines."*

Table 3 shows the retired employees as a percentage of total employees for the last three calendar years.

Table 3: Retirees as a Percentage of Employees		
CY 2007	**CY 2008**	**CY 2009**
14.4%	**14.4%**	**14.5%**

Source: CY 2008 & 2009 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA

<u>Health Insurance Premiums Versus Claims</u>

Incurred health insurance premiums are estimated to have exceeded claims (prior to administrative expenses but after drug rebates) by $60.7 million in CY 2008 and by $13.8 million in CY 2009. Table 4 compares premiums to claims incurred for the last five calendar years. The amounts shown for claims incurred for prior years are based on a retroactive review of health insurance claims liabilities based on actual incurred claims.

Table 4: Health Insurance Premiums Versus Claims Incurred (In Millions)					
	CY 2005	**CY 2006**	**CY 2007**	**CY 2008**	**CY 2009**
Premiums	**$584.5**	**$624.9**	**$678.9**	**$706.2**	**$718.7**
Claims Incurred	**$523.8**	**$522.7**	**$570.8**	**$647.1**	**$704.9**
Gain (Loss) Prior to Expenses	**$61.2**	**$102.2**	**$108.1**	**$59.1**	**$13.8**
Loss Ratio (Claims/Premium)	**89.6%**	**83.6%**	**84.1%**	**91.6%**	**98.1%**

Source: CY2008 & 2009 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA Any columns or rows that do not total exactly are due to rounding in the original report.

Townsend stated: *"Based on current claim liability estimates, incurred claims (net of subrogation receipts, claim refunds, and pharmacy rebates) increased from $647.1 million in CY08 to $704.9 million in CY09, an increase of about 9%."*

Retiree & Dependent Rate Subsidies

Townsend stated: *"Historically, premium rates for retirees* - *and for most active dependent premium classes have been set below true actuarial cost. In effect, the State subsidizes those premium classes…"*

The following tables show the CY 2008 and CY 2009 Plan subsidy costs.

Table 5: State and School Employees' Life and Health Insurance Plan
CY 2008 Plan Subsidy Costs

	Premiums	Claims	Expenses less Other Income	Gain (Loss)
Active Dependents	$95,294,767	$120,653,948	$5,977,609	($31,336,789)
COBRA Employees	3,550,517	10,850,083	260,603	(7,560,169)
Disabled Retirees - Plan Primary	1,430,560	10,773,231	94,369	(9,437,040)
Retirees - Plan Primary	54,574,648	72,372,408	2,530,405	(20,328,165)
Retirees – Medicare Primary	28,098,426	22,788,222	4,331,161	979,042
Subtotal - Subsidized Classes	$182,948,918	$237,437,893	$13,194,147	($67,683,122)
Active Employees	$523,219,122	$408,034,890	$20,170,600	$95,013,632
Total	$706,168,041	$645,472,783	$33,364,747	$27,330,511

Source: CY 2008 & 2009 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA. Any columns or rows that do not total exactly are due to rounding in the original report

Table 6: State and School Employees' Life and Health Insurance Plan
CY 2009 Plan Subsidy Costs

	Premiums	Claims	Expenses less Other Income	Gain (Loss)
Active Dependents	$96,646,135	$129,328,519	$6,672,884	($39,355,268)
COBRA Employees	3,833,910	14,774,662	311,654	(11,252,406)
Disabled Retirees - Plan Primary	1,261,056	8,347,908	91,320	(7,178,173)
Retirees - Plan Primary	54,236,954	75,972,549	2,751,773	(24,487,369)
Retirees – Medicare Primary	29,315,153	28,061,075	5,001,328	(3,747,249)
Subtotal - Subsidized Classes	$185,293,208	$256,484,713	$14,828,959	($86,020,465)
Active Employees	$533,396,222	$448,440,723	$25,787,263	$59,168,236
Total	$718,689,430	$704,925,436	$40,616,222	($26,852,229)

Source: CY2008 & 2009 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA Any columns or rows that do not total exactly are due to rounding in the original report

Plan Receipts Exceed Disbursements

According to Cash Flow statements provided by DFA-Insurance, the Plan's receipts currently exceed disbursements. In FY 2008, the Plan's receipts exceeded disbursements by $86.2 million and fell by $686,451 in FY 2009. The Plan's receipts rose to $740.7 million in FY 2008 and fell to $118.4 million in FY 2009, a decrease of 84%. The Plan's disbursements during this period increased to $654.5 million in FY 2008. In FY 2009, the Plan's disbursements fell by 82% to $117.7 million.

Table 7 below and on the following page shows the Plan's receipts and disbursements for fiscal years 2007, 2008, and 2009.

Table 7: State & School Employees' Life & Health Insurance Plan Cash Receipts and Disbursements	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Receipts			
Premiums Received			
Health	**$658,830,718**	**$701,624,279**	**$114,021,180**
Life	**16,883,043**	**18,252,345**	**2,941,252**
Refunds of Claim Overpayments	**1,831,010**	**1,386,207**	**81,875**
Subrogation Receipts	**1,410,370**	**1,015,844**	**164,168**
Late Fees Received	**61,234**	**40,937**	**132**
Interest Received	**7,958,663**	**9,731,937**	**1,196,507**
Pharmacy Rebates	**7,322,965**	**8,559,796**	**0.00**
Pharmacy Settlement	**46,472**	**88,763**	**0.00**
Total Receipts	**694,344,475**	**740,700,108**	**118,405,114**
Disbursements			
Claims/Refunds			
Medical Claims	**465,105,942**	**496,985,419**	**98,439,649**
Pharmacy Claims	**89,240,341**	**98,825,054**	**13,655,809**
Life Insurance Claims	**13,473,411**	**11,692,690**	**1,585,037**
Premium Refunds	**641,576**	**679,527**	**111,681**
Patient Audit Incentive Program	**0**	**0**	**0.00**
Total Claims/Refunds	**568,461,270**	**608,182,691**	**113,792,176**
Administrative Expenses			
State Administrative Expenses	**1,441,078**	**1,543,286**	**202,651**
PricewaterhouseCoopers – Consultant	**399,010**	**401,660**	**0.00**
Wm. Lynn Townsend – Actuarial	**116,978**	**103,116**	**0.00**
Blue Cross Blue Shield (BCBS)	**18,147,466**	**19,677,746**	**1,677,361**
Cavanaugh MacDonald – Actuarial	**42,934**	**35,924**	**0.00**
Aetna	**923,546**	**1,019,228**	**171,002**
APS – Wellness Services	**1,218,890**	**2,277,678**	**230,206**

Table 7: State & School Employees' Life & Health Insurance Plan Cash Receipts and Disbursements	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Medstat Data Base Service	413,055	430,129	0.00
Trustmark Bank Charges	27,997	27,611	2,324
Total Administrative Expenses	22,730,954	25,516,378	2,283,544
Cost Containment Fees			
Intracorp - Utilization Management	13,263,582	14,037,868	945,037
Total Cost Containment Fees	13,263,582	14,037,868	945,037
Network Fees			
Catalyst Rx – Pharmacy Network	3,568,838	3,792,091	457,378
AHS - PPO Network	2,816,434	2,995,499	240,528
Total Network Fees	6,385,272	6,787,590	697,906
Total Disbursements	610,841,078	654,524,526	117,718,663
Net Increase (Decrease) To Plan Assets	$83,503,399	$86,175,582	$686,451

Source: Financial statements prepared by Department of Finance and Administration, Office of Insurance. Any columns or rows that do not total exactly are due to rounding in the original report

Conclusion

On December 31, 2008, the Plan's assets exceeded liabilities by $174.9 million, an improvement over CY 2007. Again in CY 2009, the Plan's assets exceeded liabilities causing a surplus of $146.1 million. Townsend stated, *"Historically, the Plan has generally operated with a funding deficit, i.e. with insufficient assets to cover the liabilities for claims and expenses already incurred but not yet reported and/or paid. Only recently has the Plan developed significant Plan surplus. It should be pointed out, however, that Plan surplus, as defined in this Report, does not take into account the liabilities of the State, as an employer, associated with retiree health insurance. Although there are significant surplus funds that exist in the Plan, there are much higher liabilities for the State, as an employer, for future retiree benefits that have not been funded."*

Excess Receipts over Disbursements

Cumulatively, for the period from fiscal year 2007 through fiscal year 2009, the Plan disbursed fewer funds than it received. In other words, Plan receipts exceeded disbursements. Receipts for these periods exceeded disbursements by $170 million. However, receipts for CY 2009 were only $686.451 more than disbursements. Table 7 shows the Plan's total receipts and disbursements for fiscal years 2007, 2008, and 2009.

Table 8: State and School Employees' Life and Heath Insurance Plan Excess Receipts over Disbursements				
	Fiscal Year 2007	**Fiscal Year 2008**	**Fiscal Year 2009**	**Total**
Total Receipts	**$694,344,475**	**$740,700,108**	**$118,405,114**	**$1,553,449,697**
Total Disbursements	**610,841,078**	**654,524,526**	**117,718,663**	**1,383,084,267**
Excess Receipts Over (Under) Disbursements	**$83,503,397**	**$86,175,582**	**$686,451**	**$170,365,430**

Source: Financial statements prepared by DFA-Insurance. Any columns or rows that do not total exactly are due to rounding in the original report

Plan Receipts and Disbursements

The Plan's receipts decreased from FY 2008 to FY 2009. Receipts fell from $740.7 million in FY 2008 to $118.4 million in FY 2009, a decrease of 84%. The Plan's disbursements decreased from FY 2008 to FY 2009. Disbursements fell from $654.5 million in FY 2008 to $117.7 million in FY 2009, a decrease of 82%.

Benefit Changes for CY 2008 and Proposed Future Changes

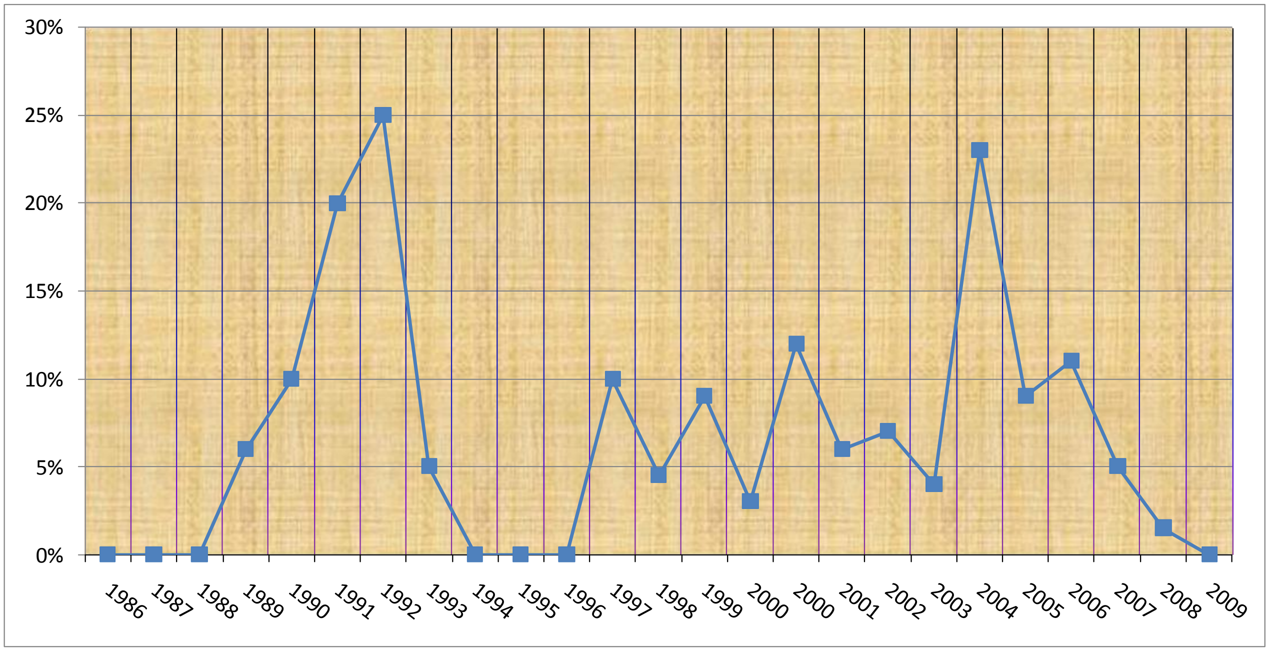
Large Annual Increases in the Plan's Health Insurance Premiums are Common

In the last 22 years, from CY 1987 through CY 2008, the Plan has increased health insurance premiums 18 times for an average annual increase of 8.0% but in CY 2009 there was no premium increase for active or retired employees. On July 1, 2008, the monthly premium rate for active employees was increased from $356 to $361, an increase of 1.5%. The premium rates for dependents and retirees were also increased by 1.5% on July 1, 2008.

Prior Premium Increases

The Plan has increased health insurance premiums several times over the last few years to meet increased cost and utilization. See Table 9 for a listing of previous Plan premium percent increases.

Table 9: Historical Premium Rate Increases
Summary of Active Employee Rate Increases from 1986 through 2009



Source: CY 2008 & 2009 Actuarial Report prepared by Wm. Lynn Townsend, FSA, MAAA

Approved Premium Increases

Actuarial reports are used as a basis for establishing the health benefit premium rates. Projections in the actuarial report are made to indicate when the Plan will be fully funded. See Table 10 for a listing of FY 2009 approved premium increases.

Table 10: State and School Employees' Health Insurance Plan Comparison of Monthly Premium Rates by Class

Premium Class	Actual FY 2008 Rates	Actual FY 2009 Rates	Percent Increase (Decrease)
Active Employee	$356	$361	1.40%
Active Spouse	379	385	1.58%
Active Full Family	555	563	1.44%
Children Only	267	271	1.50%
Child Only	133	135	1.50%
Early Retiree	409	415	1.47%
Early Retiree Spouse	436	443	1.61%
Early Retiree Family	638	649	1.72%
Medicare Retiree/Spouse	160	162	1.25%

Source: DFA-Insurance

According to DFA-Insurance, rate increases are projected to occur each fiscal year in order to fully fund the Plan and to keep pace with increases in medical costs, along with inflation. However, the situation is re-evaluated twice a year by DFA-Insurance upon receipt of the actuarial report.

The Plan Subsidizes Some Participant Categories at the Expense of Other Categories

Charges for premiums to operate the Plan are made by participant category (active employee, active spouse, active full family, children only, child only, early retiree, early retiree spouse, early retiree family, and Medicare retiree/spouse). Increases in the Plan's premiums per participant are not necessarily based on costs within these categories. This results in the subsidization of certain categories with higher claims costs per participant by other categories with lower claims costs per participant.

Some subsidization of other premium classes is necessary by the active employee premium class because federal and state laws restrict increases to the COBRA and some early retirement premium classes. With this subsidization of retiree premiums, the State, in essence, is funding a retirement benefit through the Plan. House Bill 26 of 2005 2nd Extraordinary Session provided that for retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance.

Board Efforts to Reduce Costs Should be Continued

In its five-year strategic plan to address problems with the Mississippi's State and School Employees' Health Insurance Plan, the Board includes requiring provider contracts to be priced on a fixed fee basis and working with the Retirement System to design a funding mechanism for retiree health insurance. Finding ways such as these to reduce costs is the only real alternative to continuing the current trend by the State of Mississippi of increasing health benefit premiums.

Strategic Plan

In FY 2007, the Board updated its five-year strategic plan. The updated plan recognizes changing trends in the health care industry, alternative health care delivery systems, any foreseeable problems with the present system of delivering and administering health care benefits in Mississippi, and develops options and recommendations for changes in the Plan.

In its 2005 Mississippi State and School Employees' Health Insurance Strategic Plan, the Board has identified several problem areas with the current health benefit Plan and has developed proposed changes in it.

> *"In light of the trends in the health care delivery system and in employee benefit plans, and based on an examination of cost and utilization data, survey results, and comments from Plan participants and others, several target areas have been noted in the State and School Employees' Plan:*
>
> - *Excessive growth in costs*
> - *A growing retiree population*
> - *High employee out-of-pocket costs*
> - *Poor understanding of the benefits and operation of the Plan by participants*
> - *Limited coverage of preventive/routine care*
> - *Rapidly growing utilization of outpatient services*
> - *A complicated and error-prone premium billing and payment system*
> - *Complex regulations under the Health Insurance Portability and Accountability Act*
> - *Potential changes in GASB reporting requirements*
>
> *Strategic actions to be taken to address some of these problem areas are similar to actions being taken by most large employer and state employee health benefit plans. These strategic actions include the following:*
>
> - *Improving benefits for preventive services*
> - *Improving communications to employees*
> - *Increasing the number of providers with contracts reflecting prospective fixed-cost pricing*
> - *Working with the Retirement System to implement a pre-funded retiree health insurance plan*
> - *Developing the capacity to electronically enroll participants and transfer premium billing information and payments*
>
> *These strategic directions reflect a commitment to maintaining an important employee benefit that will allow the State to attract and retain employees while ensuring that the benefit is affordable for both the State and the Plan participants."*

Plan Changes

The Board implemented several Plan changes for the CY 2008. The following sections detail those changes.

Licensed Marriage and Family Therapists:

Effective January 1, 2008, licensed marriage and family therapists were added to the Plan as covered providers for the treatment of mental, nervous, or emotional disorders only.

Well-Child Care Services – First Dollar Coverage:

Effective January 1, 2008, well-child care services were no longer subject to the calendar year deductibles. Well-newborn nursery care, physician visits and certain diagnostic tests are covered at 100%, while immunizations are covered at 80%.

Increase in Adult Wellness Benefit

During CY 07, adult participants had a $250 wellness benefit not subject to the deductible and paid at 100%. Participants who completed a Health Risk Assessment (HRA) prior to their annual wellness visit received an additional $50 in wellness benefits.

Effective January 1, 2008, the annual wellness benefit was increased to $1,000 and participants were required to complete an HRA prior to receiving this benefit.

The Board implemented several Plan changes for the CY 2009. The following sections detail those changes.

Adjust Base Coverage Deductibles

Currently, the Base Coverage deductible is $1,100 for individual coverage and $2,200 for family coverage. Based on the IRS Revenue Procedure 2008-29, published on May 13, 2008, the deductibles for Base Coverage will be increased to $1,150 for single coverage and $2,300 for family coverage.

Increase Wellness/Preventive Benefit Level for Out-of-Area Participants

Approximately 2,800 adult participants reside outside the State of Mississippi, many of whom may not have sufficient access to network providers to obtain wellness services. In keeping with the Board's guiding principle to promote healthy lifestyles, making wellness services more available to out-of-area participants was evaluated. The Plan allowed a 75% benefit level (not subject to the calendar year deductible and subject to the Plan's allowable charge) for specified wellness services rendered by non-network providers.

Increase Well-child Immunization Benefits from 80% to 100%

Effective January 1, 2008, the Plan began providing first dollar coverage for well-child services. Wellness services for children currently include coverage for immunizations at 80%. Coverage for immunizations will increase from 80% to 100%.

Increase in Annual Limit on Chiropractic Benefits

The Plan's current annual limitation on chiropractic benefits (i.e., adjustments, heat/cold pack therapy, traction) is $1,500. The Plan's limit on chiropractic benefits will be increased from $1,500 to $2,000. Services that are applicable to the annual limit will not change.

Coverage for Pulmonary Rehabilitation Programs

Pulmonary Rehabilitation (PR) programs provide education and exercise classes designed to improve the lives of people with chronic lung disease. The Plan will provide PR benefits for participants enrolled in the CareAllies disease management programs for Chronic Obstructive Pulmonary Disease (COPD) or Asthma. Benefits will only be provided for programs certified by the American Association of Cardiovascular and Pulmonary Rehabilitation and PR visits will be limited to a maximum of 14 per calendar year. Benefit beyond 14 visits must be approved by the Office of Insurance. CareAllies will determine the number of PR visits allowed based on the participant's medical condition. Benefits for PR services will be subject to the participant's deductible and coinsurance.

Adjust prescription drug copayments

Prescription drug copayment levels were last adjusted on January 1, 2007, and are currently $13 for generics, $33 for preferred brands, and $55 for non-preferred brands. The Plan's copayment levels will be adjusted as indicated below. The $50 prescription drug deductible will not change for 2009.

Generic $12
Preferred Brand $36
Non-Preferred Brand $60

Increase copayment on non-preferred brand testing strips and lancets

Currently, the copayment for preferred, non-preferred, or generic testing strips and lancets is set at the generic copayment. The copayment for non-preferred brand testing strips and lancets will be increased to coincide with the Plan's preferred copayment of $36. Generic and preferred testing strips and lancets will remain at the generic copayment.

Coverage for smoking cessation prescription drugs

Currently, the Plan specifically excludes coverage of all smoking cessation prescription drugs. Effective January 1, 2009, the Plan will provide coverage for certain smoking cessation prescription drugs at a lifetime maximum limit of $350. Coverage will be subject to prior authorization through Catalyst Rx and the participant must be enrolled in the Plan's smoking cessation counseling program. Smoking cessation prescription drugs will be subject to the participant's applicable deductible (single or family deductible for Base Coverage/ $50 prescription drug deductible for Select Coverage) and the appropriate copayment.

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