

State of Arkansas

# Health Plan Benchmark Study

## ASE and PSE

**July 21, 2021**

# Overview

**Background**

**Benchmarking: Plan Details**

**Benchmarking: Plan Value**

**Retiree Strategies**

**Summary**

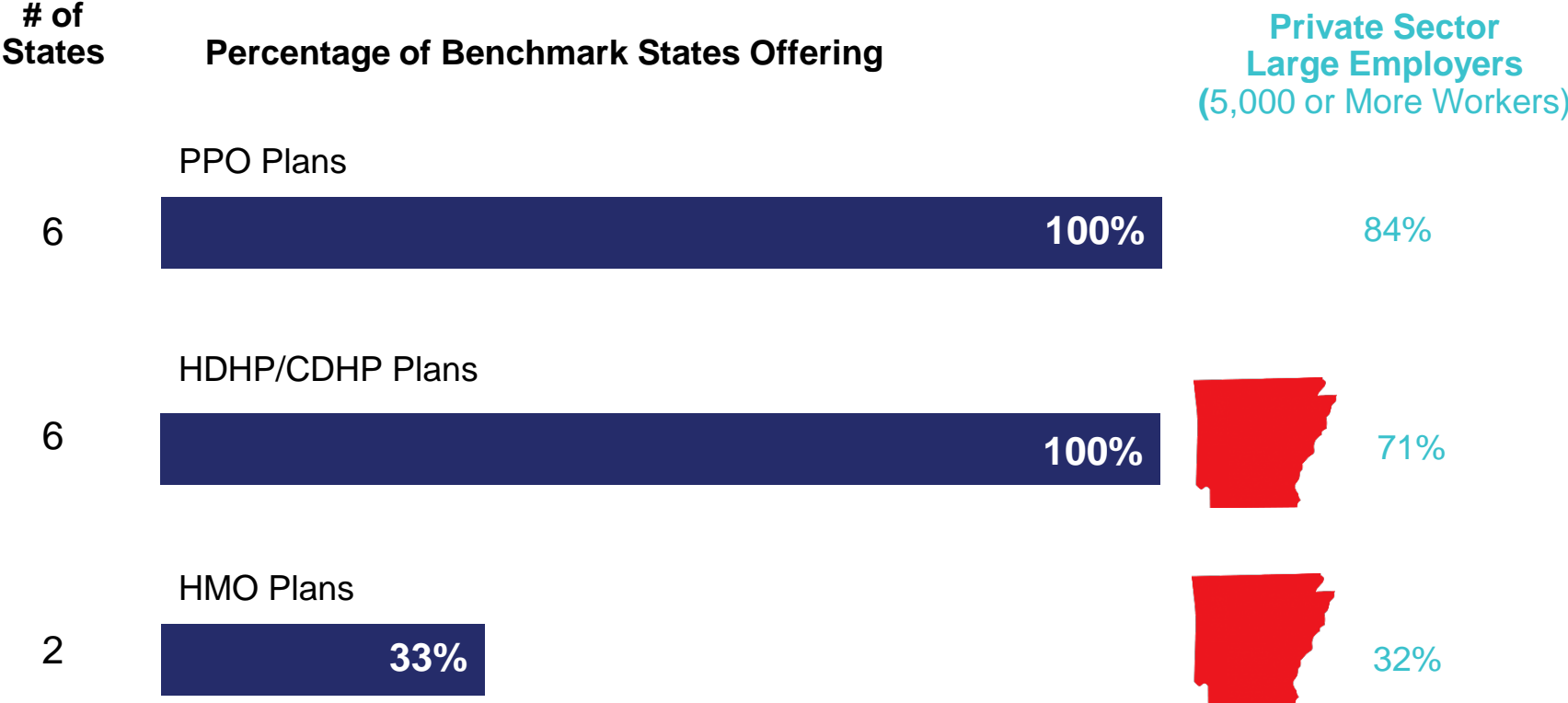
**Appendix**

# Background

- Arkansas's active health plan features were compared against a targeted comparison group of state plans, and national averages
  - Arkansas State Employees (ASE) Premium, Classic, and Basic Plans
  - Public School Employees (PSE) Premium, Classic, and Basic Plans
    - The Premium Plans are HMO and the Classic and Basic Plans are HDHP
- The benchmarking states have been de-identified, but include:
  - Oklahoma
  - Missouri
  - Tennessee
  - Mississippi
  - Louisiana
  - Texas
- Data Collected:
  - Plan type (PPO, HMO, HDHP, etc.)
  - Plan design (deductibles, copays, maximum out-of-pocket limits, etc.)
  - Cost (total costs/premiums, employee/state cost share, coverage tier structure)
- Arkansas and Benchmark States' plan information is current
- National Benchmark averages come from Segal's *2018 State Employee Health Benefits Study*
- CUBS data represents averages from Segal's *2020 College and University Benefit Study*
- Private Sector Benchmark data utilizes latest *Kaiser Family Foundation/Health Research & Education Trust, Employer Health Benefits Survey*

# Benchmark States' Plan Types

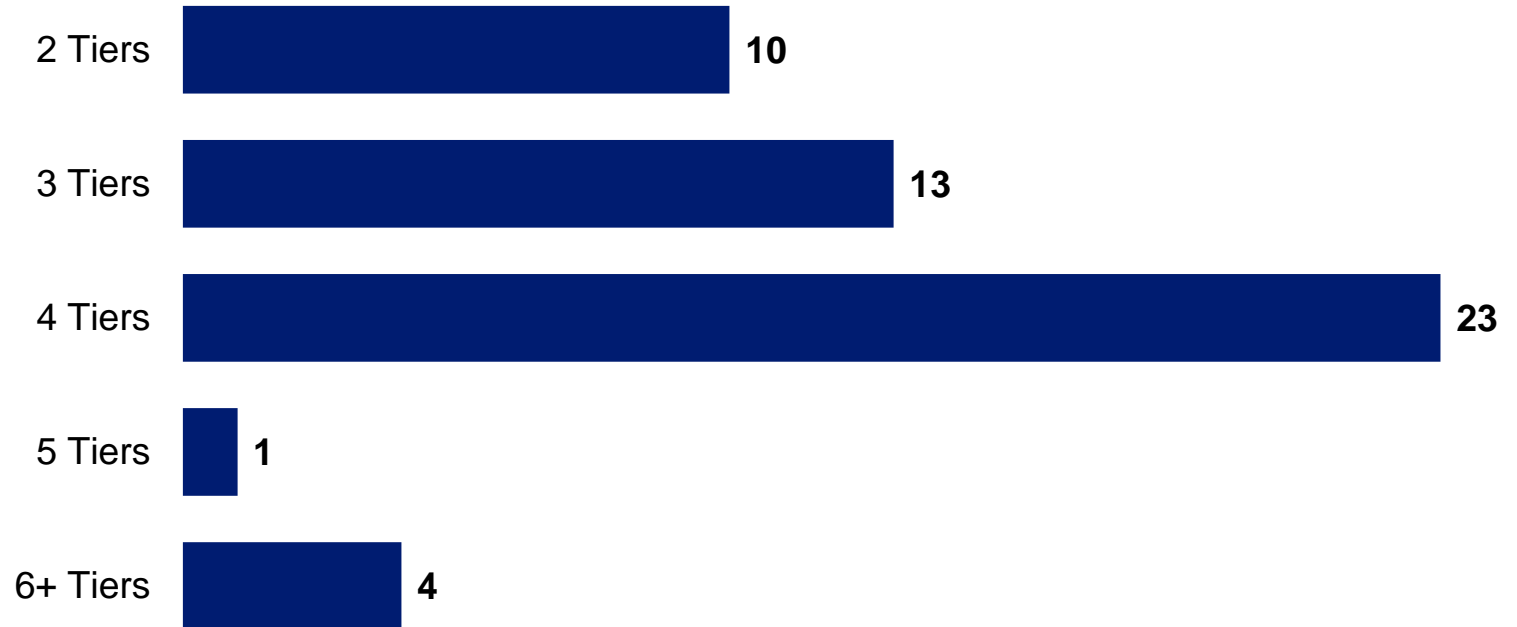
All of the benchmark states offer PPO and HDHP/CDHP plans. 2 out of 6 states also offers an HMO Plan.





# National Coverage Tier Structure

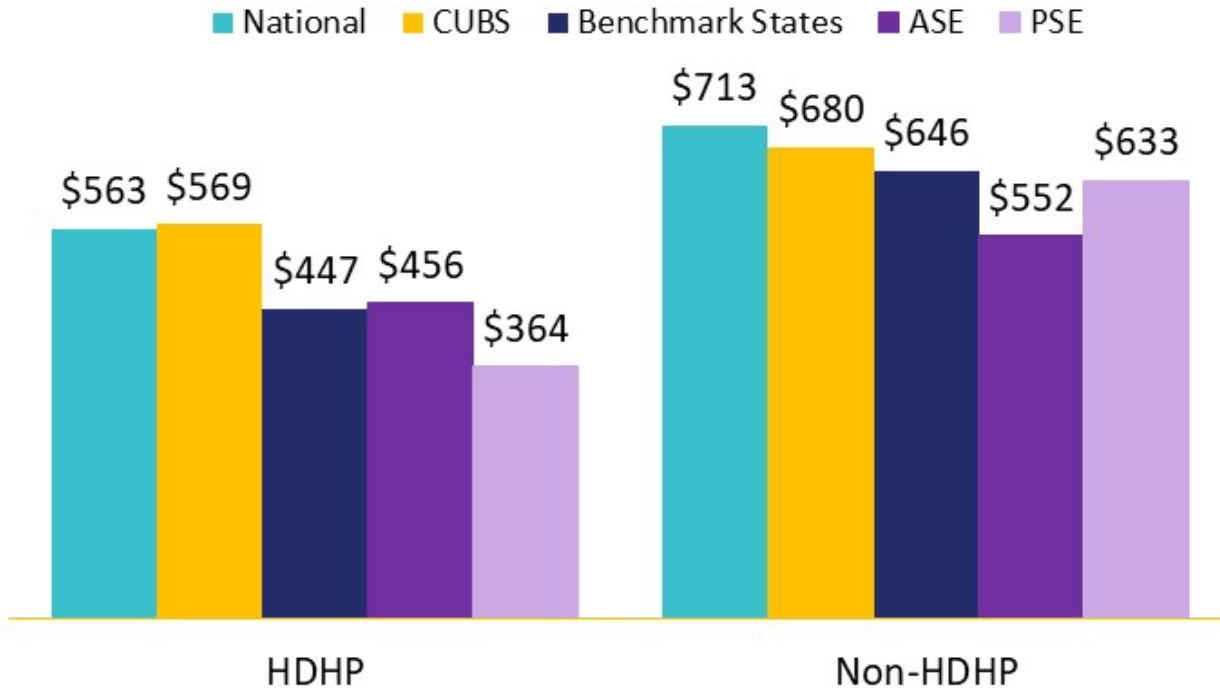
The majority of states use a 3- or 4-tier coverage premium structure. Arkansas uses 4-tier.





# Single Total Premiums

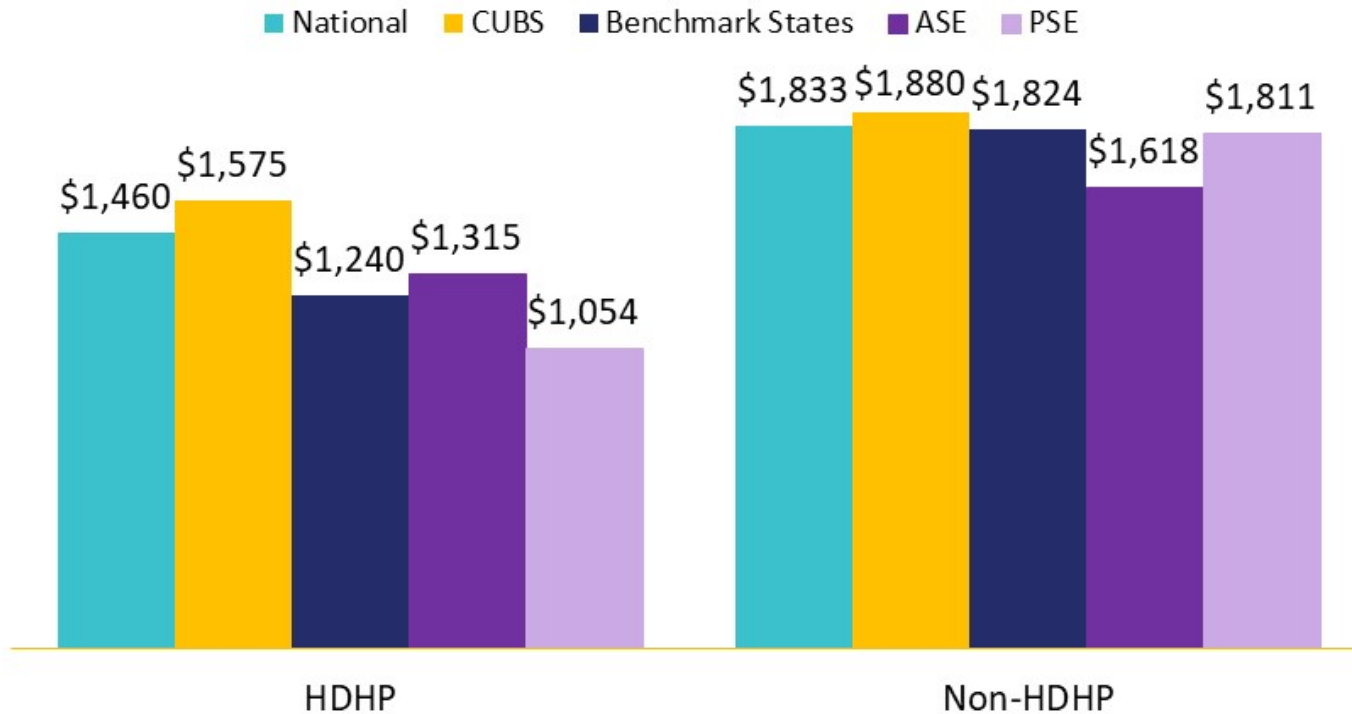
In general, single premiums are lower for ASE and PSE versus benchmarks.



**Single Total Premium = Employer Single Premium + Employee Single Premium**

# Family Total Premiums

Family premiums for the Arkansas plans are still mostly lower, but the margin is tighter relative to single coverage.

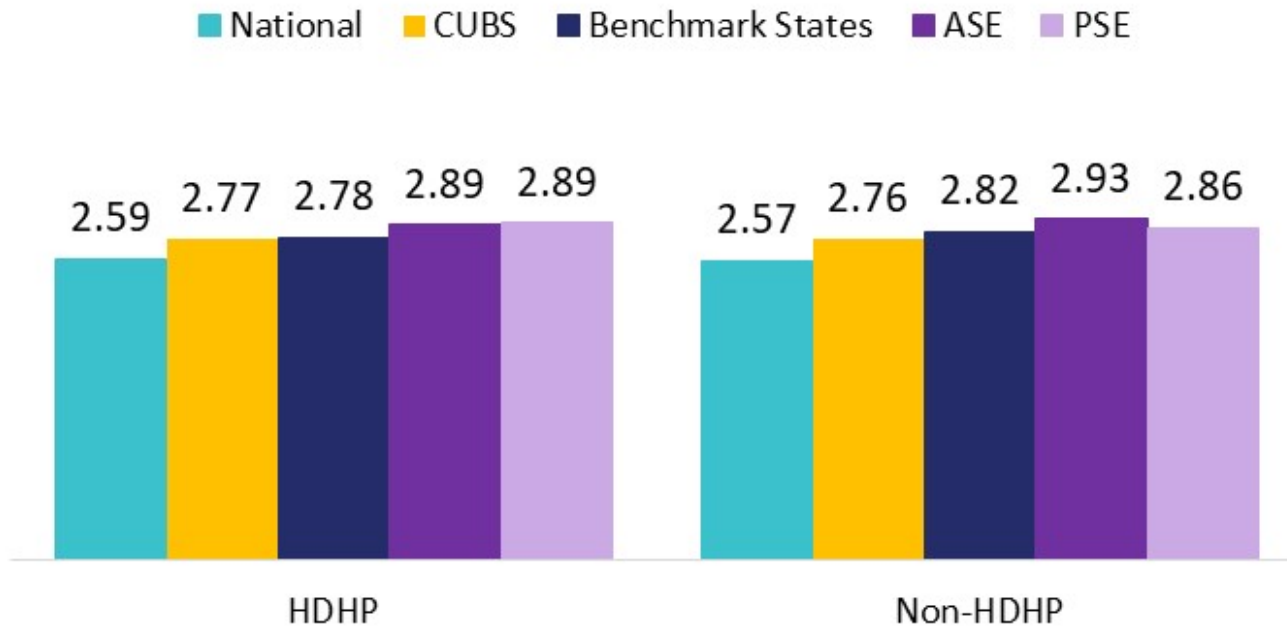


**Family Total Premium = Employer Family Premium + Employee Family Premium**



# Premium Rate Tier Structure

The Arkansas plans have a higher premium rate factor for family tiers compared to benchmark states, national averages and CUBS averages for both the HDHP and Non-HDHP Plans. This implies dependents are more costly.

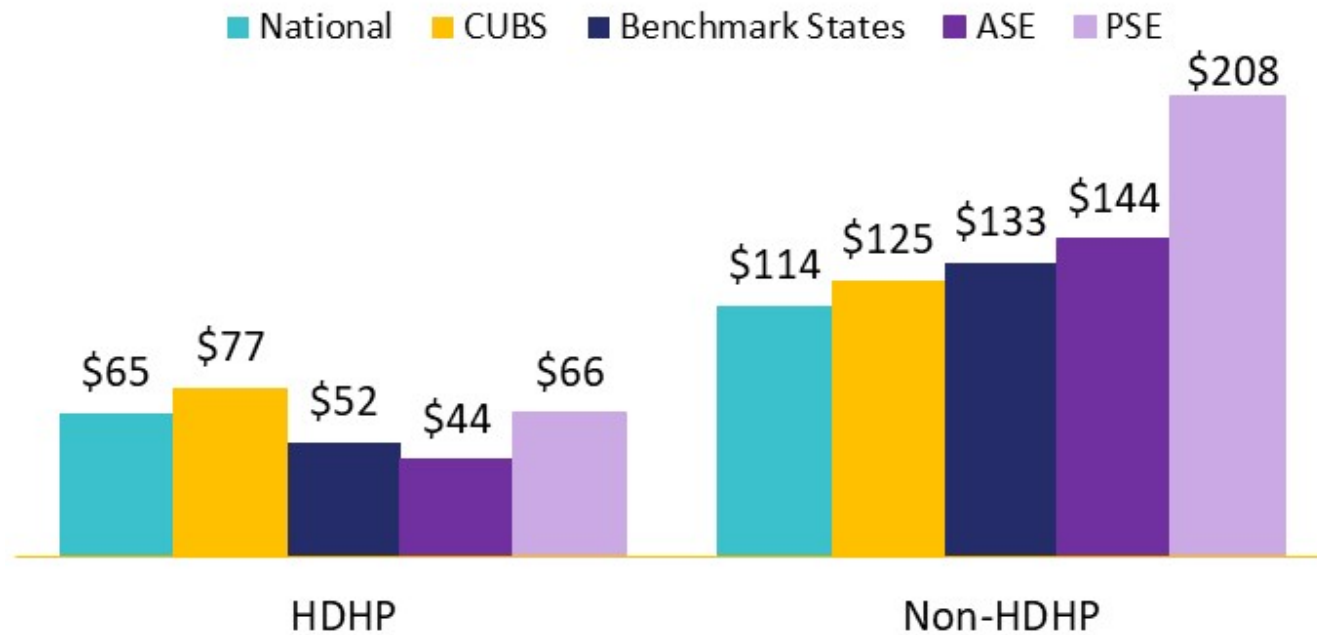






# Single Employee Contributions

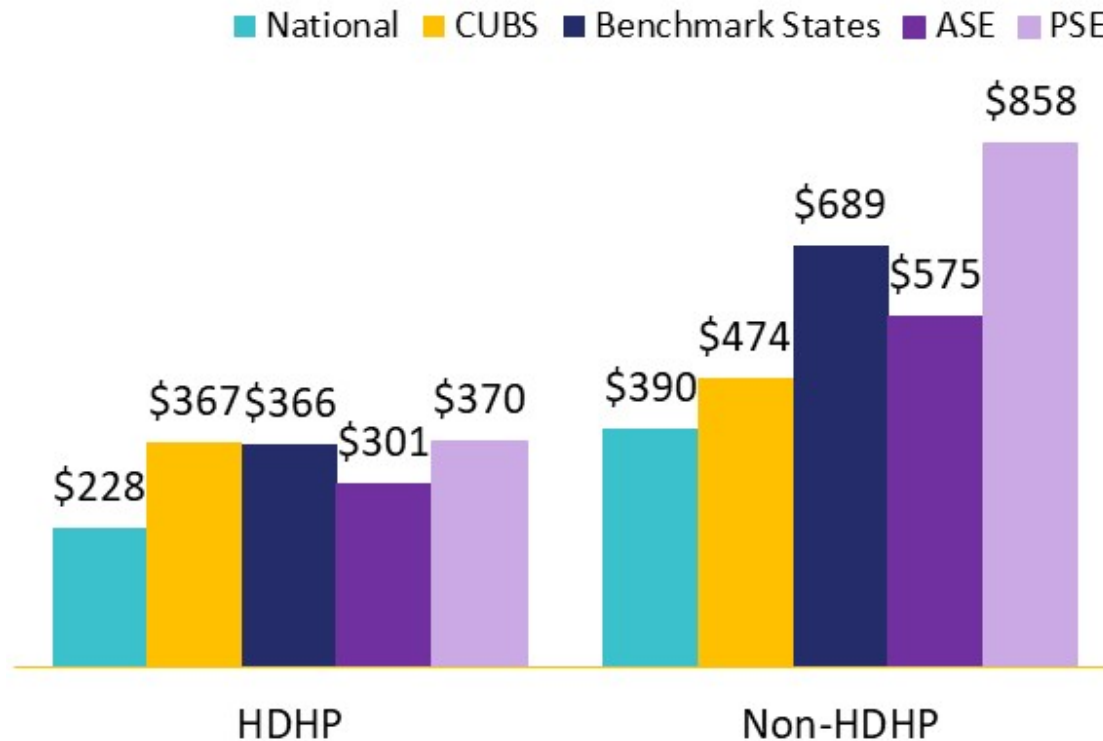
Monthly single employee premiums are consistent with comparison groups for HDHP plans. However, higher for Non-HDHP plans.



\* The Arkansas contributions reflect the wellness incentive.

# Family Employee Contributions

Monthly family employee premiums are consistent with comparison groups for HDHP plans. However, higher for Non-HDHP plans.

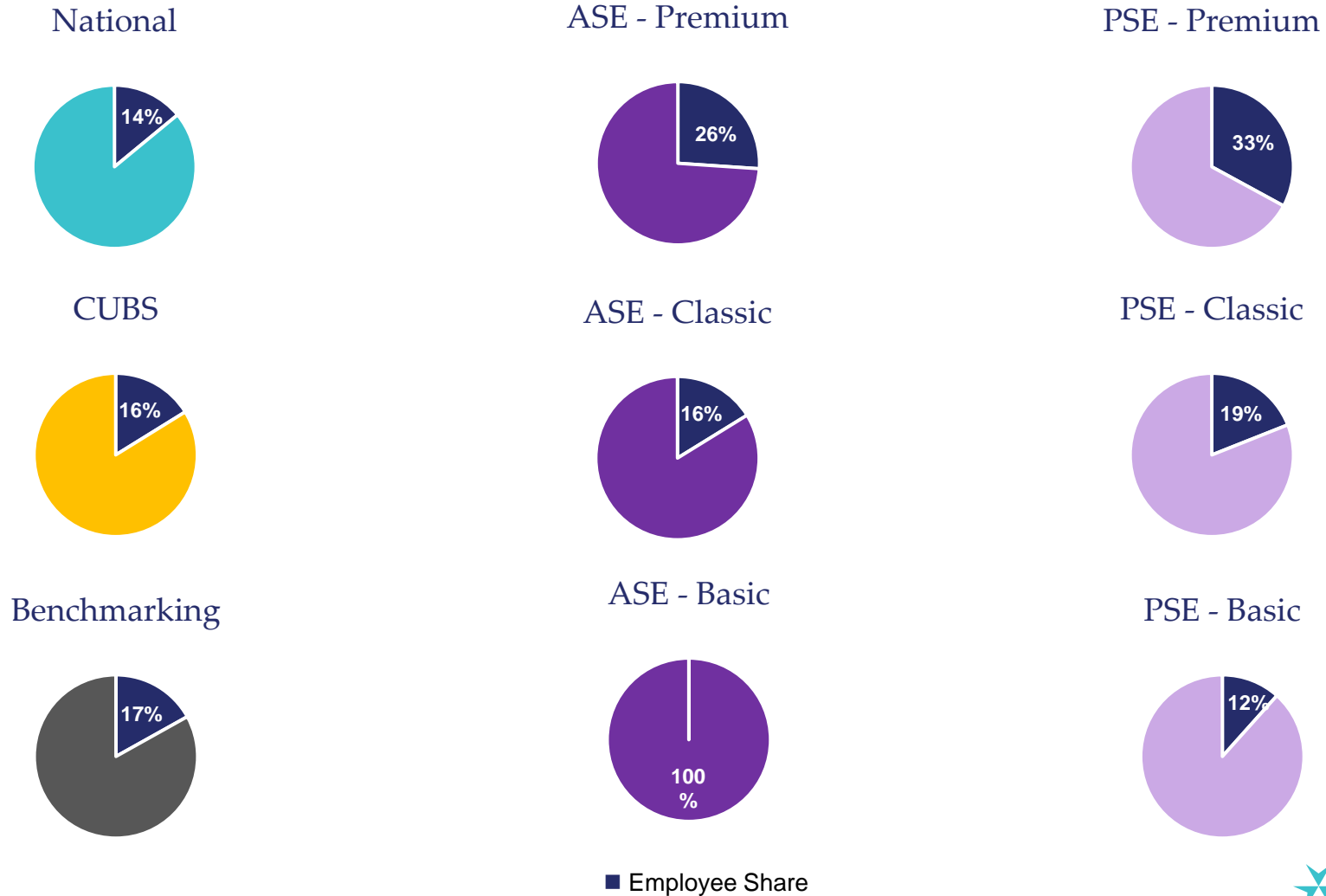


\* The Arkansas contributions reflect the wellness incentive.



# Employee Single Premium Share

The single premium share varies by plan, but on average a bit higher than benchmarks. Furthermore, PSE charges more as a percent of premium than ASE.





# Employee Family Premium Share

The family premium is higher for both the Arkansas plans and the benchmarks relative to the single premium. Again, the share varies by plan, but on average a bit higher than benchmarks, and PSE charges more as a percent of premium than ASE.



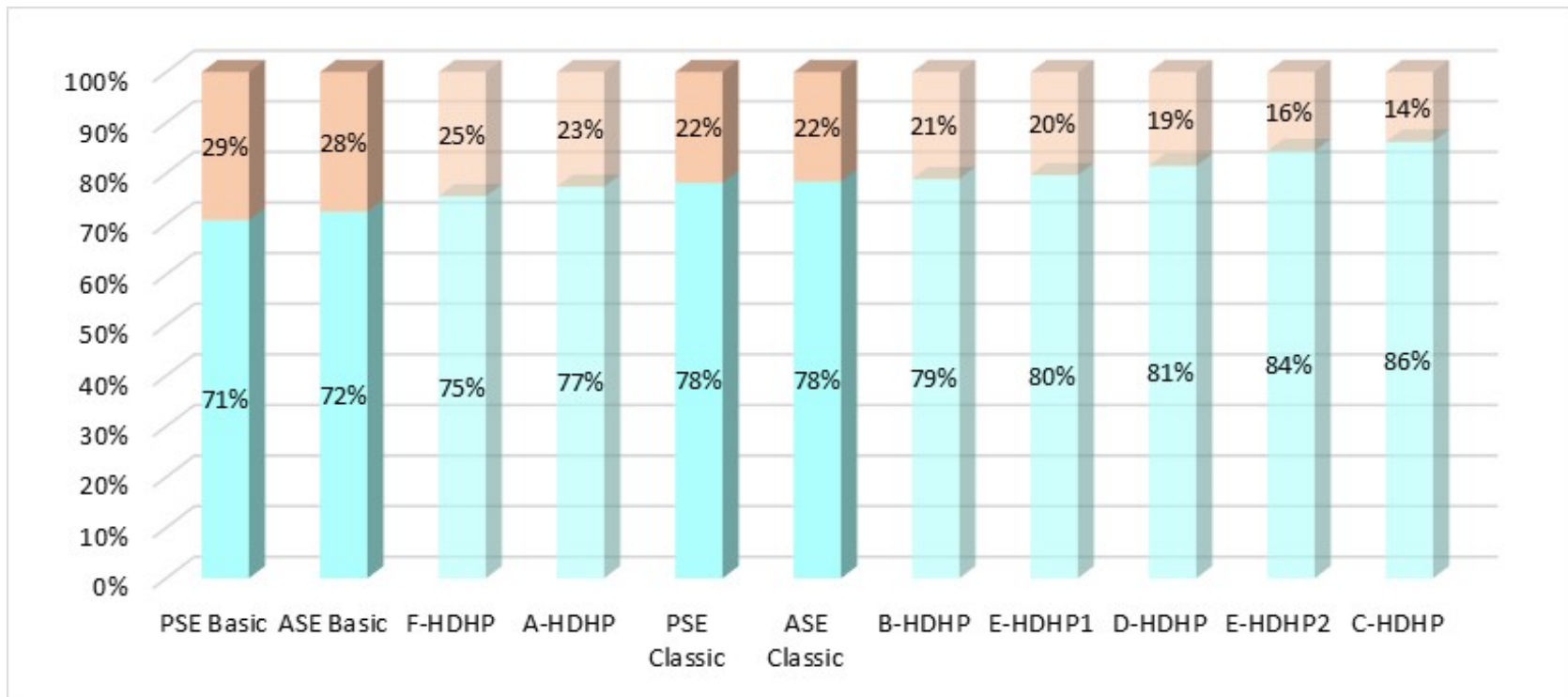
# Benchmark States Actuarial Value (AV)

Actuarial value provides measurement of overall plan value to the member out-of-pocket (OOP) costs (deductible, coinsurance, copays, and HSA seed).

The Basic plans have the lowest AV, while the Classic plans fall in the middle of the pack.

## Comparison of Actuarial Value – HDHP Plans

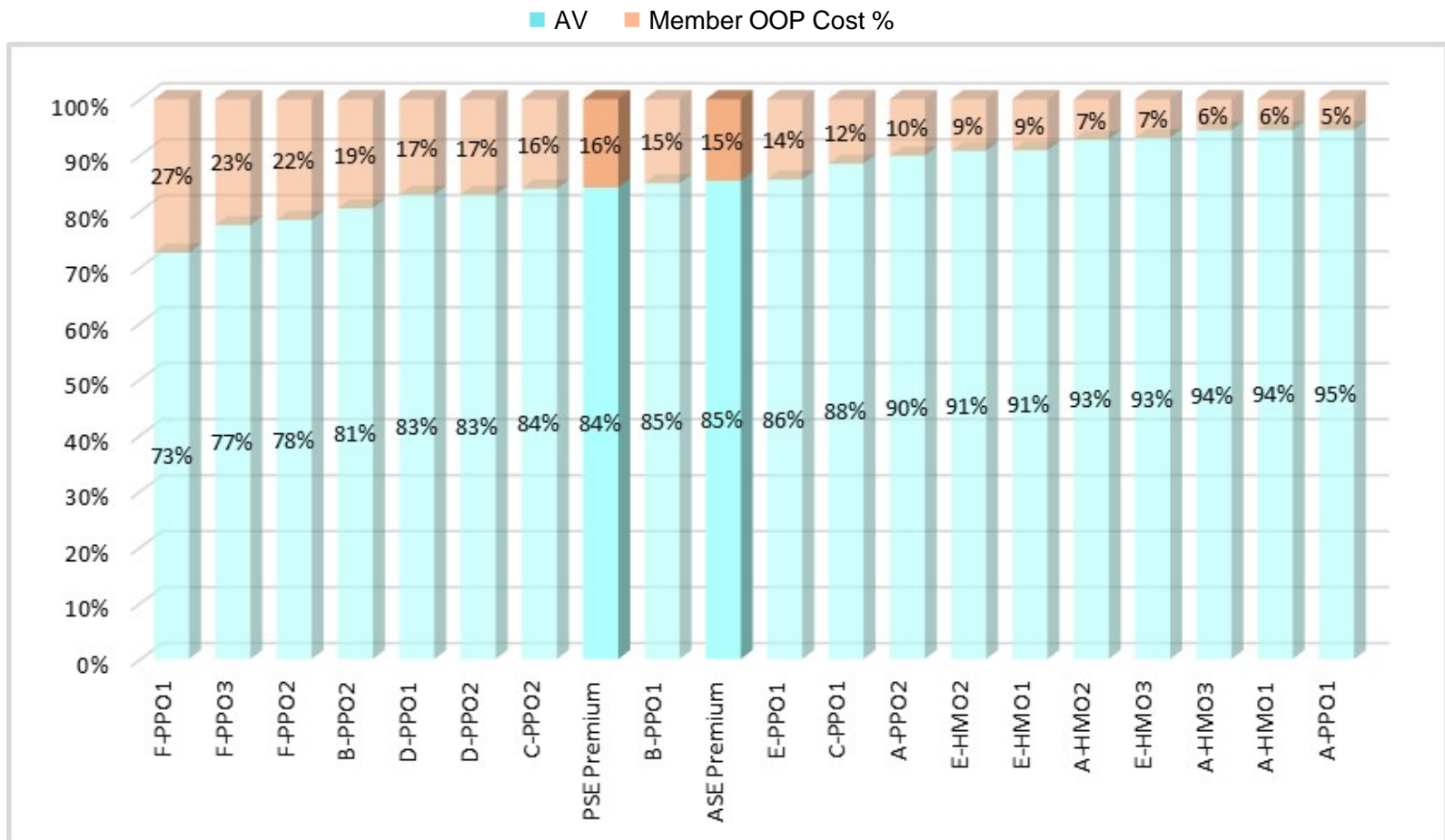
■ AV ■ Member OOP Cost %



# Benchmark States Actuarial Value (AV) (continued)

The Premium plan's benefit richness falls in the middle of the pack, with the ASE plan slightly more valuable.

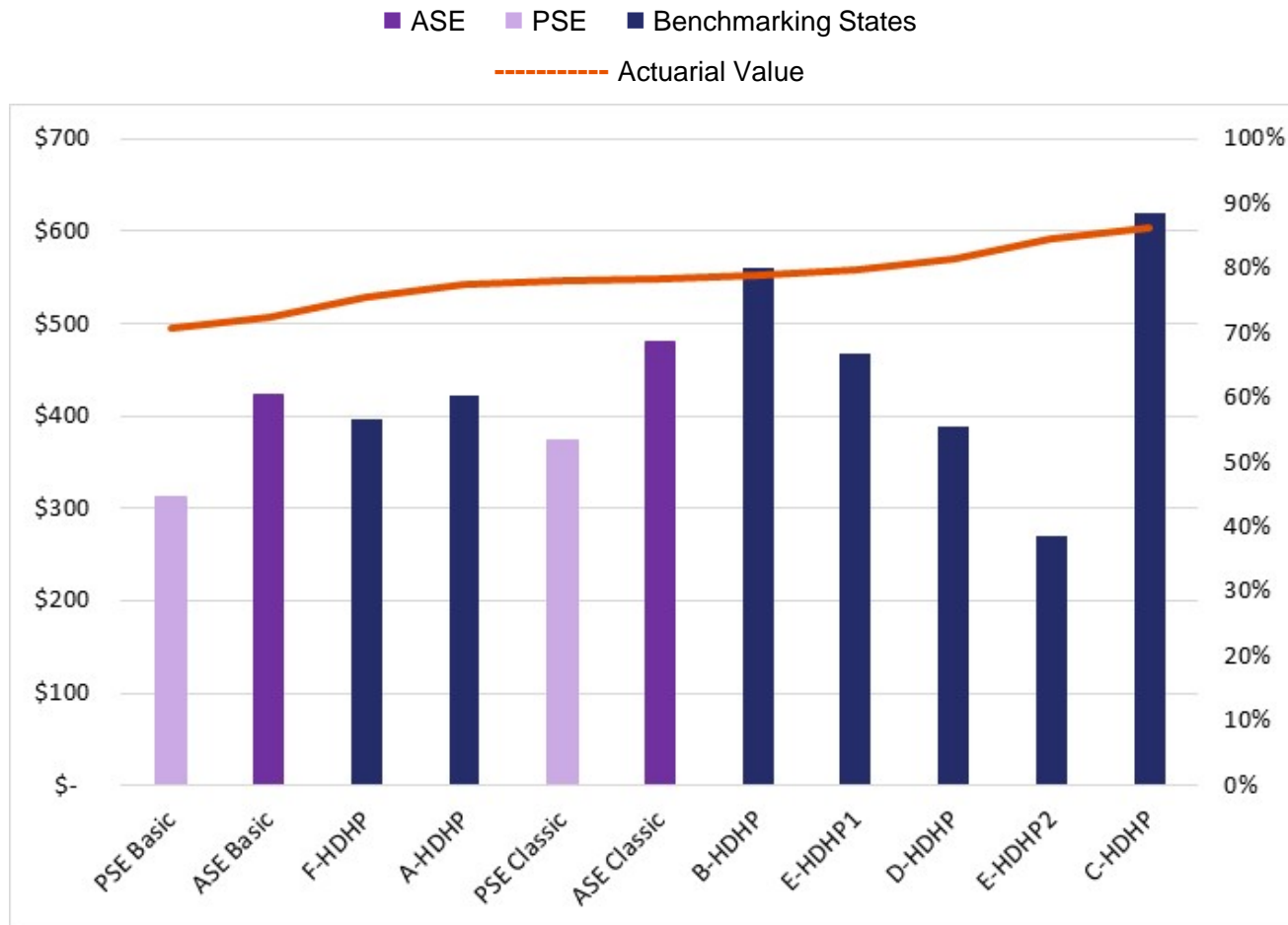
## Comparison of Actuarial Value – Non HDHP Plans



# Premium Versus AV – Single

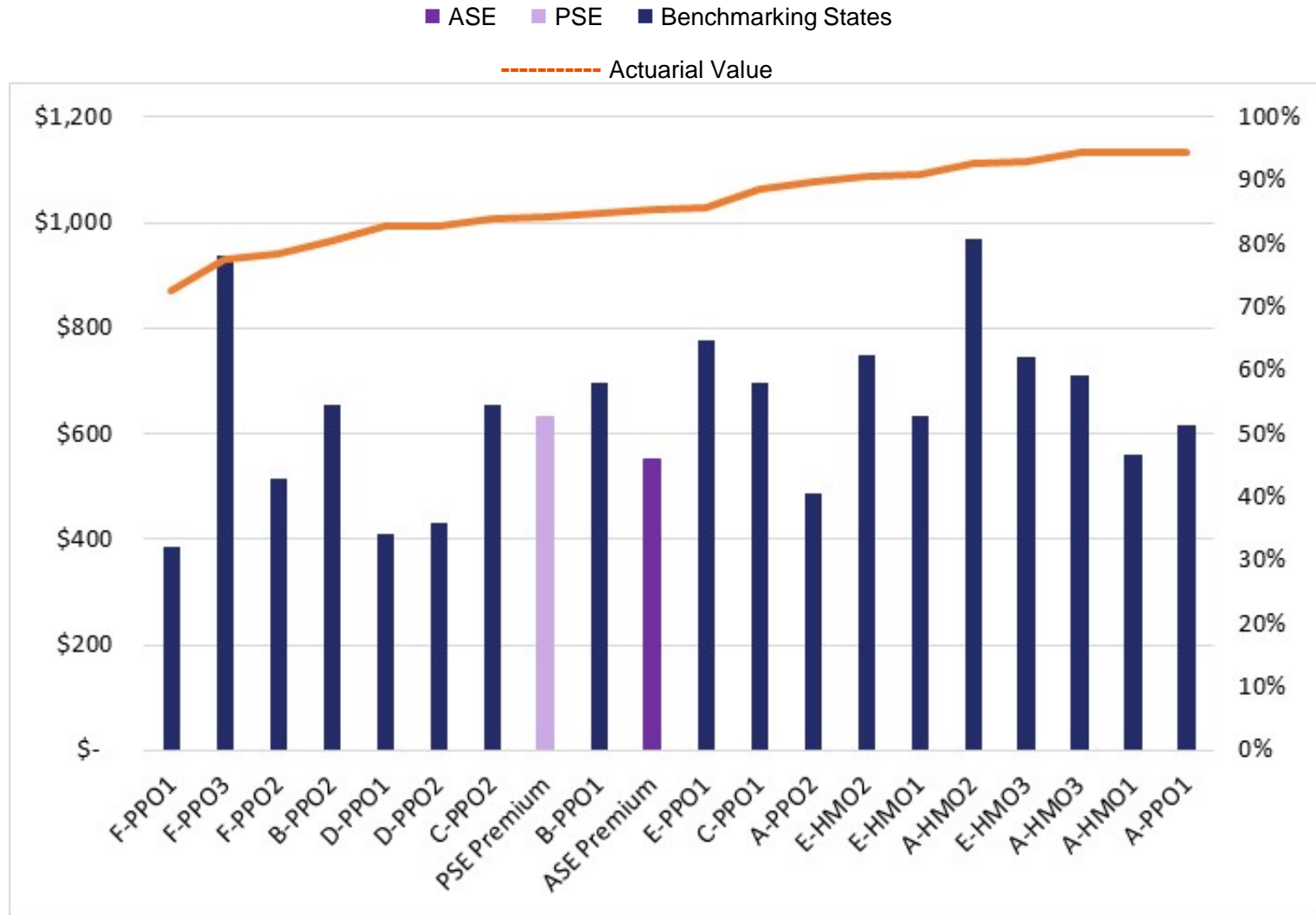
Plans below are ranked according to their actuarial value. In theory, a plan with a higher AV should also have a higher premium. Efficient plans have higher relative AV and lower relative premium.

## Total Single Premiums - HDHP Plans



# Premium Versus AV – Single (continued)

## Total Single Premiums – Non HDHP Plans

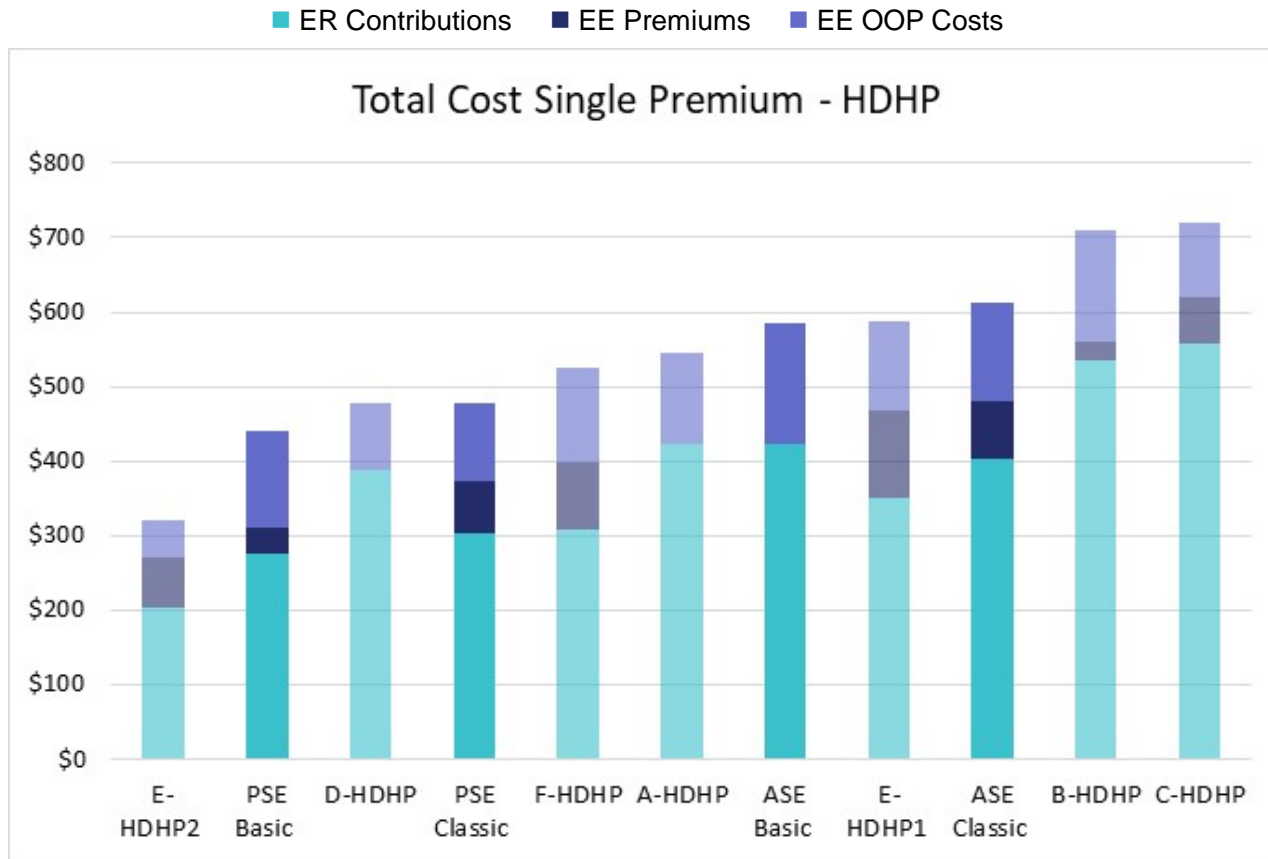




# Premium Efficiency – Single

The PSE plans exhibit more efficiency, while the ASE plans are lagging against the comparison plans.

## Total Cost Single Premiums – HDHP Plans



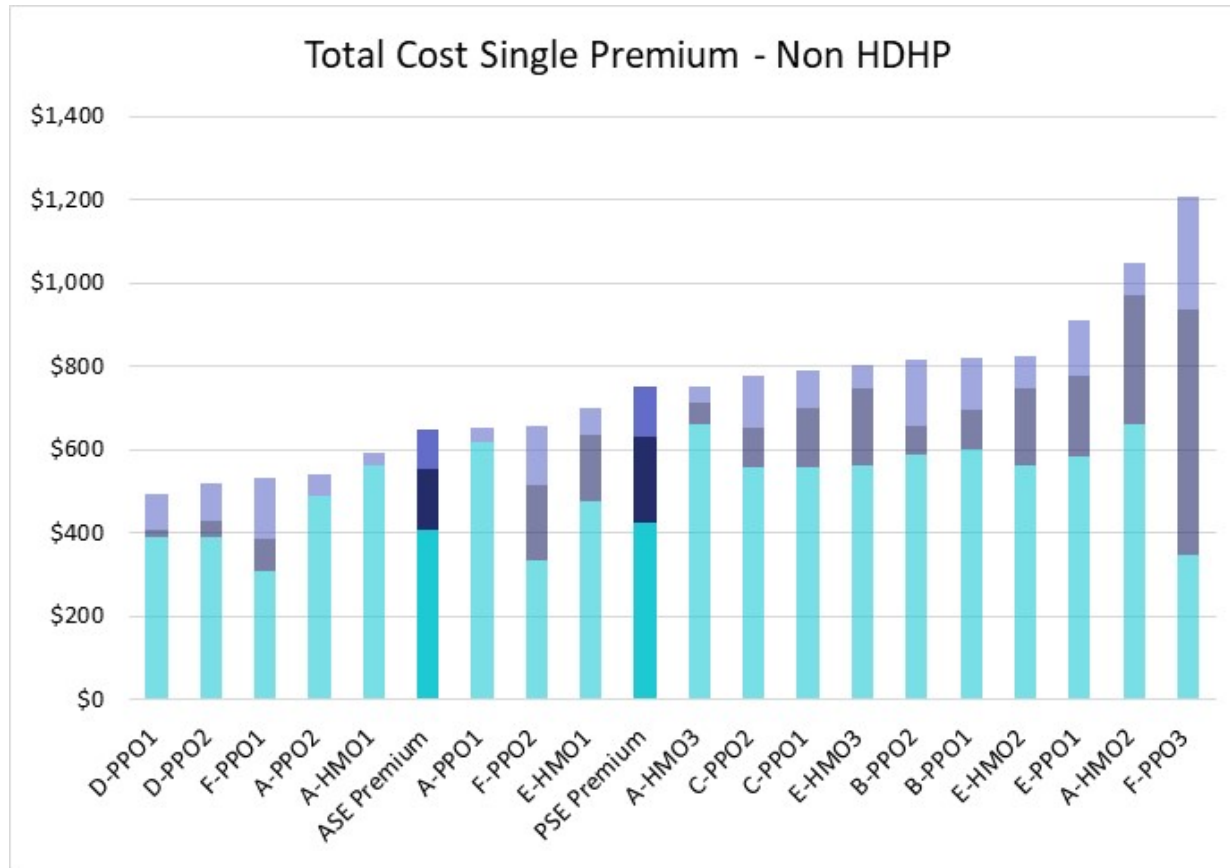
**Total Cost or Allowed Costs = Total Premium + Member Out of Pocket Claims Costs**

# Premium Efficiency – Single (continued)

The premium plan for ASE and PSE rank 6<sup>th</sup> and 10<sup>th</sup> respectively out of 20 plans in efficiency.

## Total Cost Single Premiums – Non HDHP Plans

ER Contributions   EE Premiums   EE OOP Costs

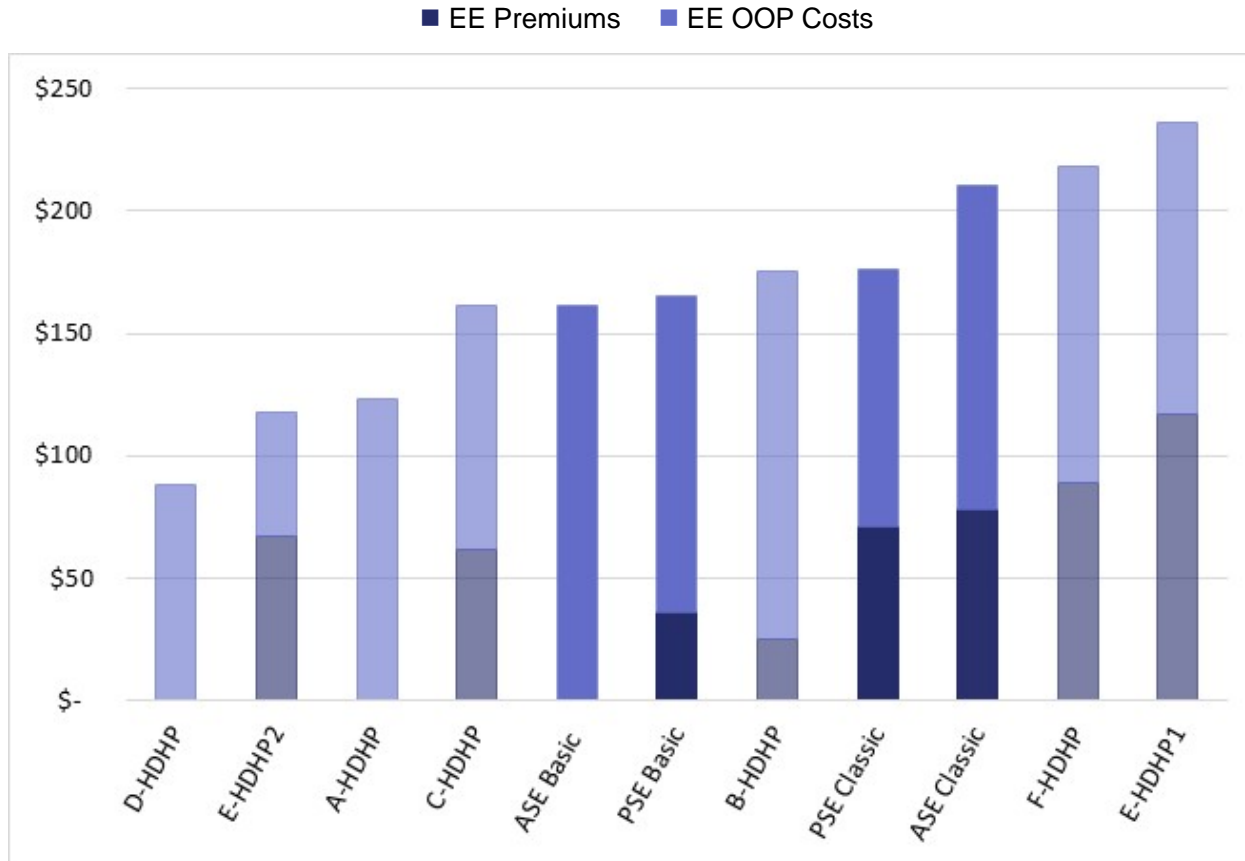


**Total Cost or Allowed Costs = Total Premium + Member Out of Pocket Claims Costs**

# Total Employee Cost– Single

Singles enrolled in the Basic plan have average total out of pocket spend, while those in the Classic plan pay more than average.

## Total Employee Cost Single – HDHP Plans

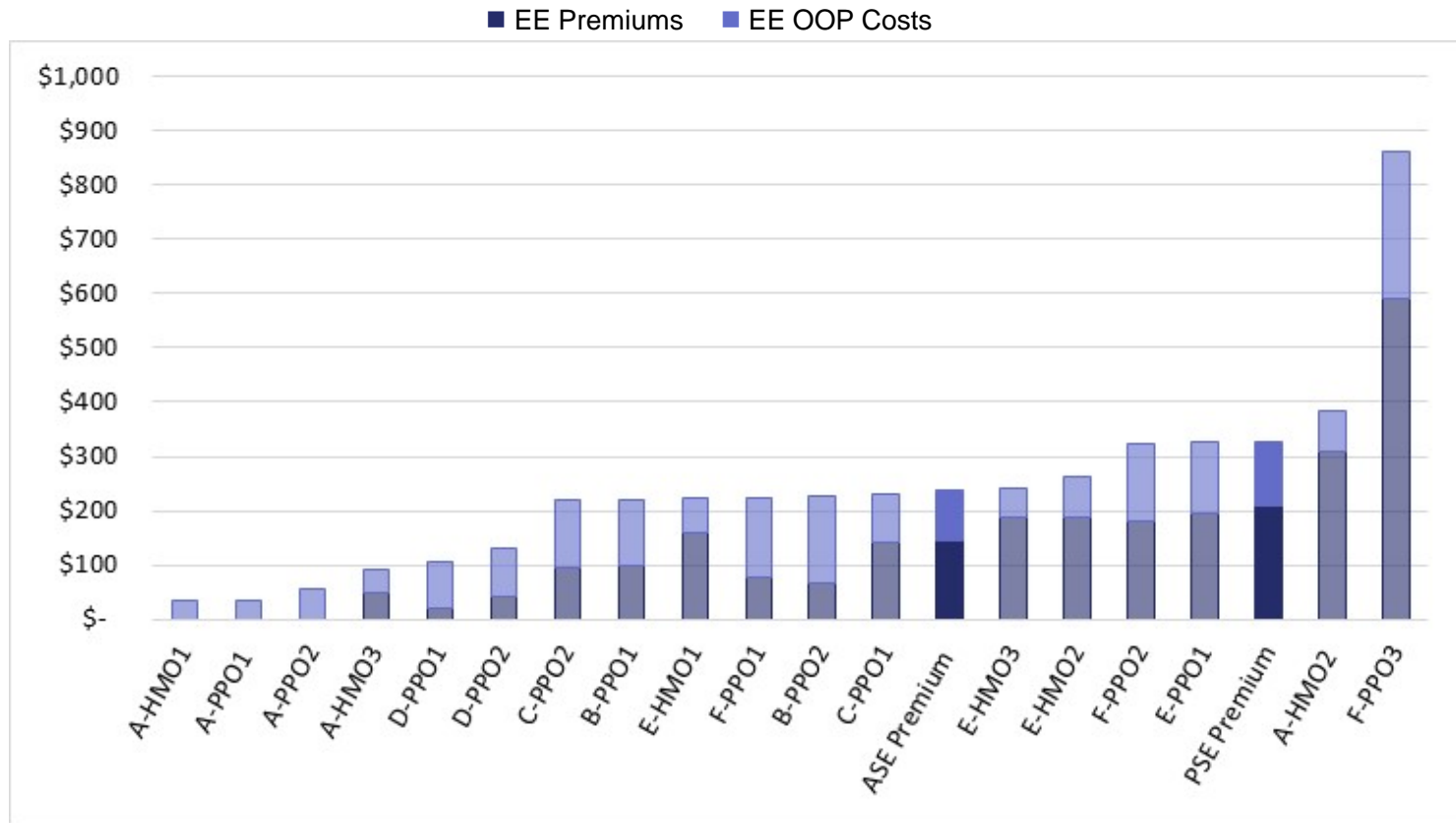


**Total Employee Cost = EE Contribution + Member Out of Pocket Claims**

# Total Employee Cost– Single (continued)

The premium plan for ASE and PSE rank 13<sup>th</sup> and 18<sup>th</sup> respectively in out of total out of pocket costs.

## Total Employee Cost Single – Non HDHP Plans

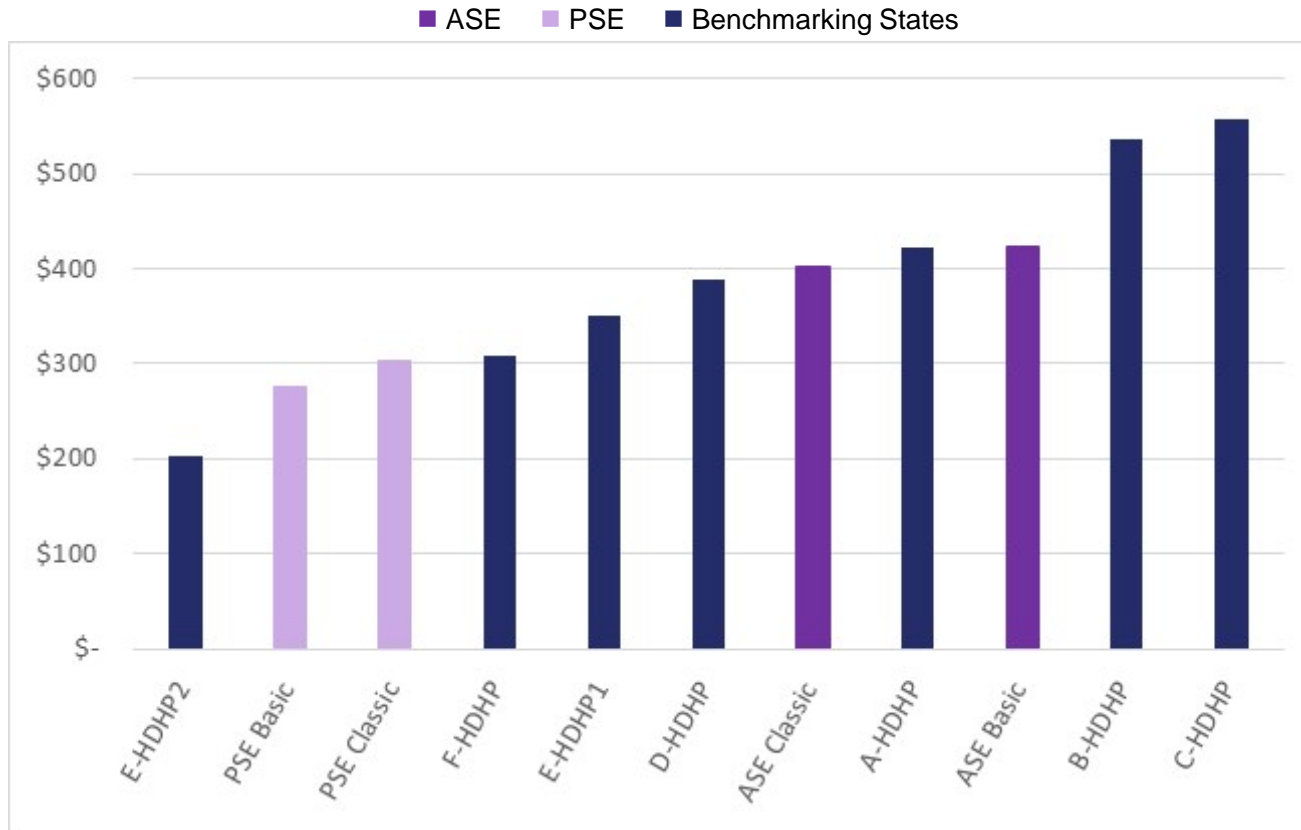


**Total Employee Cost = EE Contribution + Member Out of Pocket Claims**

# Total Employer Cost– Single

The employer funding for PSE is below average. However, ASE shows better than average.

## Total Employer Cost Single – HDHP Plans

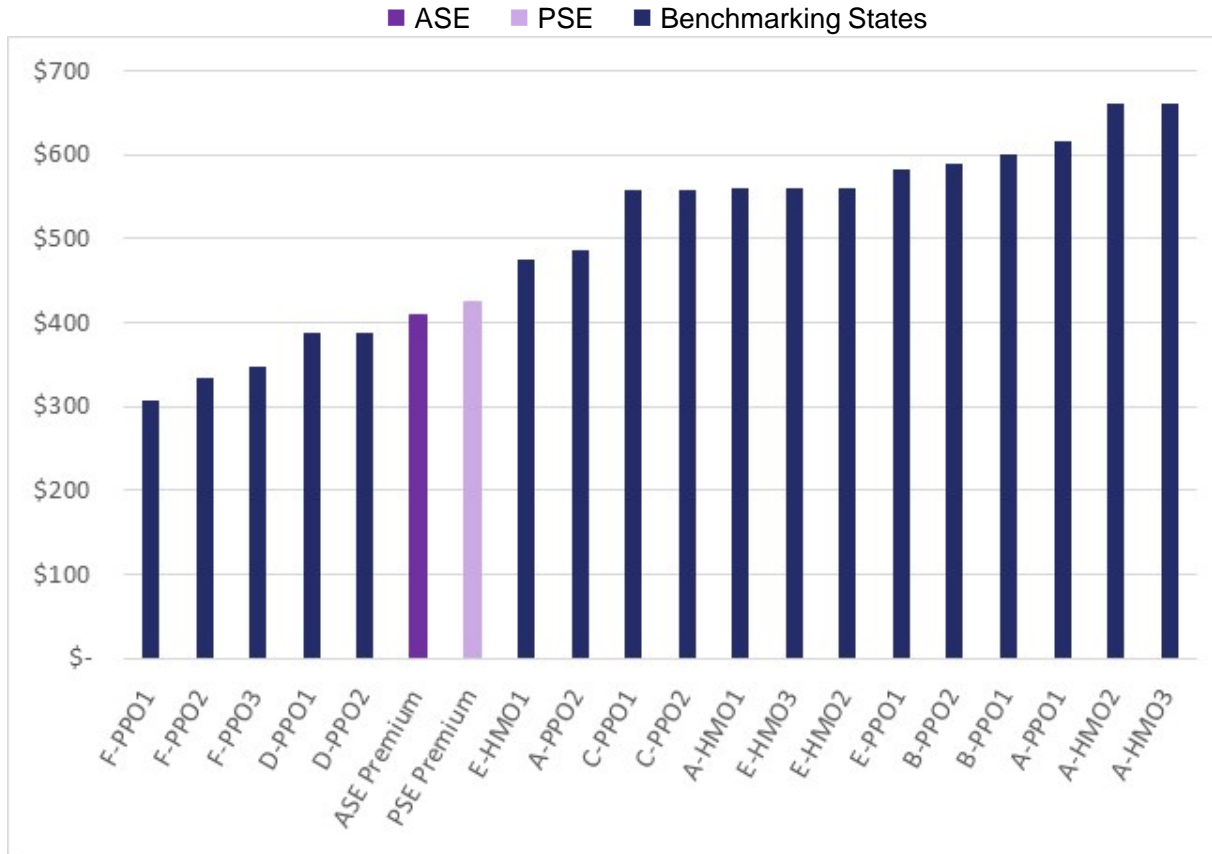


**Total Employer Cost = ER Funding**

# Total Employer Cost– Single (continued)

The Premium plan for both ASE and PSE have lower than average funding.

## Total Employer Cost Single – Non HDHP Plans



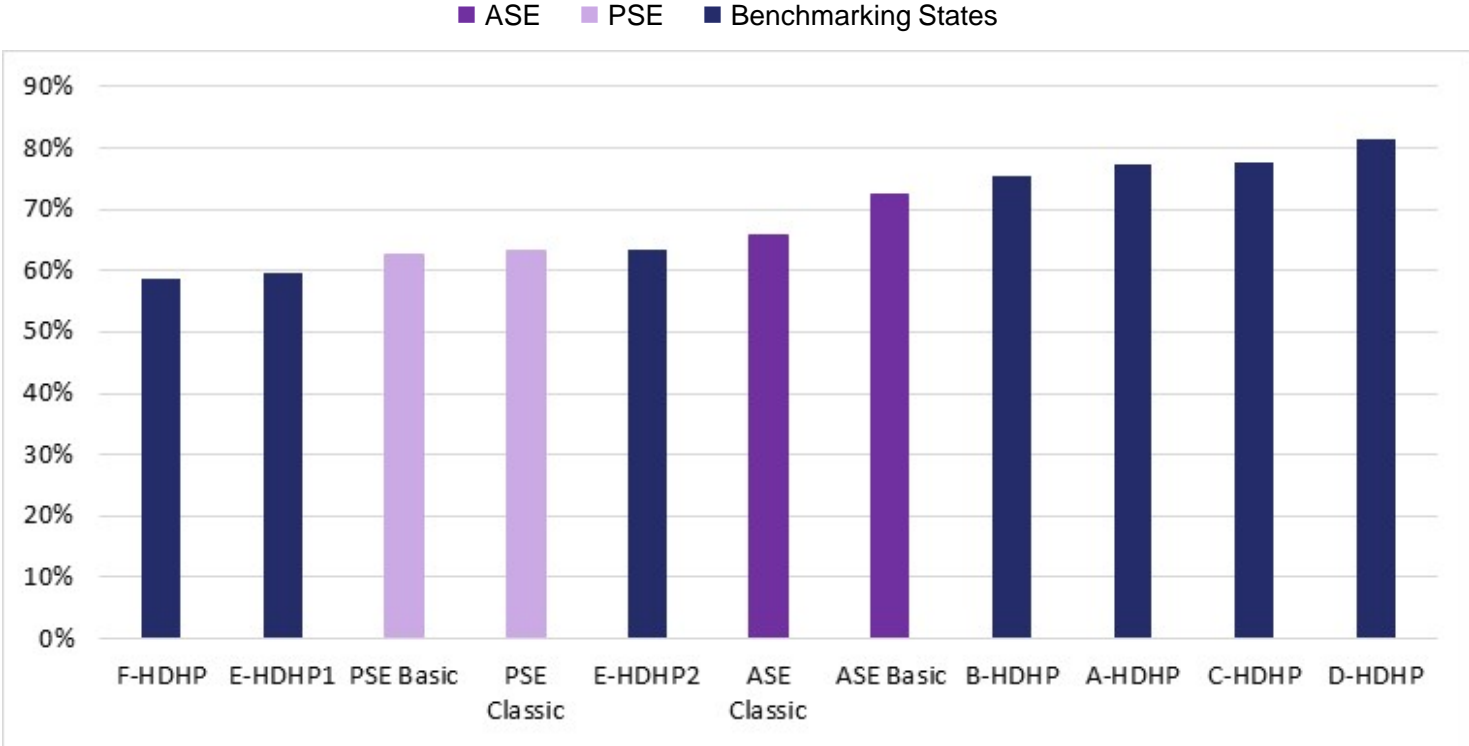
**Total Employer Cost = ER Funding**

# Employer Subsidy % – Single

Measures the employer subsidy as a percentage to the Total cost.

PSE has just above 60% ER subsidy %, while ASE is closer to the 70% mark.

## Employer Subsidy % - HDHP Plans



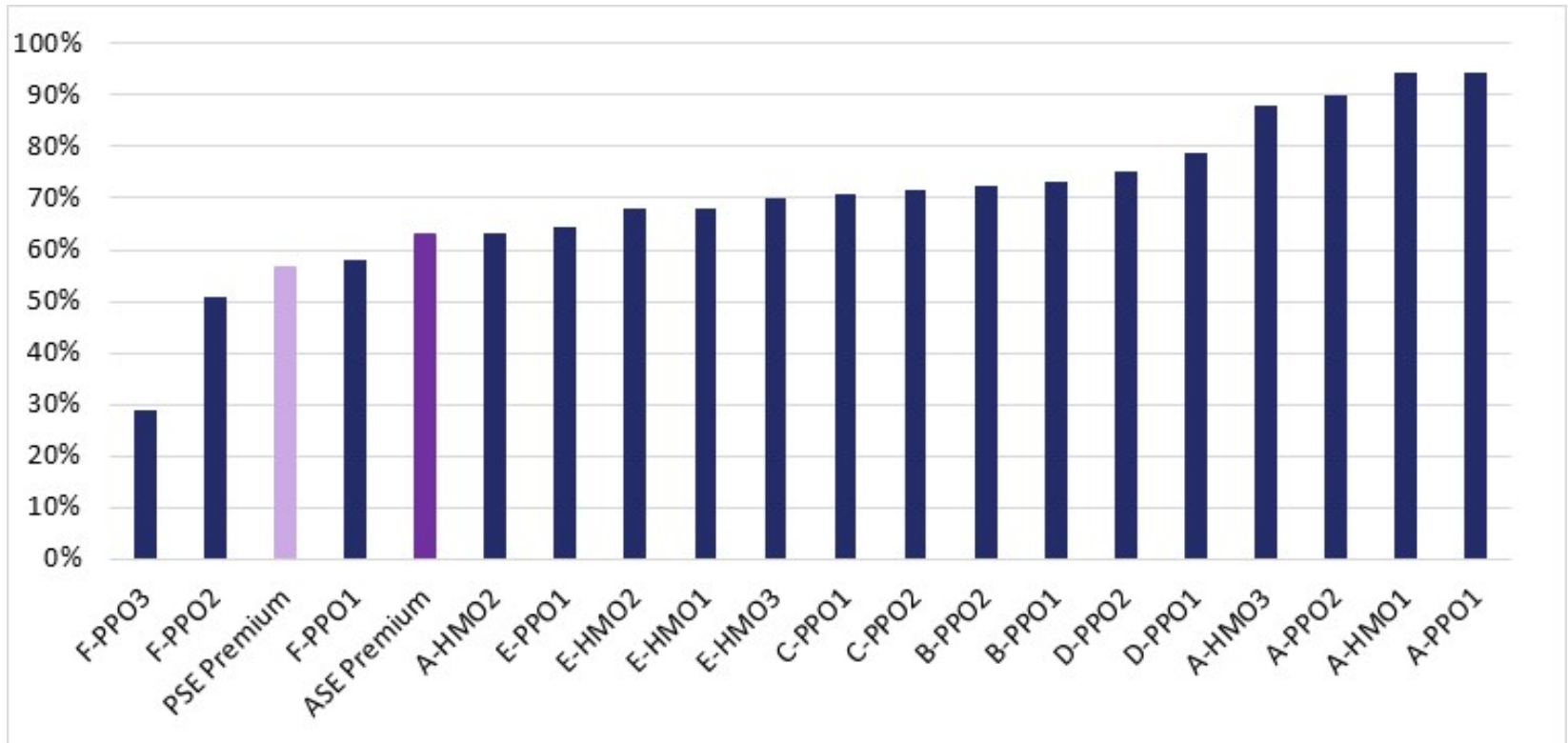
**Employer Subsidy % = 100% - (EE Contribution + Member Out of Pocket Claims) / Total Cost**

# Employer Subsidy % – Single (continued)

The Premium plans have an Employer Subsidy percentage near 60%, much lower than other plans.

## Employer Subsidy % - Non HDHP Plans

■ ASE ■ PSE ■ Benchmarking States



$$\text{Employer Subsidy \%} = 100\% - (\text{EE Contribution} + \text{Member Out of Pocket Claims}) / \text{Total Cost}$$

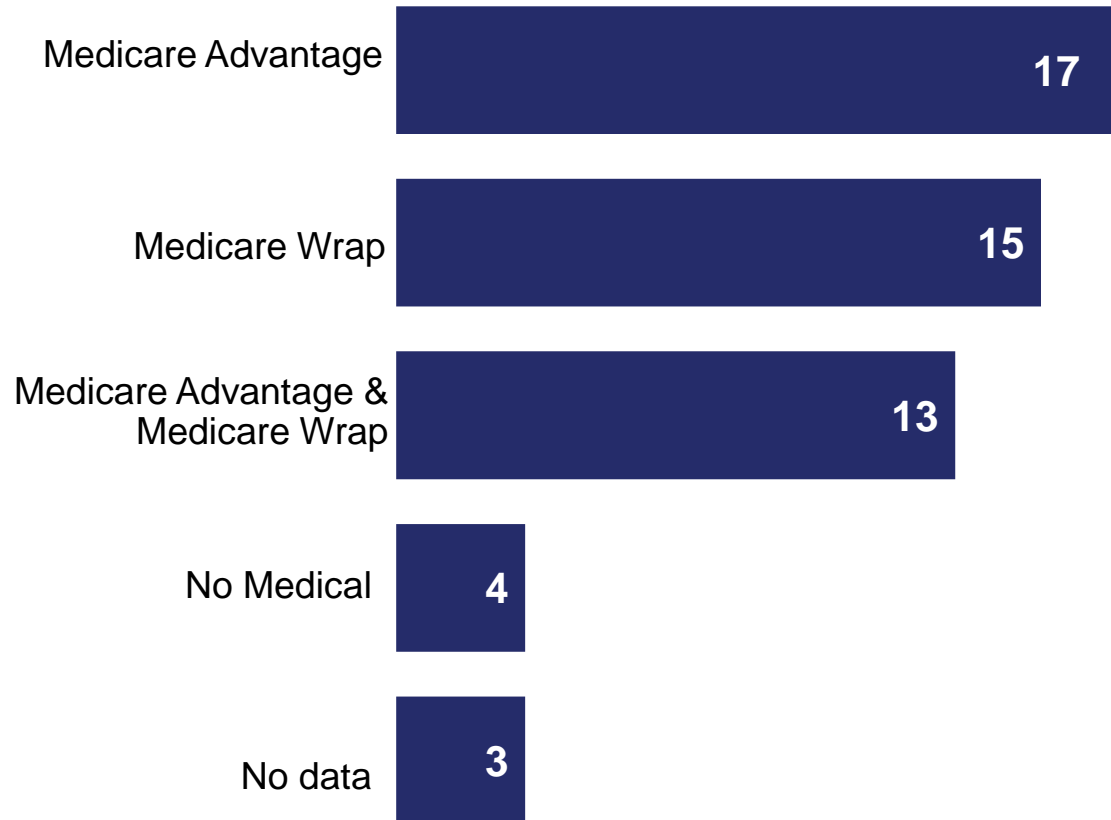


# Key Takeaways

- Plan offerings (Premium, Classic, Basic) have a reasonable spread in terms of benefit richness and variety.
  - Premium offers copays, while Classic and Basic allow members to utilize an H.S.A. account.
- The benefit values (AV) are in line with benchmark.
- The Arkansas plans are slightly more efficient, a function of lower premium rates.
- Employees pay marginally more in contributions and out of pocket claims than the comparison plans
  - Premium plans lag behind more than the HDHP's
- The employer funding or subsidy is marginally less than the comparison plans
  - Again, the Premium plans lag behind more than the HDHP's.

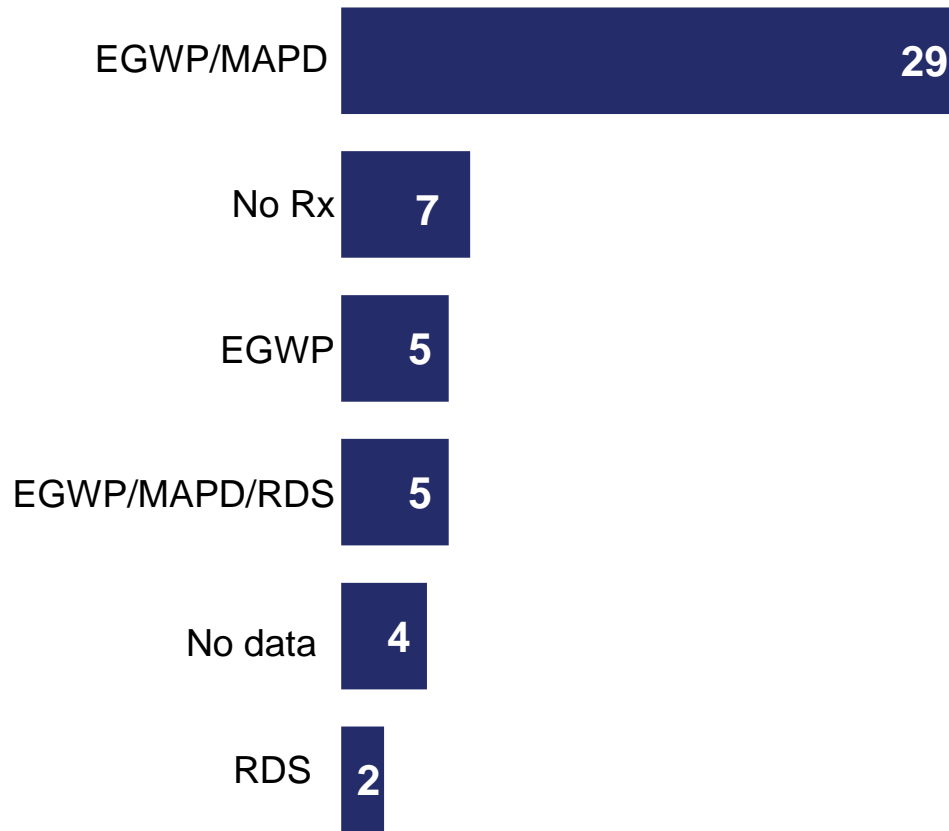
# What are States Doing?

## *Retiree Strategies - Medical*



# What are States Doing?

## *Retiree Strategies - Rx*





# Thank You



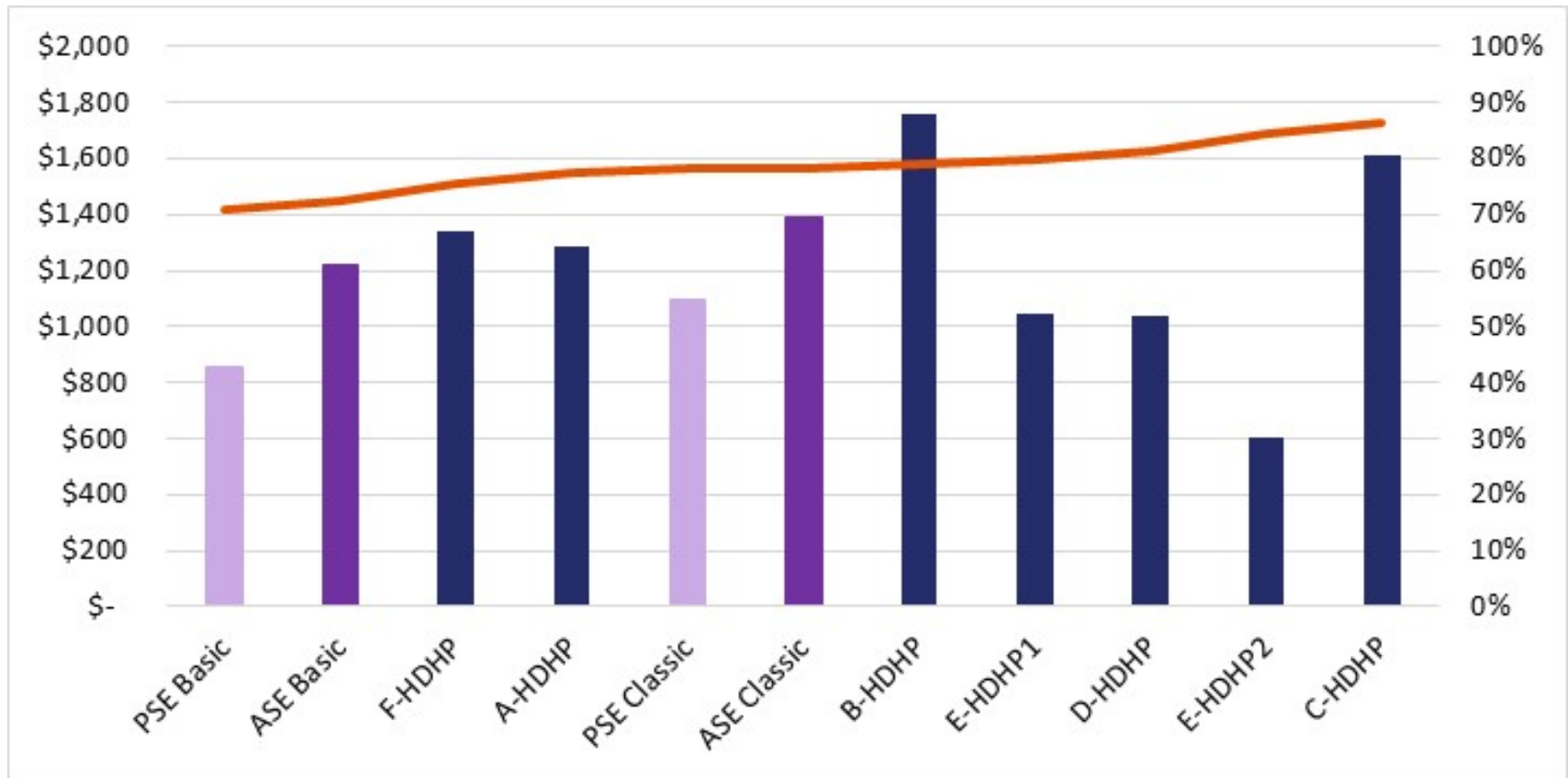
# APPENDIX:

## Family Coverage

# Premium Versus AV – Family

## Total Family Premiums – HDHP Plans

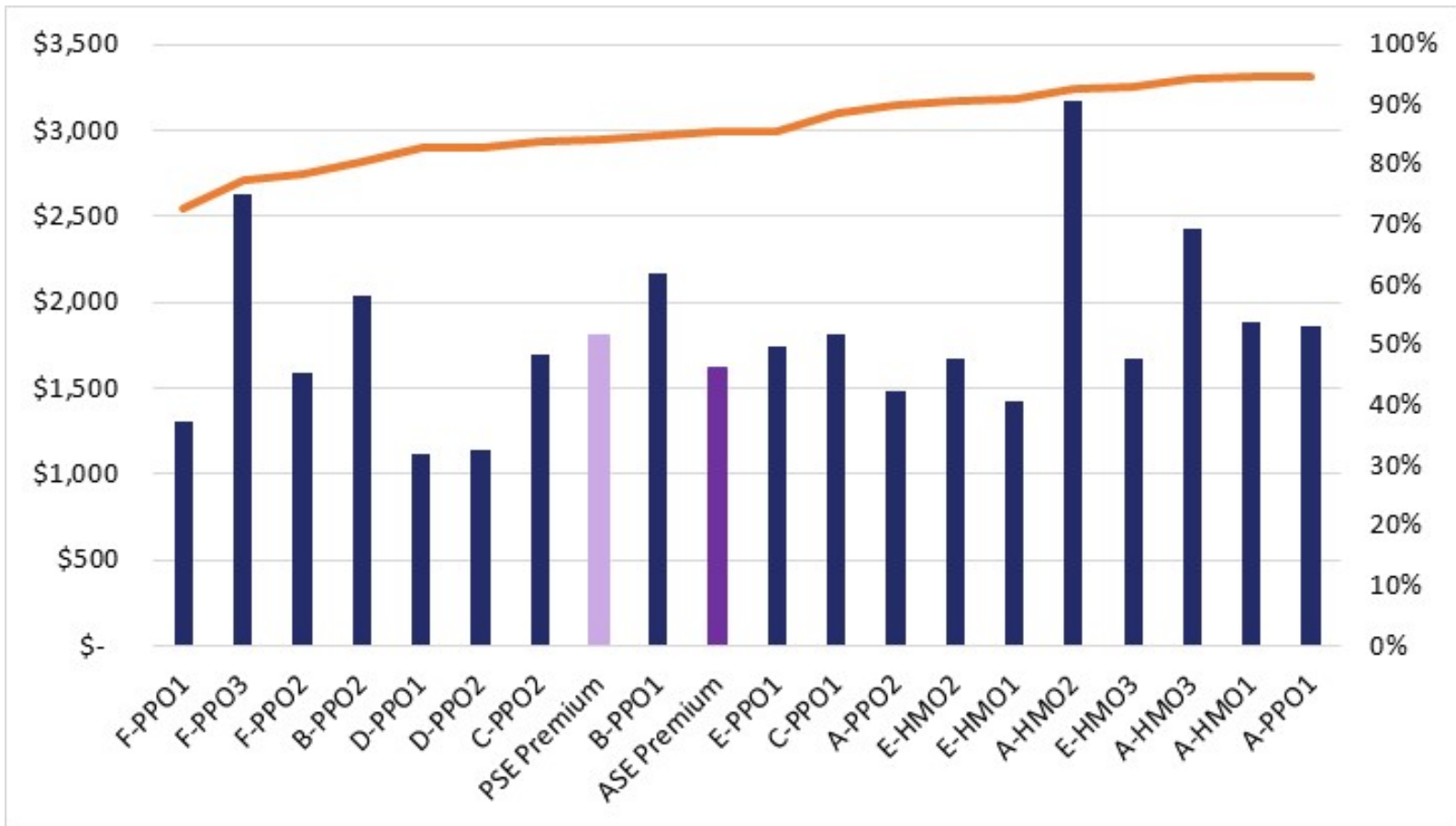
■ ASE ■ PSE ■ Benchmarking States  
----- Actuarial Value



# Premium Versus AV – Family (continued)

## Total Family Premiums – Non HDHP Plans

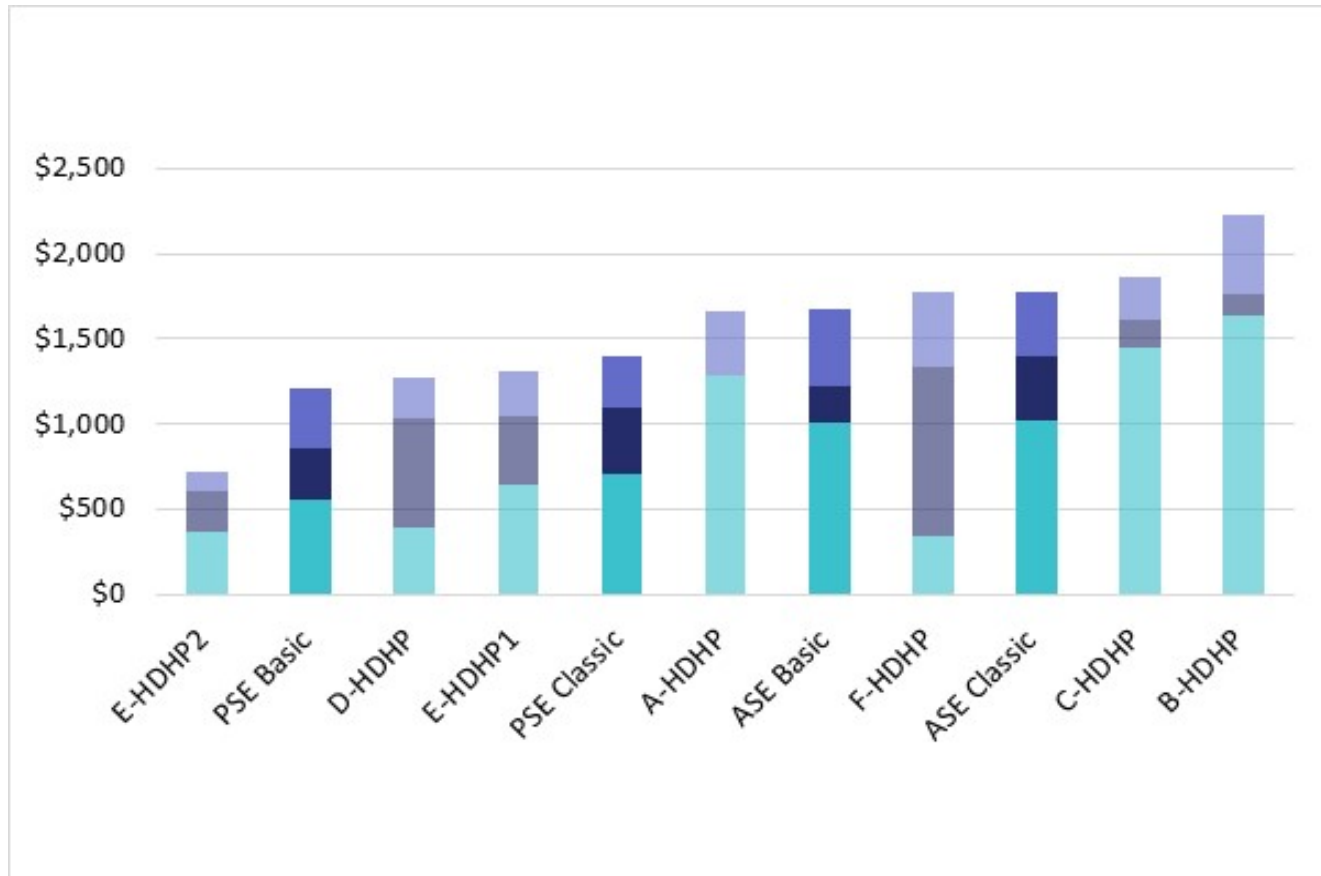
■ ASE   
 ■ PSE   
 ■ Benchmarking States  
— Actuarial Value



# Premium Efficiency – Family

## Total Cost Family Premiums – HDHP Plans

ER Contributions   EE Premiums   EE OOP Costs

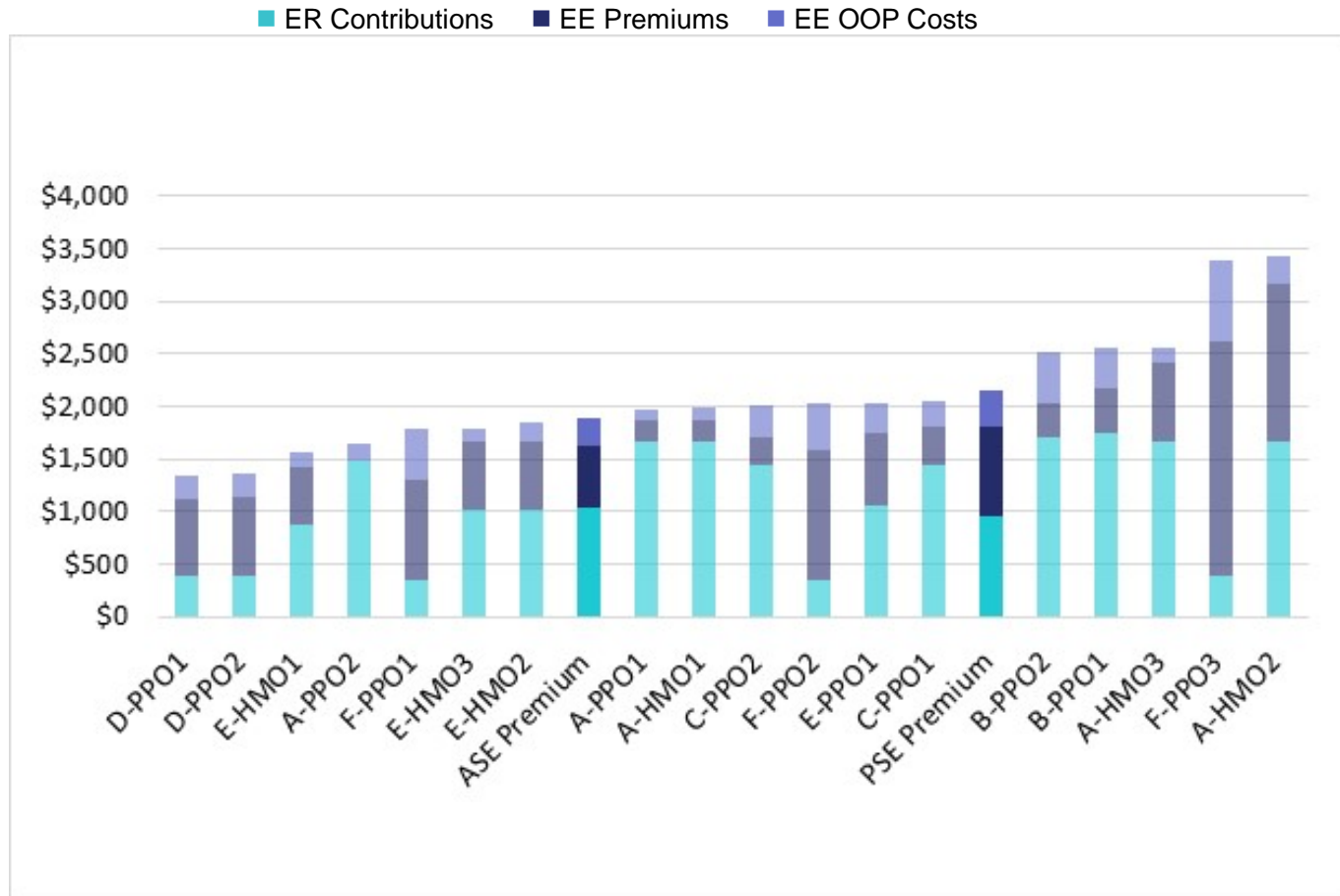


**Total Cost or Allowed Costs = Total Premium + Member Out of Pocket Claims Costs**



# Premium Efficiency – Family (continued)

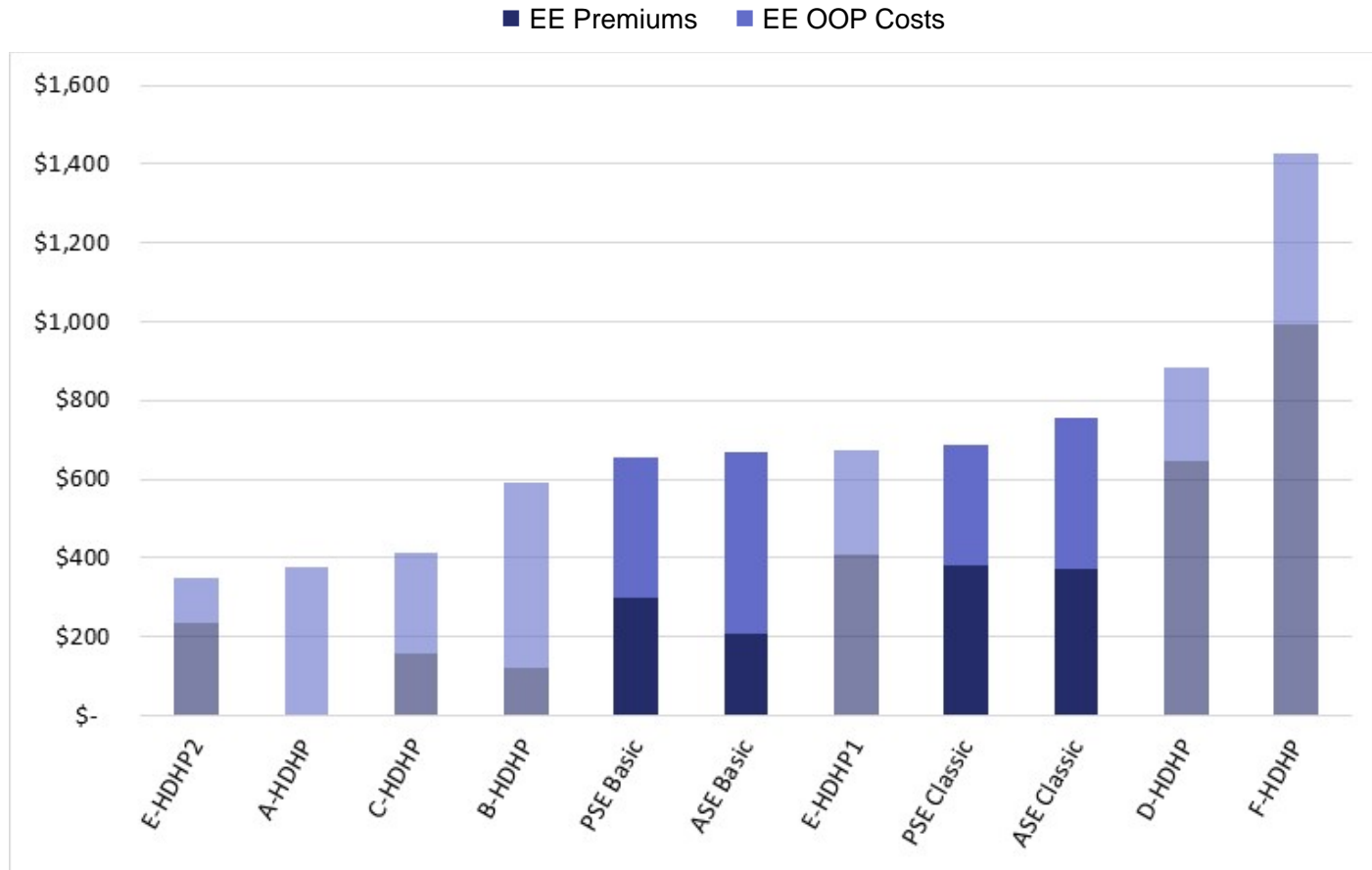
## Total Cost Family Premiums – Non HDHP Plans



**Total Cost or Allowed Costs = Total Premium + Member Out of Pocket Claims Costs**

# Total Employee Cost– Family

## Total Employee Cost Family – HDHP Plan

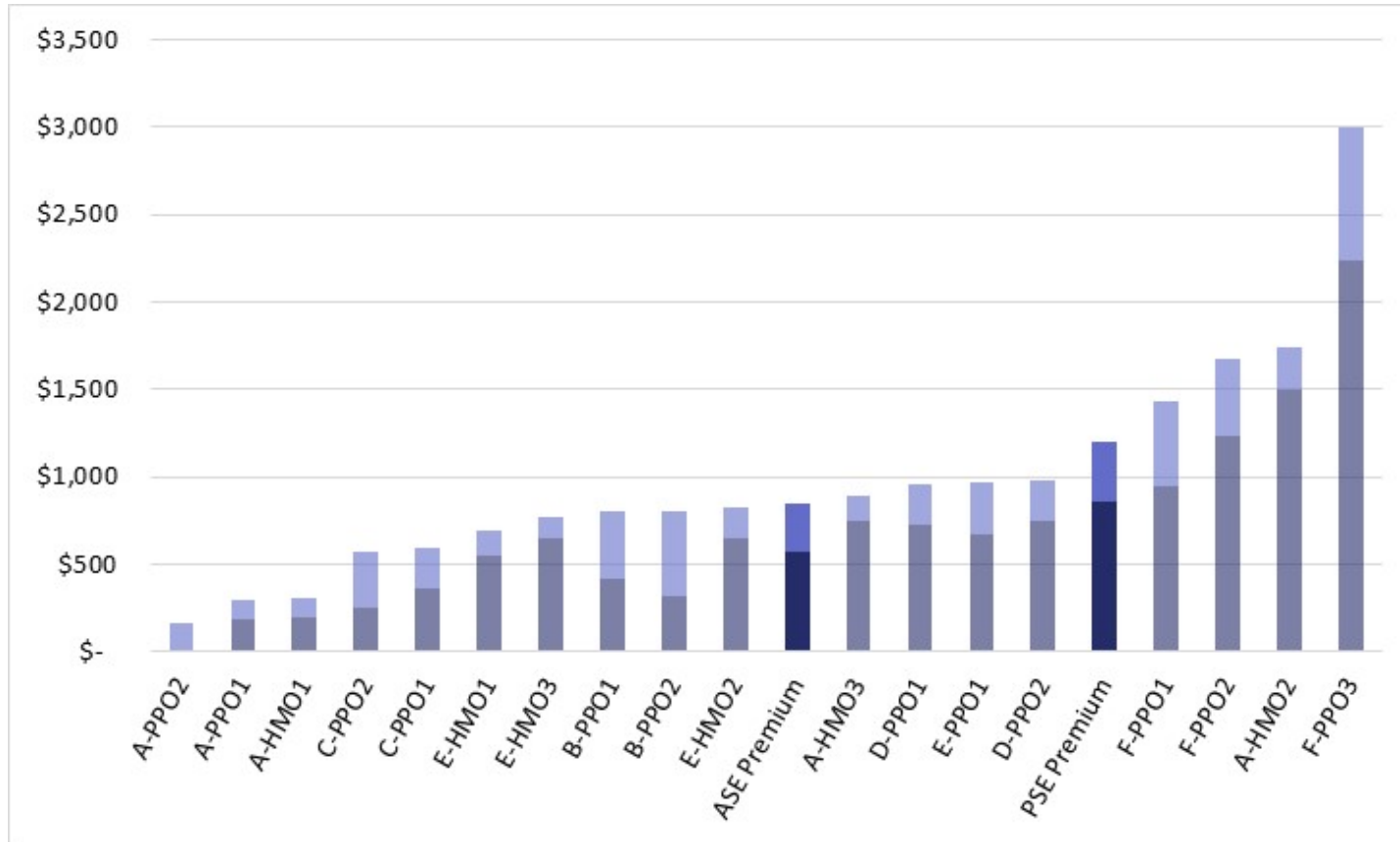


**Total Employee Cost = EE Contribution + Member Out of Pocket Claims**

# Total Employee Cost– Family (continued)

## Total Employee Cost Family – Non HDHP Plan

■ EE Premiums ■ EE OOP Costs

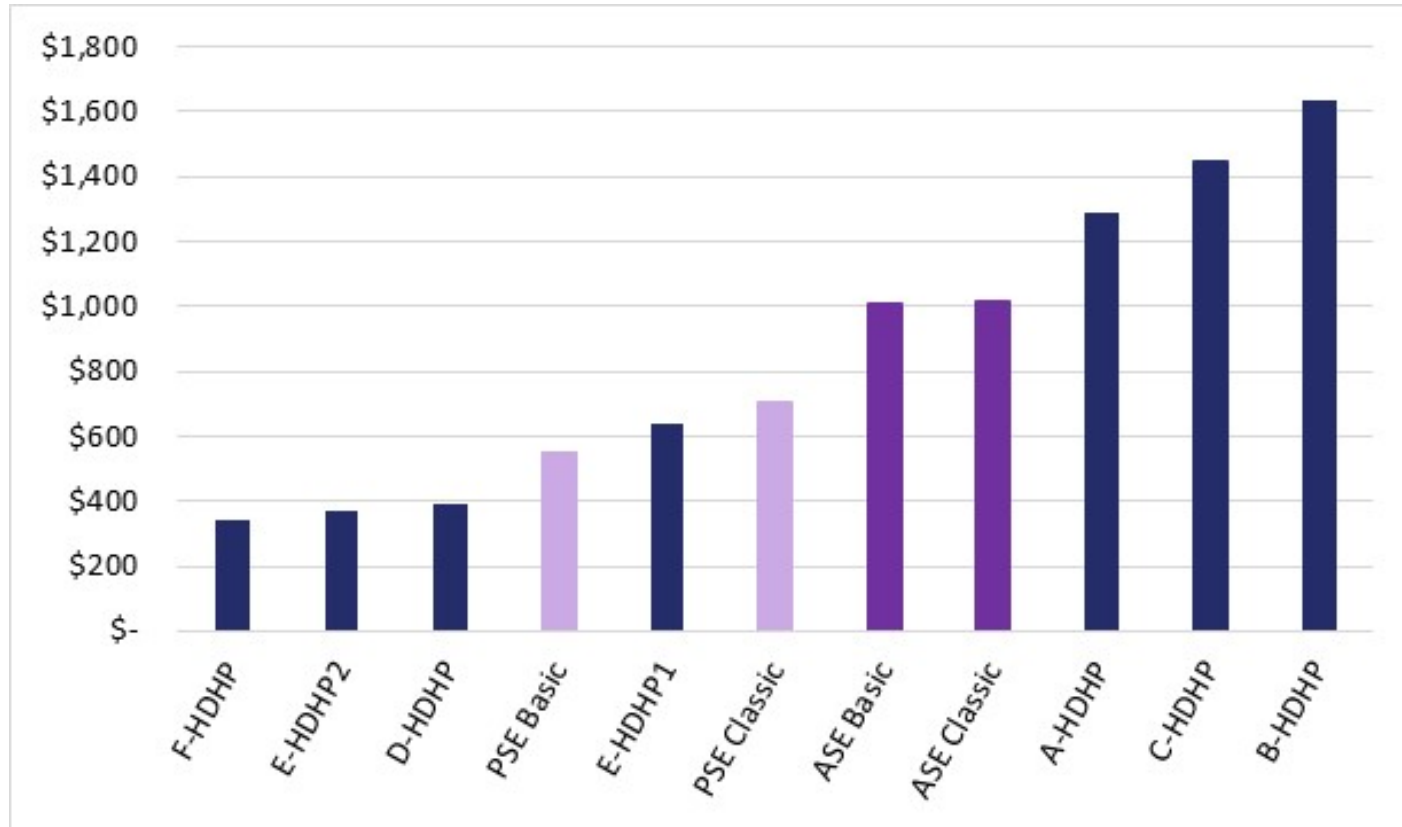


**Total Employee Cost = EE Contribution + Member Out of Pocket Claims**

# Total Employer Cost– Family

## Total Employer Cost Family – HDHP Plan

■ ASE ■ PSE ■ Benchmarking States

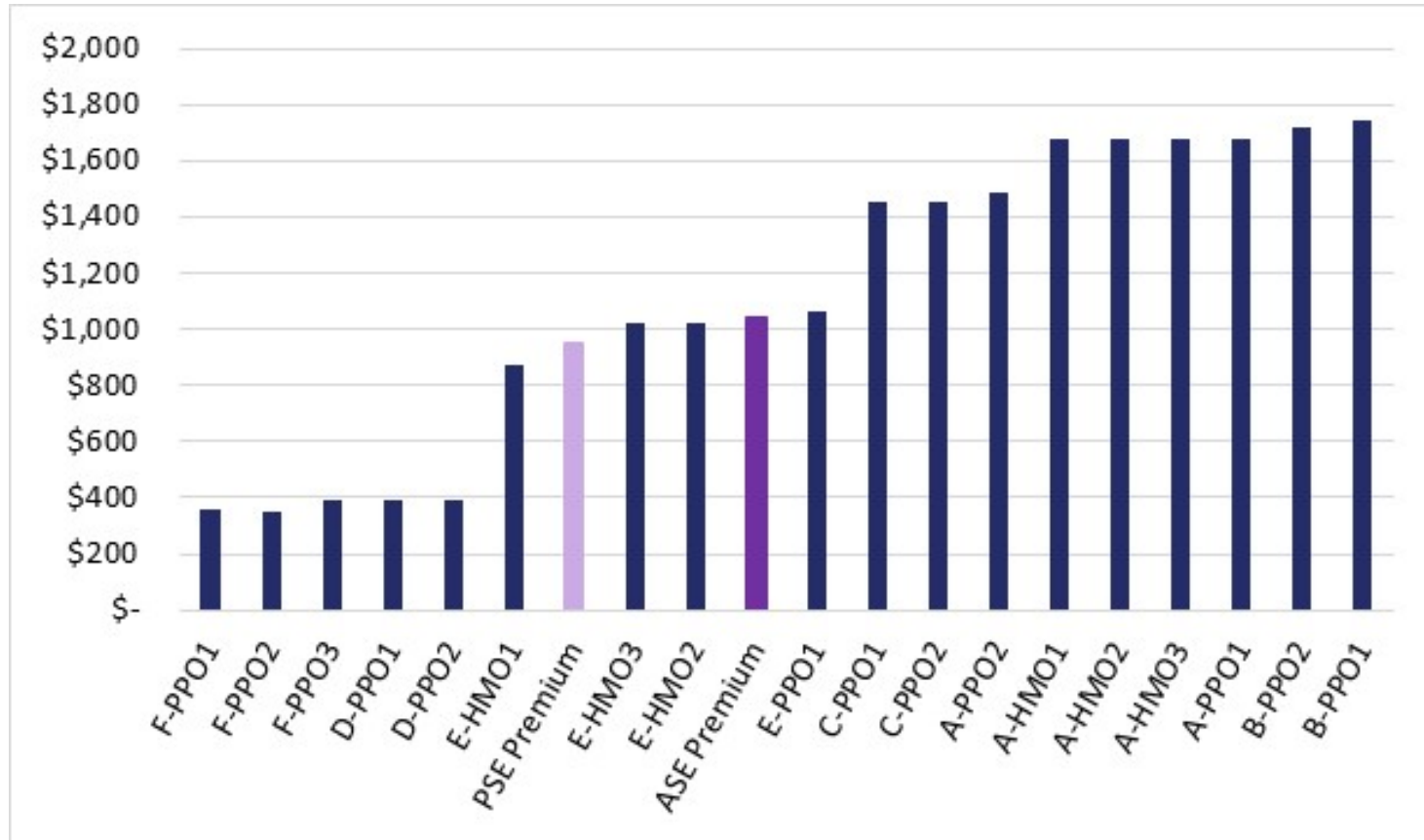


**Total Employer Cost = ER Contribution**

# Total Employer Cost– Family (continued)

## Total Employer Cost Family – Non HDHP Plan

■ ASE ■ PSE ■ Benchmarking States

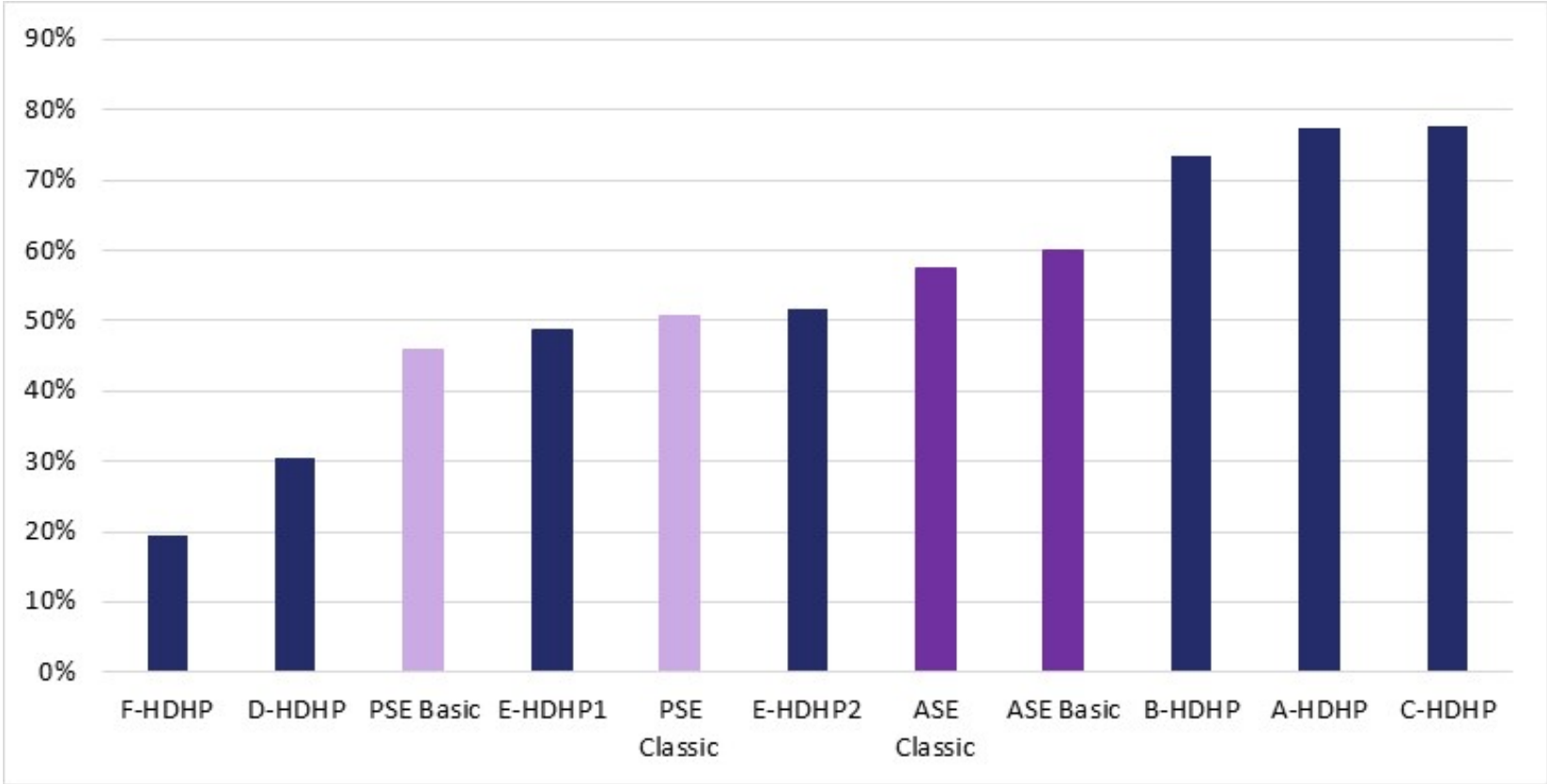


**Total Employer Cost = ER Contribution**

# Employer Subsidy % – Family

## Employer Subsidy % - HDHP Plans

■ ASE ■ PSE ■ Benchmarking States

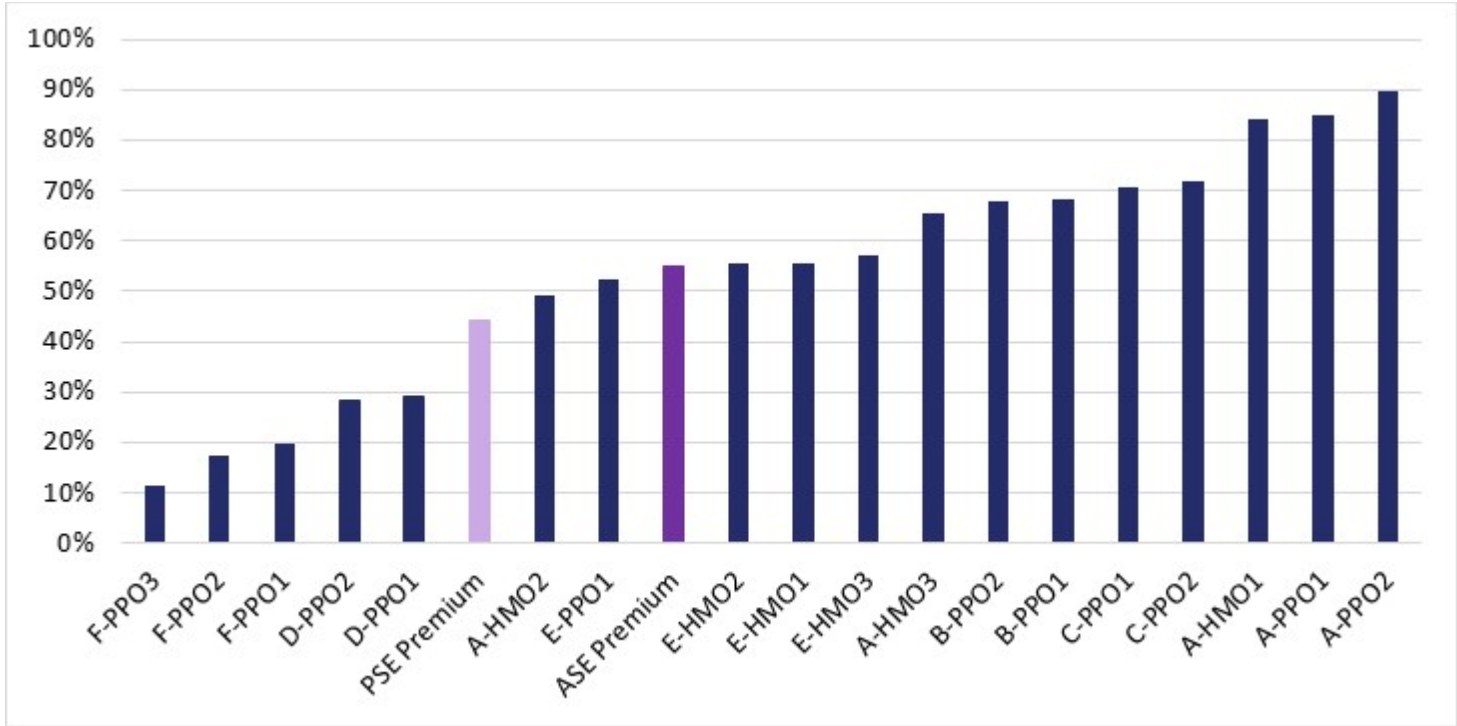


**Employer Subsidy % = 100% - (EE Contribution + Member Out of Pocket Claims) / Total Cost**

# Employer Subsidy % – Family (continued)

## Employer Subsidy % - Non HDHP Plans

■ ASE ■ PSE ■ Benchmarking States



**Employer Subsidy % = 100% - (EE Contribution + Member Out of Pocket Claims) / Total Cost**