

Health Care Costs—Industry and SHBP

“Health Spending Decline” has been the headline in several recent news articles. Much of this article about health care spending has been paraphrased from a May 13th 2013 Wall Street Journal article¹ and other industry surveys and/or reports. As a general statement the State Health Benefit Plan costs and benefits may be a little higher in some cases and in the middle of other indices than that reported for industry.

The main theme of the WSJ article is that the American health care growth rate in health care spending has flattened at about 3.9% over the last three years (2009-2011), and down from the old normal of 6.2% to 9.7% in the 2000s. Organizations that maintain and report general statistics regarding the reasons for change—increase or decrease—differ on the cause of the decline.

The Kaiser Family Foundation and the Altarum Institute recently estimated that underlying economic conditions are responsible for 77% of the current health spending deceleration and that the health spending growth rates started to decline in 2002. This new evidence indicates that moderation is structural and, therefore, durable. However, a couple of Harvard economists argue that the recession explains only 37% of the slowdown rather than the Kaiser 77%.

On the other hand, the Council of Economic Advisers argues that the economy explains only 18% of the “slow down” and that the balance (82%) includes “early responses to the Affordable Care Act (ACA). Harvard economists Michael Chernew and colleagues suggest that market choice and competition helped produce the slowdown. Dr. Chernew reports that although in the period 2008 to 2011 small employers did not have as large percentage decline as large businesses, the decline was partly because their workers shared more of the costs by higher deductibles, co-pays and new benefit designs. **Rising out-of-pocket payments “appear to have played a major role in this decline, accounting for approximately 20% of the observed slowdown.”**

¹ Cost Comparisons with any indices are trends and not absolute metrics because the comparative populations may not be same; therefore, caution should be used in evaluating absolute metrics.

2013 GSRA Annual Meeting

October 14-15, 2013

Athens, Georgia

Classic Center and Foundry Park Inn & Spa

On-line Registration coming soon

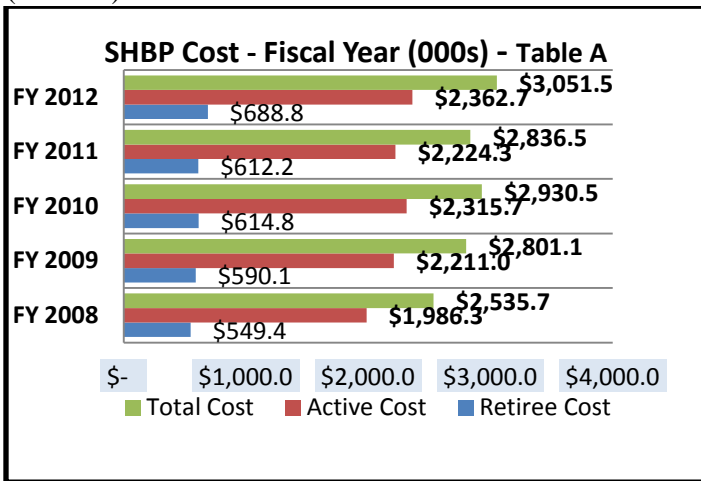
Stay tuned for details!

Another factor impacting the decline may have been that businesses with self-funded employee benefits that operate mostly free of regulations under a law known as ERISA and cover 60% of the 149 million Americans with job-based coverage (up from 49% in 2000). Everyone else—Medicare, Medicaid and individual and small-business insurance markets is now under federal control.

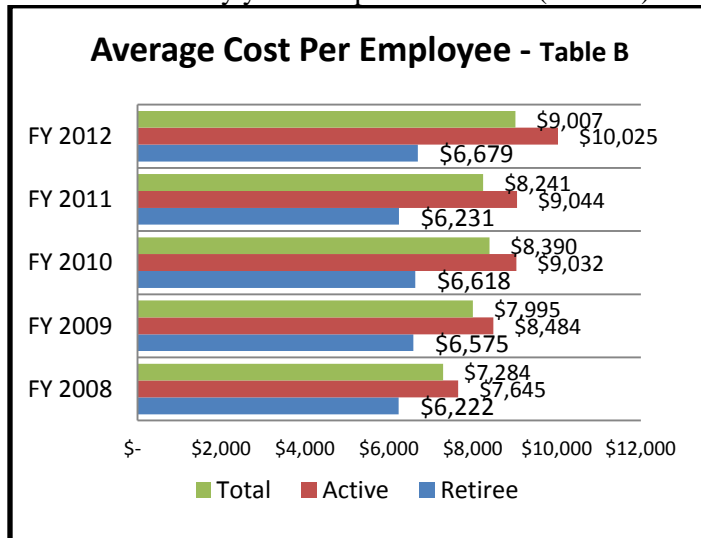
ACA provided that employer plans and especially the ERISA plans may become “grandfathered” for as long as certain rules—such as restrictions for percentage increases in out-of-pocket costs—were followed. Grandfathered self-funded plans are not required to meet certain of the ACA actuarial rules and benefit mandates—those that the government defines as excessive cost sharing.

The State Health Benefit Plan, on the other hand, is a self-funded plan that lost its “grandfathered” status in 2010—presumably as a result of the percentage increase in cost to the members. The SHBP will, therefore, be subject to the actuarial rules and benefit mandates by ACA. The Plan has already implemented several mandates, such as preventive treatment in women’s health, and the premiums have been increased for these mandates. In fact, the Department of Community Health reported to the General Assembly that employee premiums have been increased by 14.3% over the 3-year period (2011-2013) as a result of mandates by ACA.

GSRA compared the SHBP total² and average costs for fiscal years 2008 through 2012. The absolute dollar costs of the Plan have increased in all years, except FY 2011 (Table A).



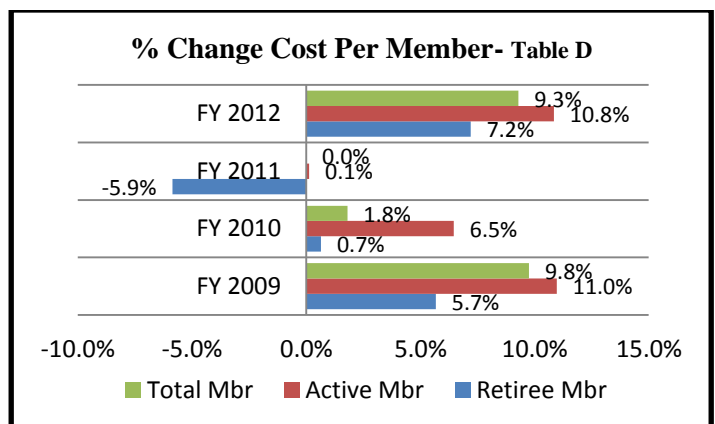
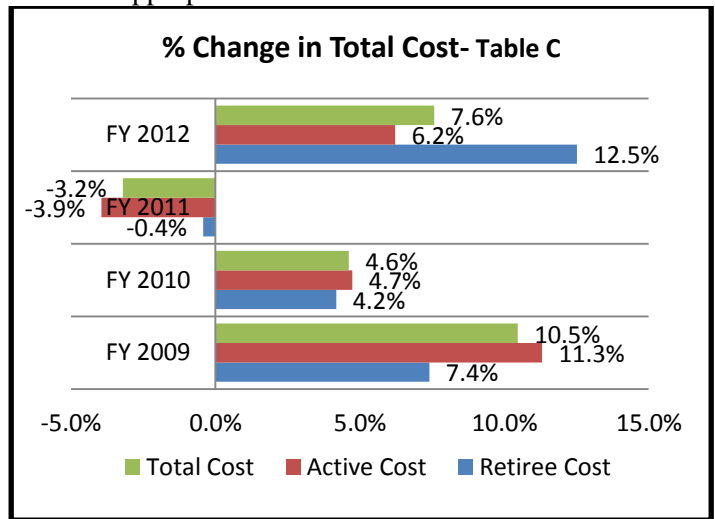
As reported in previous GSRA newsletter articles the number of active personnel has been substantially reduced in the last five years. As of July of 2008, there were 565,837 active members (employees, teachers, & other school personnel). As of July of 2012, the **number of actives dropped by 52,766 to 513,071**. During this same period, the number of **retirees increased from 124,603 to 150,811**. Therefore, the average³ annual cost per member has increased every year except for FY 2011 (Table B).



² Expense amounts provided by the Department of Community Health (FY 2008 – FY 2010) and copied from the DCH financial audits for FY 2011 and FY 2012.

³ GSRA’s simple average is calculated by the using the July membership for each year. It approximates the true average, but not exact, therefore, the average cost per member would not vary appreciably if each month’s membership were used.

Tables C and D show the percent change for FY 2009 through FY 2012. When comparing SHBP increases with industry’s reported increase, the “per member” percent is the most appropriate.



Simple arithmetic averages for each of the 4 years produce an increase of around 4.9% (total cost) and an annual increase of 5.2% for the per member (employee/retiree). These percentages are higher than the industry average of 3.9% per year—even considering all of the benefit changes made by DCH over this same period. It is interesting to reflect upon the changes in cost with the specific changes in administration or benefit design during each of the years.

- UnitedHealthcare & CIGNA began administering the SHBP and the HRA was implemented on 1/1/09 (Mid-FY 2009).
- The PPO (OAP) and HMO options were changed to a more restrictive provider network, Kaiser option eliminated, premium structure changed for active employees from 2 to 4 tiers, and retirees

over age 65 required to enroll in a Medicare Advantage Plan (if subsidy continued) on 1/1/10 (Mid FY 2010).

- The OAP option eliminated, lifetime maximum eliminated, pre-existing condition limitation removed, and under age 65 retiree premiums changed from 2 to 4 tiers on 1/1/11 (Mid FY 2011).
- Wellness options implemented and HRA prescription drugs removed from out-of-pocket maximum on 1/1/12 (Mid FY 2012).

In addition to these benefit design changes during these years, the member's share of medical costs has almost doubled for deductibles, coinsurance and copays. If such costs had not been shifted to the members, the average SHBP cost for each member would have been even greater than the 5.2% each year.

One must conclude that with respect to the SHBP experience, the Harvard economist's conclusion that the increased out-of-pocket payments have played a major role in holding the cost to an annual 3.9% increase for medical cost.

Employers on Workforce Benefits

GSRA has on several occasions taken the opportunity to express concern to the General Assembly and State Leaders about the ability of the State to employ dedicated and competent workforce in the face of furloughs, no salary increases, and reductions in both retirement and medical insurance benefits in the economic downturn in FY 2008. During the succeeding years after 2008, substantial reductions in the number of employees have occurred, and the remaining staff has been asked to "pick-up" more work. Consultant surveys show that employers – in general—are considering how to create a working environment that attracts and retains a loyal, dedicated and competent workforce.

In a recent MetLife Survey, employees were asked if they would recommend their employer to others. 83% of those who recommend their employer are very loyal to their employer. Benefit offerings are a major component of recommending their employer to others and maintaining a loyal workforce. Yet, consulting groups are collecting information that employers are "getting out" of the benefit business and that "retiree health benefits" are facing extinction. Kaiser Family Foundation's 2010 survey shows that:

- 28% of large firms (over 200 employees) offer retiree health insurance
- 87% of state and local governments offer retiree health insurance
- Only 75% of the 28% offering retiree coverage continue offering coverage for over age 65 retirees.

Towers Watson consulting firm in 2013 reported that retiree medical insurance was dwindling at an accelerating pace. Of those employers who provide retiree insurance many are eliminating the benefit for new hires, although coverage continues to be offered to current employees.

Other employers are giving retirees a fixed amount of money for medical insurance – regardless of the increasing cost of purchasing insurance. Many employers are planning on relying on the Affordable Care Act's marketplaces (exchanges) to meet the insurance needs of retirees. For persons retiring before Medicare eligible, some advisors are recommending that people considering retiring in their 50s save an additional \$180,000 to \$200,000 just to cover medical expenses before age 65.

Kaiser Family reports that between 2006-2010, employers have increased the employee's share of benefit cost. Members of the SHBP have experienced substantial increases in premiums and in the members out-of-pocket cost at the point of medical service. From 2009 to 2013 (4 yrs.), SHBP premiums (except for retirees age 65+) were increased around 50%. In a recent Towers Watson's Survey, health care premium costs in 2011 had increased 10% to 14% over 2 years. Therefore, if the industry's increases are 28% over two years, the SHBP premium increases at 50% over 4 years are probably in the middle of the pack.

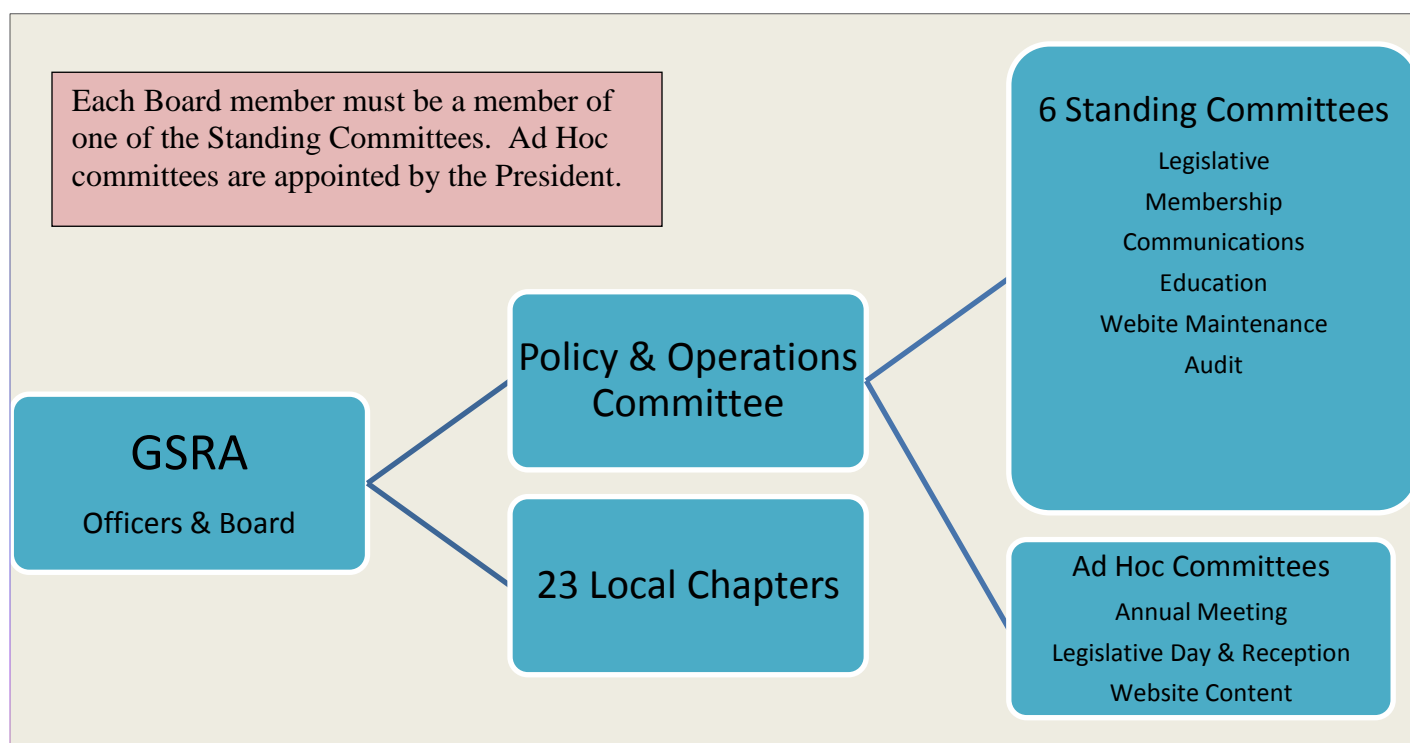
Kaiser Family's survey also reports that the employee's share of medical premiums is 16-19% for single coverage and 26%-30% for family coverage. Calculation of the employee's share of the SHBP cost (2013) is 24%-26% for single coverage and 23% for family coverage.

Although members of the SHBP have suffered large premium increases without a concomitant increase in salary or retirement benefits, the industry comparisons regarding the medical benefit provided to active and retired members by the SHBP is, within reason, comparable to the workforce for large employers (over 200 employees).

GSRA – An Organization of Volunteers

From its inception in 2006, the Georgia State Retirees Association (GSRA) has been driven by volunteers who have come from a wide variety of state agencies and career areas. This diversity of state government knowledge has enabled the organization to grow in both membership and scope to become the primary advocate for Georgia state government retirees and an advocate for active employees and local educators as well. Now in its seventh year of existence, GSRA needs to ensure a continuing stream of active and knowledgeable state retirees to keep the

organization dynamic and effective on behalf of its members. Volunteering at GSRA is not only vital, but also very enjoyable and rewarding. Volunteers have the opportunity to meet and work with new people, as well as with co-workers from their past state careers. The following explanation of GSRA’s operating structure illustrates the number of areas where members can use the skills and experience they honed during their state careers and get involved in advocating for themselves and other members.



GSRA's Operating Structure

GSRA Board of Directors

The GSRA Board of Directors is comprised of the four statewide officers, President, Vice-President, Secretary and Treasurer, six Members At-Large (elected to serve two year terms) and four Local Chapter Representatives (usually Local Chapter Presidents) representing the north, south, east and west regions of the state. **Board members, elected by the GSRA membership, are all retirees who volunteer their time** to provide the steering and oversight needed to guide the GSRA vision, mission and policy. The Board meets in conjunction with the Policy & Operations Committee on the second Tuesday of each month in

Atlanta, at the Georgia United Credit Union location on Whitehall Street just south of downtown. Board meetings typically last from 10:00 AM to 2:00 PM and include a working lunch. Board members from outside the Atlanta Metro area receive a partial reimbursement for their travel expenses. However, a member may also choose to participate in meetings via internet or phone.

GSRA Statewide Officers

GSRA statewide officers consist of President, Vice-President, Secretary, and Treasurer. **Statewide officers are retiree volunteers** elected each year by the general

membership at the GSRA Annual Meeting. The statewide officers are responsible for carrying out the mission and policies promulgated by the Board, as well as representing GSRA to state elected officials, agency leadership, the media and other organizations which share common areas of interest. The statewide officers oversee the Association's administrative functions and are responsible for engaging and overseeing the efforts of the two contractors who provide membership and administrative functions for the organization. In addition, the President is responsible for appointing the Standing and Ad Hoc Committee Chairs, representatives of the Policy & Operations Committee, and officiates at the combined Board of Directors and Policy & Operations Committee meeting each month.

Policy and Operations Committee

The Policy & Operations Committee (P&O Committee) is appointed by the President and supplements the Board with specific areas of expertise or geographic representation. The P&O Committee, **all retiree volunteers**, advises the Board and may manage specific committee assignments. Members of the committee who reside outside the Atlanta Metro area are reimbursed for a portion of their travel expense to attend meetings. The members may also join the meeting via internet or phone.

Standing Committees

The standing committees conduct much of the detailed work of GSRA. There are six standing committees, Membership, Education, Communications, Legislative, Website Management and Audit. The President, with advice of the Board, appoints the chair and other members to each committee. Each Board member must be appointed to one of the standing committees. **All members are retiree volunteers.**

Membership – Responsible to develop strategies, policies and plans related to attracting and retaining GSRA members. The committee works closely with the Education Committee to identify and participate at state conferences, retirement workshops, professional meetings, etc. The chair develops strategies for establishing new GSRA local chapters around the state and works with local chapter Membership Chairs to attract and retain members in their area.

Education – Responsible to develop educational plans and materials for potential members of active and retired employees and educators. Identifies opportunities to disseminate educational materials, such as state agency personal managers, state conferences, retirement workshops, etc.

Communications – Responsible to identify items to be communicated to GSRA membership and others. Develops/edits the GSRA Newsletter, develops/updates specific website content, develops Action Alert/Watches content, and maintains the GSRA Facebook page.

Legislative – Maintains a presence at the Capitol during the session to monitor legislation of interest or import to GSRA members. Also stays abreast during the year of developments related to legislation of interest and/or import to GSRA members. Interacts with legislators, the Governor's Office and others in state government to convey GSRA positions regarding legislation or policy of interest and/or import to GSRA members.

Website Management – Develops and supports the GSRA website infrastructure and ensures members have access, maintains the website database and processes emails to members.

Audit – Provides internal audit functions.

Ad Hoc Committees

Ad hoc committees are appointed by the President when special events or needs are identified, such as the GSRA Annual Meeting Planning Committee, the GSRA Day at the Capitol and Legislative Reception Planning Committee, and the Website Content Committee. **All are chaired and staffed by retiree volunteers.**

Local Chapters

Local chapters are sub-divisions of the statewide organization and, while not limited to specific geographic boundaries, cover a general, identified area of the state or specialty area, such as education. Local chapters are critical to the GSRA mission of educating state retirees and educators about their benefits and anything affecting them, as well as educating local state legislators about retiree concerns. Local chapters are formed by local GSRA members working with the statewide organization representatives. Local chapters are **all retiree volunteers** and organized much like the statewide Association in that they have chapter officers, board and committees. Local chapters define their meeting schedules and may meet monthly, bi-monthly or quarterly. The local chapters provide a forum for local legislators and GSRA members to hear and be heard, in addition to providing general programs of interest. Membership in a local chapter is a benefit of joining the statewide GSRA and NO additional dues are required. A GSRA member may join multiple local chapters and the member is encouraged to participate in at least one local chapter. Click here for the current [Local Chapters list](#).

Retiree volunteers are the lifeblood of GSRA. Without them, the organization does not exist and you would not have an advocate to express retiree needs and concerns at the state level. Opportunities to get engaged at GSRA are numerous and the amount of volunteer time needed varies according to the area. If you value having an advocate for your benefits to speak up and be heard to the

media, at the Governor’s Office, the State Legislature and ERS/SHBP, please consider how you might step up and become a volunteer in your organization. Interested members can email the President, Bill Tomlinson, at president@mygsra.com or help@mygsra.com or let your local chapter president know of your interest.

Local Chapter News

Northeast Metro

Northeast Metro local chapter again sponsored *GSRA Night at the Gwinnett Braves*, and the third annual event on May 25th was another huge success! 102 GSRA members, their family and friends converged on Coolray Field in Lawrenceville for the fun event, the largest group yet. Just like last year, Belinda Dickey brought the biggest group and received a G-Braves t-shirt for her efforts. To top it all off, the G-Braves beat the Toledo Mud Hens 4-2!



Baseball fans, Mary Butler and Barbara Clark, enjoy the game!



Belinda Dickey’s group from the Gainesville area

Leadership Change at DCH

Governor Nathan Deal announced May 30, 2013 that he has nominated Clyde Reese, current Department of Human Services Commissioner, to succeed David Cook as Commissioner of the Department of Community Health. Upon approval by the Department of Community Health Board, Reese would return to DCH as commissioner on July 1, where he served as commissioner in 2010.

David Cook is leaving to become Secretary of the Georgia Senate, where he will serve as an official administrative officer and unofficial parliamentarian of the Senate. He will also assist with Senate Rules updates and production, and serve as a member of the Senate Administrative Affairs Committee and the Legislative Services Committee.

Keith Horton will succeed Reese at the Department of Human Services.



The largest group yet enjoys the third annual *GSRA Night at the Gwinnett Braves*

New Members in April/May

April	Name	County	April	Name	County	April	Name	County
	Marie Cox						Gary Rothwell	Houston
Earline Williams	Thomas						Danny Rudd	Clayton
Cathy Wiley	(Tennessee)						Carolyn Sauls	Baldwin
Lydia Quinones	Dekalb						Charlotte Smalls	Chatham
Karen Pardue	Henry						Ellise Tapley	Laurens
Stephen Miller	Dekalb						Denise Whiting-Pack	Fulton
Donna Landers	Newton						Jan Williams	Jenkins
Sandra Hayes	Newton						Renaye Young	Fulton
Linda Hardie	Forsyth							
Norma Green	Dekalb							
Roger Crews	Pierce							

Does GSRA Have Your Correct Contact Information?

Please be sure to update your **email address** with GSRA when it changes. Simply log in to www.mygsra.com using your old email address and password; select "Our Members" and "My Profile", and then change your information using the "edit" feature.

If your **mailing address** changes, and you do not use a computer, please notify us of your new address by sending a card or letter to the address at the bottom of this page.

Georgia State Retirees Association

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