

Annual Meeting Adds DCH Commissioner to Program

Due to the looming SHBP changes in 2014 for retirees under the age of 65 and active employees and educators, Commissioner Clyde Reese, Esq., Department of Community Health, has agreed to talk to members at the GSRA Annual Meeting on Tuesday, October 15th. Commissioner Reese will answer your questions about the upcoming SHBP changes; therefore, **GSRA is requesting that members submit questions to help@mygsra.com so that they can be combined and provided to the Commissioner in advance.**

2013 GSRA Annual Meeting

State Government: It Matters!

October 14-15, 2013

Athens, GA

[See Meeting details and registration](#)

State Health Benefit Plan Update

As reported in the August GSRA newsletter, the Board of Community Health has approved the State Health Benefit Plan options for 2014; the Department of Community Health contracted with Blue Cross and Blue Shield of Georgia, Express Scripts and Healthways for administering the “self-insured” options that are to be offered to members on January 1, 2014; contracted with BCBS to provide a Medicare Advantage Plan for retirees age 65 and over; and the Community Health Board has approved member premium rates for CY 2014. In addition to the self-insured options, a “fully insured” direct contract is under development (see the box SHBP Direct Contract) for January 1st. In approving the three self-insured options, DCH had goals to comply with the Affordable Care Act (ACA) requirements, promote consumerism and personal responsibility, promote wellness, and allow members to easily compare their health plan options against the marketplace (health insurance exchanges). Assessing the degree to which the SHBP is providing a benefit comparable to other employer plans requires a review of the financial information and how much members are paying toward their health care. However,

any assessment must also provide a look at the ACA employer requirements.

SHBP Comparative Financial Information

The SHBP Comparative Financial (Table 1) shows the impact over the last four years of premium increases and benefit reductions. However, as you will recall **almost \$1 billion was removed from the SHBP trust fund in FY 2008-FY 2010** by reducing the employer contribution to the SHBP. FY 2010 **reflects that action and the dire financial condition (negative Net Assets of \$233.8 million) of the SHBP** Trust fund as a result of the actions by the Governor and Legislature.

FY 2010 and FY 2011 also demonstrate the impact of the member’s premium rate increases of at least 10% during each of these two years and the changing benefit options. A search of historical information shows that the **employer contribution rate** was adjusted up and down several times but with a small increase in the dollar amount contributed to match the members’ premium increases. The bottom line is that for the years FY 2010 through FY 2012, the “Net Assets” did not cover the “Incurred But Not

Reported-IBNR” because of the earlier removal of the \$1 billion and the failure of the State to contribute to the non-certificate employees of the school systems.

The DCH resolutions and financial information show that the local school systems’ employer rates for the non-certificate members have been increased each year since FY 2012 to reduce the deficit created when school systems did not pay a sufficient amount. For example, in FY 2012, school systems paid approximately \$300 million less than the cost of benefits and administration for school systems’ teachers, other employees and retirees. In FY 2013, the school systems’ loss was reduced to approximately \$70 million. In both years, other funding groups absorbed the losses.

FY 2013 shows a much improved financial picture, but not without a lot of change for members. DCH proudly reports that the SHBP is now in better financial condition with “NET ASSETS” of \$48.1 million as opposed to the

negative net assets for the three previous years. However, the FY 2013 surplus of \$237.8 million is primarily a result of reduced expense of \$206.7 million. A large part of this improvement is a result of cost shifting to members by:

- increasing deductibles and the maximum out-of-pocket (OOP) and
- eliminating the prescription drug copayment from the deductible/OOP in CY 2012 forward.

The increased revenue of \$120.2 million is also reflective of increased cost to members since the premiums were increased by:

- 11% to 17% in CY 2012 and
- 9% to 39% in CY 2013.

Member premiums represented 23.9% in FY 2012 and 25.3% in FY 2013 of total revenue, but 23.4% in FY 2012 and 27.5% in FY 2013 of total expenses.

<i>SHBP Comparative Financial (millions)</i>					<i>Table 1</i>
	FY 2010¹	FY 2011	FY 2012	FY 2013²	\$ Change 2012-2013
<i>Cash</i>	\$ 39.1	\$ 50.6	\$ 18.0	\$ 308.6	\$ 290.6
<i>Net Assets</i>	(233.8)	(183.4)	(272.5)	48.1	320.6
<i>Total Revenue</i>	2,480.1	2,887.2	2,962.4	3,082.6	120.2
<i>Total Expense</i>	2,913.2	2,836.7	3,051.5	2,844.8	(206.7)
<i>Surplus/(Loss)</i>	(267.8)	50.7	(89.1)	237.8	326.9

Retirees Over age 65 – Medicare Advantage Plan

DCH has reported that the Medicare Advantage Plan options for 2014 with the new vendor, Blue Cross and Blue Shield, will mirror the 2013 MAP benefits with UnitedHealthcare. DCH has stated that the premiums for the BCBS Medicare Advantage Plan will be the same as in CY 2013.

Retiree Option Change Period

Retiree Option Change Period is scheduled for October 21, 2013 through November 8, 2013. Unless you are among the 21,000 retirees who returned the postcard asking DCH to mail the Decision Guide, you will need to review the Guide on the DCH website. Any change in option must be entered on-line or by telephone. Retiree meetings have not yet been scheduled.

Provider Network for Blue Cross and Blue Shield--Bronze, Silver, and Gold Options

Changing vendors means changing the “network” of providers that members may use for “In-Network” benefits. The network that DCH reports that BCBS will use is the “Blue Open Access Point of Service” in Georgia. GSRA is asking about the nationwide provider network but expects that it will be about the same as used by UHC and CIGNA. DCH reports that 97% of members will be able to retain their providers under the BCBS Network.

¹ DCH Audit Reports for FY 2010, FY 2011, and FY 2012

² DCH unaudited financial statements: The department’s auditors will probably make adjustments in the actual revenue and expense for FY 2013; however, this is a comparison to show the trend. For example, the FY 2012 unaudited financial shows a loss of \$62 million rather than the \$89 million reflected in the Audit Report—primarily as a result of how revenue was recorded.

How Much Medical Cost is the Member Paying

The SHBP financial comparison shows that there has been substantial cost-shifting to the members by increases in out-of-pocket cost for medical services and in premium increases. Table 2 shows a comparison of the CY 2011 and CY 2014 SHBP benefits. Since the HRA option is the

most closely aligned and is one of the most prevalently used options, the comparison displays the major benefit provisions for the 2011 HRA and the new 2014 options. The 41% of members enrolled in an HMO option will have a less favorable benefit comparison than reflected in the table although their premiums may also be less.

SHBP Benefit Comparison – CY 2011 vs CY 2014**Table 2**

<i>Medical</i>	<i>CY 2011</i>	<i>CY 2014</i>					
	HRA	Bronze 63% AV	Silver 69% AV	Gold 77% AV	Bronze Increase	Silver Increase	Gold Increase
Deductibles							
You	1,300	2,500	2,000	1,500	1,200	700	200
You & Spouse	2,250	3,750	3,000	2,250	1,500	750	--
You & Child(ren)	2,250	3,750	3,000	2,250	1,500	750	--
Family	3,250	5,000	4,000	3,000	1,750	750	(250)
Max Out-of-Pocket							
You	3,000	6,000	5,000	4,000	3,000	2,000	1,000
You & Spouse	5,000	9,000	7,500	6,000	4,000	2,500	1,000
You & Child(ren)	5,000	9,000	7,500	6,000	4,000	2,500	1,000
Family	7,000	12,000	10,000	8,000	5,000	3,000	1,000
HRA Credits							
You	500	100	200	400	(400)	(300)	(100)
You & Spouse	1,000	150	300	600	(850)	(700)	(400)
You & Child(ren)	1,000	150	300	600	(850)	(700)	(400)
Family	1,500	200	400	800	(1,300)	(1,100)	(700)
Your Coinsurance	15%	25%	20%	15%	10%	5%	--
Rx levels	Subject to Deductible	No longer under deductible or MOOP			In addition to your deductible and MOOP		
Tier 1		15% (\$20 min/\$50 Max)					
Tier 2	then 15%	25% (\$50 min/\$80 Max)					
Tier 3	/25% until MOOP	25% (\$80 Min/\$125 Max)					

Active Members and Retirees Under Age 65 (Monthly) Premiums

	2014 Bronze	2014 Silver	2014 Gold	2013 Wellness HRA (UHC)	2013 Standard HMO (UHC)
<i>You</i>	\$ 66.28	\$108.64	\$166.08	\$ 94.92	\$149.38
<i>You + Child(ren)</i>	\$130.74	\$202.74	\$300.38	\$246.26	\$325.88
<i>You + Spouse</i>	\$195.96	\$284.90	\$405.52	\$261.66	\$347.34
<i>You + Family</i>	\$260.40	\$379.00	\$539.84	\$350.86	\$430.96

Using the table above, you can see that the “individual” enrollee in the **Bronze option**, will experience a **maximum annual risk increase by all copayments for prescription drugs and out-of-pocket maximum of \$3,000 (\$6,000 less \$3,000)** in 2014 since 2011—just three years. However, before the enrollee receives any payment for the medical expenses, the individual must first experience \$2,400 (\$2,500 less HRA of \$100) in allowed medical

expenses. The good news is that the premium to be paid for 12 months is decreased by \$29.64 (\$68.75 to \$66.28 monthly). Let us tally up the total cost and the increased cost since CY 2011. Your **total medical cost risk** is \$6,000 + \$795.36 (premiums) + Rx copayments; however, the **increased cost risk** in the three years (from CY 2011) is \$3,000 less \$29.64 plus all Rx copayments.

DCH is following the federal government Exchange provisions and subsidizing by employer funds at the Silver option level. In other words, regardless of what option you choose, the SHBP will subsidize the same dollar amount. Depending upon the option you choose, you can either “buy down” to the Bronze option or “buy up” to the Gold option. At the Silver Option the SHBP will provide—on average—payment for 69% of your medical expenses and you will pay 31% of medical expense. If you are healthy your cost may be much less, but if you have health issues, you may pay the full amount of \$6,000 plus all Rx copayments.

The SHBP, subsidizing member premiums only at the Silver option –69% of allowed medical expenses—will also require members to pay a portion of the premium. At the Silver Option, members’ will pay from 21% to 26% of the premium. Therefore, members enrolled in the Silver option (on average) will be paying from 52% (21% in premiums and 31% in deductibles, etc.) to 57% of their medical cost. Members with health issues may pay the total OOP while members without health issues may not pay more than the premiums for the selected option. .

If a member enrolls in the option that most closely matches the 2013 Wellness HRA option, he/she will enroll in the Gold option. Although this option provides an actuarial value of 79% leaving the member to pay the remaining 21% in deductibles, the member’s premium will increase by \$71.16 monthly (\$853.92 annually) over the 2013 Wellness HRA option. The total member premium is 30% of the total Gold option premium. Therefore, members enrolling in the Gold option are at risk for 21% of their medical cost at the point of service and 30% of the premium or 51% of his/her total medical expense.

The bottom line in these calculations is that statistically the members will pay from 51% to 57%, depending on the enrollment tier, of medical expenses. He/she will pay a lesser percentage in premiums (14%) at the Bronze level, but more in deductibles, etc. (37%). At the Gold option, the member will pay 30% of the premium and 21% of medical expense through deductibles, etc. If, however, the member is in good health, only premiums will be required. If the member has substantial medical expenses he/she will pay much more in 2014 than in 2013. The only thing that will mitigate this situation is for the Governor and Legislature to increase the employer’s share of the Bronze, Silver, and Gold options.

SHBP Budget FY 2014 and FY 2015

DCH staff, in the budget presentation to the Board of Community Health, stated that there would not be an

increase in member premiums in FY 2014 or FY 2015. Yet, they reported that the FY 2013 Net Trust Fund Balance of \$48.1 million is projected to increase by \$147.8 million in FY 2014 and another \$87.9 million in FY 2015. If these projections are accepted, the Net Trust Fund would total \$195.9 million at the end of FY 2014 and \$283.8 million at the end of FY 2015.

Since the DCH staff did not report a request for additional funding from the Governor, the only reason that the trust fund is increasing is an increase in member premium revenue and/or a decrease in benefits (expense) in CY 2013 and CY 2014. The analysis on “How Much the Member Pays” shows that:

- the Bronze option provides a decrease in benefits and a decrease in premiums,
- the Silver option provides a decrease in benefits but modest increases in premiums, and
- the Gold option provides, with a few exceptions, benefits at the 2013 Wellness HRA option but a substantial increase in premiums.

The total FY 2014 and 2015 projections (by DCH) compared to FY 2013 unaudited actuals are shown in Table 3. Therefore, without an increase in employer rates and a static workforce, the increased revenue is a function of increased premiums although more employees are expected to enroll for coverage because of the tax penalty discussed about the ACA.

SHBP – FY 2013 Actual – FY 2014-2015			
	(millions)		
	FY 2013	FY 2014	FY 2015
Revenue	\$3,082.6	\$3,138.1	\$ 3,263.8
Expenses	2,844.9	2,990.3	3,175.9

SHBP Options Design

GSRA recognizes some of the complications that implementation of the ACA is creating in the workplace and the SHBP. As of January 1, 2014, all large employers are required to provide a health insurance plan for its full-time (over 30 hours) employees. At minimum, the plan must have an actuarial value for payment at 60% of “essential benefits.” Although the employer penalty and reporting were delayed until 2015, the benefit offerings and employee mandate for coverage were not delayed. The individual tax penalty (one adult) for not having coverage is \$95 or 1% of AGI³ and is scheduled to increase to \$325 or 2% in 2015. Therefore, it is imperative that the SHBP

³ AGI – Annual Gross Income

provide options so that all employees can enroll in the SHBP and have sufficient funds⁴ to pay the premium.

Regardless, DCH and the Board of Community Health with “good intentions” are not providing the State and school system workforces with a benefit plan that is competitive in the labor market. The Kaiser Family Foundation⁵ reports that the ACA Bronze option is a “catastrophic” option, and that most employers provide a plan that covers approximately 80% of allowed medical expenses. The maximum option (Gold) offered to the active workforces and under age 65 retirees provides only a 77% actuarial value plan with the member paying 30% rather than the historical 25% of the premium for the Gold option.

SHBP Direct Contract

The Department of Community Health awarded contracts for administering the SHBP three self-insured options (for active and retired members under age 65) in 2014 to Blue Cross and Blue Shield of Georgia (BCBS) for claims payment and medical management, Express Scripts for prescription drugs, and Healthways for handling wellness features. The Medicare Advantage Plan for retirees over age 65 will also be contracted to BCBS. DCH is also soliciting a fully insured direct contract for members in the Atlanta Metro area to be implemented on January 1, 2014.

The “fully insured” Direct Contract—if approved—will mirror the “self-insured” options (Bronze, Silver, and Gold) and the Medicare Advantage Plan that are approved for January 1st. A decision about the contract is scheduled for around September 9, 2013, which has delayed the Open Enrollment/Retiree Option Change Period somewhat. The direct contract will be offered to SHBP member populations who reside in nine counties: Fulton, DeKalb, Cobb, Clayton, Henry, Rockdale, Fayette, Gwinnett, and Douglas.

Health Insurance Exchanges (Affordable Care Act - ACA)

You have heard/read a lot about the implementation of the Health Insurance Exchanges (HIX) that are to be implemented in 2014 – with enrollment beginning on October 1, 2013. The **Exchanges do not directly impact the State Health Benefit Plan in 2014**, but some of the ACA HIX requirements are affecting the SHBP plan design and options to become effective on January 1, 2014. This article is a brief explanation of some of the facts you may hear about the Exchanges. You are encouraged to read more scholarly information if you feel that you may be eligible for coverage in the federal HIX.

2014 is the year that all persons/families must enroll for health insurance or pay a tax penalty. There are four ways to obtain health insurance coverage—Medicaid, Medicare, Exchanges, or employer health insurance, depending upon eligibility requirements. The basic requirement for 2014 is that persons must enroll for coverage or pay a penalty of \$95 or 1% of their modified adjusted gross income (AGI); the penalty amount rises in 2016 to the greater of \$695 or 2.5% of AGI.

Many questions continue about the exchanges and how they will be administered. In Georgia—like 26 other states—the exchanges will be run by the federal government, unless Georgia’s leaders decide otherwise in the future. Generally, exchanges will be available in 2014 only to uninsured individuals and persons who are employed by employers having fewer than 50 full-time (31 hours per week) employees, and COBRA eligible persons. Large employers (101+ employees) cannot transfer employees to the federal exchange program until 2016-2017. Much is being written about “private” exchanges and employers moving employees to this type of Exchange. Such Private Exchanges appear to be patterned after the ACA requirements but are not a part of the federal subsidy program.

The federal exchanges must provide through insurance companies options referred to as “Bronze”, “Silver”, “Gold”, and “Platinum” These options must include “Health and Human Services defined

⁴ The State and local school systems will probably have many employees that would otherwise be eligible for federal subsidies if not provided by State at the “Silver” level. See the article on ACA for the FPL qualifying for monetary support.

⁵ **The Kaiser Family Foundation** is a leader in health policy analysis, health journalism and communication. It is not affiliated with Kaiser Permanente

Essential Benefits⁶ with premium rates set to provide an actuarial value of the medical expenses at:

	Bronze	Silver	Gold	Platinum
Plan Pays	60%	70%	80%	90%
Member Pays	40%	30%	20%	10%

The percentages are actuarially calculated based on statistical usage by a large population (approved by HHS). Therefore, any member if requiring substantial medical services may pay the full amount of cost-sharing (deductibles, copayments, coinsurance) while other members (with fewer medical expenses) will pay out-of-pocket less. In terms of “risk”, every person enrolled in the specific option is at risk for paying the maximum out-of-pocket amount outlined in that option.

Persons enrolled through the Exchanges will qualify for a federal subsidy at the Silver benefit level depending upon the family size and MAGI⁷. However, this subsidy may be different for persons living in states, such as Georgia, that have declined to expand Medicaid up to 133% of FPL. Anyone who may be eligible for Medicaid or the federal subsidy should contact www.healthcare.gov. The ACA provides for a subsidy for persons with MAGI between 133% and 400% of the federal poverty level (FPL). The 2013 incomes for which subsidies may be available are as follows, although the amounts for 2014 are likely to be slightly higher:

- \$11,490 to \$45,960 for individuals
- \$15,510 to \$62,040 for a family of 2
- \$19,530 to \$78,120 for a family of 3
- \$23,500 to \$94,200 for a family of 4
- Higher for more individuals in the family

The amount of the subsidy, of course, varies with the income level within the FPL above.

⁶ Broad based group of benefits for inpatient/outpatient medical, psychological, and prescription drugs without annual or lifetime benefits. Some non-essential benefits may have limitations.

⁷ MAGI includes wages, salaries, tips, net income from any self-employment, unemployment compensation, social security payments, rental income, interest, dividends, capital gains, annuities, alimony and some retirement/pension payments.

Local Chapter News

West Georgia/Columbus Area

The West Georgia/Columbus Area local chapter held its third quarter meeting on August 20th at The Medical Center in Columbus. The meeting was attended by chapter members, members from the Tri-County local chapter and area retirees not yet affiliated with GSRA, as well as members of the Columbus area legislative delegation, about 68 attendees in all. The first speaker was Ms. Andrea D. Abercrombie, a Communications Specialist with the State Health Benefit Plan. She spoke about the upcoming changes to the plan for active and retired employees, including the move to a single vendor, Blue Cross/Blue Shield, and plans to become a paperless system, then answered questions from the audience. Next, Representative Debbie Buckner, local chapter member and member of the House Retirement Committee, spoke about the path a piece of legislation follows and also discussed pending legislation. GSRA President Bill Tomlinson rounded out the meeting, outlining the upcoming GSRA 2013 Annual Meeting and its importance. He also addressed the potential move by the State of Georgia to go from a state income tax to a 14% sales tax and how this will likely negatively impact a large portion of retirees. Several new members signed up at the meeting and officers felt like the meeting was a big success.



Andrea D. Abercrombie addresses the West Georgia/Columbus Area local chapter meeting

Southern Crescent

Southern Crescent local chapter held a meeting August 15th in Fayetteville. The guest speaker for this event was Mrs. Marcia Cole of Uniglobe Accent Travel in Peachtree City. Marcia has operated this agency for over a quarter century and is extremely well-versed in travel. Her specialty is Mediterranean and European Tours, especially for groups. She gave those at the meeting great tips on planning and enjoying trips and cruises with a minimum of challenges and disappointments. Suggestions included keeping your passport up to date (either 5-year or 10-year renewals) because it takes so long to get or renew a passport now (from 4-6 weeks) and purchasing trip insurance, at least to cover any medical expenses. Marcia said "...always check any foreign destination to make sure that there is a US Consulate in that country or city and, if not, **DON'T GO!**"

Additional topics of discussion and concern at the meeting included the upcoming significant change in the State Health Benefit Plan (going to a single-payer system via Blue-Cross/Blue Shield of Georgia) and the impact that will have on both benefits and participant rates. The movement to eliminate the state of Georgia Income Tax and replace it with elevated sales taxes and how that could directly impact retirees since we currently get a significant 'write-off' which

grows each year. The sales tax increase doesn't appear to include any "break" for retirees to offset the elimination of the write-off.



Marcia Cole provides the Southern Crescent local chapter members with smart travel tips

New Members in August

Name	County	Name	County	Name	County
Kay Alexander	Chatooga	Alice Gardner	Gwinnett	Pamela Mitchell	Rockdale
Emilie Allen	Fulton	Virginia Gilbert	Spalding	Gretchen Simons	Cobb
Melissa Averitt	Gwinnett	Charlotte Hester	Lowndes	Sharon Stone	Paulding
Paula Barton	Chatham	Cynthia Johnson	Chatham	Freddie Taylor	Lowndes
Foster Brin	Houston	John Kline	Dekalb	Ginger Taylor	Lowndes
Michael Carlton	Henry	Carol Leigh	Camden	Rose Thomas	Chatham
Deanna Crider	Gwinnett	Rodney Lee	Morgan	Steven User	Chatham
David Dyal	Henry	Cathy Malone	Putnum		
Louis Finney, Jr.	Wilkes	Kathy Martin	Gwinnett		
Melanie Fisher	Fulton	Dee Massey	Henry		

Annual Meeting Health Screenings

As a reminder, the Health Screenings available at the Annual Meeting have been rescheduled from the afternoon to the morning between 10:00 am to 12:00 pm of October 14th. This leaves the afternoon available for the complimentary tours.

Questions About or Help with Anything GSRA

If you have questions about or need help with anything related to GSRA contact help@mygsra.com or call 770-312-2799.

Georgia State Retirees Association

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