



# Rate Setting Review and PEBP Board Considerations

January 28<sup>th</sup>, 2021 PEBP Board Meeting

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Health Solutions

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Before we begin...

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# WARNING

The numbers contained in this report are included solely to help explain numerical concepts, they are not indicative of future rates that will be presented at the March board meeting, and should not be construed as such

Figures included herein are to facilitate Board discussions and illustrate the Rate Setting process as well as Dependent Subsidy strategies

# Today's Agenda



## Rate Setting Review

- Base Rate Underwriting
- Enrollment Weighting
- Admin Fees and HSA/HRA Load
- Tiering
- Addition of Life/LTD Costs

## PEBP Board Considerations

- Dependent Funding Strategy
- Premiums in Year 2 of Biennium

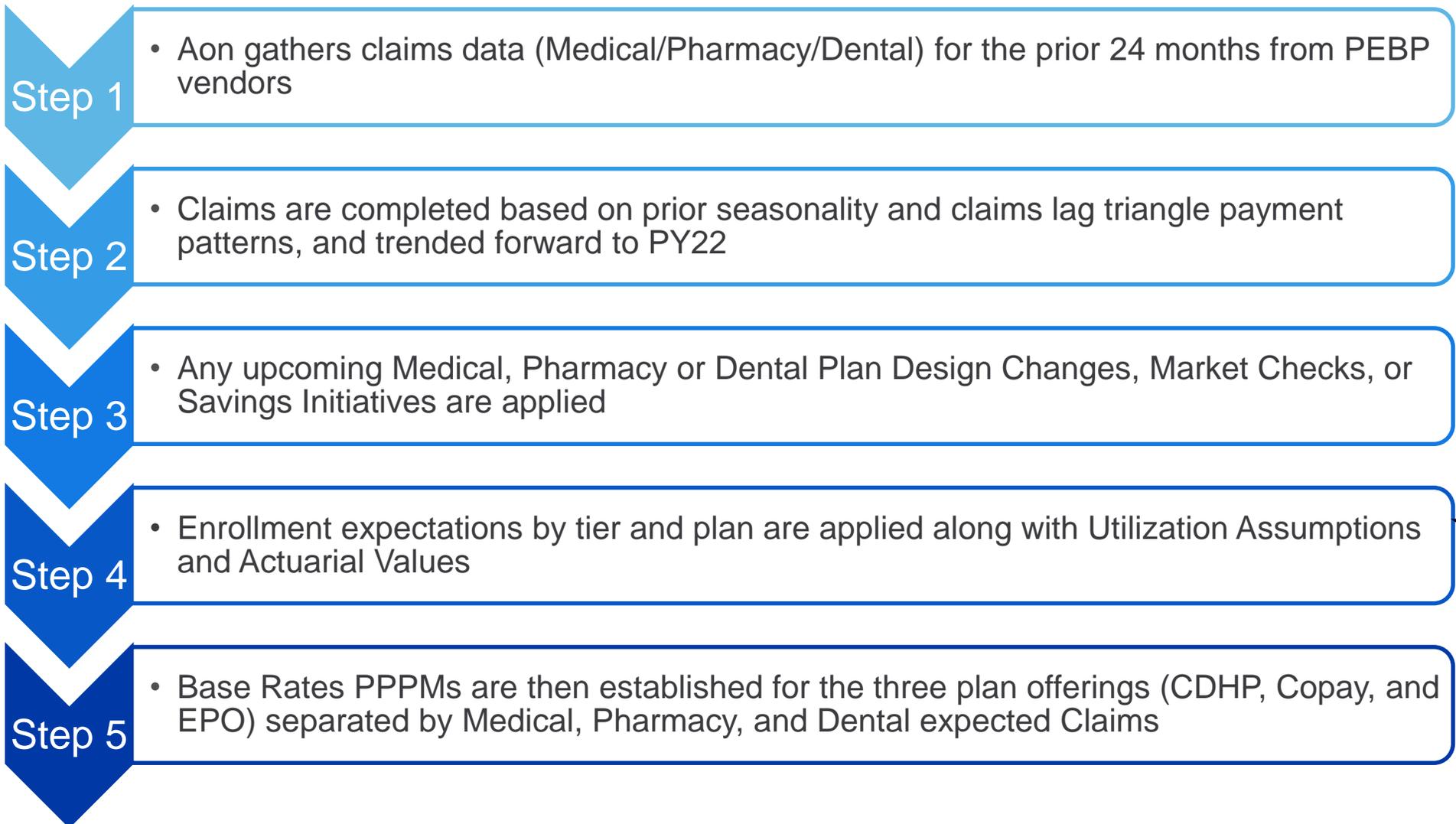


= Places where enrollment weighting matters



# Rate Setting Tutorial

## Base Rate Underwriting Refresher



Per PEBP Board direction, we are asked to set rates/trend aggressively – a 50% chance they will be sufficient to cover expected claims costs and a 50% chance they will be short

PPPM = Per Participant Per Month

EPO Base Claims are blended with Fully Insured HMO Rates provided annually by HPN

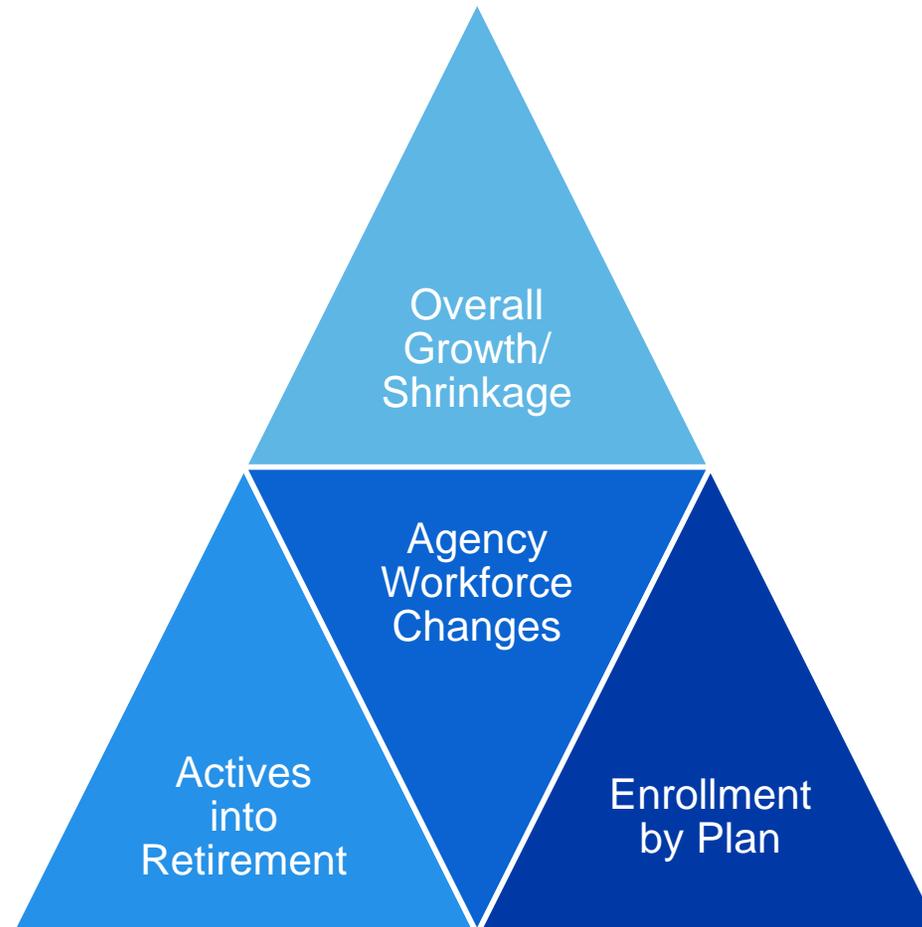
January 2021



## Enrollment Weighting

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PEBP enrollment assumptions are made as to how the populations (both actives and retirees) will shift in the projection year, these assumptions include:



## Administrative Fees and HSA/HRA Expense Loads

Administrative Fees PPPMs – made up of  
PEBP Operating costs and Contract  
Obligations:

PEBP Costs = \$27.27

Medical Fees:

CDHP = \$35.27

Copay = \$32.77

EPO = \$30.26

Pharmacy Fees:

CDHP = \$2.88

Copay = \$2.88

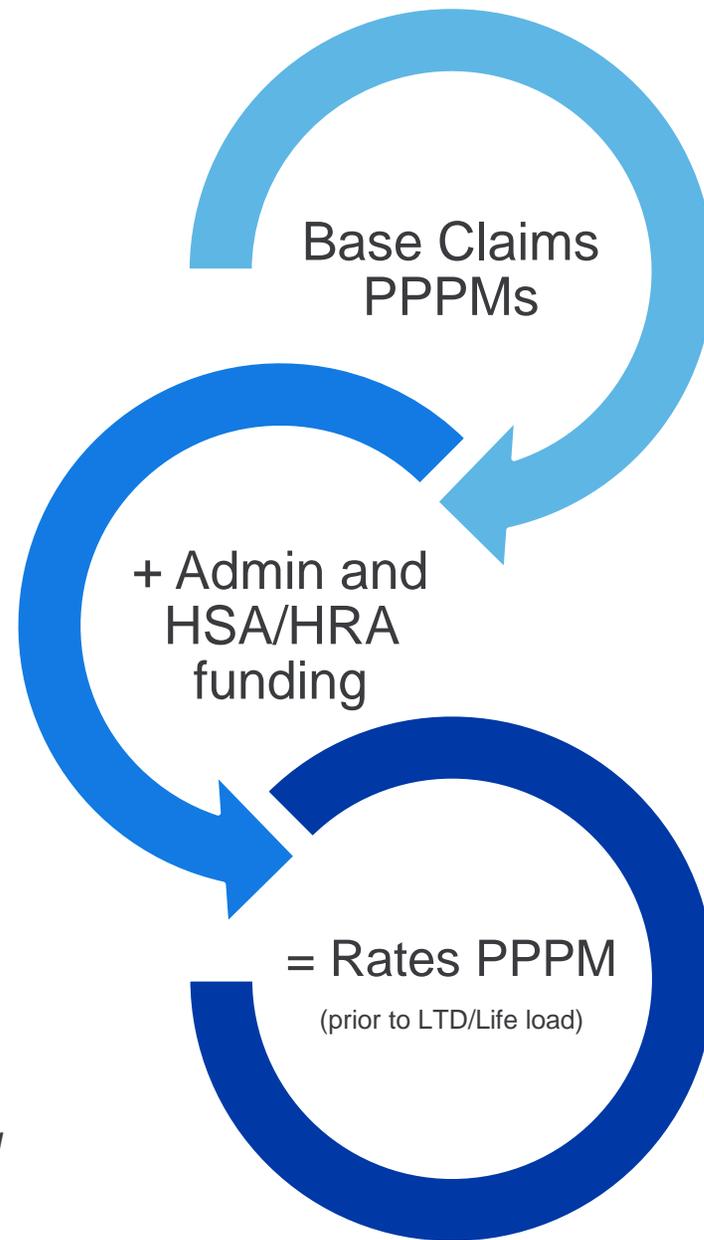
EPO = \$3.04

Dental Fees = \$1.99

HSA/HRA Funding = \$50.00

for Participants not on the Exchange

*Life/LTD Costs are added after tiering to avoid overcharging those participants with spouses and children on the plan, as life and LTD benefits apply to the primary participant only.*





## Tiering: $X$ , $2X$ , $X + Y$ , $2X + Y$

The Base Claims and Admin Fee PPPMs are weighted by projected enrollment by tier

PEBP's requested dependent factors are then applied to create rates by tier

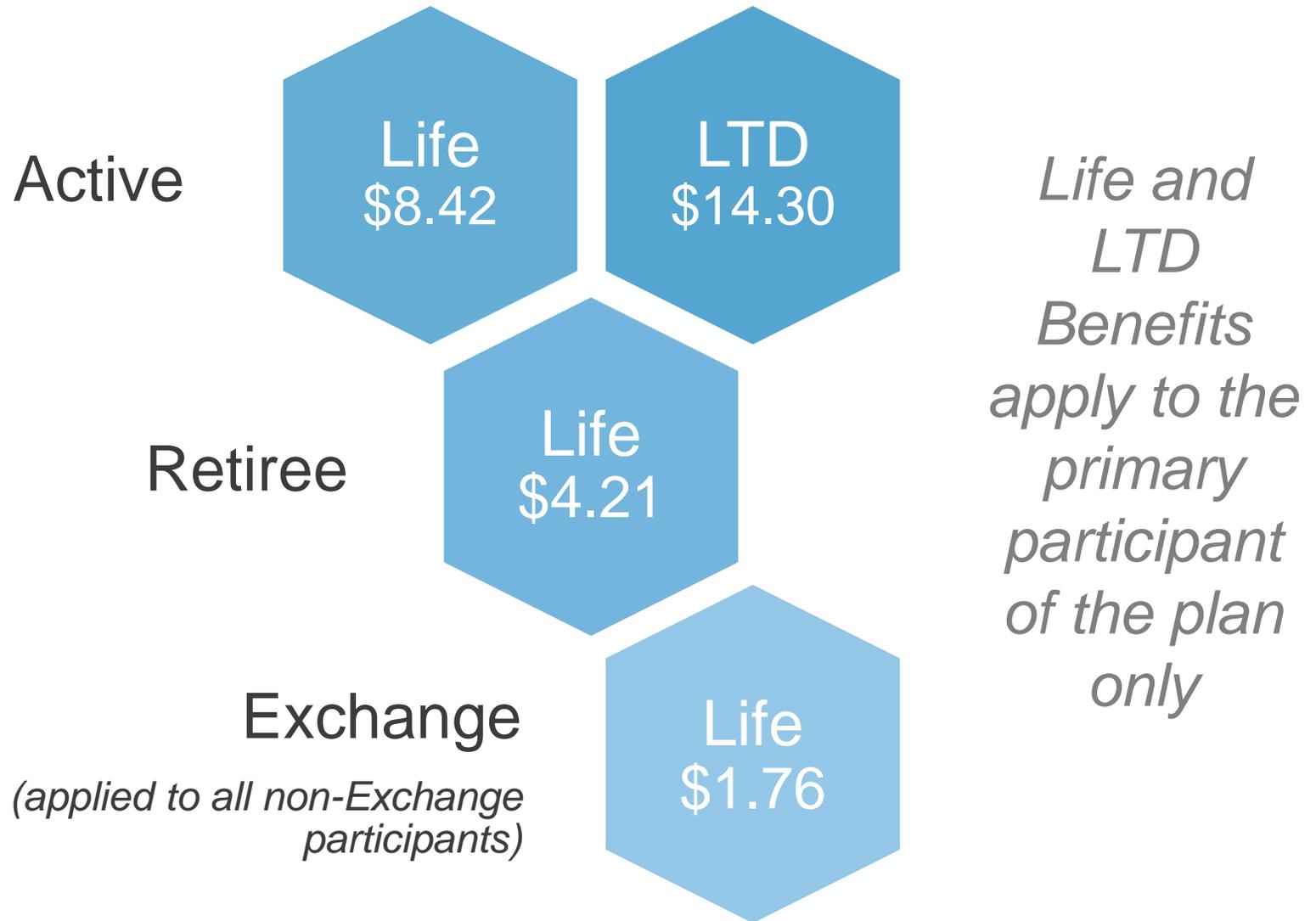
	Participant = $X$	<b><math>X</math></b>
	Participant + Spouse = $2X$	<b><math>2X</math></b>
	Participant + Child = $X + Y$	<b><math>X + Y</math></b>
	Participant + Family = $2X + Y$	<b><math>2X + Y</math></b>

*Where  $X$  is the average cost of an adult and  $Y$  is the average cost of a child unit*

## Addition of Life and LTD Insurance

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PPPM Life and LTD Costs are then added to each tier of the three plans to arrive at Final Overall Rates





# Board Considerations

## Dependent Funding Strategy for Premiums

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Once overall rates are set, PEBPs contribution strategy is applied:

Flat Dollar Contribution – consistent by plan

Varies by participant vs dependent (0.85 factor for dependents)

For example, if the State is providing \$585 per active participant, and the current average cost of a child unit (Y) is 0.375, then:

Tier	Example X = \$585	State Contribution
Single Active	$\$585 * 1$	\$585.00
EE + Spouse	$\$585 * 2 * 0.85$	\$994.50
EE + Child(ren)	$\$585 * (1+Y) * 0.85$	\$683.72
EE + Family	$\$585 * (2+Y) * 0.85$	\$1,180.97

## Dependent Funding Strategy for Premiums continued

Last year, the Board made varying adjustments by tier that moved away from the established dependent percentage which had been consistent by tier

**1** This puts the Child tier at a disadvantage as we move forward into PY22 and apply the previously established methodology

**2** One way to account for this would be to apply an adjustment factor to the Child tier

**1**

**2**

Tier	PY21 Premiums		SAMPLE Increase in PY22 if use PY20 and prior method		SAMPLE Increase in PY22 w/ 1.05 adjustment on CH tier	
	CDHP / EPO \$	CDHP / EPO \$	CDHP / EPO \$ / %	CDHP / EPO \$ / %	CDHP / EPO \$ / %	CDHP / EPO \$ / %
Single Active	43.94	171.05	+\$16 37%	(\$18) -11%	+\$17 40%	(\$17) -10%
EE + Spouse	227.16	517.57	+\$68 30%	(\$36) - 7%	+\$46 20%	(\$58) -11%
EE + Child(ren)	117.80	343.23	+\$85 72%	(\$12) - 4%	+\$44 37%	(\$54) -16%
EE + Family	301.01	689.74	+\$50 17%	(\$118) -17%	+\$19 6%	(\$149) -22%

## Dependent Funding Strategy for Premiums continued part 3

Another item to consider about the current methodology is that applying a percentage to 3 tiers, produces uneven increases in Premiums in the second year of the biennium, with larger increases given to the Single tier

Assuming a 5% trend from PY22 to PY23: below are the **SAMPLE** impacts to Employee premiums

Actives	CDHP			Copay			PEBP EPO & HPN HMO		
	PY22	PY23	Change (\$ / %)	PY22	PY23	Change (\$ / %)	PY22	PY23	Change (\$ / %)
Single	\$60	\$92	\$32 54%	\$79	\$112	\$33 42%	\$153	\$190	\$37 24%
+ SP	\$296	\$360	\$65 22%	\$334	\$400	\$66 20%	\$482	\$555	\$74 15%
+ CH	\$203	\$248	\$44 22%	\$229	\$275	\$46 20%	\$331	\$382	\$51 15%
Family	\$351	\$428	\$77 22%	\$396	\$475	\$79 20%	\$572	\$659	\$88 15%

Premiums above assume that State Funding remains constant from Year 1 to Year 2 of the biennium

## PEBP Board Considerations

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### Considerations for the Board:

#### Depending Funding Strategy

- Does the Board want to revert to the prior dependent percentages used in PY20?
- Does the Board wish to make an adjustment to the child tier for this next biennium?
- Or does the Board wish to make a change to a different methodology for dependents?

#### Biennium Year 2 Funding

- Keep the State Funding amount constant for Plan Years 1 and 2
- Lower State Funding in Year 1 to provide more funding to offset trend in Year 2  
*This drives a slightly larger increase in Year 1 but also a more reasonable participant change in Year 2*

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