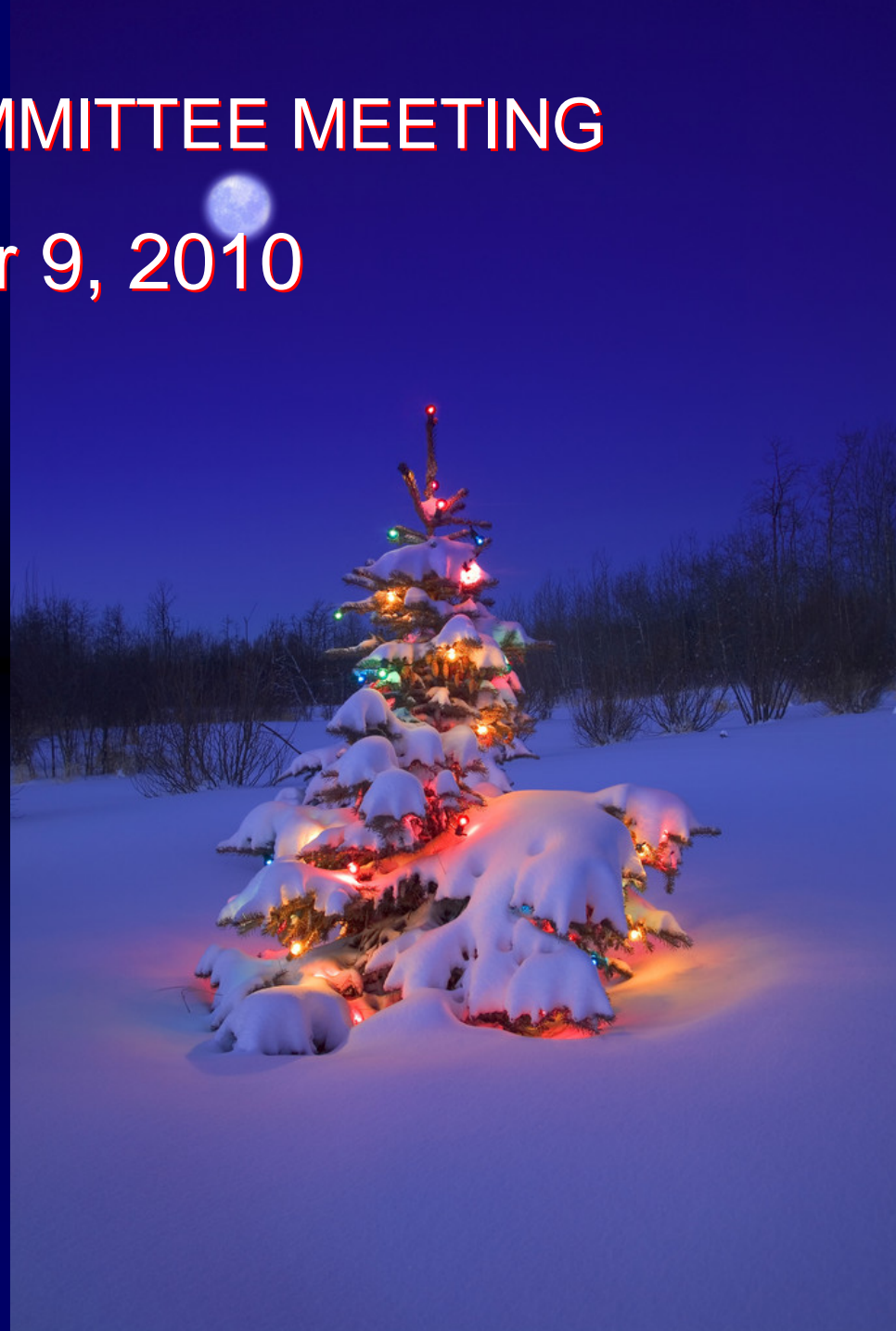


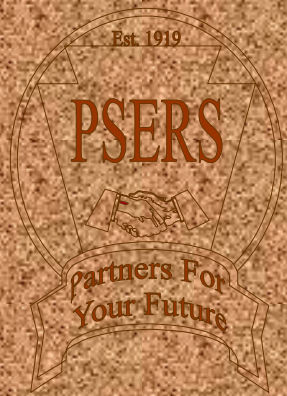
# HEALTH CARE COMMITTEE MEETING

December 9, 2010

## Agenda

- ❄️ Open Enrollment Update
- ❄️ 2011 Budget





# Health Options Program



## Open Enrollment Update Tab 22

# Open Enrollment Communications Effort

- 📢 August 2, 2010 – Postcards were mailed to all PSERS retirees notifying them of the open enrollment
- 📢 August 16, 2010 – Letters were mailed to all PSERS retirees notifying them of the open enrollment meetings
- 📢 August 31, 2010 - DVD explaining health care reform and 2011 HOP plans (copies of DVD provided to retirees upon request)
- 📢 September 6, 2010 – Open enrollment meetings begun across the Commonwealth, in New Jersey, Delaware, North Carolina and Florida
- 📢 October 1, 2010 – Personalized statements were mailed to HOP participants and retirees over age 65 eligible for premium assistance
- 📢 Oct 31, 2010 – 135 open enrollment meetings were conducted with **12,979** retirees attending

# Open Enrollment Preliminary Results

NEW ENROLLEES		498
HOP Medical Plan w/ Basic Medicare Rx Option	186	} <b>397</b>
HOP Medical Plan w/ Enhanced Medicare Rx Option	122	
HOP Medical Plan w/ no Rx Option	57	
Basic Medicare Rx Option Only	21	
HOP Pre-65 Medical Plan	11	
Highmark	44	} <b>101</b>
Keystone Central	26	
Aetna	15	
Geisinger	9	
Keystone East	5	
UPMC	2	

# Open Enrollment Preliminary Results

TRANSFERS WITHIN HOP PLANS		1,246
Managed care plans to HOP Medical Plan w/ Rx	399	
HOP Medical Plan w/ Enhanced Rx to Basic Rx	305	
Plan change w/ the same managed care organization	256	
One managed care organization to another	96	
HOP Medical Plan w/ Basic Rx to Enhanced Rx	92	
HOP Medical Plan (no Rx) to Plan w/ Basic Rx	64	
HOP Medical Plan (no Rx) to Plan w/ Enhanced Rx	17	
HOP Medical Plan to a managed care plan	17	

Open Enrollment ?

2011 Budget

Tab 23

# HEALTH OPTIONS PROGRAM BUDGET

## 2010 Budget Compared to Projected 2010 Experience and Proposed 2011 Budget

\$ 85,220 Treasury Account  
 \$ 57,356 M&T Operating Accounts  
 \$142,576 Total Assets  
 \$ -15,449 Contingent Liabilities  
 \$ 127,127 Net Assets

	(A) 2010 Budget	(B) Projected 2010 Experience	(C) PROPOSED 2011 BUDGET
1 <b>Beginning Balance at January 1</b>			<b>\$ 127,127</b>
2 Program Receipts:			
3 Retiree Contributions			
4     Self-funded Medical	91,817	98,325	103,340
5     Medicare Rx Options	34,747	34,536	31,193
6     Managed Care Plans	67,830	62,760	64,357
7     CMS Payment for Medicare Rx	29,668	31,541	31,000
8 <b>HHS Payment for ERRP <i>New</i></b>			<b>1,600</b>
9     Investment earnings	1,000	413	500
10 <b>Total Receipts</b>			<b>\$ 231,990</b>
11 <b>Total Available for HOP Expenses</b>	<b>\$ 347,272</b>	<b>\$ 347,052</b>	<b>\$ 359,117</b>
27 HOP Administrative Expenses	3,151	3,946	3,378
28 Total Program Expense	\$ 226,078	\$ 222,526	\$ 229,165
29 Ending Balance at December 31	\$ 121,214	\$ 127,127	\$ 129,952

	(A)	(B)	(C)
	2010	Projected	PROPOSED
	BUDGET	2010	2011
	Experience	BUDGET	
	(in Thousands \$)	(in Thousands \$)	(in Thousands \$)
12 Program Expenses:			
13 Hospital, Medical & Maj. Med. Benefits:			
14 Incurred Claims	81,335	79,006	87,095
15 Fitness Program	2,000	2,316	2,500
16 Claims Adjudication Expense	6,900	7,401	7,038
17 Prescription Drug Benefits (Pre-65)	200	171	218
18 Medicare Prescription Drug Benefits			
19 Cost of Prescription Drugs	71,513	69,116	69,631
20 Drug Manufacturer's Rebates	(12,156)	(11,040)	(11,000)
21 <b>Payment for Manufacturer's Discount</b>			<b>9,000</b>
22 <b>Manufacturer's Discount</b>			<b>(9,000)</b>
24 Administrative Expenses	3,118	3,028	3,246
25 Managed Care Options	66,136	62,759	62,537
26 Enrollment Expenses	2,500	2,593	3,384
27 <b>Total Program Expenses</b>			<b>\$229,165</b>
28 <b>Ending Balance at December 31</b>			<b>\$129,952</b>
29			



**HEALTH OPTIONS PROGRAM BUDGET**  
 2010 Budget Compared to Projected 2010 Experience and  
 Proposed 2011 Budget

	(A) 2010 BUDGET (in Thousands \$)	(B) Projected 2010 Experience (in Thousands \$)	(C) PROPOSED 2011 BUDGET (in Thousands \$)
<b>Beginning Balance at January 1</b>			<b>\$ 127,127</b>
4 Self-funded Medical	91,817	98,325	103,340
5 Medicare Rx Options	34,747	34,536	31,193
6 Managed Care Plans	67,830	62,760	64,357
7 CMS Payment for Medicare Rx	29,668	31,541	31,000
8 HHS Payment for ERRP		700	1,600
9 Investment earnings	1,000	112	500
<b>Total Receipts</b>			<b>\$ 231,990</b>
12 Program Expenses:			
13 Hospital, Medical & Maj. Medical Expenses			
14 Incurred Claims	81,335	79,006	87,095
15 Fitness Program	2,000	2,316	2,500
16 Claims Adjudication Expense	6,900	7,401	7,038
17 Prescription Drug Benefits (Pre-65)	200	171	218
18 Medicare Prescription Drug Benefits			
19 Cost of Prescription Drugs	71,513	69,116	69,631
20 Drug Manufacturer's Rebates	(12,156)	(11,949)	(14,000)
21 Point of Sale Payment for Manufacturer's Discount			9,000
22 Drug Manufacturer's Discounts			(9,000)
23 PBM Administrative Fees	1,381	4,139	4,139
24 Administrative Expenses	2,118	2,288	2,217
<b>Total Program Expenses</b>			<b>\$ 229,165</b>
<b>Ending Balance at December 31</b>			<b>\$ 129,952</b>

**2011**  
**PROGRAM**  
**BUDGET** ?

# HEALTH OPTIONS PROGRAM ADMINISTRATIVE BUDGET



receives "Royalties" of 6.2% for sponsoring health plans for its members

2010 Experience and Budget

	(A) 2010	(B) Projected 2010	(C) PROPOSED 2011
<b>Expenses Guideline (2%)</b>	<b>3,193</b>	<b>\$ 3,236</b>	<b>\$ 3,386</b>
2 Administrative Expenses:			
3 <b>Benefit Consulting</b>	<b>650</b>	<b>459</b>	<b>525</b>
4 <b>HMO Management</b>		<b>259</b>	<b>254</b>
5 <b>ERRP</b>		<b>84</b>	<b>41</b>
6 <b>Equipment</b>	<b>50</b>	<b>20</b>	<b>50</b>
7 <b>Legal</b>	<b>100</b>	<b>-</b>	<b>100</b>
8 <b>Meeting Expense</b>	<b>250</b>	<b>270</b>	<b>150</b>
9 <b>Postage</b>	<b>350</b>	<b>450</b>	<b>275</b>
10 <b>Printing</b>	<b>500</b>	<b>600</b>	<b>400</b>
11			
12			
13			
20 Excess (deficiency) of Administrative Expenses Guideline over (under) Budgeted Expenses	\$ 42	\$ (711)	\$ 8

\* Excludes Medicare Rx Income

	(A)	(B)	(C)
	2010	Projected	PROPOSED
	BUDGET	2010	2011
	Experience	BUDGET	
	(in thousands \$)	(in thousands \$)	(in thousands \$)
1 <b>Expenses Guideline (2%)</b>	<b>3,193</b>	<b>\$ 3,236</b>	<b>\$ 3,386</b>
2 Administrative Expenses:			
3 Auditing	75	75	75
4 Benefit Consulting (General)	650	459	525
5 HMO Management		259	254
6 ERRP		84	41
7 Communications Consulting & Project Management	300	564	537
8 Equipment	50	20	50
14 <b>Banking</b>	<b>200</b>	<b>255</b>	<b>150</b>
15 Fiduciary Insurance	56	56	56
16 Personnel	400	350	400
17 Rent	90	80	90
18 <b>Web Services &amp; Development</b>	<b>80</b>	<b>423</b>	<b>225</b>
19 <b>Total Expenses</b>	<b>3,151</b>	<b>\$ 3,946</b>	<b>\$ 3,378</b>
20 <b>Guideline less Expenses</b>	<b>\$ 42</b>	<b>\$ (711)</b>	<b>\$ 8</b>

\* Excludes Medicare Rx Income

	(A)	(B)	(C)
	2010	Projected	PROPOSED
	BUDGET	2010	2011
	Experience	BUDGET	
	(in thousands \$)	(in thousands \$)	(in thousands \$)
1 <b>Expenses Guideline (2%)</b>	<b>3,193</b>	<b>\$ 3,236</b>	<b>\$ 3,386</b>
2 Administrative Expenses:			
3 Auditing	75	75	75
4 Benefit Consulting (General)	650	459	525
5 HMO Management		259	254
6 ERRP		84	41
7 Communications Consulting & Project Management	300	564	537
8 Equipment		20	50
9 Legal	100		100
14 Banking	200	255	150
15 Fiduciary Insurance	56	56	56
16 Personnel	400	350	400
17 Rent	90	80	90
18 Web Services and Development	80	423	225
19 <b>Total Administrative Expenses</b>	<b>3,151</b>	<b>\$ 3,946</b>	<b>\$ 3,378</b>
20 <b>Total Expenses</b>	<b>3,151</b>	<b>\$ 3,946</b>	<b>\$ 3,378</b>
<b>Guideline less Expenses</b>	<b>\$ 42</b>	<b>\$ (711)</b>	<b>\$ 8</b>

2011  
ADMINISTRATIVE  
BUDGET ?

\* Excludes Medicare Rx Income

# HOP MEDICARE PRESCRIPTION DRUG (PDP) BUDGET

2010 Budget Compared to Projected 2010 Experience and

Proposed 2011 Budget

**Pharmacy Benefit  
Manager Request for  
Proposal Process**

	(A) 2010 BUDGET (in thousands \$)	(B) Projected 2010 Experience (in thousands \$)	(C) PROPOSED 2011 BUDGET (in thousands \$)
1 Administrative Expenses:			
2 Pharmacy Consultant	450	421	325
3 CMS Compliance			260
4			
5 Claims Auditing			72
6			
7 Benefit Consulting	525	238	336
8			
9 Communications Consulting		117	280
10 Miscellaneous	25	25	25
11 Web Services and Development	40	40	25
12 Total PDP Expenses	\$ 3,118	\$ 3,028	\$ 3,246

# HOP MEDICARE PRESCRIPTION DRUG (PDP) BUDGET

## 2010 Budget Compared to Projected 2010 Experience and Proposed 2011 Budget

	(A) 2010 BUDGET (in thousands \$)	(B) Projected 2010 Experience (in thousands \$)	(C) PROPOSED 2011 BUDGET (in thousands \$)
1 Administrative Expenses:			
2 Third Party Administrator	\$ 1,433	\$ 1,481	\$ 1,473
3 Pharmacy Consultant	450	421	325
4 CMS Compliance	-	-	260
5 Claims Auditing	-	-	72
6 Benefit Consultant	515	238	336
7 Communications Consulting	-	177	280
8 Printing	325	325	250
9 Postage	320	320	200
10 Miscellaneous	25	25	25
11 Web Services and Development	40	40	25
12 <b>Total PDP Expenses</b>	<b>\$ 3,118</b>	<b>\$ 3,028</b>	<b>\$ 3,246</b>

2011  
PDP

BUDGET

