



Hawaii Employer-Union Health Benefits Trust Fund

Background

- **Established** | July 1, 2003, HRS 87-A is the governing document
- **Governed by** | 10 Trustees, 5 employer and 5 employee
- **Trustees vote** | Each group of trustees collectively has one vote (3 trustees of the group must vote affirmatively), two votes are needed to pass a motion
- **Employees** | State and County employees covered – 70,000 plus 60,000 dependents
- **Retirees** | State and County retirees covered – 45,000 plus 20,000 dependents

Background

Fully Insured Plans

- Active – Kaiser Comprehensive and Standard medical and prescription drug, chiropractic and USABLE life insurance
- Retiree – Kaiser Medicare Advantage and non-Medicare medical and prescription drug, UnitedHealthcare Medicare Advantage medical, chiropractic (HSTA VB only) and USABLE life insurance plans

Self Insured Plans

- Active and Retiree – prescription drug plan (pharmacy benefit manager CVS active and non-Medicare retirees, and SilverScript Medicare retirees)

Fully Insured with One-Way Risk Sharing

- Active – HMSA 90/10, 80/20, 75/25 PPO and HMO plans, Royal State supplemental medical and prescription drug, HDS dental and VSP vision plans
- Retirees – HMSA Medicare and non-Medicare PPO medical, HDS dental and VSP vision plans

Background

How carriers are selected

- Request for proposals
- One year contracts with possible two (medical and prescription drug) or three (dental, vision and life) one-year extensions
- Medical and prescription drug contract extensions end 12/31/17 for retirees and 6/30/18 for active employees. In the process of preparing the RFP.
- Dental, vision and life insurance contract extensions end 12/31/18 for retirees and 6/30/19 for active employees

Active Enrollment – Medical & Drug (EUTF)

Medical, Chiro and Prescription Drug	7/1/13	7/1/14	7/1/15	7/1/16	7/1/16 Self EE Monthly Most BUs	7/1/17 Self EE Monthly Most Bus*
EUTF Plans						
HMSA HMO	6%	6%	5%	5%	\$387	\$471
HMSA 90/10	15	15	14	13	312	373
HMSA 80/20	54	51	50	49	215	262
Kaiser Comp	18	16	15	14	211	275
HMSA 75/25	1	3	4	5	142	40
Kaiser Standard	4	8	10	12	66	71
Supplemental	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>	17	17
Total Subscribers	43,170	44,510	45,104	45,586		
Percentage Change	2.4%	3.1%	1.3%	1.1%		

*Uses same dollar employer contribution as 7/1/16 – 6/30/2017

Active Enrollment – Medical & Drug (HSTA VB)

Medical, Chiro, Vision and Prescription Drug	7/1/13	7/1/14	7/1/15	7/1/16	7/1/16 Self EE Monthly (w/vision)	7/1/17 Self EE Monthly (w/vision)
HSTA VB Plans						
HMSA 90/10	31%	30%	29%	29%	\$309	\$337
Kaiser Comp	19	19	18	18	192	242
HMSA 80/20	47	51	53	53	190	236
Supplemental	<u>3</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	NA	NA
Total Subscribers	8,092	7,208	6,712	6,258		
Percentage Change	-8.1%	-10.9%	-6.9%	-6.8%		
All Plans						
Total Subscribers	51,262	51,718	51,816	51,844		
Percentage Increase	0.6%	0.9%	0.2%	0.05%		

Retiree Enrollment – Medical & Drug (EUTF)

Medical	1/1/13	1/1/14	1/1/15	1/1/16	1/1/17 Self Monthly Med & Rx
EUTF Medicare					
HMSA 90/10	82%	82%	82%	82%	\$442
Kaiser Sr. Advantage	18	18	18	18	436
UHC Advantage	<u>NA</u>	<u>NA</u>	<u>0.1</u>	<u>0.2</u>	275
Total Subscribers	31,358	32,241	33,374	34,268	
Percentage Change	6.1%	2.8%	3.5%	2.7%	
EUTF Non-Medicare					
HMSA 90/10	83	83	84	84	720
Kaiser Comp	<u>17</u>	<u>17</u>	<u>16</u>	<u>16</u>	720
Total Subscribers	7,707	7,518	6,966	6,794	
Percentage Change	-13.2%	-2.5%	-7.3%	-2.5%	
All EUTF					
Total Subscribers	39,065	39,759	40,340	41,062	
Percentage Change	1.6%	1.8%	1.5%	1.8%	

State Annual Costs (in millions)

Active Employees	6/30/13	6/30/14	6/30/15	6/30/16
Employer costs				
Medical and drug	\$165.4	\$199.0	\$225.0	\$236.9
Dental	14.6	17.6	18.3	17.5
Vision	2.3	2.7	2.9	2.9
Life	<u>2.6</u>	<u>2.6</u>	<u>2.6</u>	<u>2.6</u>
Total State	184.9	221.9	248.8	259.9
State increase	-0.05%	20.0%	12.1%	4.5%
Employee costs	<u>175.9</u>	<u>162.9</u>	<u>168.5</u>	<u>176.4</u>
Employee percentage	48.7%	42.3%	40.4%	40.4%
Total premiums	\$360.8	\$384.8	\$417.3	436.3
Total increase	1.2%	6.6%	8.4%	4.6%

State Annual Costs (in millions)

Retirees	6/30/13	6/30/14	6/30/15	6/30/16
Employer costs				
Medical and drug	\$215.3	\$213.3	\$207.3	\$228.3
Medical and drug increase	1.0%	-0.9%	-2.8%	10.1%
Dental	15.2	16.2	16.5	18.0
Vision	2.7	2.8	2.9	3.0
Life	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
Total premiums	234.7	233.8	228.2	250.8
Retiree costs	1.9	2.2	2.4	2.8
Medicare Part B reimburse	<u>43.2</u>	<u>46.2</u>	<u>47.6</u>	<u>50.2</u>
Total costs	\$279.8	\$282.2	\$278.2	\$303.8
Total increase	2.5%	0.9%	-1.4%	9.2%

7/1/17 Changes for Actives

- HMSA and Kaiser medical plans – changes primarily relate to federal and state required changes to add gender identity coverage and to remove limitations (e.g. autism age and dollar and orthodontic services for orofacial anomalies age)
- CVS prescription drug plan – separating out the drug plan for the HMSA 75/25 members. Same plan benefit (i.e. copayments, coinsurance, formularies and programs).
 1. 7/1/16 - \$114.46 self, \$278.10 2-party & \$354.36 family
 2. 75/25 drug - \$53.96 self, \$131.10 2-party, & \$167.06 family
 3. Other plans - \$133.36 self, \$324.02 2-party & \$412.86 family

Active Premium Trend (EUTF)

EUTF Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 7/1/17 excluding ACA and EUTF fees	Annualized Growth (with drug)	Nat'l Trend
HMSA 90/10 medical	\$341.54	\$534.72	8.5% (9.5%*)	6.9%
HMSA 80/20 medical	325.90	426.28	5.0 (6.8*)	6.9
HMSA 75/25 medical (from 7/1/13)	307.38	285.76	-1.8 (2.3*)	6.9
HMSA HMO medical	387.86	631.62	9.3 (10.1*)	6.3
Prescription drug	60.80	128.36*	14.5*	9.0
Kaiser Comp HMO medical & drug	430.72	575.66	w/drug 5.4	See above
Kaiser Standard HMO medical & drug (from 7/1/13)	323.92	373.66	w/drug 3.6	See above

* Amount represents and percentage utilizes the composite CVS self-funded prescription drug premiums for all EUTF self-funded prescription drug plans.

Active Premium Trend (HSTA VB)

HSTA VB Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 7/1/17 excluding ACA and EUTF fees	Annualized Growth (with drug)	National Trend
HMSA 90/10 medical	\$405.40	\$463.44	2.5% (4.5%)	6.9%
HMSA 80/20 medical	257.18	364.38	6.5 (8.4)	6.9
Prescription drug	59.96	130.02	16.2	9.0
Kaiser Comp medical & drug	378.76	502.50	w/drug 5.3	HMO 6.3 Drug 9.0

Retiree Premium Trend (EUTF)

EUTF Medical and Prescription Drug Plans	Premiums 1/1/12 excluding ACA and EUTF fees	Premiums 1/1/17 excluding ACA and EUTF fees	Annualized Growth (with drug)	Nat'l Trend
Medicare				
HMSA 90/10 medical	\$175.88	\$223.86	4.9% (3.1%)	4.2%
Prescription drug	203.54	218.16	1.4	7.4
Kaiser Comp medical & drug	362.76	436.40	w/drug 3.8	w/drug 3.1
Non-Medicare				
HMSA 90/10 medical	379.24	497.24	5.6 (8.0)	6.9
Prescription drug	109.56	222.80	15.2	9.0
Kaiser Comp medical & drug	657.04	720.16	w/drug 1.8	HMO 6.3 Rx 9.0

Addressing Costs

- **Cleaning up enrollment**
- **Utilization**



Cleaning Up Enrollment

- Completed projects
 - Medicare Savings Program – 285 retirees (out of 550 retirees mailed a letter) had their Medicare Part B reimbursements discontinued because Medicaid is paying the Medicare Part B premiums for them (estimated savings \$358,758 annually)
 - Retiree dependents – approximately 650 dependents (out of approximately 1,200) were terminated from plans under an EUTF audit as they did not submit the required student certification (estimated savings \$3.3 million annually)

Cleaning Up Enrollment (continued)

1. Completed projects (continued)
 - Kaiser Permanente Senior Advantage plan (KPSA) – out of 345 Medicare Part B retirees/dependents eligible but who had not enrolled in KPSA, 270 enrolled in KPSA, 72 terminated plans and 3 were allowed to continue on the non-KPSA plan (estimates savings of \$1.7 million annually)
 - Validation of deaths – approximately 170 deaths were discovered on the initial comparison to the DOH state and the out-of-state death lists (estimated savings \$214,000 annually)

Cleaning Up Enrollment (continued)

2. Future audits
 - Another Medicare Savings Program audit
 - Verification that Medicare retirees are enrolled in the EUTF Medicare Part D (EGWP) plan.
 - Identification and removal of surviving spouses who have remarried.
 - Identification and removal of any retirees who have returned to State or county employment
 - Identification and removal of divorced spouses on the plans
3. Claims audits
4. EUTF Benefits Audit Specialist hired November 2016 (2016 legislature)

Utilization

1. Price inflation
 - HMSA payment transformation
2. Utilization
 - Education on how to use the benefits – e.g. mail order and generic drug, emergency room utilization and advanced care planning.
 - Plan design – addition of annual physical examination benefit at 100%, the Dr. Dean Ornish program, advanced care planning and changing copayment /coinsurance structure and formularies
 - Understanding our population
 - Understanding disease management programs
 - Targeted programs
 - Wellness programs

Targeted Programs

- Building awareness of wellness benefits
 1. Mailer describing well-being benefits to all EUTF carrier subscribers
 2. Employer guide to worksite wellness benefits
- Health risk assessments
- Visiting your primary care provider
- Diabetes management programs and services
- Screenings

Wellness Program

1. Understanding of your health benefits (EUTF)
2. How to access and begin using your health and wellness benefits
3. Biometric screenings and closing care gap examinations
4. Facilitate completion of health risk assessments
5. Health education classes
6. Informational session on health coaching
7. Blue Zones
8. Ongoing support

OPEB Assets

- OPEB stands for other postemployment benefits
- Generally, the State and counties have funded OPEB on a pay as you go basis
- 07/01/11 - \$149 million of county OPEB contributions were invested in a diversified investment portfolio. Pension Consulting Alliance (also consults for the ERS) has been the investment consultant since 2011.
- Act 304, SLH 2012 – allowed for the establishment of the OPEB Trust to prefund the OPEB liability and to protect the funds from creditors
- 06/30/13 – OPEB Trust established by the EUTF
- The OPEB Trust is an agent multiple employer trust. Each individual employer's assets, liabilities, contributions and risks are segregated and accounted for individually
- The ERS is a cost sharing multiple employer trust. All assets, liabilities, contributions and risks are commingled.

OPEB Assets – Contributions

- Pay as you go versus annual required contribution (ARC)
- The ARC is comprised of the normal cost and amortization of the unfunded liability over a period of 30 years
- Act 268, SLH 2013 requires the employers to fully fund the ARC beginning in FY 18-19 (phase in beginning FY 14-15).
- As of 9/30/16, the OPEB Trust is at \$1.67 billion (\$830.2 million for State)
- Projected to increase in 5 (6/30/21) and 10-years (6/30/26) to \$4.1 billion (\$2.5 billion for State) and \$8.4 billion (\$5.5 billion for State), respectively.

OPEB Assets – Investment Returns

- Investment hurdle: 7.0%
- Historical returns
 1. 07/01/11 – 06/30/12: 5.9%
 2. 07/01/12 – 06/30/13: 9.4
 3. 07/01/13 – 06/30/14: 15.3
 4. 07/01/14 – 06/30/15: 3.1
 5. 07/01/15 – 06/30/16: 2.6

07/01/11 – 06/30/16 (annualized): 7.1
- EUTF Investment Officer hired in August 2016 (2015 legislature)
- Act 030, SLH 2016 expanded the EUTF's permissible investments. The asset allocation was updated increasing expected returns to 7.3% from 6.4% while reducing risk, 10.9% standard deviation from 11.4%.
- With the growth in assets, lowered investment management fees from 22 basis points (0.22%) to 14 basis points (0.14%).

OPEB Assets – Investment Returns (continued)

Strategy	Investment Vehicle	Previous	Revised
Global Equity	Passive commingled	43%	38%
Private Equity			
Private Equity	Active separate funds	-	10
U.S. Microcap	Active separate	9	7
Real Estate			
Private RE	Active separate funds	-	10
REITs	Passive separate	16	6
Global Options	Active separate	-	7
Diversifying			
U.S. Fixed Income	Passive commingled	15	3
U.S. Treasuries	Passive separate	-	7
Trend Following	Active separate/comm.	-	7
TIPS	Active commingled	17	5

OPEB Liability

- Last actuarial valuation conducted as of 07/01/15. Next one scheduled as of 07/01/17.
- Assumptions
 1. Utilizes the same assumptions as the ERS valuation on mortality, termination rates, retirement rates
 2. Future health benefit inflation
 3. Discount or investment return rate of 7%
- Actuarial accrued liability equals the present value of the projected employer contributions to health benefit premiums for current retirees, deferred inactive retirees and current employees (based on service earned to date).
- ERS 5-year study resulted in longer life expectancies which will increase the actuarial accrued liability from \$9.3 billion to \$9.6 billion. ARC for FY18 increased from \$770 million to \$791 million. EUTF will incorporate these changes into the 7/1/17 actuarial valuation.

EUTF Retiree Benefit

- The employer contribution is based on the base monthly contribution or BMC (HRS 87A 33-36). The BMC increases at the same rate that Medicare Part B premiums increase.
- The employer contributes a percentage of the BMC based on the hire date and years of service.
- The Medicare Part B premium reimbursement is not dependent on hire date, years of service and whether they are enrolled in plans. This represents 17% of the OPEB liability.

EUTF Retiree Benefit

Hire Date and Years of Service	Employer Contribution %age of BMC
1) Hired prior to 7/1/96	
< 10 years	50%
10 or more years	100%
2) Hired after 6/30/96 and before 7/1/01	
< 10 years	0%
10-14 years	50%
15-24 years	75%
25 or more years	100%
3) Hired after 6/30/01	
Same as 06/30/96-7/1/01 hires but self only coverage	
Surviving spouses of retirees step into the place of the retiree as long as they do not enter into another marriage or domestic partnership. For hires after 6/30/01, the surviving spouse receives ½ of the deceased retiree's benefit .	

EUTF Retiree Benefit

As of 1/1/17	Kaiser	HMSA	UHC	100% BMC*	75% BMC*	50% BMC*
<u>Medicare (including medical, Rx, dental and vision)</u>						
Self	\$479	\$485	\$318	\$670	\$503	\$335
2-Party	935	945	623	1,343	1,007	672
Family	1,365	1,380	NA	1,956	1,467	978
<u>Non-Medicare (including medical, Rx, dental and vision)</u>						
Self	\$763	\$763	NA	\$941	\$706	\$470
2-Party	1,538	1,486	NA	1,896	1,422	948
Family	2,248	2,183	NA	2,775	2,081	1,388

EUTF Happenings

Health Benefit Claims Audits

- Segal completed the audit of prescription drug claims as administered by CVS for the period 5/1/12-6/30/13 active employees and non-Medicare retirees and 7/1/12-6/30/13 Medicare retirees
- Contracted Truven Health Analytics to audit CVS for the period 7/1/13-6/30/15 active employees and 7/1/13-12/31/14 retirees.
- Selected proposers for medical, dental, vision and life insurance audits on 1/17/17

Other Areas

- Issuing periodic updates to personnel offices and a separate notice to legislators, employers and unions.
- Electronic payments

FY18/FY19 Budget Requests

- FY18/FY19 – Full year funding for a Benefits Audit Specialist. Position was approved in the 2016 legislative session for half year funding.
- FY18/FY19 – Business Analyst position for half year FY18 (\$48,314) and full year FY19 (\$91,829) to understand businesses processes and linkages to the Benefits Administration System in order to automate manual processes. Position will also assist in determining whether we upgrade the current system, procure PeopleSoft or issue a RFP for a new system.

FY18/FY19 Budget Requests

- FY19 – Investment Specialist position for half year FY19 (\$48,314) to assist the EUTF Investment Officer (2nd position in the EUTF Investment Office). Over the past year, the EUTF has been adding active managers for global options, systematic trend following, and private market strategies. This involves more staff time on the selection of the managers, due diligence, fee negotiations, compliance monitoring and performance monitoring.
- FY18/FY19 – increases in fringe benefits for the EUTF Trust funded positions.



Thank you
