

## Partnership Plan 2.0 Operating Rules – Exhibit A

### **Premium rate development description**

Partnership plan 2.0 rates are developed using the state's overall claims experience. Separate rates are applicable for active employee groups, pre-65 retirees, Medicare eligible retirees and post 65 non-Medicare eligible retirees.

The rates are established in the following manner:

1. The medical and pharmacy claims experience was evaluated separately for actives, non-Medicare retirees and Medicare Retirees. The claims are summarized using claims for all plans consisting of state employees<sup>1</sup> and retirees to produce the experienced-based total incurred claim amount for the experience period.<sup>2</sup>
2. The experience-based total incurred claim amount is trended forward to FY2016.
3. Administrative fees, fees required by the Affordable Care Act, and Accountable Care Organizations (ACO) shared savings estimates are added to the claims cost. Pharmacy rebates are subtracted from the claims cost.
4. This amount is divided by the average number of employees by tier during the experience period during which the claims were extracted.

The formula for Actives is:

Single Employees + 2.2 x (Employee + 1 families) + 2.7 x Family Employees.

The formula for Non-Medicare Retirees is:

Single Employees + 2.2 x (Employee + 1 families) + 2.7 x Family Employees.

The formula for Medicare Retirees is:

Single Employees + 2.0 x (Employee + 1 families) + 2.0 x Family Employees.

Post-65 Retirees Not Eligible for Medicare rates are based on Pre-65 Retiree rates and adjusted to reflect member ages over 65 using Milliman's *Health Cost Guidelines*<sup>TM</sup>.

5. The result of this calculation is a premium amount for each tier (i.e. active employees, non-Medicare Retirees and Medicare retirees) for single employees. The premium rates to be charged for each tier were then established by the Office of the State Comptroller to comply with the SEBAC (State Employees Bargaining Agent Coalition) agreement.
6. Monthly premiums that vary by quarter according to the quarter in which the employer group's effective date falls.

---

<sup>1</sup> Partnership Plan groups were not included in the experience. Pooled non-state public employer groups will be included in the claims experience in future premium rate development.

7. Premium rates for non-state public employer rates are reset on July 1 and will be based on the entire pool's experience, meaning the combined incurred claims experience for state employees, state retirees, and non-state public employer experience that have joined the pool. The premiums are guaranteed until July 1 from the original effective date of coverage. Non-state public employers pay the same calculated premium regardless of the employer's specific experience.<sup>3</sup>

### **Considerations for Enrollment Acceptance**

If the non-state public employer application to the State Comptroller's office indicates the entire group will be enrolled, the employer may join the state pool subject to the current premium rate and benefit offering.

The application is not subject to traditional underwriting procedures whereby the premium rates are adjusted based on the characteristics of the group.

If the non-state public employer application to the state indicates that a portion of the group will be enrolled, less than the entire board, town or other non-state public employer's covered employees or retirees, the application will be forwarded to the Health Care Cost Containment Committee (HCCCC) for review. The following are considerations to be considered in the HCCCC review, but are not exhaustive:

1. If the intention is to shift a high risk or high cost population to the state plan for budget purposes, the application will be denied.
2. If the state plan is offered in conjunction with plans offering less generous benefits and lower costs, the application will generally be denied due to the likelihood that the state plan would attract a higher risk population than the competing option.
3. If the population is segmented by division, HCCCC may review the application to determine whether the segmentation will shift a significant portion of the high cost claims to the state while leaving more favorable populations in the employer's control. The Comptroller's office will supply any required analysis and a recommendation for the HCCCC to consider.

---

<sup>3</sup> Premium rates do not include the excise tax which will apply to certain health plans under the Affordable Care Act, in its current form, beginning in 2018. To the extent that the excise tax applies to premiums for nonstate public employers under the Partnership plan 2.0, such costs are the responsibility of the nonstate public employer. In this regard, current active rates are below the threshold. Rates will be developed annually based on actual experience. Applicants may request information regarding the state historical trends to assist in determining the potential impact, if any, of the excise tax provision on the partnership plan 2.0. The Health Care Cost Containment Committee is continually working to constrain health care costs through our HEP program, and other initiatives.

The Pre-65 retiree premium currently exceeds the excise tax threshold. Pre-65 retirees covered under the plan will be subject to an excise tax on only the premium amounts in excess of the statutory thresholds of \$11,850 for single and \$30,950 for family should the tax remain in place in its current form in 2018. (Please note that final regulations concerning the excise tax are not complete, some of the proposed regulations provide for higher thresholds for certain plans based upon age and/or gender.)

Once the application has been accepted, the non-state public employer will work with the state's third-party administrator to enroll.

### **Benefit Plan Offerings**

The state's benefit plan for non-state public employers are:<sup>4</sup>

- United Healthcare's POS plan
- CVS/Caremark Pharmacy Plan
- Cigna Dental Plan (Separate fully insured plan with separate premium rates) Cigna Vision (Separate rider, not included in the calculated premium rates)

The plan will be administered according to the POS benefit design, including medical management and case management administration. A participating non-state public employer must enroll in the health care and pharmacy plans in order to participate in the state's benefit plan. Participation in dental plan or the vision rider is not required, however, selecting one of the dental plans offered facilitates compliance monitoring of the HEP requirement for annual dental cleanings by participating members.

The plan is subject to HEP (Health Enhancement Program) compliance which is administered by Care Management Solutions, Inc.

After the first year of enrollment, members who are non-compliant with HEP will be moved to a non-compliant status in the POS plan which includes additional copays and deductibles. If a member is in a non-compliant status, there is an additional premium of \$100 per month that will be billed to the non-state public employer.

Participating non-state public employers are required to accept the State plan design without modification.

### **Run-out Claims**

The state will be responsible only for claims that are incurred on and after the effective date of enrollment. The self-insured non-state public employer is responsible for payment of all claims incurred prior to the date of its enrollment. Non-state public employers moving from fully-insured plans generally do not incur run-out costs as they are the responsibility of the insurer.

Should the non-state public employer leave the Partnership plan 2.0, the state will make claim payments after the termination date for those claims that were incurred during the group's enrollment in the Plan.<sup>5</sup> The non-state public employer will be responsible for paying an administrative fee for the processing of the run-out claims upon leaving the program.

---

<sup>4</sup> Vendors are subject to change, the State engages in a competitive bidding process on a regular basis to ensure the best possible price and service from vendors.

<sup>5</sup> In the event of a multi-day confinement, the start date of the claim must occur during the enrollment period.

## **Premium Payments**

Premiums are due on the first day of each month for that month's coverage. Once remitted, refunds are not permitted. There may be retroactive adjustments to premiums based on retroactive adjustments to the eligibility files. The Partnership plan rates are uniform across all non-state public employers regardless of size.

If premium payment by the non-state public employer is not paid by the date such payment is due, a non-state public employer will be assessed interest, retroactive to the date such payment was due, at the prevailing rate of interest as determined by the Comptroller.

If a non-state public employer fails to make premium payments, the Comptroller may direct the State Treasurer, or any other officer of the state who is the custodian of any moneys made available by grant, allocation or appropriation payable to such non-state public employer at any time subsequent to such failure, to withhold the payment of such moneys until the amount of the premium or interest due has been paid to the Comptroller, or until the State Treasurer or such custodial officer determines that arrangements have been made, to the satisfaction of the State Treasurer, for the payment of such premium and interest. Such moneys shall not be withheld if such withholding will adversely affect the receipt of any federal grant or aid in connection with such moneys.

In the event of non-payment by a non-state public employer, the Comptroller may direct the carriers to suspend payment of claims incurred by the non-state public employer's members until satisfactory arrangements have been paid to satisfy outstanding premium payments plus any accrued interest.

## **Catastrophic Claims**

Premium rates are developed using all claims experience, including large claims. High cost claims are pooled into the entire Plan experience. There will be no premium rate adjustments for any individual non-state public employers based on the existence or absence of high cost claims experience. Premium rate increases will be based upon the experience of the entire population covered under the state employee plan. Stop loss insurance is not necessary for plan participants.

## **Group Size**

All non-state public employers will receive the same premium rates regardless of size.

## **Exiting the Partnership plan 2.0.**

A non-state public employer that wishes to leave the Partnership 2.0 plan before expiration of the initial required three-year enrollment period must be current on all premiums and any interest assessed and may be subject to an assessment as set forth below. In no event will a withdrawing non-state public employer be entitled to a refund of premium payments due to differences in premiums paid and claims experience unless the exiting non-state public employer qualifies for dividend issue as defined below.

If an exiting group's actual experience since inception has been worse than the Partnership plan 2.0 rates that have been established for that group, the group will be assessed a fee as follows:

- o Exit after 1 year: Lesser of the excess of the group's total costs over the rates they were charged since joining the plan or 5% of the total premium paid by the group in the most recent Plan year.
- o Exit after 2 years: Lesser of the excess of the group's total costs over the rates charged since joining the plan or 3% of the total premium paid by the group in the most recent Plan year.
- Exit after 3 years or later: no assessment.

Groups continuing in the plan after the first 3 years will be required to sign an additional 3 year commitment; however no exit fee will apply if a group leaves prior to the end of the extension period.

### **Dividends**

Should a surplus start to accumulate in the "state employee plan premium account," amounts in excess of 20% annual premium for all participants will be distributed to participating non-state public employers in the form of dividends based upon the percent of membership of each non-state public employer. Dividends will be issued to bring the "state employee plan premium account" down to the 20% threshold.

Groups are not eligible to participate in any distributions of dividends until after they have completed 3 years of continuous participation in the Plan.

The balance of the "state employee plan premium account" on July 1 of each fiscal year will be used to determine dividend distributions. No dividends shall be paid out prior to the 3<sup>rd</sup> complete year of operation of the Partnership plan 2.0.

Groups enrolled in the plan in the fiscal year immediately preceding the date of dividend analysis that have exited the plan and otherwise meet the criteria for dividend distribution will receive their share of dividends.

### **Affordable Care Act Compliance**

Fees for Transitional Reinsurance and PCORI (Patient-Centered Outcomes Research Institute) and ACA fees are included in the rates and will be managed by the third-party administrator. These fees are built into the premium calculations based on Milliman's understanding of the ACA laws as they exist in June, 2015, and may be subject to change.

As an entity sponsoring a self-funded health plan, the State of Connecticut must report on non-employee individuals who are covered under its plan. A participating employer's number of full-time equivalent employees will be used to determine whether or not ACA reporting will be done by the State or will be the responsibility of the non-state public employer.

**Groups with Less than 50 Full-Time Employees**

If a participating non-state public employer has less than 50 full-time equivalent employees, the State will complete and mail the 1095-C forms directly to the enrolled members, using enrollment data obtained from Oxford/United Healthcare.

**Groups with More than 50 Full-Time Employees.**

Participating non-state public employers with more than 50 full-time equivalent employees are responsible for providing the IRS [Form 1095-C](#), *Employer-Provided Health Insurance Offer and Coverage* to covered individuals and filing [Form 1094-C](#) *Transmittal of Employer-Provided Health Insurance Offer* with the IRS.

A non-state public employer may consult with the state or the state's Partnership plan 2.0 administrators for assistance with meeting ACA compliance requirements. Any fees or penalties for non-compliance are to the responsibility of the non-state public employer.