EXECUTIVE COUNCIL OF IOWA AGENDA

State Capitol - Robert D. Ray Conference Room (G09) 10:00 a.m.

OCTOBER 27, 2014

1. Approval of minutes of meeting held October 20, 2014

2. Personal Appearance –

   A. Michelle Minnehan, Chief Operating Officer and Ed Holland, Bureau Chief, Iowa Department of Administrative Services, HRE will be present to request approval of Annual Group Insurance Renewals.
   TAB # 1

3. Emergency Allocations – Page 1

4. Payment of Cost Items – Page 1

3. Emergency Allocations

A. Iowa Communications Network is requesting an emergency allocation in the amount of $14,597.16. On September 15, 2014, ICN cable was damaged due to erosion along US Highway 34, near Red Haw and East of Chariton. Request is to cover repair.

The State Auditor's Office has reviewed this request and recommends allocation, subject to audit of actual invoices and supporting documentation and demonstration that no costs covered by the maintenance contract have been included.

4. Payment of Cost Items

A. Frandzel Robins Bloom & Csato, L.C.......................................$662.22
6500 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90048-4920
Wong v. Neutraltus Pharmaceuticals Inc. UOI Pharmaceuticals et, al

Jeffrey Thompson, Solicitor General, has reviewed this invoice and recommends payment. Payment will be made from the funds of the University of Iowa.

B. Barnes & Thornburg LLP.. $372.00
One North Wacker Drive, Suite 4400
Chicago, IL 60606
Peregrine Financial Group (PFG) Bankruptcy

Jeffrey S. Thompson, Solicitor General, has reviewed invoices and recommends payment. Payment will be made by UNI.

C. Hudson, Mallaney, Shindler & Anderson, P.C.............. $2,696.00
5015 Grand Ridge Drive, Suite 100
West Des Moines, IA 50265
Peregrine Financial Group (PFG) Bankruptcy

Jeffrey S. Thompson, Solicitor General, has reviewed invoices and recommends payment. Payment will be made by UNI.

TAB # 1

EXECUTIVE COUNCIL

Iowa Department of Administrative Services 2014 OCT 21 PM 1:16

Service • Efficiency • Value

DAS

Governor Terry E. Branstad
Lt. Governor Kim Reynolds
Janet Phipps, Director

October 27, 2014

MEMORANDUM

TO: The Honorable Terry E. Branstad, Governor
The Honorable Matt Schultz, Secretary of State
The Honorable Mary Mosiman, Auditor of State
The Honorable Michael L. Fitzgerald, Treasurer of State
The Honorable William H. Northey, Secretary of Agriculture & Land Stewardship

FR: Ed Holland, Bureau Chief
Department of Administrative Services - HRE

RE: Annual Group Insurance Renewal

In preparation for the Executive Council meeting on October 27th, attached are the materials related to the 2015 renewal for the State employees' group insurance program that were shared with the Insurance Committee. Upon approval, the insurance changes will become effective January 1, 2015. The Indemnity and Preferred Provider Organization (PPO) health premiums will be going up approximately 6.5%, while the Managed Care Organization (MCO) health premiums will be going up approximately 21.5%. These increases reflect a strategy to properly realign premiums based on the actual claim costs by plan. As noted in the documents, as members with higher claims experience have migrated to the MCO plans in recent years, the total claims experience has exceeded the premium generated.

We have received several inquiries from insurance committee members regarding the impact of the MCO premium change to non-contract employees. The increase of 21.5% to the MCO plans translates to an approximate $21/month increase for single plans and an approximate $49/month increase for family plans. We have provided Table 1 at the end of this document to clearly illustrate the impact of these changes on the monthly employee share.

Over the last 5 years, the Indemnity and PPO plans have been averaging a 3.2%/yr increase and the MCO plans have been averaging an annual 6.3% increase. It should be noted, all plans were impacted by the fees associated with the Federal health care legislation. The impact is almost 1% on the Indemnity and PPO plans and approximately 1.5% on the MCO plans. The financial impact is over $5 million.

The State Peace Officers' Council (SPOC) health premiums will be increasing by 2.1% and the dental premiums will be increasing by approximately 2.8%.

All other premium rates will not be changing from 2014, this includes the dental, long term disability (LTD), and basic term life premiums. The Life and LTD rates will be held constant for the next three years due to an RFP conducted in the winter of 2014.

On October 20, 2013 the Insurance Committee unanimously agreed to move forward the DAS renewal recommendations for all insurance rates to the Executive Council for review.

DAS-HRE is asking the Executive Council take the following action:

- Approve the health and dental premium rates.
- Approve that non-contract, executive branch, employees continue to have access to Deductible 3 Plus, Iowa Select and the MCO options available with a 20% contribution which can be offset by participation in the **Healthy Opportunities Wellness Program.**
- Approve the Life and LTD premium rates.

Table 1

Health Plan		2014 EE Share	2014 EE Share %	2015 - DAS Recommendation EE Share	2015 - DAS Recommendation EE Share %	2015 - DAS Recommendation Difference
Wellness Deductible 3 Plus	S	$ 67.98	8.6%	$ 78.12	9.3%	**$ 10.14**
Non-Contract	F	$279.68	15.1%	$303.60	15.4%	**$ 23.92**
Iowa Select	S	$ 66.54	8.5%	$ 76.66	9.2%	**$ 10.12**
Non-Contract	F	$276.32	15.1%	$300.16	15.4%	**$ 23.84**
Blue Access	S	$ 7.60	1.6%	$ 28.42	4.8%	**$ 20.82**
Non-Contract	F	$138.36	12.1%	$187.28	13.5%	**$ 48.92**
Blue Advantage	S	$ 3.88	0.8%	$ 24.10	4.2%	**$ 20.22**
Non-Contract	F	$129.68	11.8%	$177.22	13.3%	**$ 47.53**

Note: The "EE Share % column indicates the Employee Share percent of the total premium. The "Difference" column indicates the change in dollars on a monthly basis between what Non-Contract employees will pay in 2015 versus 2014.

October 15, 2014

MEMORANDUM

TO: Charlie Smithson, Secretary of State
Warren G. Jenkins, Chief Deputy - State Auditor's Office
Karen Austin, State Treasurer's Office
Steve Timmins, Department of Management representing the Governor's Office
Mike Naig, Department of Agriculture & Land Stewardship

FR: Ed Holland, Division Administrator
Department of Administrative Services - HRE

RE: Annual Group Insurance Renewal

Enclosed please find a summary of the 2015 renewal report for the State employees' group insurance program. The insurance changes will become effective January 1, 2015. The Indemnity and Preferred Provider Organization (PPO) health premiums will be going up approximately 6.5%, while the Managed Care Organization (MCO) health premiums will be going up approximately 21.5%. These increases reflect a strategy around realigning the respective types of plans' premiums based on the actual claim costs Wellmark is seeing in these plans. We will be covering in some detail the basis for this significant increase to the MCO plans during our meeting and a representative from Wellmark will be in attendance to answer questions. Over the last 5 years these plans have been averaging 3.2% and 6.3% increases, respectively. It should be noted, all plans were impacted by the fees associated with the Federal health care legislation. The impact is almost 1% on the Indemnity and PPO plans and approximately 1.5% on the MCO plans. The financial impact is over $5 million.

The State Peace Officers' Council (SPOC) health premiums will be increasing by 2.1% and the dental premiums will be increasing by approximately 2.8%.

All other premium rates will not be changing from 2014, this includes the dental, long term disability (LTD), and basic term life premiums. The Life and LTD rates will be held constant for the next three years due to an RFP conducted in the winter of 2014.

The renewal document reflects that:

- The UE/IUP state share will continue to be an 85/15% split of the family premium cost of Iowa Select. The state share of Iowa Select will be applied to all other family plans for UE/IUP employees. The State will continue to pay 100% of single and double spouse contracts.

- The AFSCME, AFSCME Judicial and PPME state share will also continue to be an 85/15% split of the family premium cost of Iowa Select. The state share of Iowa Select will be applied to all other family plans for these employees. The State will continue to pay 100% of single and double spouse contracts.

- The SPOC state share will continue to be an 80/20% of the total health insurance premium. However, by participating in the **Healthy Opportunities Wellness Program**, SPOC employees can reduce the amount of their health insurance premium contribution.

- Executive branch non-contract employees will also share in the cost of health insurance by paying 20% of the total health insurance premium. These employees will also be given the opportunity to participate in the **Healthy Opportunities Wellness Program**, which will allow these employees to reduce the amount of their health insurance premium contribution.

- By participating in the **Healthy Opportunities Wellness Program**, eligible employees can reduce the amount of their health insurance premium contribution in 2015 by:
    - $90/month for non-contract employees
    - $62/month for SPOC-covered employees

- To participate in the **Healthy Opportunities Wellness Program** and receive the 2015 premium reduction incentive, employees must complete the following during the designated timeframes:
    - Step 1: **Biometric screening**
    - Step 2: **Health assessment**
    - Step 3: **Elect to participate** in the wellness program in IowaBenefits during the annual enrollment and change period.
    - Step 4: **Health coaching**, if the employee stratifies for telephonic coaching the employee must complete all required calls to be eligible for the following year's incentive.

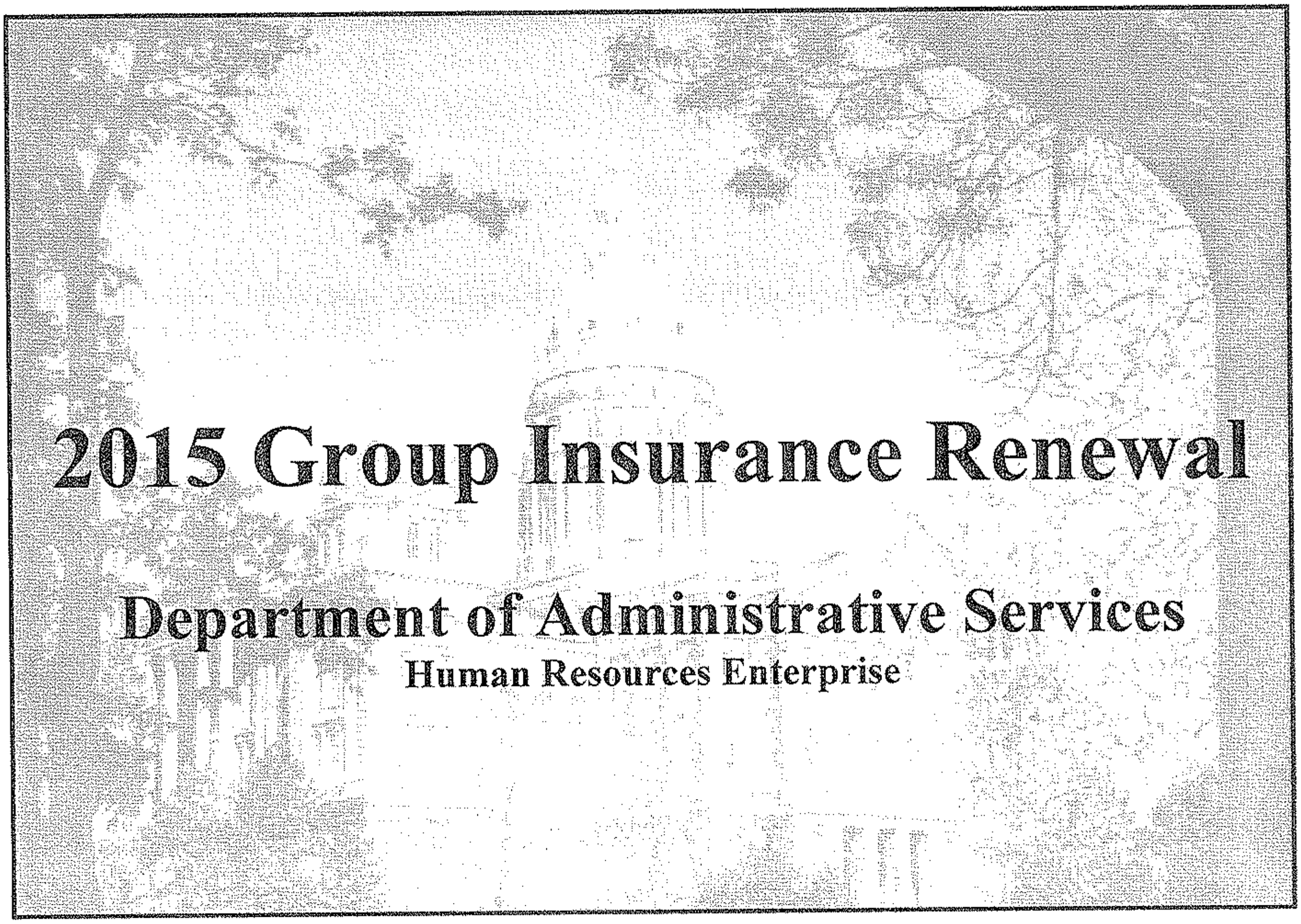
DAS-HRE is asking the Insurance Committee to do the following:

- Approve the health and dental premium rates for Executive Council review.

- Approve Executive Council review of non-contract, executive branch, employees continue to have access to Deductible 3 Plus, Iowa Select and the MCO options available but with a 20% contribution which can be offset by participation in the **Healthy Opportunities Wellness Program.**

- Approve the Life and LTD premium rates for Executive Council Review.

<u>Note:</u> Deloitte Consulting, LLP. comments supporting the renewals are included where appropriate.



2015 Group Insurance Renewal

Department of Administrative Services

Human Resources Enterprise

Prepared by Ed Holland ▪ Risk & Benefits Management ▪ October 2014

2015 Group Insurance Renewal

Table of Contents

Wellmark Premium Rates – Executive Branch Non-Contract
(Wellness Incentive Included)

Wellmark	Contract Type	2014 Total Premium	2014 State Share	2014 Employee Share	Percent Inc/(Dec)	2015 Total Premium	2015 State Share	2015 Employee Share
Deductible 3 Plus	Single	$789.81	$721.93	$67.98	6.4%	$840.65	$762.53	$78.12
	Family	$1,848.41	$1,568.73	$279.68	6.5%	$1,968.06	$1,664.46	$303.60
Iowa Select	Single	$782.74	$716.20	$66.54	6.5%	$833.30	$756.64	$76.66
	Family	$1,831.63	$1,555.31	$276.32	6.5%	$1,950.82	$1,650.66	$300.16
Blue Access	Single	$488.00	$480.40	$7.60	21.3%	$592.15	$563.73	$28.42
	Family	$1,141.87	$1,003.51	$138.36	21.4%	$1,386.47	$1,199.19	$187.28
Blue Advantage	Single	$469.40	$465.52	$3.88	21.6%	$570.57	$546.47	$24.10
	Family	$1,098.41	$968.73	$129.68	21.6%	$1,336.08	$1,158.86	$177.22

Assumes Participation in Wellness Program Requirements

Wellmark Premium Rates – Executive Branch Non-Contract
(Wellness Incentive Not Included)

Wellmark	Contract Type	2014 Total Premium	2014 State Share	2014 Employee Share	Percent Inc/(Dec)	2015 Total Premium	2015 State Share	2015 Employee Share
Deductible 3 Plus	Single	$789.81	$631.93	$157.98	6.4%	$840.65	$672.53	$168.12
	Family	$1,848.41	$1,478.73	$369.68	6.5%	$1,968.06	$1,574.46	$393.60
Iowa Select	Single	$782.74	$626.20	$156.54	6.5%	$833.30	$666.64	$166.66
	Family	$1,831.63	$1,465.31	$366.32	6.5%	$1,950.82	$1,560.66	$390.16
Blue Access	Single	$488.00	$390.40	$97.60	21.3%	$592.15	$473.73	$118.42
	Family	$1,141.87	$913.51	$228.36	21.4%	$1,386.47	$1,109.19	$277.28
Blue Advantage	Single	$469.40	$375.52	$93.88	21.6%	$570.57	$456.47	$114.10
	Family	$1,098.41	$878.73	$219.68	21.6%	$1,336.08	$1,068.86	$267.22

Does Not Assume Participation in Wellness Program Requirements

Wellmark Premium Rates – All Contract Covered Groups Except SPOC

Wellmark	Contract Type	2014 Total Premium	2014 State Share	2014 Employee Share	Percent Inc/(Dec)	2015 Total Premium	2015 State Share	2015 Employee Share
Program 3 Plus	Single	$773.54	$773.54	$0.00	6.5%	$823.84	$823.84	$0.00
	Family	$1,810.09	$1,533.67	$276.42	6.6%	$1,928.69	$1,634.37	$294.32
Deductible 3 Plus	Single	$777.68	$777.68	$0.00	6.5%	$828.09	$828.09	$0.00
	Family	$1,819.80	$1,533.66	$286.14	6.5%	$1,938.68	$1,634.36	$304.32
Iowa Select	Single	$771.07	$771.07	$0.00	6.5%	$821.31	$821.31	$0.00
	Family	$1,804.31	$1,533.67	$270.64	6.6%	$1,922.78	$1,634.36	$288.42
Blue Access	Single	$479.81	$479.81	$0.00	21.4%	$582.66	$582.66	$0.00
	Family	$1,122.73	$1,122.73	$0.00	21.5%	$1,364.27	$1,364.27	$0.00
Blue Advantage	Single	$461.71	$461.71	$0.00	21.7%	$561.67	$561.67	$0.00
	Family	$1,080.44	$1,080.44	$0.00	21.7%	$1,315.24	$1,315.24	$0.00

Wellmark Premium Rates – SPOC
(Wellness Incentive Included)

Wellmark	Contract Type	2014			Percent Inc/(Dec)	2015		
		Total Premium	State Share	Employee Share		Total Premium	State Share	Employee Share
Alliance Select	Single	$378.63	$364.91	$13.72	2.13%	$386.70	$368.96	$17.74
	EE+Spouse	775.43	682.35	93.08	2.13%	$791.96	$690.62	$101.34
	EE+Children	716.75	635.41	81.34	2.13%	$732.02	$643.06	$88.96
	Family	$1,162.02	$991.62	$170.40	2.13%	$1,186.78	$1,004.00	$182.78

Assumes Participation in Wellness Program Requirements

Wellmark Premium Rates – SPOC
(Wellness Incentive Not Included)

Wellmark	Contract Type	2014			Percent Inc/(Dec)	2015		
		Total Premium	State Share	Employee Share		Total Premium	State Share	Employee Share
Alliance Select	Single	$378.63	$302.91	$75.72	2.13%	$386.70	$306.96	$79.74
	EE+Spouse	775.43	620.35	155.08	2.13%	$791.96	$628.62	$163.34
	EE+Children	716.75	573.41	143.34	2.13%	$732.02	$581.06	$150.96
	Family	$1,162.02	$929.62	$232.40	2.13%	$1,186.78	$942.00	$244.78

Does Not Assume Participation in Wellness Program Requirements

2015 Managed Care Service Areas (Map)*

*Shaded counties are covered by the managed care carrier network

Delta Dental Premium Rates

American Federation of State County and Municipal Employees (AFSCME), Non-Contract, AFSCME Judicial Employees & Public Professional and Maintenance Employees (PPME)

ACTUAL DENTAL INSURANCE RATES							
	2014				2015		
Delta Dental	Total Premium	State Share	Employee Share	Percent Inc/(Dec)	Total Premium	State Share	Employee Share
(S)	$29.13	$29.13	$0.00	0.00%	$29.13	$29.13	$0.00
(F)	$78.29	$39.15	$39.14	0.00%	$78.29	$39.15	$39.14

United Electrical/Iowa United Professionals (UE/IUP)

ACTUAL DENTAL INSURANCE RATES							
	2014				2015		
Delta Dental	Total Premium	State Share	Employee Share	Percent Inc/(Dec)	Total Premium	State Share	Employee Share
(S)	$29.13	$29.13	$0.00	0.00%	$29.13	$29.13	$0.00
(F)	$78.29	$29.13	$49.16	0.00%	$78.29	$29.13	$49.16

State Peace Officers Council (SPOC)

ACTUAL DENTAL INSURANCE RATES							
	2014				2015		
Delta Dental	Total Premium	State Share	Employee Share	Percent Inc/(Dec)	Total Premium	State Share	Employee Share
(S)	$30.59	$30.59	$0.00	2.81%	$31.45	$31.45	$0.00
(F)	$76.91	$59.99	$16.92	2.83%	$79.09	$61.09	$18.00

<u>**Note:**</u> The only difference between tables is the collectively bargained State and Employee shares.

Estimated Actual Insurance Funding

Annual Totals for Active Employees

Increase/Decrease in State contribution to total group insurance cost = 11.5% Increase
Increase/Decrease in Employee contribution to total group insurance cost = 2.7% Decrease
Increase/Decrease in Total Premium cost = 10.9% Increase

	2014			2015		
	State Contribution	**Employee Contribution**	**Total Premium**	**State Contribution**	**Employee Contribution**	**Total Premium**
PPO/Indemnity*	$110,035,543	$10,289,275	$120,324,818	$103,427,311	$9,922,623	$113,349,934
MCOs	$212,529,493	$3,095,373	$215,624,866	$259,500,199	$4,224,255	$263,724,454
SPOC	$5,850,996	$904,729	$6,755,725	$5,523,488	$926,261	$6,449,749
Subtotal	**$328,416,032**	**$14,289,377**	**$342,705,409**	**$368,450,998**	**$15,073,139**	**$383,524,137**
Dental	**$11,453,091**	**$7,726,322**	**$19,179,413**	**$11,125,954**	**$7,658,418**	**$18,784,372**
Basic Life	$871,589	$0.00	$871,589	$860,565	$0.00	$860,565
Supp. Life	$0.00	$2,587,214	$2,587,214	$0.00	$2,529,513	$2,529,513
Subtotal	**$871,589**	**$2,587,214**	**$3,458,803**	**$860,565**	**$2,529,513**	**$3,390,078**
LTD	**$3,770,112**	**$0.00**	**$3,770,112**	**$3,724,389**	**$0.00**	**$3,724,389**
GRAND TOTAL	**$344,510,824**	**$24,602,912**	**$369,113,736**	**$384,161,906**	**$25,261,070**	**$409,422,976**

Deloitte.

October 8, 2014

STATE OF IOWA
2015 Medical and Dental Plan Renewal Report

Background

Deloitte Consulting LLP (Deloitte Consulting) has been retained by the State of Iowa Department of Administrative Services (the Department) to review the appropriateness of the medical renewal prepared by the State's current provider.

The State currently contracts with Wellmark Blue Cross and Blue Shield of Iowa (Wellmark) under a minimum premium arrangement offering five medical plans.

We analyzed the proposed medical renewal rates and all supporting information provided to determine if the proposed fees and underwriting were appropriate. This report outlines our approach and observations from our review of the renewals.

Prior to the release of this report, a detailed medical renewal analysis report was prepared for the Department to assist in the renewal discussions with Wellmark.

Deloitte Consulting was not asked to review the dental renewal for 2015 as the required increase is 0%.

Wellmark Minimum Premium Plans

Wellmark was required to complete a comprehensive data filing as part of the 2015 renewal process. In addition, Wellmark provided a detailed renewal calculation and other requested data submissions. Deloitte Consulting reviewed the following areas to evaluate the reasonableness of the rate renewal:

- Observed and projected trend assumptions
- Per employee per month (PEPM) claim levels and costs
- Administration, disease management, and retention fees
- Other adjustment factors
- Overall rating methodology

Historical (observed) per employee claims cost trend for the State program has been favorable since rates were set for 2014. Claims experience for the period used in the 2015 projections (June 2013-May 2014) showed a per employee increase near market trend levels (<5%) compared to the prior twelve month period.

Fixed costs included in the 2015 rate projection were also reasonable compared to the prior year. Retention included in the projected 2015 rates including administrative fees, network access fees, margin, etc. is projected to decrease approximately 11% primarily due to a reduction in the cost to administer the disease management programs.

The initial renewal projection delivered to the State on July 1, 2014, projected a 9.28% increase for 2015 maximum liability rates. In this initial projection, the overall underwriting trend factors used took into account Wellmark's corporate cost and utilization trend. The resultant projected annual trend factors of 5.5% medical and 7.5% drug are within the acceptable range of what we are seeing in the market, however, they did not incorporate the State's observed utilization trend which has been below market norms. Because of this, we requested Wellmark to revise their projection utilizing the contractual trend factors which resulted in a required increase in the maximum liability rates of 7.25% for calendar year 2015 versus the 9.28% increase calculated in the initial renewal projection.

The contractual methodology for calculating projected trend factors is to utilize Wellmark's corporate cost trend and the two-year average of the State's actual observed utilization trend, which as mentioned above, has been below market norms. Utilizing this method, the projected trend factors are less than 1% for the non-WHPI (Wellmark Health Plan of Iowa) plans and close to 5% combined medical/drug for the WHPI plans.

Wellmark indicated that there is adverse selection taking place with the migration of members to the WHPI plans that have lower rates than the non-WHPI options. The proportion of total enrollment within the WHPI plans has increased by more than 10% since 2011 and based on our review of the recent renewal calculations and Wellmark presentations, observed and projected trends in the WHPI plans are at least 3%-4% greater than trends observed in the non-WHPI plans. This migration impact accounts for the required renewal increase being above the historical or standard market trend levels.

It is our understanding the State has elected to apply varying rate increases to the WHPI and non-WHPI plans to close the premium gap between the two options and better align plan premiums with underlying benefits. The selected approach applies approximately an 11.2% increase to the maximum liability rates for the WHPI plans while holding non-WHPI maximum liability rates constant with 2014 rates. The overall aggregate maximum liability rate increase remains at 7.25% which aligns with Wellmark's final renewal calculation. Note the final premium increases will vary due to factors such as terminal liability rate changes, current surplus/deficit funding level adjustments, and administrative fee changes.

We believe the approach of varying the rate increase by plan design is a reasonable action to more closely align plan premiums with underlying benefits and to mitigate the impact of adverse selection due to enrollment migration from non-WHPI to WHPI plans in the future. We recommend continued monitoring of the benefit and premium relationships between these plan options for future renewal calculations.

Total Premium Impact

Based on our review of the information provided by the State, we believe the total premium impact (maximum liability + terminal liability) for the 2015 calendar year would be approximately 16%.

As a result of the adverse selection impact discussed above, claims experience in 2013 and 2014 has been worse than originally anticipated resulting in a current deficit position in the maximum liability funding levels. Adjustments to the 2015 total premiums are incorporated to fund the projected year-end 2014 deficit. In addition, the State of Iowa will be required to pay certain fees required by the Patient Protection and Affordable Care Act (PPACA) during 2015. These fees have not been included in the maximum liability rates discussed above; however, they have been incorporated in the estimated total premium impact.

Please note we did not perform an independent calculation of the required premium change, rather, we reviewed the Wellmark renewal information (as discussed above) and included adjustments based on conversations and data provided by the State during the course of our review. This is an approximation only and will vary by plan design and final rating decisions by the State.

Summary

To conclude, Deloitte Consulting has reviewed the 2015 State of Iowa medical renewal in detail and believe the proposed ratings and methodologies used are reasonable and appropriate. We recommend accepting the proposed maximum liability rates. We also recommend the State continue discussions with Wellmark to revisit 2013-2015 terminal liability rate assumptions as more data becomes available to gain a better understanding of how claim runout may impact future premium levels.

We appreciate the opportunity to perform this analysis for you. If you have questions or need support implementing the above recommendations or further renewal analysis please do not hesitate to contact Pat Pechacek at ppechacek@deloitte.com or (612) 397-4033, Tim Egan at tiegan@deloitte.com or (612) 397-4463, or Josh Johnson at jkjohnson@deloitte.com or (612) 659-2782.

2015 Health & Dental Recommendations

DAS-HRE is asking the Insurance Committee to do the following:

A. Approve the health and dental premium rates for Executive Council Review.

B. Approve for Executive Council Review, that non-contract, executive branch, employees continue to have access to Deductible 3 Plus, Iowa Select and the MCO options available but with a 20% contribution which can be offset by participation in the Healthy Opportunities Wellness Program.

Actual Life & Long-Term Disability Premium Rates

American Federation of State County and Municipal Employees (AFSCME), United Electrical/Iowa United Professionals (UE/IUP), Non-Contract, Judicial AFSCME, & Public Professional and Maintenance employees (PPME)

Basic Life Monthly Premium Rates			
	Plan Year 2014 (20,000)	Plan Year 2015 (20,000)	Percent Inc/(Dec)
Under 65 - $20,000	$3.34	$3.34	0.0%
65 – 69 - $13,200	$2.20	$2.20	0.0%
70 – 74 - $8,300	$1.39	$1.39	0.0%
75 & Over - $5,700	$0.95	$0.95	0.0%

State Police Officer's Council (SPOC)

Basic Life Monthly Premium Rates			
	Plan Year 2014 (50,000)	Plan Year 2015 (50,000)	Percent Inc/(Dec)
Under 65 - $50,000	$8.35	$8.35	0.0%
65 – 69 - $33,000	$5.51	$5.51	0.0%
70 – 74 - $20,750	$3.47	$3.47	0.0%
75 & Over - $14,250	$2.38	$2.38	0.0%

Long-Term Disability (LTD) Premium Rates		
Plan Year 2014	Plan Year 2015	Percent Inc/(Dec)
$0.343 per $100 covered monthly compensation	$0.343 per $100 covered monthly compensation	0.0%

Formula for monthly LTD cost =

$$\frac{\text{Biweekly Salary (to annual maximum of \$60,000) X 26 X .00343}}{12}$$

Actual Life Insurance Premiums

Effective January 1, 2015

Basic Life Premiums (SOI)

(State Funded)

Age	Amount of Insurance Available	Monthly Premium
<65	$ 20,000	$3.34
65-69	$ 13,200	$2.20
70-74	$ 8,300	$1.39
75 & Over	$ 5,700	$0.95

Basic Life Premiums (SPOC)

(State Funded)

Age	Amount of Insurance Available	Monthly Premium
<65	$ 50,000	$8.35
65-69	$ 33,000	$5.51
70-74	$ 20,750	$3.47
75 & Over	$ 14,250	$2.38

Optional (Employee Funded) Supplemental Life Insurance Rates

$5,000 Schedule I

Age	Amount of Insurance Available	Monthly Premium
29 & Under	5,000	$0.28
30-34	5,000	$0.33
35-39	5,000	$0.43
40-44	5,000	$0.55
45-49	5,000	$0.82
50-54	5,000	$1.27
55-59	5,000	$2.27
60-64	5,000	$3.42
65-69	3,300	$3.70
70-74	2,075	$3.41
75-79	1,425	$2.97
80 & Over	1,000	$2.09

$10,000 Schedule II

Age	Amount of Insurance Available	Monthly Premium
29 & Under	10,000	$0.56
30-34	10,000	$0.66
35-39	10,000	$0.85
40-44	10,000	$1.10
45-49	10,000	$1.63
50-54	10,000	$2.54
55-59	10,000	$4.54
60-64	10,000	$6.84
65-69	6,600	$7.40
70-74	4,150	$6.81
75-79	2,850	$5.94
80 & Over	2,000	$4.17

$15,000 Schedule III

Age	Amount of Insurance Available	Monthly Premium
29 & Under	15,000	$0.84
30-34	15,000	$0.99
35-39	15,000	$1.28
40-44	15,000	$1.65
45-49	15,000	$2.45
50-54	15,000	$3.81
55-59	15,000	$6.81
60-64	15,000	$10.26
65-69	9,900	$11.10
70-74	6,225	$10.21
75-79	4,275	$8.91
80 & Over	3,000	$6.26

Note: SPOC-covered employees are eligible for $50,000 of Basic Life Insurance and $250,000 of Supplemental Insurance due to their bargaining agreement. UE/IUP-covered employees are eligible for $20,000 of Basic Life Insurance and $40,000 of Supplemental Insurance due to their bargaining agreement. All other employees are eligible for $20,000 of Basic Life Insurance and $100,000 of Supplemental Insurance.

Actual Life Insurance Premiums (Cont'd)

$20,000
Schedule IV

Age	Amount of Insurance Available	Monthly Premium
29 & Under	20,000	$1.12
30-34	20,000	$1.32
35-39	20,000	$1.70
40-44	20,000	$2.20
45-49	20,000	$3.26
50-54	20,000	$5.08
55-59	20,000	$9.08
60-64	20,000	$13.68
65-69	13,200	$14.80
70-74	8,300	$13.62
75-79	5,700	$11.88
80 & Over	4,000	$8.34

$25,000
Schedule V

Age	Amount of Insurance Available	Monthly Premium
29 & Under	25,000	$1.40
30-34	25,000	$1.65
35-39	25,000	$2.13
40-44	25,000	$2.75
45-49	25,000	$4.08
50-54	25,000	$6.35
55-59	25,000	$11.35
60-64	25,000	$17.10
65-69	16,500	$18.50
70-74	10,375	$17.02
75-79	7,125	$14.85
80 & Over	5,000	$10.42

$30,000
Schedule VI

Age	Amount of Insurance Available	Monthly Premium
29 & Under	30,000	$1.68
30-34	30,000	$1.98
35-39	30,000	$2.55
40-44	30,000	$3.30
45-49	30,000	$4.89
50-54	30,000	$7.62
55-59	30,000	$13.62
60-64	30,000	$20.52
65-69	19,800	$22.20
70-74	12,450	$20.42
75-79	8,550	$17.82
80 & Over	6,000	$12.51

$35,000
Schedule VII

Age	Amount of Insurance Available	Monthly Premium
29 & Under	35,000	$1.96
30-34	35,000	$2.31
35-39	35,000	$2.98
40-44	35,000	$3.85
45-49	35,000	$5.71
50-54	35,000	$8.89
55-59	35,000	$15.89
60-64	35,000	$23.94
65-69	23,100	$25.90
70-74	14,525	$23.83
75-79	9,975	$20.79
80 & Over	7,000	$14.59

$40,000
Schedule VIII

Age	Amount of Insurance Available	Monthly Premium
29 & Under	40,000	$2.24
30-34	40,000	$2.64
35-39	40,000	$3.40
40-44	40,000	$4.40
45-49	40,000	$6.52
50-54	40,000	$10.16
55-59	40,000	$18.16
60-64	40,000	$27.36
65-69	26,400	$29.60
70-74	16,600	$27.23
75-79	11,400	$23.76
80 & Over	8,000	$16.68

$45,000
Schedule IX

Age	Amount of Insurance Available	Monthly Premium
29 & Under	45,000	$2.52
30-34	45,000	$2.97
35-39	45,000	$3.83
40-44	45,000	$4.95
45-49	45,000	$7.34
50-54	45,000	$11.43
55-59	45,000	$20.43
60-64	45,000	$30.78
65-69	29,700	$33.30
70-74	18,675	$30.63
75-79	12,825	$26.73
80 & Over	9,000	$18.76

Actual Life Insurance Premiums (Cont'd)

$50,000
Schedule X

Age	Amount of Insurance Available	Monthly Premium
29 & Under	50,000	$2.80
30-34	50,000	$3.30
35-39	50,000	$4.25
40-44	50,000	$5.50
45-49	50,000	$8.15
50-54	50,000	$12.70
55-59	50,000	$22.70
60-64	50,000	$34.20
65-69	33,000	$37.00
70-74	20,750	$34.03
75-79	14,250	$29.70
80 & Over	10,000	$20.84

$55,000
Schedule XI

Age	Amount of Insurance Available	Monthly Premium
29 & Under	55,000	$3.08
30-34	55,000	$3.63
35-39	55,000	$4.68
40-44	55,000	$6.05
45-49	55,000	$8.97
50-54	55,000	$13.97
55-59	55,000	$24.97
60-64	55,000	$37.62
65-69	36,300	$40.70
70-74	22,825	$37.44
75-79	15,675	$32.67
80 & Over	11,000	$22.93

$60,000
Schedule XII

Age	Amount of Insurance Available	Monthly Premium
29 & Under	60,000	$3.36
30-34	60,000	$3.96
35-39	60,000	$5.10
40-44	60,000	$6.60
45-49	60,000	$9.78
50-54	60,000	$15.24
55-59	60,000	$27.24
60-64	60,000	$41.04
65-69	39,600	$44.40
70-74	24,900	$40.84
75-79	17,100	$35.64
80 & Over	12,000	$25.01

$65,000
Schedule XIII

Age	Amount of Insurance Available	Monthly Premium
29 & Under	65,000	$3.64
30-34	65,000	$4.29
35-39	65,000	$5.53
40-44	65,000	$7.15
45-49	65,000	$10.60
50-54	65,000	$16.51
55-59	65,000	$29.51
60-64	65,000	$44.46
65-69	42,900	$48.10
70-74	26,975	$44.24
75-79	18,525	$38.61
80 & Over	13,000	$27.10

$70,000
Schedule XIV

Age	Amount of Insurance Available	Monthly Premium
29 & Under	70,000	$3.92
30-34	70,000	$4.62
35-39	70,000	$5.95
40-44	70,000	$7.70
45-49	70,000	$11.41
50-54	70,000	$17.78
55-59	70,000	$31.78
60-64	70,000	$47.88
65-69	46,200	$51.80
70-74	29,050	$47.65
75-79	19,950	$41.58
80 & Over	14,000	$29.18

$75,000
Schedule XV

Age	Amount of Insurance Available	Monthly Premium
29 & Under	75,000	$4.20
30-34	75,000	$4.95
35-39	75,000	$6.38
40-44	75,000	$8.25
45-49	75,000	$12.23
50-54	75,000	$19.05
55-59	75,000	$34.05
60-64	75,000	$51.30
65-69	49,500	$55.49
70-74	31,125	$51.05
75-79	21,375	$44.55
80 & Over	15,000	$31.26

Actual Life Insurance Premiums (Cont'd)

$80,000
Schedule XVI

Age	Amount of Insurance Available	Monthly Premium
29 & Under	80,000	$4.48
30-34	80,000	$5.28
35-39	80,000	$6.80
40-44	80,000	$8.80
45-49	80,000	$13.04
50-54	80,000	$20.32
55-59	80,000	$36.32
60-64	80,000	$54.72
65-69	52,800	$59.19
70-74	33,200	$54.45
75-79	22,800	$47.52
80 & Over	16,000	$33.35

$85,000
Schedule XVII

Age	Amount of Insurance Available	Monthly Premium
29 & Under	85,000	$4.76
30-34	85,000	$5.61
35-39	85,000	$7.23
40-44	85,000	$9.35
45-49	85,000	$13.86
50-54	85,000	$21.59
55-59	85,000	$38.59
60-64	85,000	$58.14
65-69	56,100	$62.89
70-74	35,275	$57.86
75-79	24,225	$50.49
80 & Over	17,000	$35.43

$90,000
Schedule XVIII

Age	Amount of Insurance Available	Monthly Premium
29 & Under	90,000	$5.04
30-34	90,000	$5.94
35-39	90,000	$7.65
40-44	90,000	$9.90
45-49	90,000	$14.67
50-54	90,000	$22.86
55-59	90,000	$40.86
60-64	90,000	$61.56
65-69	59,400	$66.59
70-74	37,350	$61.26
75-79	25,650	$53.46
80 & Over	18,000	$37.52

$95,000
Schedule XIX

Age	Amount of Insurance Available	Monthly Premium
29 & Under	95,000	$5.32
30-34	95,000	$6.27
35-39	95,000	$8.08
40-44	95,000	$10.45
45-49	95,000	$15.49
50-54	95,000	$24.13
55-59	95,000	$43.13
60-64	95,000	$64.98
65-69	62,700	$70.29
70-74	39,425	$64.66
75-79	27,075	$56.43
80 & Over	19,000	$39.60

$100,000
Schedule XX

Age	Amount of Insurance Available	Monthly Premium
29 & Under	100,000	$5.60
30-34	100,000	$6.60
35-39	100,000	$8.50
40-44	100,000	$11.00
45-49	100,000	$16.30
50-54	100,000	$25.40
55-59	100,000	$45.40
60-64	100,000	$68.40
65-69	66,000	$73.99
70-74	41,500	$68.06
75-79	28,500	$59.40
80 & Over	20,000	$41.68

$125,000
Schedule XXI

Age	Amount of Insurance Available	Monthly Premium
29 & Under	125,000	$7.00
30-34	125,000	$8.25
35-39	125,000	$10.63
40-44	125,000	$13.75
45-49	125,000	$20.38
50-54	125,000	$31.75
55-59	125,000	$56.75
60-64	125,000	$85.50
65-69	82,500	$92.49
70-74	51,875	$85.08
75-79	35,625	$74.25
80 & Over	25,000	$52.10

Actual Life Insurance Premiums (Cont'd)

$150,000
Schedule XXII

Age	Amount of Insurance Available	Monthly Premium
29 & Under	150,000	$8.40
30-34	150,000	$9.90
35-39	150,000	$12.75
40-44	150,000	$16.50
45-49	150,000	$24.45
50-54	150,000	$38.10
55-59	150,000	$68.10
60-64	150,000	$102.60
65-69	99,000	$110.98
70-74	62,250	$102.09
75-79	42,750	$89.10
80 & Over	30,000	$62.52

$175,000
Schedule XXIII

Age	Amount of Insurance Available	Monthly Premium
29 & Under	175,000	$9.80
30-34	175,000	$11.55
35-39	175,000	$14.88
40-44	175,000	$19.25
45-49	175,000	$28.53
50-54	175,000	$44.45
55-59	175,000	$79.45
60-64	175,000	$119.70
65-69	115,500	$129.48
70-74	72,625	$119.11
75-79	49,875	$103.94
80 & Over	35,000	$72.94

$200,000
Schedule XXIV

Age	Amount of Insurance Available	Monthly Premium
29 & Under	200,000	$11.20
30-34	200,000	$13.20
35-39	200,000	$17.00
40-44	200,000	$22.00
45-49	200,000	$32.60
50-54	200,000	$50.80
55-59	200,000	$90.80
60-64	200,000	$136.80
65-69	132,000	$147.98
70-74	83,000	$136.12
75-79	57,000	$118.79
80 & Over	40,000	$83.36

$225,000
Schedule XXV

Age	Amount of Insurance Available	Monthly Premium
29 & Under	225,000	$12.60
30-34	225,000	$14.85
35-39	225,000	$19.13
40-44	225,000	$24.75
45-49	225,000	$36.68
50-54	225,000	$57.15
55-59	225,000	$102.15
60-64	225,000	$153.90
65-69	148,500	$166.47
70-74	93,375	$153.14
75-79	64,125	$133.64
80 & Over	45,000	$93.78

$250,000
Schedule XXVI

Age	Amount of Insurance Available	Monthly Premium
29 & Under	250,000	$14.00
30-34	250,000	$16.50
35-39	250,000	$21.25
40-44	250,000	$27.50
45-49	250,000	$40.75
50-54	250,000	$63.50
55-59	250,000	$113.50
60-64	250,000	$171.00
65-69	165,000	$184.97
70-74	103,750	$170.15
75-79	71,250	$148.49
80 & Over	50,000	$104.20

2015 Life & Long-Term Disability Recommendations

DAS-HRE is asking the Insurance Committee to do the following:

A. Approve the Life and LTD premium rates for Executive Council Review.

Health Insurance Program
Five Year Look Back

		2011		2012		2013		2014		2015		
		Cost	Change	Cost	Change	Cost	Change	Cost	Change	Cost	Change	**Avg. Inc.**
Program 3 Plus	Single	$ 750.62	5.4%	$ 756.45	0.8%	$ 709.31	-6.2%	$ 773.54	9.1%	$ 823.84	6.5%	3.14%
	Family	$ 1,756.45	5.4%	$ 1,770.13	0.8%	$ 1,658.45	-6.3%	$ 1,810.09	9.1%	$ 1,928.69	6.6%	3.15%
Deductible 3 +	Single	$ 754.39	5.4%	$ 760.48	0.8%	$ 713.09	-6.2%	$ 777.68	9.1%	$ 828.09	6.5%	3.14%
	Family	$ 1,765.33	5.4%	$ 1,779.59	0.8%	$ 1,667.32	-6.3%	$ 1,819.80	9.1%	$ 1,938.68	6.5%	3.15%
Iowa Select	Single	$ 747.91	5.4%	$ 754.11	0.8%	$ 707.05	-6.2%	$ 771.07	9.1%	$ 821.31	6.5%	3.15%
	Family	$ 1,750.14	5.4%	$ 1,764.61	0.8%	$ 1,653.18	-6.3%	$ 1,804.31	9.1%	$ 1,922.78	6.6%	3.16%
Blue Access	Single	$ 468.10	5.7%	$ 471.85	0.8%	$ 440.96	-6.5%	$ 479.81	8.8%	$ 582.66	21.4%	6.32%
	Family	$ 1,095.34	5.7%	$ 1,104.11	0.8%	$ 1,030.49	-6.7%	$ 1,122.73	9.0%	$ 1,364.27	21.5%	6.34%
Blue Advantage	Single	$ 450.69	5.7%	$ 454.32	0.8%	$ 424.43	-6.6%	$ 461.71	8.8%	$ 561.67	21.6%	6.36%
	Family	$ 1,054.65	5.7%	$ 1,063.14	0.8%	$ 991.86	-6.7%	$ 1,080.44	8.9%	$ 1,315.24	21.7%	6.37%
SPOC Alliance	Single	NA	NA	NA	NA	NA	NA	$ 378.63	NA	$ 386.70	2.1%	NA
	EE+S	NA	NA	NA	NA	NA	NA	$ 775.43	NA	$ 791.96	2.1%	NA
	EE+C	NA	NA	NA	NA	NA	NA	$ 716.75	NA	$ 732.02	2.1%	NA
	Family	NA	NA	NA	NA	NA	NA	$ 1,162.02	NA	$ 1,186.78	2.1%	NA

Note: Prior to 2014 the SPOC plan was on a FY basis with different contract tiers, data is provided on a go forward basis.

	2011		2012		2013		2014		2015		Avg. Inc.
Total Cost	$ 330,327,631	-4.9%	$ 340,661,512	3.1%	$ 317,722,257	-6.7%	$ 342,705,409	7.9%	$ 383,524,137	11.9%	2.08%
State Cost	$ 318,397,832	-4.6%	$ 329,772,927	3.6%	$ 307,362,948	-6.8%	$ 328,416,032	6.8%	$ 368,450,585	12.2%	2.07%
Employee Cost	$ 11,929,799	-11.9%	$ 10,888,585	-8.7%	$ 10,359,309	-4.9%	$ 14,289,377	37.9%	$ 15,073,552	5.5%	2.27%

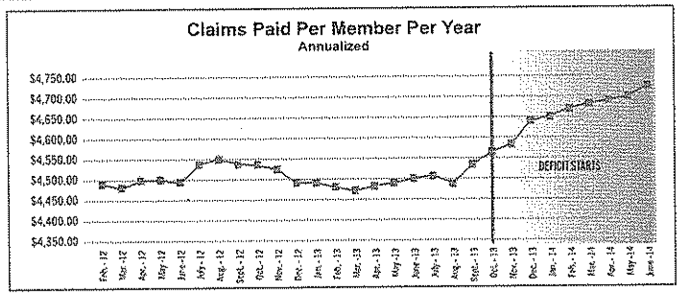
Prepared By: Ed Holland
October 06, 2014

Wellmark.

Understanding the 2015 State of Iowa Renewal

SURPLUS TO DEFICIT

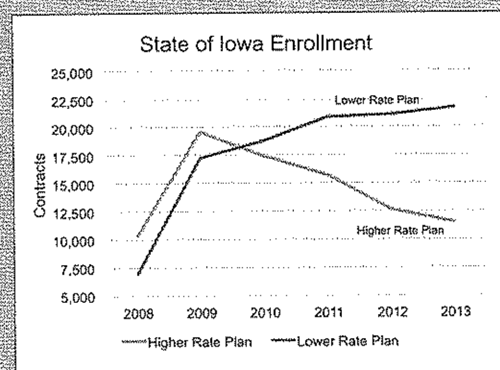
- As of June 2013, State of Iowa had a surplus of $12.7 M.
- Claims paid per member per year started to increase in August 2013.
- When claims costs exceed the State of Iowa's maximum liability payments, the deficit grows.
- The deficit began in October 2013, four months after 2014 rates were finalized.



CONTRIBUTORS TO THE CURRENT DEFICIT

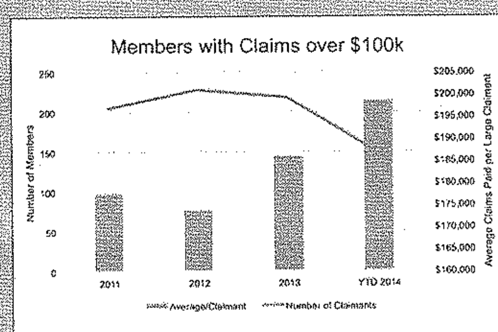
① MIGRATION TO LOWER RATE PLANS

- State of Iowa employees/retirees moved from the higher rate plan to a lower rate plan but still carried the same illness burden.
- Most active employees were attracted to the low/no employee contribution in the lower rate plan.
- Retirees left the higher rate plan and moved to Plan N.
- The premium contribution differential (38%) does not equal the actual claims cost savings achieved with Blue Access.



② LARGE CLAIMANTS GREATER THAN $100,000

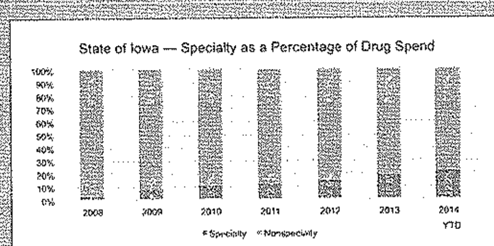
- 2014 YTD, members with claims >$100,000 accounted for over $29M in claims paid.
- In 2014, $4.1M was attributed to the top large claimant.
- Of the $3.6M paid in pharmacy claims for large claimants >$100,000, $2.9M was for specialty drugs.



③ HIGHER TRENDING PHARMACY COSTS

- The State of Iowa had > $1M paid in 2014 for Sovaldi. Sovaldi is used for Hepatitis C treatment and has a cure rate of 89% - 96%*.
- Increases in costs per prescription to treat the top five therapeutic classes range from 9% to 29%.
- Cost per script for Insulin have nearly tripled since 2008, making it the top therapeutic drug class with more than $5M paid in 2014.

*Sovaldi.com



④ NO BENEFIT DESIGN CHANGE

- No changes in benefit design causes member liability year-over-year to remain the same, which does not coincide with increasing plan costs.
- State of Iowa member liability is 5% compared to Wellmark's average large group member liability of 15% in 2013.

Deloitte.

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Memo

Date: September 26, 2014

To: Ed Holland, Risk & Benefits Manager, DAS

From: Josh Johnson, Tim Egan and Pat Pechacek, Deloitte Consulting LLP

Subject: ANALYSIS OF WELLMARK RENEWAL EFFECTIVE JANUARY 1, 2015 – EXECUTIVE SUMMARY

The following is a summary of the review conducted by Deloitte Consulting LLP (Deloitte Consulting) of the appropriateness of the medical renewal prepared by Wellmark Blue Cross and Blue Shield of Iowa (Wellmark) for the 2015 plan year. For additional information, please refer to our detailed memorandum (Deloitte Consulting - State of Iowa 2015 Renewal Analysis Memorandum.pdf).

Current State of the Program

The program is currently in a deficit position of approximately $19.5 million as of August 2014. The deficit is primarily attributable to the 2013 experience which was approximately 3.8% worse than the 2013 maximum liability rates, resulting in a $13 million deficit during the first year of the contract. Based on the data available and our high-level review of the deficit position of the program, we believe two potential causes of the current deficit are as follows:

1. **Original trend assumptions:** The actual 2013 claims experience was worse than originally projected by Wellmark. It appears the underlying annual claims trend used in the projection was understated by approximately 1.3%

2. **Immature claims impact:** The impact of the immature first year of claims under the contract may have been over-estimated by Wellmark resulting in calculated maximum liability rates which were too low to sufficiently cover paid claims, potentially offset by conservative terminal liability rates

The calendar year 2013 expenses were projected by Wellmark as a component of their proposal response to the State of Iowa Medical RFP in the summer of 2012. Wellmark's proposed 2013 expenses were developed in a similar manner as past and current renewal calculations and incorporated an annual claims trend assumption of approximately 4.5%. Based on our analysis, we believe this annual claims trend assumption was understated by approximately 1.3%. As a result, the maximum liability was insufficient to account for the actual paid claims, resulting in a deficit. It appears the worse than anticipated claims experience and resulting higher claims trends was driven by the adverse selection of membership migration to the Wellmark Health Plan of Iowa (WHPI) HMO plans.

During the course of the State's review of Wellmark's response, it was noted that the underlying trend assumptions used in the 2013 calculation were lower than seen in historical renewal calculations. For example, the 2012 renewal calculation incorporated approximately an 8.3% medical/drug trend assumption. It is important to note that Wellmark was incented to be as aggressive as reasonably possible in making its proposal due to competition from another vendor. Due to the concern of the low trend, the State requested the vendor finalists to provide a risk share penalty to provide the State a guarantee if trend assumptions were to increase or decrease significantly from original estimates. Wellmark provided a response to this request in a letter sent to the State on June 22, 2012 stating that they "...are confident in the accuracy of our trend assumptions in our proposal" citing that over the past seven years with the State they have predicted trend with over 98% accuracy. Wellmark provided a risk sharing arrangement to share in costs if actual trends were +/- 3.9% of original estimates. Based on our high-level analysis, it does not appear the trend differential in 2013 would meet this risk sharing threshold.

As we typically would not anticipate experience projections to be off by the magnitude seen in 2013 for a group of this size, we requested that Wellmark provide additional explanation as to the cause for the deficit. Within their response, Wellmark highlights that claim trends in 2013 and 2014 have increased by as much as 2%-3% on average versus prior periods driven by plan migration to the WHPI products. They also highlight that the membership migration to WHPI products has resulted in less collected premium than originally projected. The combination of worse trends, lower collected premium, and several large claims payments has resulted in a premium deficiency.

Based on our review of Wellmark's response, it does not appear an error was made in their original 2013 premium calculations. Rather, we believe that they used trend assumptions that were too aggressive in the original 2013 projections. Given the size of the deficiency in 2013 for a group of this size it calls into question if the underlying trend assumptions were impacted by the competitive bid environment in 2013. However, as Wellmark highlights, the adverse selection impact of population shifting toward WHPI plans was much greater than seen historically and has only become apparent in more recent claims experience not available at the time of Wellmark's RFP response.

Due to the recent experience Wellmark is now taking a closer look at the adverse selection impact and incorporating adjustments into the 2015 renewal. We recommend discussing renewal rating options with Wellmark to help close the premium gap between WHPI and non-WHPI products to mitigate the adverse selection impact of population shifts moving forward.

Another component of the 2013 expense calculation outside of claims is to determine the impact of the first year of the contract being "immature", and calculating how the expense liability should be split between the maximum liability and terminal liability components. The first year of the contract is immature as the maximum liability is only covering claims incurred and paid in the first year, therefore, the first few months of claims experience will have minimal paid claims as it takes an additional month or two of runout for claims to begin to be fully paid. Therefore, paid claims in the first immature year are typically less than other years under the contract.

Adequate data is not yet available to review the 2013 terminal liability assumptions as claims runout is included until the end of calendar year 2014. However, we believe Wellmark's adjustment in the maximum liability rate calculation to account for the immature first year of claims may have been overstated, resulting in insufficient maximum liability rates. However, this should be at least partially offset by conservative 2013 terminal liability rates. If claims were paid faster than originally anticipated, this will result in more claims being covered by the maximum liability (potentially causing a deficit) and thus less terminal liability is required which could eventually help offset the deficit once claims runout is completed. Please note that in Wellmark's response for additional information regarding the current deficit, they did not highlight the immature claims impact as a potential cause. However, they indicate that collected premium was lower than originally anticipated due to greater than expected migration into the lower premium WHPI plans. As noted above, it appears the primary cause of the deficit is the adverse selection impact of population shifting toward the WHPI plans which resulted in lower than expected premiums and higher than anticipated claims.

Given Wellmark's experience with the State of Iowa and the minimum premium arrangement contract, we would not expect there to be a significant variance in the immature claims impact calculation. Rather, we believe the maximum liability deficiency in 2013 to primarily be attributable to membership movement to the WHPI plans as noted in Wellmark's response. However, we recommend requesting additional terminal liability analysis once claims runout has been completed at the end of 2014 to determine if a portion of the 2013 deficit can be offset by an overstatement of the terminal liability. If it is determined the terminal liability was overstated, the State should discuss options with Wellmark to recoup a portion of the overstated terminal liability amount in order to offset the maximum liability deficit position.

Wellmark Renewal Rate Calculation and Trend Evaluation

Historical (observed) per employee claims cost trend for the State program has been favorable since rates were set for 2014. Claims experience for the period used in the 2015 projections (June 2013-May 2014) showed a per employee increase near market trend levels (<5%) compared to the prior twelve month period.

Fixed costs included in the 2015 rate projection were also reasonable compared to the prior year. Retention included in the projected 2015 rates including administrative fees, network access fees, margin, etc. is projected to decrease approximately 11% primarily due to a reduction in the cost to administer the disease management programs.

The initial renewal projection delivered to the State on July 1, 2014, projected a 9.28% increase for 2015 maximum liability rates. In this initial projection, the overall underwriting trend factors used took into account Wellmark's corporate cost and utilization trend. The resultant projected annual trend factors of 5.5% medical and 7.5% drug are within the acceptable range of what we are seeing in the market, however, they did not incorporate the State's observed utilization trend which has been below market norms. Because of this, we requested Wellmark to revise their projection utilizing the contractual trend factors which resulted in a required increase in the maximum liability rates of 7.25% for calendar year 2015 versus the 9.28% increase calculated in the initial renewal projection.

The contractual methodology for calculating projected trend factors is to utilize Wellmark's corporate cost trend and the two-year average of the State's actual observed utilization trend, which as mentioned above, has been below market norms. Utilizing this method, the projected trend factors are less than 1% for the non-WHPI plans and close to 5% combined medical/drug for the WHPI plans.

Wellmark indicated that there is adverse selection taking place with the migration of members to the WHPI plans which accounts for the required increase being above the historical or standard market trend levels.

The 2015 rate projections appear to be reasonable compared to 2014; however, the more pressing question at this time is the deficit that was primarily generated during the 2013 plan year.

Total Premium Impact

Based on our review of the information provided by the State, we believe the total premium impact (maximum liability + terminal liability) for the 2015 calendar year would be approximately 15.6%. Refer to Appendix 1 of our detailed memorandum for a breakdown of this estimate. Please note we did not perform an independent calculation of the required premium change, rather, we reviewed the Wellmark renewal information (as discussed above) and included adjustments based on conversations and data provided by the State during the course of our review. This is an approximation only and will vary by plan design and final rating decisions by the State.

Recommendations

Based on discussions with the State, it is our understanding Wellmark is treating the minimum premium arrangement with the State as a self-funded plan. Upon further discussion, we understand Wellmark has very limited risk on any current premium deficiencies as the State is contractually required to fund the projected deficiency within the terminal liability. Therefore, we do not believe the risk/contingency margin amounts incorporated into Wellmark's administrative expenses are necessary. We recommend that the State discuss this assumption with Wellmark to see if this risk/contingency amount can be used to help offset a portion of the current deficit. Based on Wellmark's renewal calculation, the risk/contingency represents approximately $2.1 million of the projected 2015 maximum liability estimate.

To help combat the impact of adverse selection between the WHPI and non-WHPI plans, we recommend that the State coordinates with Wellmark to incorporate additional rating adjustments to the WHPI plans to more appropriately align the rating relationships with underlying risk and plan benefits. This will result in larger premium increases to the WHPI plans and thus this rating action may need to be performed over multiple years to mitigate the possibility of large premium fluctuations across plan designs.

The main consideration is whether the State wants to pay down the full deficit amount during the 2015 plan year or agree to a two year (or more) contract extension and amortize the additional required rate increase over a longer period. While paying down the full deficit amount in 2015 will result in larger premium increases, it will also give the State more flexibility moving forward if they would like to revisit the current medical contracts with Wellmark (e.g., risk sharing arrangements, etc.) and the funding mechanisms (fully insured, self-insured, etc.). In either case, the State should discuss options with Wellmark to revisit the 2013 terminal liability assumptions once additional data is available to see if a portion of the maximum liability deficit can be offset by potential conservatism in the original terminal liability estimates.

Going forward, we recommend consideration of a standard self-funded arrangement. This would simplify the financial arrangement with Wellmark (or another vendor) without having a significant impact on projected plan costs going forward. If desired, stop loss insurance could be used to limit potential variability from month to month and/or limit some of the liability for unexpectedly high claim levels. However, a plan of this size would not require stop loss. We would recommend a similar alternative to incorporate modifications to the contract to allow for additional risk sharing options between the State and Wellmark if resulting experience varies from original estimates.

We appreciate the opportunity to perform this analysis for you. If you have questions or need support implementing the above recommendations or further renewal analysis please do not hesitate to contact Pat Pechacek at ppechacek@deloitte.com or (612) 397-4033, Tim Egan at tiegan@deloitte.com or (612) 397-4463, or Josh Johnson at jkjohnson@deloitte.com or (612) 659-2782.

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Memo

Date: September 26, 2014

To: Ed Holland, Risk & Benefits Manager, DAS

From: Josh Johnson, Tim Egan and Pat Pechacek, Deloitte Consulting LLP

Subject: ANALYSIS OF WELLMARK RENEWAL EFFECTIVE JANUARY 1, 2015

Deloitte Consulting LLP (Deloitte Consulting) has been retained by the State of Iowa to review the appropriateness of the medical renewal prepared by the State's current provider. The State contracts with Wellmark Blue Cross and Blue Shield of Iowa (Wellmark) under a minimum premium arrangement offering five medical plans.

We analyzed the proposed medical renewal rates and all supporting information provided to determine if the proposed fees and underwriting were appropriate. In addition, we reviewed the underwriting trend factors utilized in the renewal projections, reviewed the calculation of the deficit position and benchmarked the Iowa renewal increase to other states in the region. The following summarizes the results of our review.

Wellmark Renewal Rate Calculation and Trend Evaluation

Wellmark was required to complete a comprehensive data filing as part of the 2014 renewal process. In addition, Wellmark provided a detailed renewal calculation and other requested data submissions. Deloitte Consulting reviewed the following areas to evaluate the reasonableness of the rate renewal:

- Observed and projected trend assumptions
- Per employee per month (PEPM) claim levels and costs
- Administration, disease management, and retention fees
- Other adjustment factors
- Overall rating methodology

Claims experience for the period used in the 2015 projections showed a per employee increase near market trend levels (approximately 5%) compared to the prior twelve month period.

Retention included in the projected 2015 rates including administrative fees, network access fees, margin, etc. is projected to decrease approximately 11% primarily due to a reduction in the cost to administer the disease management programs.

The initial renewal projection delivered to the State on July 1, 2014, projected a 9.28% increase for 2015 maximum liability rates. In this initial projection, the overall underwriting trend factors used took into account Wellmark's corporate cost and utilization trend. The resultant projected annual trend factors of 5.5% medical and 7.5% drug are within the acceptable range of what we are seeing in the market, however, they didn't incorporate the State's observed utilization trend which has been below market norms. Because of this, we requested Wellmark to revise their projection utilizing the contractual trend factors which resulted in a required increase in the maximum liability rates of 7.25% for calendar year 2015 versus the 9.28% increase calculated in the initial renewal projection.

The contractual methodology for calculating projected trend factors is to utilize Wellmark's corporate cost trend and the two-year average of the State's actual observed utilization trend, which as mentioned above has been below market norms. Utilizing this method, the projected trend factors are less than 1% for the non-WHPI (Wellmark Health Plan of Iowa) plans and close to 5% combined medical/drug for the WHPI plans.

Migration to WHPI

In discussions with Wellmark, they indicated that the required maximum liability rate increase is higher than historical cost increases and projected underwriting trend as a result of members migrating to the WHPI plans. Per Wellmark's lead underwriter, "The rating alignment between Non-WHPI to Non-WHPI plans as well as WHPI to WHPI plans are near Wellmark's actuarially-based benefit alignment. However, the spread between the Non-WHPI and WHPI products are not within our alignment. Specifically, the WHPI plans are currently under what our actuarial based factors would predict for utilization". Therefore, as members migrate to the WHPI plans it decreases the total premium generated to a level below the required total. Another way to describe this scenario is adverse selection. In order to offset this aggregate reduction in the required premium, the overall rate action must be increased above standard trend levels. We believe this is the primary reason that the required increase is 7.25% rather than 5%-6% as market and historical trend levels would suggest.

For further review of this assumption, we summarized the enrollment between WHPI and non-WHPI plans in the table below. As shown, the percentage of contracts in the WHPI plans has increased from approximately 57% of total contracts as of May 2011 to approximately 68% of the total contracts as of May 2014. In addition, based on our review of recent Wellmark renewal calculations, observed and projected trends for the WHPI plans are at least 3-4% greater than trends in observed in the non-WHPI plans.

We believe the combination of the population shift toward the WHPI plans and the underlying experience of the WHPI plans support Wellmark's explanation of why the requested 2015 rate action is above market and historical trend levels. However, we requested Wellmark to provide a detailed impact analysis of the adverse selection and how it is incorporated into the 2015 renewal calculation. In Wellmark's response, a detailed calculation on the premium impact was not included; however, Wellmark did indicate that the population shifts in 2013 were the first obvious sign of migration/adverse selection occurring between the WHPI and non-WHPI products. Wellmark also outlined the trend differentials between the two plans and how the current rate relationships are not properly aligned with plan design benefits, causing adverse selection premium impact as members migrate to the WHPI plan.

Enrollment Breakdown: WHPI vs. Non-WHPI Plans 2011 - 2014								
	May 2011		May 2012		May 2013		May 2014	
	Contracts	% of Total	Contracts	% of Total	Contracts	% of Total	Contracts	% of Total
Non-WHPI	15,977	43%	12,673	38%	11,661	35%	10,487	32%
WHPI	21,052	57%	21,112	62%	21,766	65%	22,285	68%
Total	**37,029**		**33,785**		**33,427**		**32,772**	

Sources: Wellmark renewal calculation files and monthly enrollment exhibits

In our request to Wellmark, we questioned why the migration has not been raised as a significant issue in the rating of the plan in previous years. As noted above, Wellmark indicated that the first obvious signs of the adverse selection was only recently in the 2013 experience. Wellmark indicated that both the migration to WHPI plans and the rating relationships between WHPI and non-WHPI plans has been discussed with the State during the 2014 and 2015 renewal discussions.

Further analysis should be performed by Wellmark to adjust rating relationships between the WHPI and non-WHPI plans to reduce the impact of adverse selection in the future. We recommend the State consider an explicit adjustment to the rates, particularly the WHPI plans, to close the premium gap between products to mitigate the premium impact of continued plan migration. Ultimately, this would result in larger rate increases to the WHPI plans than the non-WHPI plans. Keeping in mind the scale of the premium increases for 2015, we recommend the State discuss options with Wellmark to introduce these increases over a multi-year period.

Benchmarking to Other States

Although we can't divulge specific rate actions at this time, we can say that in general we are seeing approximate 2015 rate increases in the 5%-8% range from other states in the Midwest. One state in particular, that has a similar premium arrangement to Iowa, has received a preliminary renewal increase in the 9%-10% range on an annual basis. That said, Iowa's initial Wellmark renewal of 9.28% is on the higher end of what we are seeing and the revised increase of 7.25% is near the average.

Current and Projected Deficit

The following chart illustrates the deficit accumulation from the beginning of the current contract through August 2014. Because the calculation utilizes claims on a paid basis it is clear to see that the initial two months are "immature" which means that the majority of claims incurred in January and February 2013 are not paid until March 2013 and later (the immature portion of these claims should approximate the terminal liability). As a result, the immature claims in the first two months resulted in an initial surplus. As claims reached a mature level, it became clear that the maximum liability rates during 2013 were set lower than required to fully cover the liability. Therefore, the surplus declined monthly until it became a deficit beginning in October 2013. With the increase in maximum liability rates effective in January 2014, the monthly balance evened out, however, the deficit had already reached $16 million by the end of January 2014. As of July 2014 the deficit had decreased slightly to $13.6 million, but increased to $19.5 million by August 2014 primarily due to five-pay claim periods in May and August 2014. It is important to note that Wellmark was incented to be as aggressive as reasonably possible in making its proposal for 2013 due to competition from another vendor.

Deficit Accumulation through August 2014

	(1) Current Month Claims Paid Network Access Fees, And Admin Fees	(3) Monthly Maximum Liability Amount	(4) Monthly Unrecovered Deficit / (Surplus)	(5) Cumulative Unrecovered Deficit / (Surplus)
Jan-13	$8,616,933	$29,415,150	($20,798,217)	($20,798,217)
Feb-13	$26,128,677	$29,272,844	($3,144,166)	($23,942,384)
Mar-13	$32,845,486	$29,220,426	$3,625,060	($20,317,324)
Apr-13	$29,932,476	$29,177,748	$754,729	($19,562,595)
May-13	$35,612,899	$29,122,645	$6,490,254	($13,072,341)
Jun-13	$29,440,143	$29,076,424	$363,719	($12,708,622)
Jul-13	$30,155,875	$29,026,115	$1,129,761	($11,578,861)
Aug-13	$36,398,549	$28,977,733	$7,420,816	($4,158,045)
Sep-13	$31,282,487	$28,905,694	$2,376,793	($1,781,252)
Oct-13	$30,933,609	$28,819,800	$2,113,809	$332,557
Nov-13	$38,950,699	$28,926,740	$10,023,959	$10,356,516
Dec-13	$31,899,141	$28,951,083	$2,948,058	$13,304,573
Jan-14	$36,266,748	$32,831,181	$3,435,567	$16,740,140
Feb-14	$32,160,219	$32,641,912	($481,693)	$16,258,448
Mar-14	$30,790,546	$32,695,046	($1,904,500)	$14,353,948
Apr-14	$31,722,721	$32,655,085	($932,364)	$13,421,584
May-14	$36,200,114	$32,624,252	$3,575,862	$16,997,446
Jun-14	$30,504,544	$32,576,809	($2,072,265)	$14,925,182
Jul-14	$31,119,116	$32,430,499	($1,311,383)	$13,613,799
Aug-14	$38,188,989	$32,337,110	$5,851,878	$19,465,677

Source: Wellmark Exhibit 1 - TERM OF AGREEMENT MAXIMUM LIABILITY SCHEDULE (Aug. 2014)

If we assume that claims for September, October and December 2014 equal the average of the low months in 2014 (four-pay claim period) and that November equals that average of the high months (five-pay claim period) and that the monthly maximum liability amount remains constant from August, we estimate that the deficit could increase to over $20 million by year-end 2014.

Estimate of Deficit Accumulation through December 2014

	(1) Current Month Claims Paid Network Access Fees, And Admin Fees	(3) Monthly Maximum Liability Amount	(4) Monthly Unrecovered Deficit / (Surplus)	(5) Cumulative Unrecovered Deficit / (Surplus)
Sep-14	$31,259,429	$32,337,110	($1,077,681)	$18,387,996
Oct-14	$31,259,429	$32,337,110	($1,077,681)	$17,310,315
Nov-14	$36,885,284	$32,337,110	$4,548,173	$21,858,488
Dec-14	$31,259,429	$32,337,110	($1,077,681)	$20,780,807

If claims in calendar year 2015 come in at the level of the initial Wellmark renewal (9.28% increase) and the State elects to increase maximum liability rates at the same level, the deficit by the end of calendar year 2015 would hypothetically remain constant at the year-end 2014 level. However, if claims run at the 9.28% increase level and maximum liability is increased at the revised renewal level utilizing State specific trend (7.25%), the deficit could continue to increase to $28 million or more by December 2015 as shown in the table below.

Estimate of Deficit Accumulation through December 2015

	(1) Current Month Claims Paid Network Access Fees, And Admin Fees	(3) Monthly Maximum Liability Amount	(4) Monthly Unrecovered Deficit / (Surplus)	(5) Cumulative Unrecovered Deficit / (Surplus)
	9.28% Increase	**7.25% Increase**		
Aug-14	$38,188,989	$32,337,110	$5,851,878	$19,465,677
Sep-14	$31,259,429	$32,337,110	($1,077,681)	$18,387,996
Oct-14	$31,259,429	$32,337,110	($1,077,681)	$17,310,315
Nov-14	$36,885,284	$32,337,110	$4,548,173	$21,858,488
Dec-14	$31,259,429	$32,337,110	($1,077,681)	$20,780,807
Jan-15	$35,650,440	$34,990,253	$660,188	$21,440,995
Feb-15	$35,650,440	$34,990,253	$660,188	$22,101,183
Mar-15	$35,650,440	$34,990,253	$660,188	$22,761,371
Apr-15	$35,650,440	$34,990,253	$660,188	$23,421,559
May-15	$35,650,440	$34,990,253	$660,188	$24,081,747
Jun-15	$35,650,440	$34,990,253	$660,188	$24,741,935
Jul-15	$35,650,440	$34,990,253	$660,188	$25,402,123
Aug-15	$35,650,440	$34,990,253	$660,188	$26,062,311
Sep-15	$35,650,440	$34,990,253	$660,188	$26,722,499
Oct-15	$35,650,440	$34,990,253	$660,188	$27,382,686
Nov-15	$35,650,440	$34,990,253	$660,188	$28,042,874
Dec-15	$35,650,440	$34,990,253	$660,188	$28,703,062

Assumptions: 9.28% increase to claims/fees (1), 7.25% increase to maximum liability (3), stable enrollment from August 2014 through December 2015

Deficit Analysis

We requested that Wellmark provide an explanation as to the cause for the deficit and we have summarized their response in our commentary below. Based on the data available to Deloitte Consulting, we believe that the deficit position of the program is primarily attributable to the 2013 experience which came in approximately 3.8% greater than the maximum liability rates during that year, resulting in a $13 million deficit alone in the first year of the contract. With a group this size a reasonable expectation is to be able to project future claims experience within +/- 2%, therefore, we have analyzed the results to understand why the premium deficit is this large so early in the new contract.

Based on our high-level review of the deficit position of the program, we believe two potential causes of the current deficit are outlined below.

1. **Original trend assumptions:** The actual 2013 claims experience was worse than originally projected by Wellmark as a result of original trend assumptions being understated
2. **Immature claims impact:** The impact of the immature first year of claims under the contract may have been over-estimated by Wellmark resulting in calculated maximum liability rates which were too low to sufficiently cover paid claims, potentially offset by conservative terminal liability rates

Original Trend Assumptions

The calendar year 2013 expenses were projected by Wellmark as a component of their proposal response to the State of Iowa Medical RFP in the summer of 2012. Wellmark's proposed 2013 expenses were developed in a similar manner as past and current renewal calculations, by trending forward actual paid claims experience using State of Iowa observed trends and Wellmark corporate projected trend assumptions and incorporating administrative cost estimates. The resulting total projected expenses for 2013 were approximately $20 million less than the projected 2012 expenses driven by lower claims trend assumptions and decreased administrative expenses.

The calendar year 2013 claims were projected by trending forward February 2011 – January 2012 paid claims, using a blended medical/drug trend assumption of approximately 4.5% (23 months of trend from midpoint of experience period to projection period). The following table summarizes the projected 2013 expenses (without terminal liability) from Wellmark's original RFP response vs. the actual 2013 paid claims experience.

Calendar Year 2013 Experience Wellmark Projected vs. Actual		
	Actual[1]	Projected[2]
Total Annual Paid Expenses[3]	$362,196,975	$364,479,596
Total Annual Maximum Liability	$348,892,402	$364,479,596
Total Deficit	$13,304,573	$0
Avg. Contracts	33,330	34,400
Expense PEPM	$906	$883
Maximum Liability PEPM	$872	$883
Deficit PEPM	$33	$0
Deficit %	3.8%	0.0%

1. From monthly Wellmark claims and enrollment exhibits

2. From Exhibit B-1 of Attachment 8.1 of Wellmark RFP response

3. Includes claims, admin, and network access fees, excludes terminal liability

As shown above, the actual average 2013 expense PEPM of $906 was approximately 2.6% greater than Wellmark's original projected PEPM of $883. Based on this data, it appears the original annual trend assumption of 4.5% was underestimated by approximately 1.3% annually (1.3% = 2.6% ^ [12/23]). In other words, it appears that a majority of the 2013 deficit is due to insufficient trend assumptions (off by approximately 1.3% annually) used in Wellmark's original 2013 premium calculations. As a result, the projected maximum liability was insufficient to account for the actual paid claims, resulting in a deficit. As noted below, it appears the worse than anticipated claims experience and resulting higher claim trends was driven by the adverse selection of migration to the WHPI plans.

During the course of the State's review of Wellmark's response, it was noted that the underlying trend assumptions used in the 2013 calculation were lower than seen in historical renewal calculations. For example, the 2012 renewal calculation incorporated approximately an 8.3% medical/drug trend assumption. It is important to note that Wellmark was incented to be as aggressive as reasonably possible in making its proposal due to competition from another vendor. Due to this concern of the low trend, the State requested the vendor finalists to provide a risk share penalty to provide the State a guarantee if trend assumptions were to increase or decrease significantly from original estimates. Wellmark provided a response to this request in a letter sent to the State on June 22, 2012 stating that they "...are confident in the accuracy of our trend assumptions in our proposal" citing that over the past seven years with the State they have predicted trend with over 98% accuracy. Wellmark provided a risk sharing arrangement to share in costs if actual trends were +/- 3.9% of original estimates. Based on our high-level analysis, it does not appear the trend differential in 2013, estimated to be approximately 2.6% in aggregate, would meet this risk sharing threshold.

We requested that Wellmark provide additional explanation as to the cause for the deficit. Within their response, Wellmark highlights that claim trends in 2013 and 2014 have increased by as much as 2%-3% on average versus prior periods driven by plan migration to the WHPI products. They also highlight that the membership migration to WHPI products has resulted in less collected premium than originally projected. The combination of worse trends, lower collected premium, and several large claims payments has resulted in a premium deficiency.

Based on our review of Wellmark's response, it does not appear an error was made in their original 2013 premium calculations. Rather, we believe that they used trend assumptions that were too aggressive in the original 2013 projections. Typically we would not anticipate experience projections to be off by the magnitude seen in 2013 for a group of this size which may call into question if the underlying trend assumptions were impacted by the competitive bid environment in 2013. However, as Wellmark highlights, the adverse selection impact of population shifting toward WHPI plans was much greater than seen historically and has only become apparent in more recent claims experience not available at the time of Wellmark's RFP response.

As noted above, due to the recent experience Wellmark is now taking a closer look at the adverse selection impact and incorporating adjustments into the 2015 renewal. We recommend the State discuss renewal rating options with Wellmark to help close the premium gap between WHPI and non-WHPI products to mitigate the adverse selection impact of population shifts moving forward.

Immature Claims Impact

Another component of the 2013 expense calculation outside of claims is to determine the impact of the first year of the contract being immature, and calculating how the expense liability should be split between the maximum liability and terminal liability components. As shown in the table above, the actual 2013 maximum liability PEPM of $872 was approximately 1.2% less than the original projected maximum liability. In other words, collected premium was approximately 1.2% less than originally projected. The combination of the lower collected maximum liability premium and higher claims expenses has caused the 3.8% maximum liability deficit in 2013.

Adequate data is not yet available to review the 2013 terminal liability assumptions as claims runout is included until the end of calendar year 2014. However, we believe Wellmark's adjustment in the maximum liability rate calculation to account for the immature first year of claims may have been overstated, resulting in insufficient maximum liability rates. However, this should be at least partially offset by conservative 2013 terminal liability rates. Please note that in Wellmark's response for additional information regarding the current deficit, they did not highlight the immature claims impact as a potential cause. However, they indicate that collected premium was lower than originally anticipated due to greater than expected migration into the lower premium WHPI plans. As noted above, it appears the primary cause of the deficit is the adverse selection impact of population shifting toward the WHPI plans which resulted in lower than expected premiums and higher than anticipated claims.

Given Wellmark's experience with the State of Iowa and the minimum premium arrangement contract, we would not expect there to be a significant variance in the immature claims impact calculation. Rather, we believe the maximum liability deficiency in 2013 to primarily be attributable to membership movement to the WHPI plans as noted in Wellmark's response. However, we recommend the State request additional terminal liability analysis once claims runout has been completed at the end of 2014 to determine if a portion of the 2013 deficit can be offset by an overstatement of the terminal liability. If it is determined the terminal liability was overstated, the State should discuss options with Wellmark to recoup a portion of the overstated terminal liability amount in order to offset the maximum liability deficit position.

Total Premium Impact

Based on our review of the information provided by the State, we believe the total premium impact (maximum liability + terminal liability) for the 2015 calendar year would be approximately 15.6%. Refer to Appendix 1 for a detailed breakdown of this estimate. Please note we did not perform an independent calculation of the required premium change, rather, we reviewed the Wellmark renewal information (as discussed above) and included adjustments based on conversations and data provided by the State during the course of our review. This is an approximation only and will vary by plan design and final rating decisions by the State.

Recommendations

Based on discussions with the State, it is our understanding Wellmark is treating the minimum premium arrangement with the State as a self-funded plan. Upon further discussion, we understand Wellmark has very limited risk on any current premium deficiencies as the State is contractually required to fund the projected deficiency within the terminal liability. Therefore, we do not believe the risk/contingency margin amounts incorporated into Wellmark's administrative expenses are necessary. We recommend that the State discuss this assumption with Wellmark to see if this risk/contingency amount can be used to help offset a portion of the current deficit. Based on Wellmark's renewal calculation, the risk/contingency represents approximately $2.1 million of the projected 2015 maximum liability estimate.

To help combat the impact of adverse selection between the WHPI and non-WHPI plans, we recommend that the State coordinates with Wellmark to incorporate additional rating adjustments to the WHPI plans to more appropriately align the rating relationships with underlying risk and plan benefits. This will result in larger premium increases to the WHPI plans and thus this rating action may need to be performed over multiple years to mitigate the possibility of large premium fluctuations across plan designs.

The main consideration is whether the State wants to pay down the full deficit amount during the 2015 plan year or agree to a two year (or more) contract extension and amortize the additional required rate increase over a longer period. While paying down the full deficit amount in 2015 will result in larger premium increases, it will also give the State more flexibility moving forward if they would like to revisit the current medical contracts with Wellmark (e.g., risk sharing arrangements, etc.) and the funding mechanisms (fully insured, self-insured, etc.). In either case, the State should discuss options with Wellmark to revisit the 2013 terminal liability assumptions once additional data is available to see if a portion of the maximum liability deficit can be offset by potential conservatism in the original terminal liability estimates.

Going forward, we recommend consideration of a standard self-funded arrangement. This would simplify the financial arrangement with Wellmark (or another vendor) without having a significant impact on projected plan costs going forward. If desired, stop loss insurance could be used to limit potential variability from month to month and/or limit some of the liability for unexpectedly high claim levels. However, a plan of this size would not require stop loss. We would recommend a similar alternative to incorporate modifications to the contract to allow for additional risk sharing options between the State and Wellmark if resulting experience varies from original estimates.

We appreciate the opportunity to perform this analysis for you. If you have questions or need support implementing the above recommendations or further renewal analysis please do not hesitate to contact Pat Pechacek at ppechacek@deloitte.com or (612) 397-4033, Tim Egan at tiegan@deloitte.com or (612) 397-4463, or Josh Johnson at jkjohnson@deloitte.com or (612) 659-2782.

Appendix 1

2015 Total Premium Impact Analysis

Reference	Premium Component	Premium Amount	% Impact	Comments
A	Current Max Liability:	$391,491,023		Per Wellmark renewal calculation
B = A/1.03	Adjusted Max Liability	$380,088,372		Reduced by 3% due to reflect premium reduction made for 2014 by the State
C	2014 Terminal Liability:	$46,920,002		Per Wellmark email (provided by the State)
D = B + C	**Total Current Premium:**	**$427,008,374**		
E	Projected 2015 ML Need:	$419,883,030		Per Wellmark renewal calculation (reflects 7.25% increase)
F = E + C	Adjusted Total Premium:	$466,803,032		
G = F/D - 1	% Change:		9.3%	
H	Projected TL Adjustment:	$11,400,000		Per Wellmark, assuming $11.4M deficit by end of 2015 after one-year contract extension
I = H/D	% Change:		2.7%	
J	ACA + Wellness:	$3,930,000		Using 2015 ACA fees ($46 PMPY, and $250k wellness fee assuming 80k members per the State)
K = J/D	% Change:		0.9%	
L = A - B	2014 Premium Holdback Adjustment:	$11,402,651		Recoupment to refund maximum liability due to 3% premium reduction for 2014 by the State
M = L/D	% Change:		2.7%	
N = F + H + J + L	**2015 Adjusted Total Premium:**	**$493,535,683**		Will vary by plan and final State rating actions (e.g., deficit recoupment, etc.)
O = N/D - 1	**% Change:**		**15.6%**	

Total State of Iowa

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	Family	Double Spouse	Combined	% Total Enrollment
Managed Care					
Blue Access	2,817	11,553	310	14,680	58.3%
Blue Advantage	433	2,882	58	3,373	13.4%
Total Managed Care	3,250	14,435	368	18,053	**71.7%**
Indemnity					
Program 3 Plus	2,113	1,054	345	3,512	13.9%
Deductible 3 Plus	224	233	24	481	1.9%
PPO					
Iowa Select	1,589	1,394	167	3,150	12.5%
Total Indemnity & PPO	3,926	2,681	536	7,143	**28.3%**
Total Health	**7,176**	**17,116**	**904**	**25,196**	**100.0%**
Total Dental	**9,278**	**15,377**	**664**	**25,319**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Total Enrollment
Managed Care					
Blue Access	2,806	11,531	220	14,557	57.5%
Blue Advantage	448	2,975	50	3,473	13.7%
Total Managed Care	3,254	14,506	270	18,030	**71.2%**
Indemnity					
Program 3 Plus	2,238	1,093	261	3,592	14.2%
Deductible 3 Plus	240	224	16	480	1.9%
PPO					
Iowa Select	1,631	1,419	156	3,206	12.7%
Total Indemnity & PPO	4,109	2,736	433	7,278	**28.8%**
Total Health	**7,363**	**17,242**	**703**	**25,308**	**100.0%**
Total Dental	**9,389**	**15,500**	**594**	**25,483**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	11	22	90	123	0.8%
Blue Advantage	-15	-93	8	-100	-2.9%
Total Managed Care	-4	-71	98	23	**0.1%**
Indemnity					
Program 3 Plus	-125	-39	84	-80	-2.2%
Deductible 3 Plus	-16	9	8	1	0.2%
PPO					
Iowa Select	-42	-25	11	-56	-1.7%
Total Indemnity & PPO	-183	-55	103	-135	**-1.9%**
Total Health	**-187**	**-126**	**201**	**-112**	**-0.4%**
Total Dental	**-111**	**-123**	**70**	**-164**	**-0.6%**

AFSCME-covered

Active Employees Enrolled in the State Health Insurance Plans *July 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	1,154	5,885	169	7,208	60.3%
Blue Advantage	164	1,245	24	1,433	12.0%
Total Managed Care	1,318	7,130	193	8,641	**72.3%**
Indemnity					
Program 3 Plus	1,123	639	223	1,985	16.6%
Deductible 3 Plus					
PPO					
Iowa Select	623	603	100	1,326	11.1%
Total Indemnity & PPO	1,746	1,242	323	3,311	**27.7%**
Total Health	**3,064**	**8,372**	**516**	**11,952**	**100.0%**
Total Dental	**3,988**	**7,542**	**412**	**11,942**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	1,129	5,848	97	7,074	59.4%
Blue Advantage	172	1,266	20	1,458	12.2%
Total Managed Care	1,301	7,114	117	8,532	**71.7%**
Indemnity					
Program 3 Plus	1,210	664	157	2,031	17.1%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	643	620	78	1,341	11.3%
Total Indemnity & PPO	1,853	1,284	235	3,372	**28.3%**
Total Health	**3,154**	**8,398**	**352**	**11,904**	**100.0%**
Total Dental	**4,079**	**7,629**	**261**	**11,969**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	25	37	72	134	1.9%
Blue Advantage	-8	-21	4	-25	-1.7%
Total Managed Care	17	16	76	109	**1.3%**
Indemnity					
Program 3 Plus	-87	-25	66	-46	-2.3%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	-20	-17	22	-15	-1.1%
Total Indemnity & PPO	-107	-42	88	-61	**-1.8%**
Total Health	**-90**	-26	**164**	48	**0.4%**
Total Dental	**-91**	-87	**151**	-27	**-0.2%**

Executive Branch Non-Contract

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access - total	**406**	**1,351**	**25**	**1,782**	61.3%
Blue Access - wellness	*329*	*1,192*	*20*	*1,541*	
Blue Access - non-wellness	*77*	*159*	*5*	*241*	
Blue Advantage - total	**61**	**299**	**8**	**368**	12.7%
Blue Advantage - wellness	*46*	*262*	*2*	*310*	
Blue Advantage - non-wellness	*15*	*37*	*6*	*58*	
Total Managed Care	467	1,650	33	2,150	**73.9%**
Indemnity					
Program 3 Plus					
Deductible 3 Plus - total	124	125	10	259	8.9%
Deductible 3 Plus - wellness	*107*	*107*	*9*	*223*	
Deductible 3 Plus - non-wellness	*17*	*18*	*1*	*36*	
PPO					
Iowa Select	184	307	8	499	17.2%
Iowa Select - wellness	*151*	*255*	*7*	*413*	
Iowa Select - non-wellness	*33*	*52*	*1*	*86*	
Total Indemnity & PPO	308	432	18	758	**26.1%**
Total Health	**775**	**2,082**	**51**	**2,908**	**100.0%**
Total Health Opt-out				**78**	
Total Dental	**1,042**	**2,089**	**83**	**3,214**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	434	1,441	24	1,899	62.2%
Blue Advantage	57	323	5	385	12.6%
Total Managed Care	491	1,764	29	2,284	**74.8%**
Indemnity					
Program 3 Plus					
Deductible 3 Plus	133	113	4	250	8.2%
PPO					
Iowa Select	193	314	11	518	17.0%
Total Indemnity & PPO	326	427	15	768	**25.2%**
Total Health	**817**	**2,191**	**44**	**3,052**	**100.0%**
Total Dental	**1,031**	**2,093**	**73**	**3,197**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	-28	-90	1	-117	-6.2%
Blue Advantage	4	-24	3	-17	-4.4%
Total Managed Care	-24	-114	4	-134	**-5.9%**
Indemnity					
Program 3 Plus					
Deductible 3 Plus	-9	12	6	9	3.6%
PPO					
Iowa Select	-9	-7	-3	-19	-3.7%
Total Indemnity & PPO	-18	5	3	-10	**-1.3%**
Total Health	**-42**	**-109**	**7**	**-144**	**-4.7%**
Total Dental	**11**	**-4**	**10**	**17**	**0.5%**

UE/IUP-covered

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	193	1,097	26	1,316	57.6%
Blue Advantage	43	442	5	490	21.4%
Total Managed Care	236	1,539	31	1,806	**79.0%**
Indemnity					
Program 3 Plus					
Deductible 3 Plus	85	94	12	191	8.4%
PPO					
Iowa Select	179	91	19	289	12.6%
Total Indemnity & PPO	264	185	31	480	**21.0%**
Total Health	**500**	**1,724**	**62**	**2,286**	**100.0%**
Total Dental	**748**	**1,484**	39	**2,271**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	196	1,079	23	1,298	56.3%
Blue Advantage	44	461	5	510	22.1%
Total Managed Care	240	1,540	28	1,808	**78.4%**
Indemnity					
Program 3 Plus	0	0	0	0	
Deductible 3 Plus	95	97	11	203	8.8%
PPO					
Iowa Select	184	86	24	294	12.8%
Total Indemnity & PPO	279	183	35	497	**21.6%**
Total Health	**519**	**1,723**	**63**	**2,305**	**100.0%**
Total Dental	**758**	**1,491**	**48**	**2,297**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	-3	18	3	18	1.4%
Blue Advantage	-1	-19	0	-20	-3.9%
Total Managed Care	-4	-1	3	-2	**-0.1%**
Indemnity					
Program 3 Plus	0	0	0	0	
Deductible 3 Plus	-10	-3	1	-12	-5.9%
PPO					
Iowa Select	-5	5	-5	-5	-1.7%
Total Indemnity & PPO	-15	2	-4	-17	**-3.4%**
Total Health	**-19**	**1**	-1	**-19**	**-0.8%**
Total Dental	**-10**	**-7**	-9	**-26**	**-1.1%**

Judicial Branch Non-Contract *

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	72	415	13	500	53.6%
Blue Advantage	11	75	1	87	9.3%
Total Managed Care	83	490	14	587	**62.9%**
Indemnity					
Program 3 Plus	73	106	9	188	20.2%
Deductible 3 Plus					
PPO					
Iowa Select	62	96	0	158	16.9%
Total Indemnity & PPO	135	202	9	346	**37.1%**
Total Health	**218**	**692**	**23**	**933**	**100.0%**
Total Dental	**279**	**642**	**24**	**945**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	73	402	11	486	51.5%
Blue Advantage	11	79	1	91	9.7%
Total Managed Care	84	481	12	577	**61.2%**
Indemnity					
Program 3 Plus	79	109	8	196	20.8%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	69	94	7	170	18.0%
Total Indemnity & PPO	148	203	15	366	**38.8%**
Total Health	**232**	**684**	**27**	**943**	**100.0%**
Total Dental	**281**	**662**	**23**	**966**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	-1	13	2	14	2.9%
Blue Advantage	0	-4	0	-4	-4.4%
Total Managed Care	-1	9	2	10	**1.7%**
Indemnity					
Program 3 Plus	-6	-3	1	-8	-4.1%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	-7	2	-7	-12	-7.1%
Total Indemnity & PPO	-13	-1	-6	-20	**-5.5%**
Total Health	**-14**	**8**	**-4**	**-10**	**-1.1%**
Total Dental	**-2**	**-20**	**1**	**-21**	**-2.2%**

* Includes the Supreme Court Commission

Judicial Branch AFSCME-covered

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	73	325	6	404	59.9%
Blue Advantage	8	68	1	77	11.4%
Total Managed Care	81	393	7	481	**71.3%**
Indemnity					
Program 3 Plus	64	35	4	103	15.3%
Deductible 3 Plus					
PPO					
Iowa Select	47	43	1	91	13.5%
Total Indemnity & PPO	111	78	5	194	**28.7%**
Total Health	**192**	**471**	**12**	**675**	**100.0%**
Total Dental	**254**	**412**	**6**	**672**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	70	321	4	395	58.8%
Blue Advantage	8	69	1	78	11.6%
Total Managed Care	78	390	5	473	**70.4%**
Indemnity					
Program 3 Plus	67	36	1	104	15.5%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	50	44	1	95	14.1%
Total Indemnity & PPO	117	80	2	199	**29.6%**
Total Health	**195**	**470**	**7**	**672**	**100.0%**
Total Dental	**250**	**416**	**23**	**689**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	3	4	2	9	2.3%
Blue Advantage	0	-1	0	-1	-1.3%
Total Managed Care	3	3	2	8	**1.7%**
Indemnity					
Program 3 Plus	-3	-1	3	-1	-1.0%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	-3	-1	0	-4	-4.2%
Total Indemnity & PPO	-6	-2	3	-5	**-2.5%**
Total Health	**-3**	**1**	**5**	**3**	**0.4%**
Total Dental	**4**	**-4**	**-17**	**-17**	**-2.5%**

Judicial Branch PPME-covered

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	3	40	1	44	47.8%
Blue Advantage	2	19	1	22	23.9%
Total Managed Care	5	59	2	66	**71.7%**
Indemnity					
Program 3 Plus	8	3	0	11	12.0%
Deductible 3 Plus					
PPO					
Iowa Select	10	5	0	15	16.3%
Total Indemnity & PPO	18	8	0	26	**28.3%**
Total Health	**23**	**67**	**2**	**92**	**100.0%**
Total Dental	**39**	**51**	**2**	**92**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	5	40	1	46	50.0%
Blue Advantage	2	18	1	21	22.8%
Total Managed Care	7	58	2	67	**72.8%**
Indemnity					
Program 3 Plus	8	3	0	11	12.0%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	10	4	0	14	15.2%
Total Indemnity & PPO	18	7	0	25	**27.2%**
Total Health	**25**	**65**	**2**	**92**	**100.0%**
Total Dental	**39**	**51**	**2**	**92**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	-2	0	0	-2	-4.3%
Blue Advantage	0	1	0	1	4.8%
Total Managed Care	-2	1	0	-1	**-1.5%**
Indemnity					
Program 3 Plus	0	0	0	0	0.0%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	0	1	0	1	7.1%
Total Indemnity & PPO	0	1	0	1	**4.0%**
Total Health	**-2**	**2**	**0**	**0**	**0.0%**
Total Dental	**0**	**0**	**0**	**0**	**0.0%**

Legislative Branch

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	33	137	5	175	57.2%
Blue Advantage	3	14	1	18	5.9%
Total Managed Care	36	151	6	193	**63.1%**
Indemnity					
Program 3 Plus					0.0%
Deductible 3 Plus	15	14	2	31	10.1%
PPO					
Iowa Select	42	37	3	82	26.8%
Total Indemnity & PPO	57	51	5	113	**36.9%**
Total Health	**93**	**202**	**11**	**306**	**100.0%**
Total Dental	**120**	**183**	**8**	**311**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	33	129	2	164	56.7%
Blue Advantage	3	14	1	18	6.2%
Total Managed Care	36	143	3	182	**63.0%**
Indemnity					
Program 3 Plus	0	0	0	0	0.0%
Deductible 3 Plus	12	14	1	27	9.3%
PPO					
Iowa Select	42	37	1	84	29.1%
Total Indemnity & PPO	54	51	2	111	**38.4%**
Total Health	**90**	**194**	**5**	**289**	**100.0%**
Total Dental	**91**	**141**	**3**	**235**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	0	8	3	11	6.7%
Blue Advantage	0	0	0	0	0.0%
Total Managed Care	0	8	3	11	**6.0%**
Indemnity					
Program 3 Plus	0	0	0	0	0.0%
Deductible 3 Plus	3	0	1	4	14.8%
PPO					
Iowa Select	0	0	2	2	2.4%
Total Indemnity & PPO	3	0	3	6	**5.4%**
Total Health	3	8	6	**17**	5.9%
Total Dental	**29**	**42**	**5**	**76**	**32.3%**

Regents AFSCME-covered

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	883	2,303	65	**3,251**	53.8%
Blue Advantage	141	720	17	**878**	14.5%
Total Managed Care	1,024	3,023	82	4,129	**68.3%**
Indemnity					
Program 3 Plus	845	271	109	1,225	20.3%
Deductible 3 Plus					
PPO					
Iowa Select	442	212	36	690	11.4%
Total Indemnity & PPO	1,287	483	145	1,915	**31.7%**
Total Health	**2,311**	**3,506**	**227**	**6,044**	**100.0%**
Total Dental	**2,808**	**2,974**	**90**	**5,872**	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	Family	Double Spouse	Combined	% Unit Enrollment
Managed Care					
Blue Access	866	2,271	58	3,195	52.8%
Blue Advantage	151	745	16	912	15.1%
Total Managed Care	1,017	3,016	74	4,107	**67.9%**
Indemnity					
Program 3 Plus	874	281	95	1,250	20.7%
Deductible 3 Plus	0	0	0	0	0.0%
PPO					
Iowa Select	440	220	34	694	11.5%
Total Indemnity & PPO	1,314	501	129	1,944	**32.1%**
Total Health	**2,331**	**3,517**	**203**	**6,051**	**100.0%**
Total Dental	**2,860**	**3,017**	**161**	**6,038**	

Percentage Gain/Loss since January 1, 2014

	Single	Family	Double Spouse	Combined	% Gain/Loss Per Plan
Managed Care					
Blue Access	17	32	7	56	1.8%
Blue Advantage	-10	-25	1	-34	-3.7%
Total Managed Care	7	7	8	22	**0.5%**
Indemnity					
Program 3 Plus	-29	-10	14	-25	-2.0%
Deductible 3 Plus	0	0	0	0	
PPO					
Iowa Select	2	-8	2	-4	-0.6%
Total Indemnity & PPO	-27	-18	16	-29	**-1.5%**
Total Health	**-20**	**-11**	**24**	**-7**	**-0.1%**
Total Dental	**-52**	**-43**	**-71**	**-166**	**-2.7%**

SPOC-covered

Active Employees Enrolled in the State Health Insurance Plans * July 1, 2014

	Single	EE + Spouse	EE + Children	Family	Double Spouse	Combined	% Unit Enrollment
Alliance Select - wellness	105	43	52	341	2	543	96.4%
Alliance Select - non-wellness	6	2	1	11	0	20	3.6%
Total Health	**111**	**45**	**53**	**352**	**2**	**563**	100.0%
Total Health Opt-out						**7**	
Total Dental	111			450	2	563	

Active Employees Enrolled in the State Health Insurance Plans * January 1, 2014

	Single	EE + Spouse	EE + Children	Family	Double Spouse	Combined	% Unit Enrollment
PPO							
Alliance Select - wellness							
Alliance Select - non-wellness							
Total Health							
Total Dental							

Percentage Gain/Loss since January 1, 2014

	Single	EE + Spouse	EE + Children	Family	Double Spouse	Combined	% Gain/Loss Per Plan
PPO							
Alliance Select - wellness							
Alliance Select - non-wellness							
Total Health							
Total Dental							

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WELLNESS SERVICES REPORTING

HEALTHY
opportunities

State of Iowa Healthy Opportunities

Reporting Period: October 2013 – December 2013

Introduction

In 2013, Executive Branch non-contract State of Iowa employees, as well as those covered by the State Police Officers' Council (SPOC) bargaining unit, were offered the opportunity to participate in the Healthy Opportunities Wellness Program. Wellness-eligible employees wishing to participate in the program were required to complete a biometric screening and an online health assessment. Some employees were also required to participate in telephonic health coaching with a health coach from WebMD.

The following Executive Summary was prepared by Wellmark, the State's wellness services vendor. The data presented is based on information derived from the aggregate report on the entire participating population. In the first year of the Healthy Opportunities Wellness Program, the State of Iowa recognized an overall participation rate of 91.5%. Future programming efforts will be tailored to address the top overall risks for the participating population. These risk areas are:

1. Body Mass Index/Weight
2. Nutrition
3. Blood Pressure

The report that follows covers these topic areas:

- Preparation for Success
- Eligible Population
- Focus on Engagement
- Healthy Opportunities Program Participation
- State of Iowa Program Outcomes
- Recommendations for Addressing Top Overall Risks
- Annual Planning/Next Steps

Questions pertaining to the information contained in this report can be directed to healthy.opportunities@iowa.gov.

2013 Healthy Opportunities Wellness Program Executive Summary

Preparation for Success

The State of Iowa is committed to healthier employees, which can result in improved productivity, reduced absenteeism and reduced health care costs among other things. Over the last year, the Healthy Opportunities Wellness Program has made big strides on the pathway to developing a strategic wellness program. Key milestones include:

- Applying for the Wellness Council of America Well Workplace Award and achieving silver designation as a Well Workplace
- Hiring of a Wellness Specialist to manage the Healthy Opportunities Program
- Request for Proposal for a wellness vendor to provide services for the Healthy Opportunities Wellness Program, with Wellmark's Wellness Center powered by WebMD being the chosen solution
- Implementation and launch of Health Screenings, a Health Assessment, and Telephonic Health Coaching for executive branch non-contract and SPOC employees.

Eligible Population

It was determined that the eligible population for the first year of the Healthy Opportunities Program would include the executive branch non-contract employees and State Police Officers Council (SPOC), making the eligible population a total of 3,699 employees. The Executive branch non-contract employees' demographic breakdown was 50% male and 50% female with a more mature population (51% over the age of 50). The SPOC officer population is 94% male and 6% female with only 14% over the age of 50. This gender and age difference will have an impact on results reported.

Focus on Engagement

Communications and financial incentives are key elements of a successful, integrated health and wellness management program. The 2013 Healthy Opportunities Wellness Program incented participation through 2014 premium reductions for completion of a health screening and health assessment. Multiple modes of communication were leveraged including in-person presentations, webinars, intranet communications, e-mail, targeted Wellmark Wellness Center messages, and postcards. Touch points are demonstrated below:

- Hosted numerous seminars about the Healthy Opportunities Wellness Program
- Presented 4 webcasts
- Distributed 12 e-mail messages about the Healthy Opportunities Wellness Program
- Mailed 3,771 reminder postcards
- A dynamic wellness program webpage was maintained specific to the Healthy Opportunities Wellness Program

Healthy Opportunities Program Participation

In September 2013, the Healthy Opportunities Wellness Program kicked off with biometric health screenings, online wellness tools and a health assessment, as well as telephonic health coaching.

Biometric Health Screenings

The Healthy Opportunities Wellness Program set out to offer flexibility in biometric health screening options. Employees could choose from onsite testing offered in 30 locations throughout the state, home test kits, or physician provided screenings/fax form. Some SPOC employees were allowed to utilize lab work from their annual physical fitness testing and have it uploaded directly into the online Health Assessment. Biometric health screening participation was above industry average with **3623 out of the eligible 3699 employees (or 98%)** completing one of the biometric screening options. The breakdown of participants using each screening method is below:

Physician Fax Forms Received	Home Kits Received	Onsite Screenings Attended	3rd Party Biometrics Received	Total Health Screening Completed	Rate of Health Screening Completions
400	448	2197	578	3623	98%

Health Assessment (Wellmark Wellness Assessment)

The Wellmark Wellness Assessment is an advanced health profiling/health assessment tool that scores an individual's health status, calculates risk levels, and provides recommendations for health improvement and behavior change. Individual users receive a summary report highlighting high risk areas immediately upon completion. Participation in 2013 far exceeded industry averages with **91.5% of the 3699 eligible users (3,386 employees)** taking a Health Assessment. Achieving 80% participation provides population representative data for effective future program planning.

	Eligible Online Users	Registered Users	Registration Rate	Unique Health Assessment Users	Rate of Health Assessment Completions (of eligible users)
Executive branch non-contract employees	3121	2842	91%	2831	91%
SPOC officers	578	555	96%	555	99%
Overall Participation	3699	3397	92%	3386	91.5%

Overall 2013 Program Participation

To successfully complete the 2013 Healthy Lifestyles Program employees were asked to complete both a biometric health screening and complete a health assessment. Of the 3699 employees that were eligible, **3385 (or 91.5%)** met this requirement and were rewarded with a premium discount.

Telephonic Health Coaching

Upon completion of the Health Assessment, participants identified to be high risk, immediately receive a message alerting them that they are eligible for telephonic health coaching. This allows them to schedule their health coaching session online and receive their first coaching call as soon as 48 hours.

Approximately 26% of those that participated in the program were identified as high risk and eligible for coaching; this is slightly below the WebMD book of business at 30%. The chart below shows the breakdown of eligible employees that stratified into high risk telephonic coaching.

	High Risk Coaching Qualifications	Rate of Health Assessment Users that Stratify for Coaching	High Risk Coaching Enrollees	Rate of Qualified Users Enrolled in Coaching
Executive branch non-contract employees	804	28%	607	75%
SPOC officers	82	15%	72	88%
Overall	886	26%	679	77%

In addition to the coaching notification received upon completion of the health assessment, employees have also received a targeted message through the Wellness Center and a letter delivered to the home notifying them of their participation requirement.

State of Iowa Program Outcomes

Wellness Assessment responses and health screening results (biometrics) are compiled to provide an overview of the population health of participating users. Upon completion of the wellness assessment, each employee received a summary report, which outlines risk areas and provides suggestions for improvement, if applicable. The State also receives an aggregate report which is used to determine what programs and resources should be leveraged to address the top risk areas. In summary, the highlights from the aggregate data are below.

Modifiable Risks

Modifiable risk factors are things that can be controlled, treated or modified to prevent future health risks and disease. There are a total of 13 modifiable risks measured through the Wellness Assessment including: poor diet, poor physical activity, high weight, high stress, poor emotional health, high blood sugar, high cholesterol, high blood pressure, drug use, alcohol use, tobacco use, poor safety, poor prevention. Executive branch non-contract users have an **average modifiable risk count** of **3.4**, while SPOC officer users have an average modifiable risk count of **3.3**.

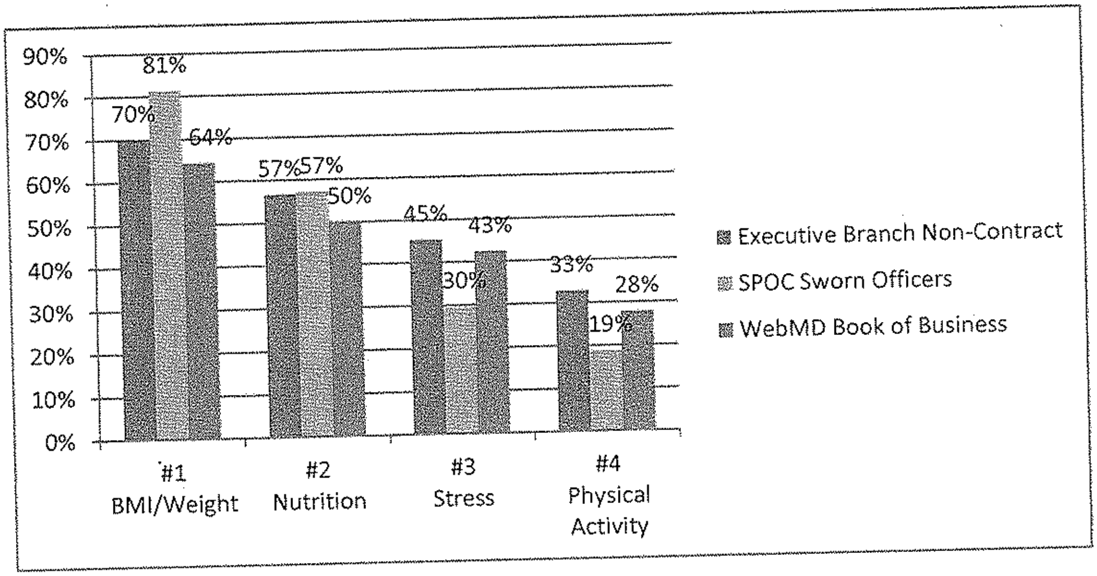
Top Overall Risks

The top three health risks of all lifestyle behaviors, biometric, and self-reported conditions identified in the 2013 Healthy Opportunities Wellness Program, consistent with other Iowa employers, were:

1. **Body Mass Index/Weight**
2. **Blood Pressure**
3. **Nutrition**

Top Lifestyle Behavior Risks

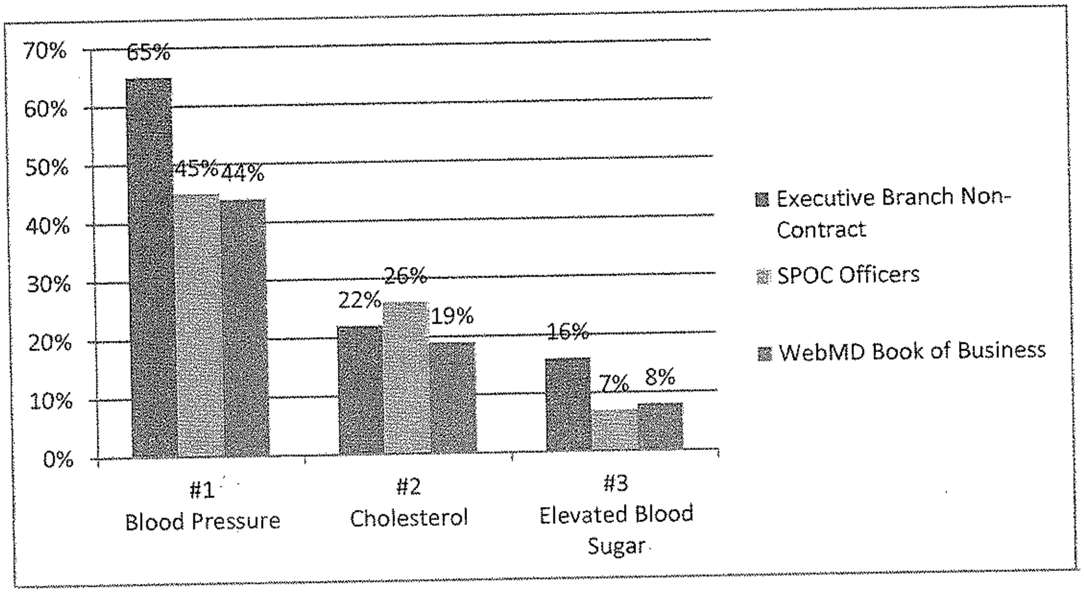
The decisions made everyday can impact a person's health risks. Lifestyle behaviors such as tobacco use, weight, physical activity, stress and nutrition have been found to have a significant impact on overall health disease risk. Below is a summary of lifestyle behaviors that are most prevalent in the executive branch non-contract and SPOC participants.



1. **Body Mass Index** (BMI)/Weight is the leading lifestyle behavior risk in the population with **70%** of executive branch non-contract users and **81%** of SPOC users having a BMI ≥ 25. Elevated BMI leads to increased risk of chronic conditions. BMI can be modified through increased physical activity and a reduction in caloric intake.
2. **57%** of users and **57%** of SPOC users have **nutrition risk** (do not meet the # of daily servings for more than 2 of 5 nutrition guidelines). The top nutrition opportunity lies in increased consumption of fruits and vegetables and reduced consumption of high-fat foods.
3. **45%** of executive branch non-contract users and **30%** of SPOC users have **stress risk** (a life event score ≥ 50 or a satisfaction score ≥ 30. Overall the majority of employees are satisfied with their jobs and their lives in general; however job stress is a risk factor for over 50% of executive branch non-contract & SPOC supervisors. Job stress was a concern for 36% of SPOC officers.
4. **33%** of executive branch non-contract users and **19%** of SPOC users have **physical activity risk** (>90 minutes of exercise per week). The American College of Sports Medicine recommends a minimum of 30 minutes of physical activity most days of the week.

Top Biometric Risks

Biometric risk is identified through health screening tests including: total cholesterol, high density lipoprotein (HDL), low density lipoprotein (LDL), TC/HDL ratio, triglycerides, glucose, and blood pressure. Height, weight, and body mass index (BMI) were self-reported. Biometric results were obtained by State of Iowa sponsored health screenings and uploaded into the Wellness Assessment for data aggregation. Below is a snapshot of participants' overall health based on biometric health screening tests only (should not be construed as diagnostic).



1. **The top biometric risk is blood pressure**, with **65%** of executive branch non-contract users and **45%** of SPOC users with a systolic blood pressure ≥ 120 or a diastolic blood pressure ≥ 80. Blood pressure can be kept in check by maintaining a healthy weight; getting physical activity; eating a consistently healthy diet with limited sodium, low fat, and increased intake of fruits and vegetables; tobacco cessation; and stress management
2. **22%** of executive branch non-contract users and **26%** of SPOC users have **elevated cholesterol levels** (LDL ≥ 130 or HDL ≤ 60 or Total Cholesterol ≥ 200). Cholesterol levels can be improved through reduced intake of saturated fats; reduced consumption of high cholesterol foods such as egg yolks, meats and cheeses; increased fiber intake (whole grains and fruit/vegetable) and increased physical activity.
3. **16%** of executive branch non-contract users and **7%** of SPOC users have **elevated blood sugar** (≥ 100). Improved nutrition is the best way to reduce blood sugar.

Top Self-Reported Condition Risks

The cost associated with chronic disease is one of the largest drivers of annual healthcare expenditures. By offering interventions that aim to reduce the precursors to chronic disease, your organization can help keep disease rates low in the future. Below are the top self-reported diagnoses for conditions in your population:

Executive Branch Non-Contract

1. **Allergies** is the leading self-reported condition, impacting **28%** of users
2. **Menopause** impacts **13%** of all users
3. **Depression** impacts **11%** of users

SPOC Officers

1. **Allergies** is the leading self-reported condition, impacting 25% of users
2. **Chronic back pain/Sciatica** impact 5%
3. **Acid Reflux (GERD)** impacts 5%

Readiness to Change

It is important to evaluate not only health risks, but readiness to make changes to identified health risks. If the population's readiness to change targeted risky behaviors is high, promotion of topic appropriate wellness programs and resources will have the potential to have greatest impact on behavior change. When looking at the top overall identified risks and the population readiness to change, you find the following:

- Body Mass Index/Weight
  - Within the next month to six months of taking the health assessment 43% of executive branch non-contract and 29% of SPOC participants were looking to manage their weight better
- Blood Pressure
  - Within the next month to six months of taking the health assessment 23% of executive branch non-contract and 18% of SPOC participants were looking to control their blood pressure
- Nutrition
  - Within the next month to six months of taking the health assessment 39% of executive branch non-contract and 31% of SPOC participants were looking to improve their diet
- Stress
  - Within the next month to six months of taking the health assessment 27% of executive branch non-contract and 18% of SPOC participants were looking to start a stress reduction program

Recommendations for Addressing Top Overall Risks

- Focus on Blood Pressure
    - Consider creating a map of all existing blood pressure machines and holding a promotional campaign to increase utilization of existing blood pressure machines.
    - Consider partnering with county health departments to provide blood pressure checks across State work locations.
    - Consider DASH (Dietary Approaches to Stop Hypertension) diet education. The DASH diet emphasizes fruits, vegetables, whole grains, low-fat dairy products, poultry, fish and nuts.
    - Target message through Wellmark Wellness Center to those with high blood pressure (and possibly other select conditions) notifying of Better Choices, Better Health classes.
- Focus on Weight Management
    - Re-promote the NEMS-V vending labeling in buildings where IDPH has evaluated the vending and partnered to provide healthier choices.
    - Engage Wellness Champions in doing Walkability Assessments and mapping 1-mile walking loops at their respective worksites. Leverage an online mapping site such as MapMyRun to share mapped walking routes with the Wellness Coordinator for posting on the Healthy Opportunities website.
    - Create or promote an existing healthy eating on the run phone application or booklet to encourage healthy food choices at the point of need. This will be particularly helpful during the workday for SPOC and DOT folks who work remotely.
    - Establish and promote a Maintain Don't Gain challenge around the holidays where employees weigh-in pre- and post-program with Wellness Champions or Personnel Assistants.
    - Consider integrating wellness challenges into the Healthy Opportunities program as incentivized program options. This may include Live Healthy Iowa, as an example, but with promotion and tracking linked to the Wellmark Wellness Center powered by WebMD. Other options might include a hydration or fruit/vegetable challenge.
- Focus on Stress Management as a means of impacting both blood pressure and weight management
    - Consider resiliency training or other trainings provided through your Employee Assistance Program to help employees adapt to and bounce back from challenges and adversity.
    - Identify ways for employees to connect with a personal passion which may include promotion of volunteer opportunities for employees to connect within their communities.
- Further integrate wellness into the cultures at State worksites
    - Equip department directors with the Healthy Opportunities vision and program outcomes, and request sharing of this information with their employees.
    - Continue to grow the Wellness Champion network in order to have representation in all State worksites.
    - Consider holding Wellness Champions accountable for promoting one wellness program and implementing one wellness policy in the next calendar year. Provide options driven through the Wellness Steering Committee and require Wellness Champions to each submit their goal worksheet and goal evaluation annually.

- Consider use of the Wellness Council of America's webinars for Wellness Champion training.
- Review worksite policies around specifically tobacco use and flexible scheduling to ask the question, do these policies support employees in making healthy choices and managing their stress.
- Consider surveying key stakeholders to the wellness program for program feedback. This might include the Department of Management, agency directors, personnel assistants and wellness champions.

Annual Planning/Next Steps

As the first active campaign for the Healthy Opportunities Wellness Program concludes, the following activity is planned to prepare for a successful future.

- 2013 Program Lessons Learned Session occurred on January 14
  - Lessons learned in 2013 program will be used to make improvements to program logistics for 2014 and beyond.
- 2013 Wellness Screening and Wellness Assessment Aggregate Results were reviewed on January 22
  - Data from the 2013 program will be considered for both short-term and long-term Healthy Opportunities program planning and goal setting.
- 2014 Planning Meeting will occurred on January 30
- Healthy Opportunities Annual Wellness Scorecard Development
- Create an annual plan to address risk areas as identified in WebMD aggregate reports
- Continue to offer newsletter articles and webinars to all state employees on relevant topics
- Continue to promote Live Healthy Iowa challenges
- Make improvements to 2014 program requirements implementation timeline to enhance employee experience in the program, such as allowing more time for employees to visit their own physician, more time for processing of lab work, and providing additional information on health coaching and related requirements