



## *Educators Health Alliance*

### *Inside the EHA*

**Nebraska Educators Health Alliance  
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Welcome to *Inside the EHA*, the newsletter for quick updates on timely EHA topics of interest, issues and decisions before the EHA Board, and information about your health insurance plan.

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#### **EHA Moving to a 4-Tier Rate Structure**

The EHA Board on November 29, 2007, approved its plan to move the premium rate structure to a 4-tier basis effective September 1, 2008. The current 2-tier premium rate structure provides rates for single and family coverage. The 4-tier structure will provide premium rates for employee-only coverage, employee-plus-spouse-only coverage, employee-plus-children-only coverage, and employee-plus-spouse-and-children coverage.

The EHA initially announced its intention to move toward 4-tier rates effective September 2008 following its May 2006 meeting. The board announced its intention in advance of the effective date in order to allow for member input and enable groups to prepare for this potential change. Blue Cross Blue Shield of Nebraska (BCBS) and the EHA’s actuary have recommended the 4-tier rates as a premium structure for the EHA. They provided the EHA the following reasons for the 4-tier structure: it is more equitable and competitive, better for the risk pool, and in line with what is generally used in health benefit plans today. BCBS noted that nearly all other Nebraska groups have a 4-tier premium structure.

The 4-tier rates essentially divide the current family rates into three different rate categories. The employee-plus-children-only and employee-plus-spouse-only coverage rates are lower than the current family rate in the 2-tier structure. The employee-plus-spouse-and-children coverage rate is higher than the current family rate. In order to ease the transition, the EHA will move to the new employee-plus-spouse-and-children coverage rate over three years by paying a portion of the higher

(employee-plus-spouse-and-children coverage) rate out of EHA reserve funds. Two thirds of the higher rate in the 2008-09 year and one third of the higher rate in the 2009-10 year will be paid from the EHA rate stabilization reserve and not charged to the EHA subgroups. The full rate reduction for the employee-plus-children-only and employee-plus-spouse-only rates will be passed to EHA subgroups in the first year (2008-09). After the 4-tier rates are fully implemented, they will be cost neutral with the 2-tier rates. During the next two years of transition, the 4-tier rates will cost the EHA subgroups less in total premium than the 2-tier rates. The EHA estimates this subsidy to the subgroup rates to be approximately \$11,000,000.

### **EHA Early Retiree Coverage and Rates**

The EHA Board on November 29, 2007, approved the future premium rate structure for early retirees. The rates will be in a 4-tier structure and equivalent to 110% of the group premium rates for active employees. In order to transition to the 4<sup>th</sup> tier, the retiree-plus-spouse-and-children coverage rate will be set at 92%, 101%, and 110% of the active employee 4<sup>th</sup> tier rate in the 2008-09, 2009-10, and 2010-2011 plan years, respectively.

### **Underwriting and Rating Rule Clarification**

The EHA Board on November 29, 2007, reviewed the four rating rules reflecting participation and contribution differences among EHA member subgroups. Participation and contribution rules have always been part of the EHA plan but the current rules have not been enforced due to the only remedy being termination. The Board's subcommittee met throughout the year to work with the establishment and implementation of appropriate underwriting rules. The committee recommended and the Board approved clarification of certain aspects of the rules on November 29.

The Board also adopted the recommendation of BCBS to send out preliminary rate determinations with a request for additional information, rather than sending final rate determinations as had been previously planned. The final determination and the start of the appeal process will be delayed. It was deemed necessary to obtain additional information in order to assure that all EHA subgroups would be handled consistently and fairly.

### **Underwriting and Rating Rules Implementation**

The gathering of information in response to the rating rules preliminary determination letters and further information requests progressed throughout December 2007. Considerable new information was still being received and processed in January 2008. BCBS has been processing the information and found it necessary to respond with further requests for clarifications.

Additionally, concerns about the results of the rating rules have been expressed by some of the subgroups.

The EHA Board has delayed the target date for final determinations to February 1, 2008, and decided to meet on January 15, 2008, to assess the progress and address any concerns that have been raised.

### **Special Board Meeting Addresses Underwriting and Rating Rules**

The EHA Board held a Special Board Meeting on January 15, 2008, to address issues that have been raised in the implementation of the underwriting and rating rules.

There has been concern raised about Rule 3, (the 50% minimum contribution of single premium rule), which states, "...any EHA subgroup where the employer contribution to the premium is less than 50% of the single rate shall remain eligible under the EHA and be subject to a 5% premium rate surcharge."

In response to this input the Board unanimously passed a resolution to **"suspend rule #3 of the EHA underwriting rules for the 2008-09 contract year."**

The EHA Board will begin immediately reviewing the information that has been received on the results of the rating rules as well as input received from our membership on this issue. It is anticipated the suspension period will allow careful consideration of all issues in running the EHA risk pool, while fairly and acceptably considering our member's needs.

### **Generic Prescription Drug Copay "Holiday"**

The EHA Board approved implementation of the program recommended by BCBS to waive EHA member copays for any generic prescription drugs filled during the first quarter of 2008. It is projected that the EHA member copays not charged to members during this period as a result of the "Holiday" will total approximately \$1,000,000.

During this period, BCBS will promote the cost-saving benefits of using generic drugs. It is anticipated that increased and continued use of generics beyond the first quarter of 2008 will be an ongoing financial benefit to both EHA members and the EHA health insurance pool.

BCBS has agreed to fund the waived generic copays and to only request reimbursement up to half the cost from EHA if savings can be demonstrated. EHA members will not be required to reimburse for the waived copays under any circumstances.