

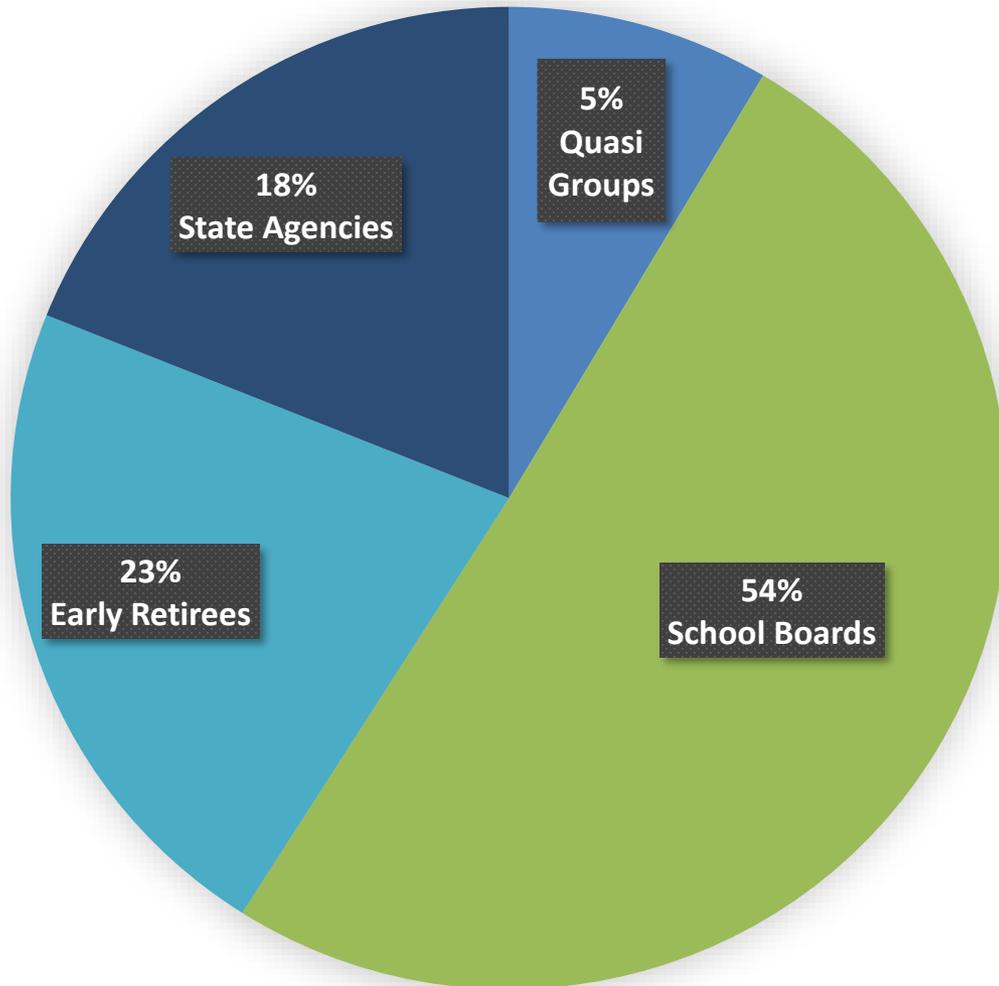


Kentucky Employees'
Health Plan

KEHP Update
to the
Appropriations &
Revenue
Interim Joint
Committee

October 2022

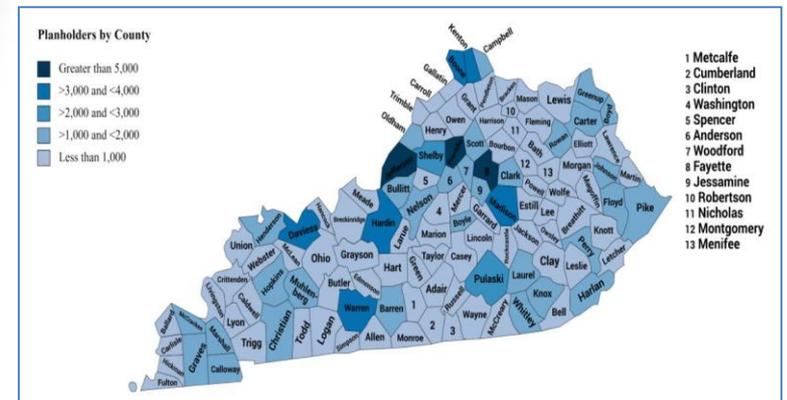
Members by Group



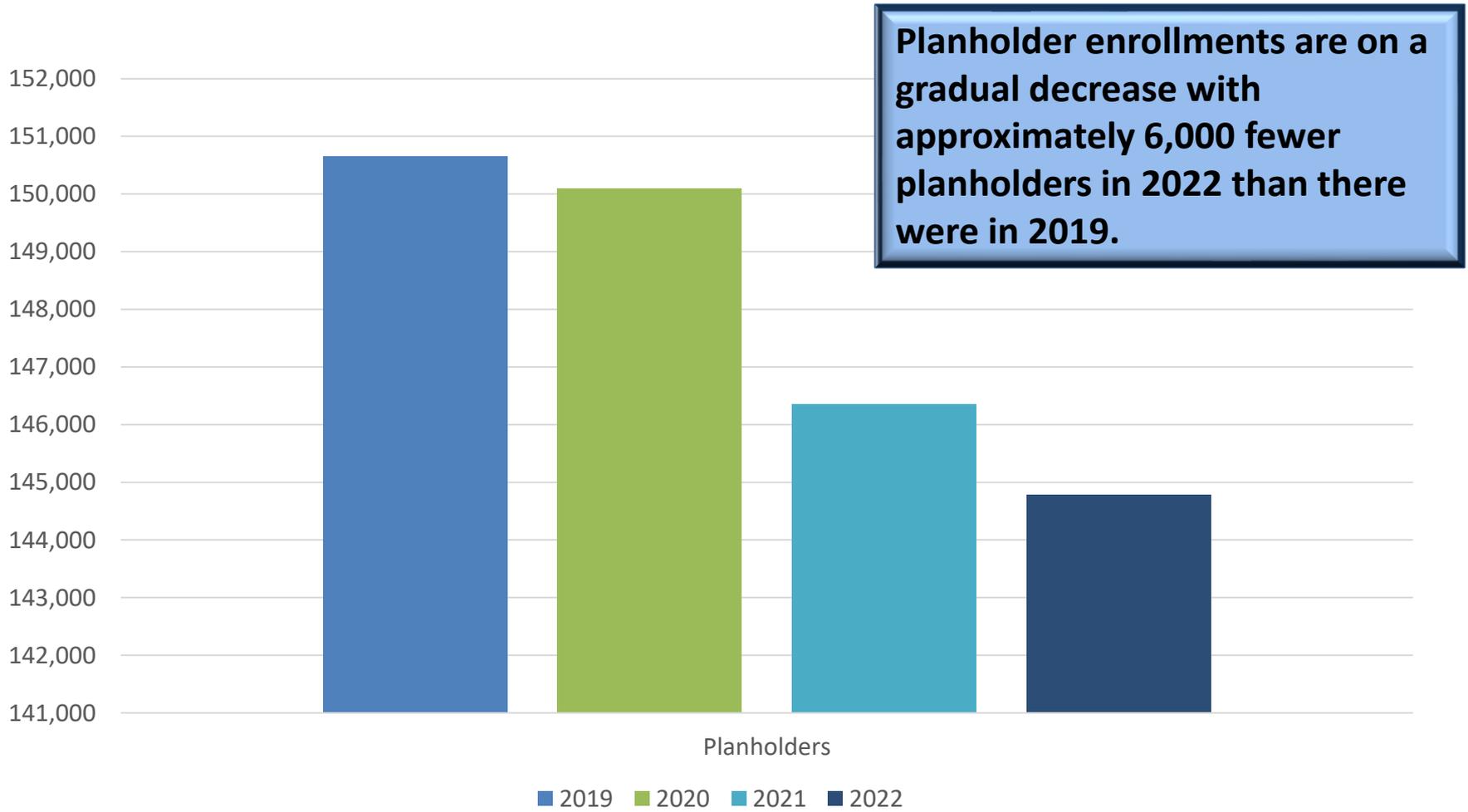
KEHP administers health and flexible spending benefits for nearly 300,000 people in Kentucky.

Over half of KEHP members are school board employees.

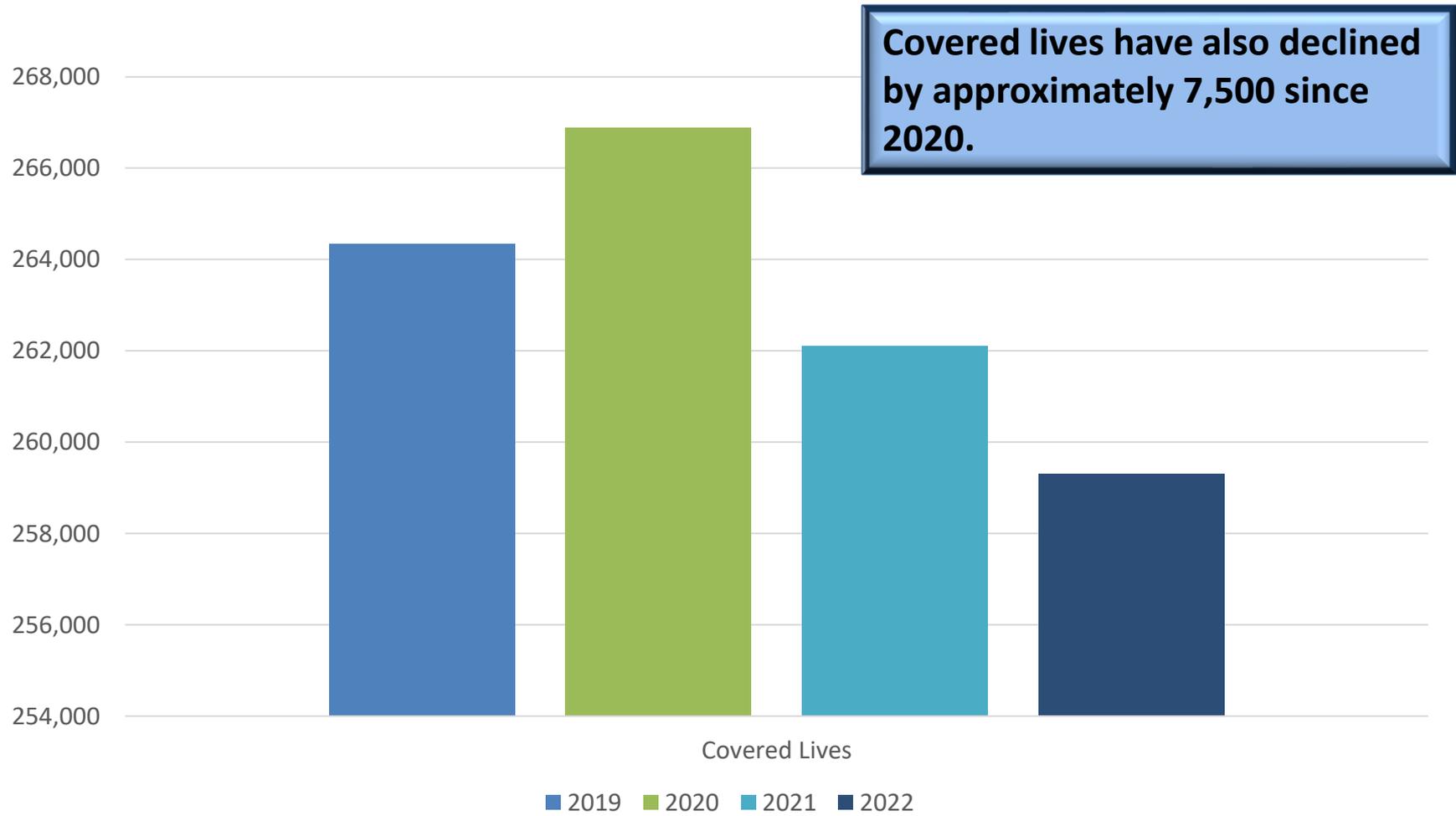
There are KEHP planholders in every Kentucky county.



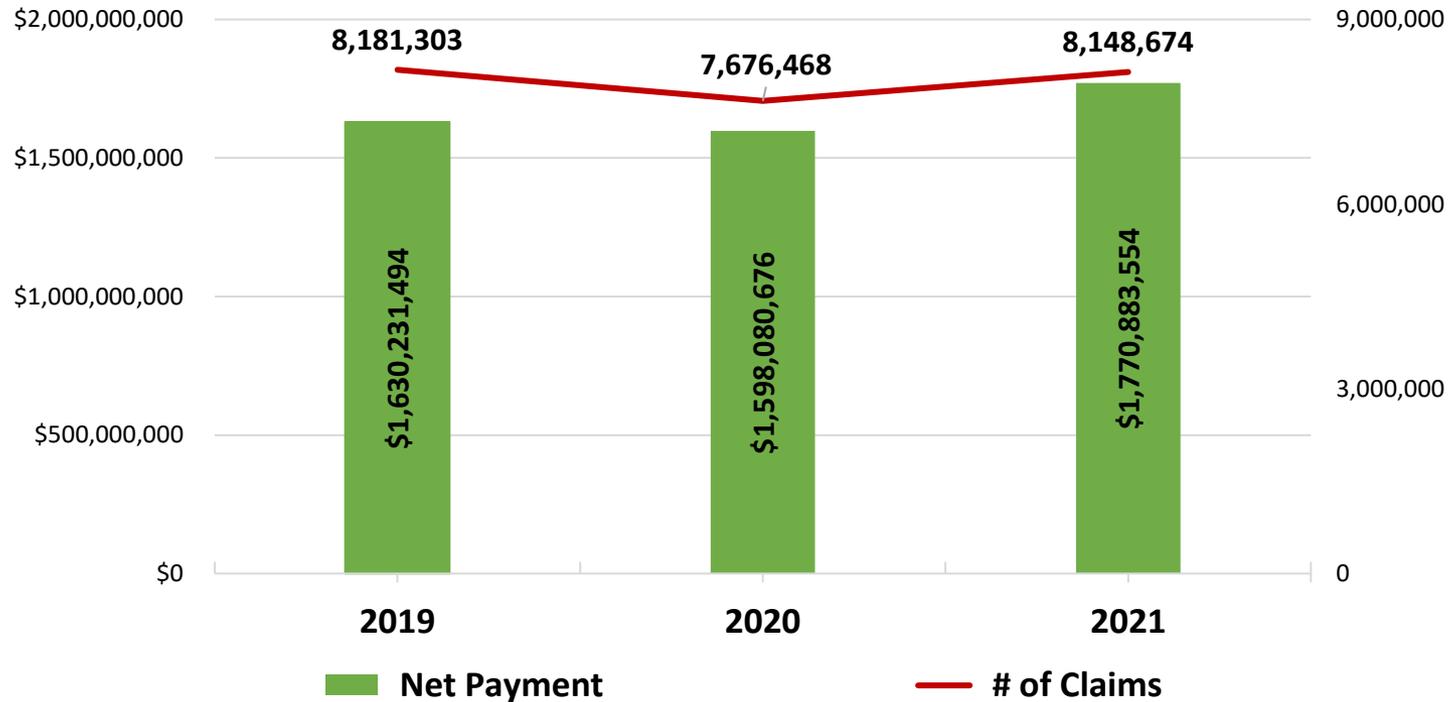
KEHP Planholder Enrollment Trend



KEHP Covered Lives Trend



Net Payments and Claims by Year



Although membership is decreasing, the average net payments per claim continued to grow over the years, from \$199.26 in 2019 to \$217.32 in 2021.

KEHP Trust Fund – KRS 18A.2254

- Establishes the Public Employee Health Insurance Trust Fund.
- Purpose of the Trust Fund is to provide funds to pay:
 - Medical, prescription drug, and other covered claims
 - Administrative costs for KEHP
- Trust Fund Receipts:
 1. Employer and employee premiums collected under the self-insured plan;
 2. Interest and investment returns earned by the self-insured plan;
 3. Rebates and refunds attributed to the self-insured plan; and
 4. All other receipts attributed to the self-insured plan.

Plan Expenses

95.8% of KEHP expenses are claims payments

**Medical Claims
63.1%**

**Prescription
Claims
28.1%**

**HRA Claims
4.6%**



**Prescription
Administration
Expense
0.5%**

**Operating
Expense
0.5%**

**Medical Administration
Expense
3.2%**

**DEI salaries
are less than
one-fifth of a
penny of
every dollar
spent!**



Plan Premium Benchmark

Average Annual Premium Increases 2015 - 2022

KEHP Employee = 1.6%

KEHP Employer = 1.3%

Private E'er = 4.9%

State/Local E'er = 2.4%

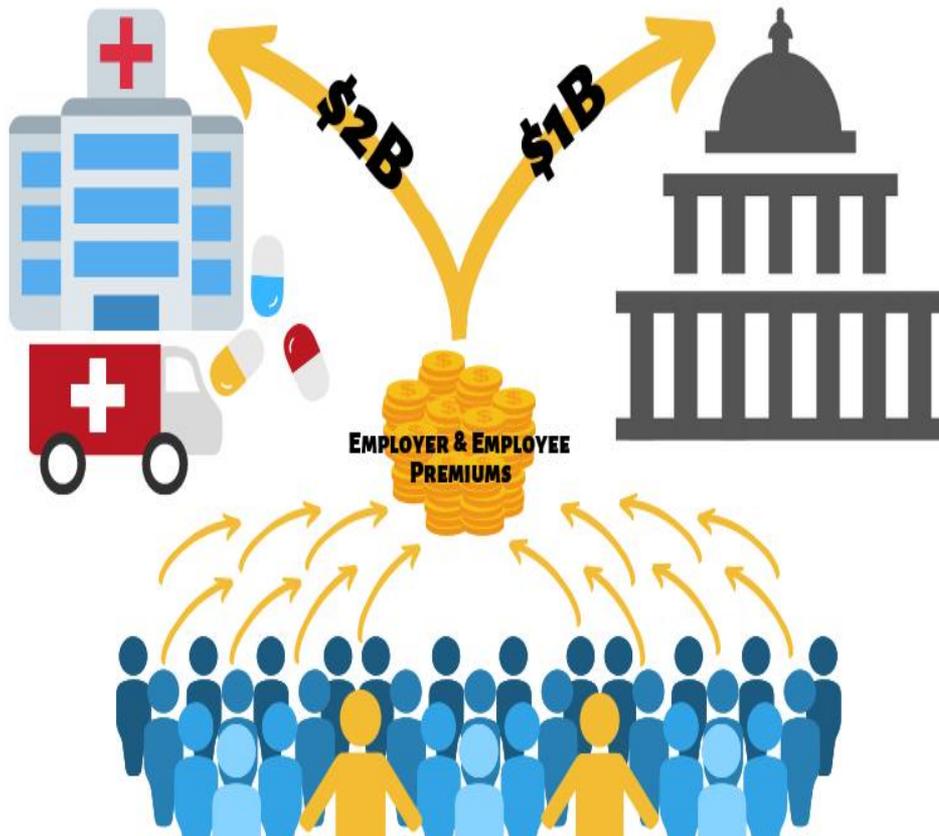
	KEHP Employee	KEHP Employer	Private Employer-Sponsored Health Insurance Employer Contributions*	State and Local Government Employer Contributions Annual Growth Rate *
2015	0%	2%	2.7%	5.7%
2016	0%	2%	5.7%	4.7%
2017	0% - 1%	0%	5.5%	0.4%
2018	3%	0.9%	5.3%	3.4%
2019	0%	0%	4.1%	-0.4%
2020	3%	0%	-3.6%	-5.0%
2021	3%	3%	9.2%	-1.8%
2022	3%	3%	10.6%	12.4%

*SOURCE: National Health Statistics Group, Table 16

Plan Management - Historical

Year	Action
2014	RFP for Medical TPA and Rx PBM; Introduced consumer-driven health plans; Introduced SmartShopper
2015	2% employer increase; New TPA and PBM; Introduced Diabetes Prevention Program
2016	2% employer increase; Introduced Diabetes Value Benefit and LiveHealth Online
2017	1% employee premium increase in the Standard plans; 0% employee increase in the LivingWell plans; Increased maximum out-of-pocket (all plans); Increased LW PPO deductible; Imposed minimum FSA carryover of \$50; Introduced LHO Behavioral Health; Imposed maximum HRA carryover of \$7,500
2018	3% employee premium increase; 1% employer increase
2019	0% employee and employer premium increase; Changed employee premium for LW CDHP couple and family coverage levels to align with claims costs
2020	3% employee increase; 0% employer increase; \$250 deductible and maximum out-of-pocket increase for all plans
2021	3% employee; 3% employer increase; Imposed Waiver HRA rollover cap of \$2,100.

Trust Fund Transfers



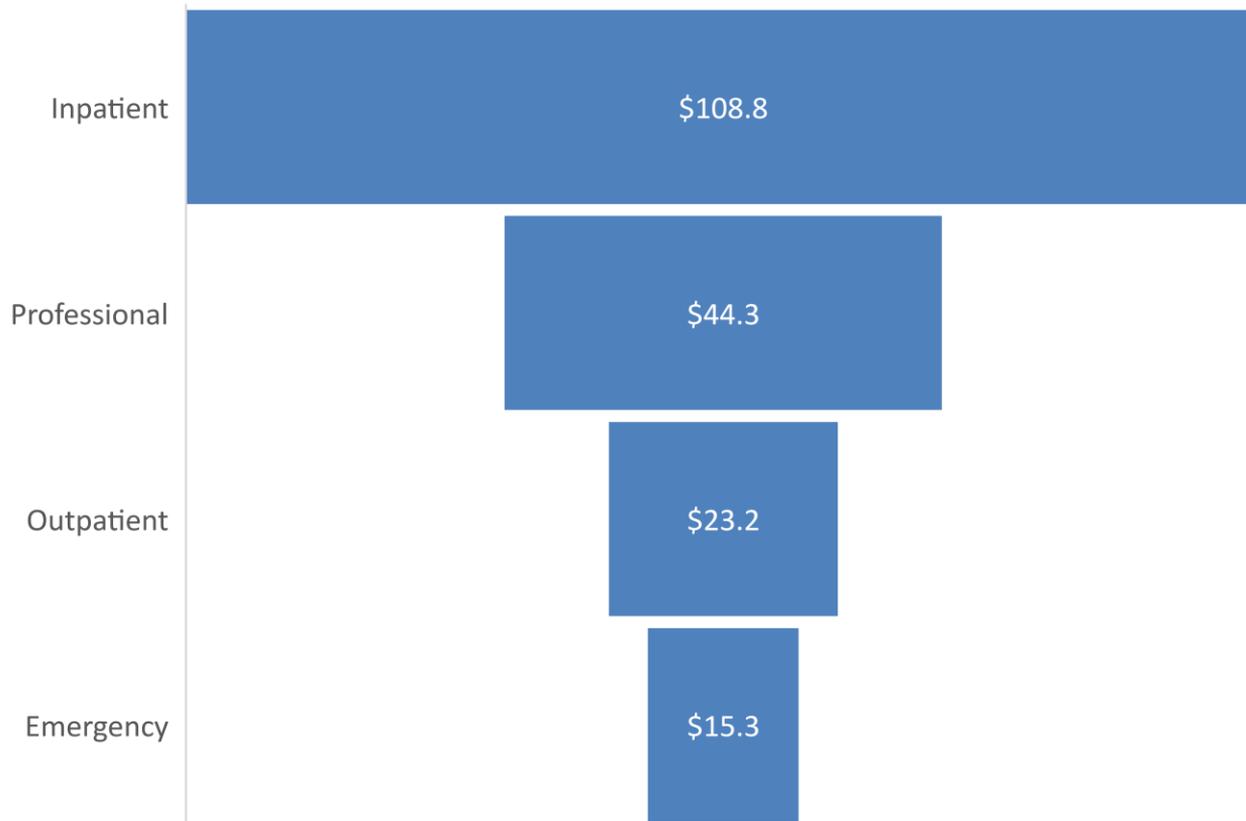
- \$50M – 2009 HB 143
- \$93M – 2014 HB 235
- \$63.5M – 2015 HB 510
- \$500M – 2016 HB 303
- \$310.5M – 2018 HB 200

**Transfers from Trust Fund
to General Fund during the
Budget Process**

**\$1.17 Billion over 11 years
= \$92.4 Million/year
(2010 to 2020)**

COVID-19 Cost Impact to Plan

COVID-19 Total Plan Costs to Date (in millions)

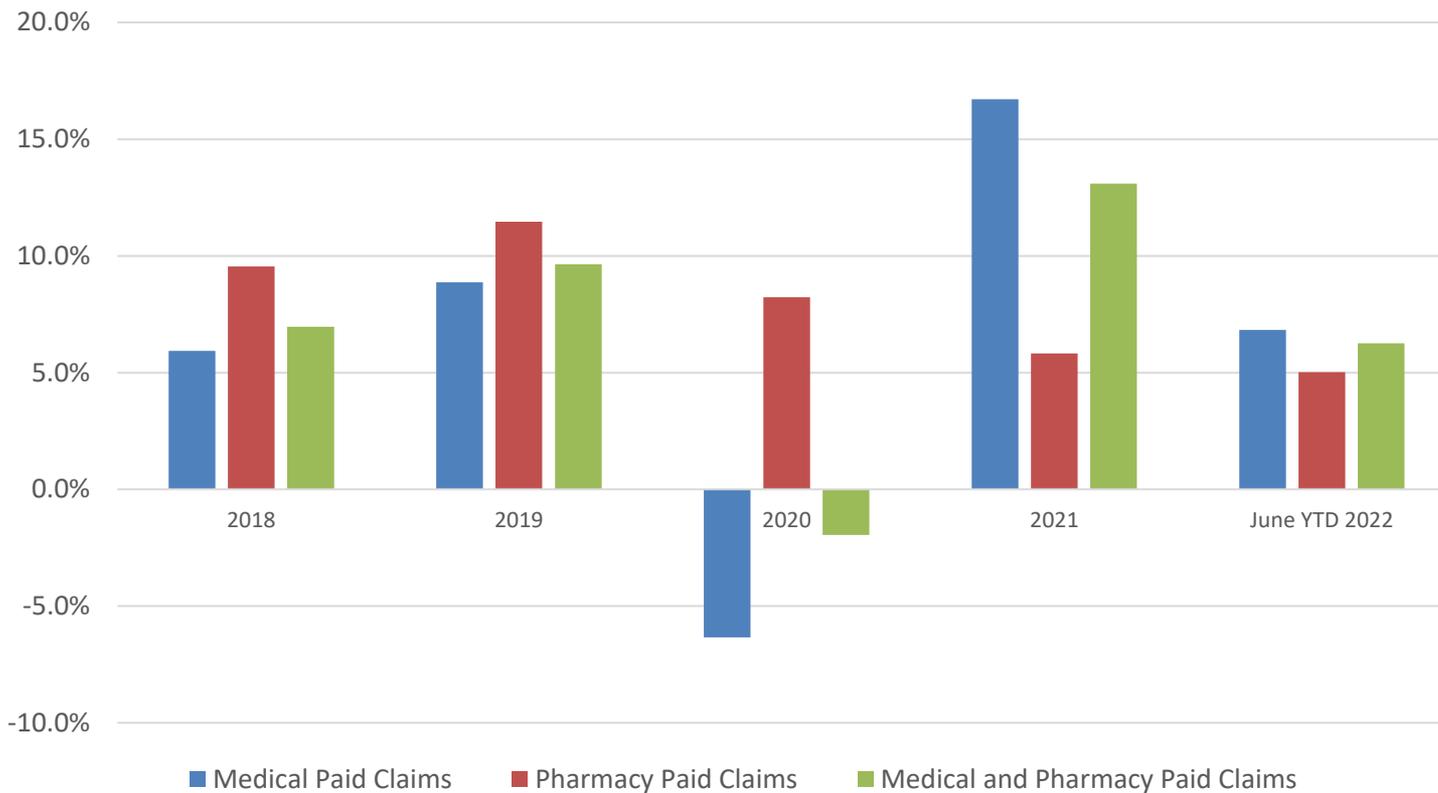


Total COVID-19
Medical Plan Costs To
Date = \$192,000,000

Testing - \$37.8M

Incurred Claims Trends

Incurred Claims Trend on a Per Member Basis



The 2020 pandemic caused a precipitous trend decrease in medical claims in 2020; followed by a sizeable increase in 2021. 2022 is trending upward as well.

* Data is based on claims paid through August 31, 2022

Post COVID-19 Claims Rebound

	2020 over 2019		2021 over 2020	
	Allowed Amount Payable	Utilization Change	Allowed Amount Payable	Utilization Change
Inpatient	-14.5%	-15.0%	17.5%	12.5%
Outpatient (including lab and radiology)	-3.1%	-8.9%	13.6%	15.1%
Professional	-11.0%	-12.2%	13.7%	10.6%
Mental Health/Substance Abuse	-2.7%	3.3%	22.5%	18.1%
Total Medical	-8.0%	-10.3%	14.7%	12.6%

* Data is based on allowed claims before member cost share

Medical Trend Insights

- Key areas impacting medical trends include:



Chronic Conditions

- Spending around chronic conditions, in terms of prevalence and increasing costs, continues to drive both medical and Rx plan costs upward



New Normal after COVID-19

- Employers embracing the usage of telehealth services during COVID-19, helping to lower professional spend. While this expansion of telehealth services may be here to stay beyond the pandemic, it is not expected to drive a major reduction in overall claims
- The growth of significant demand for behavioral health services during COVID-19. However, these costs comprise a small subset of the overall medical spend



Inflation

- Economy-wide inflation will likely drive up wages in the healthcare sector and, in turn, may drive up negotiated prices.
- However, price increases will be slow to appear in medical claims because provider contracts are only renegotiated every two to four years.
- Aon is monitoring medical claims and provider negotiations very frequently to be able to provide early warning

Pharmacy Trend Insights

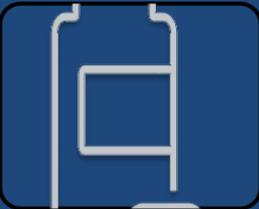
- Key areas which are impacting Rx trends include:

Specialty Drugs



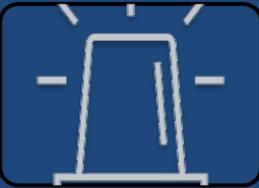
- Utilization and inflation of specialty drugs, which are the primary drivers of overall Rx trend
- Utilization and inflation of traditional brand and generic drugs being expected to moderate in the range of 2 percent to 7 percent

Traditional Drugs



- No materially impactful traditional brand products moving to generics in 2023 and beyond and the generic dispensing rates hitting the low 90% range

Regulation



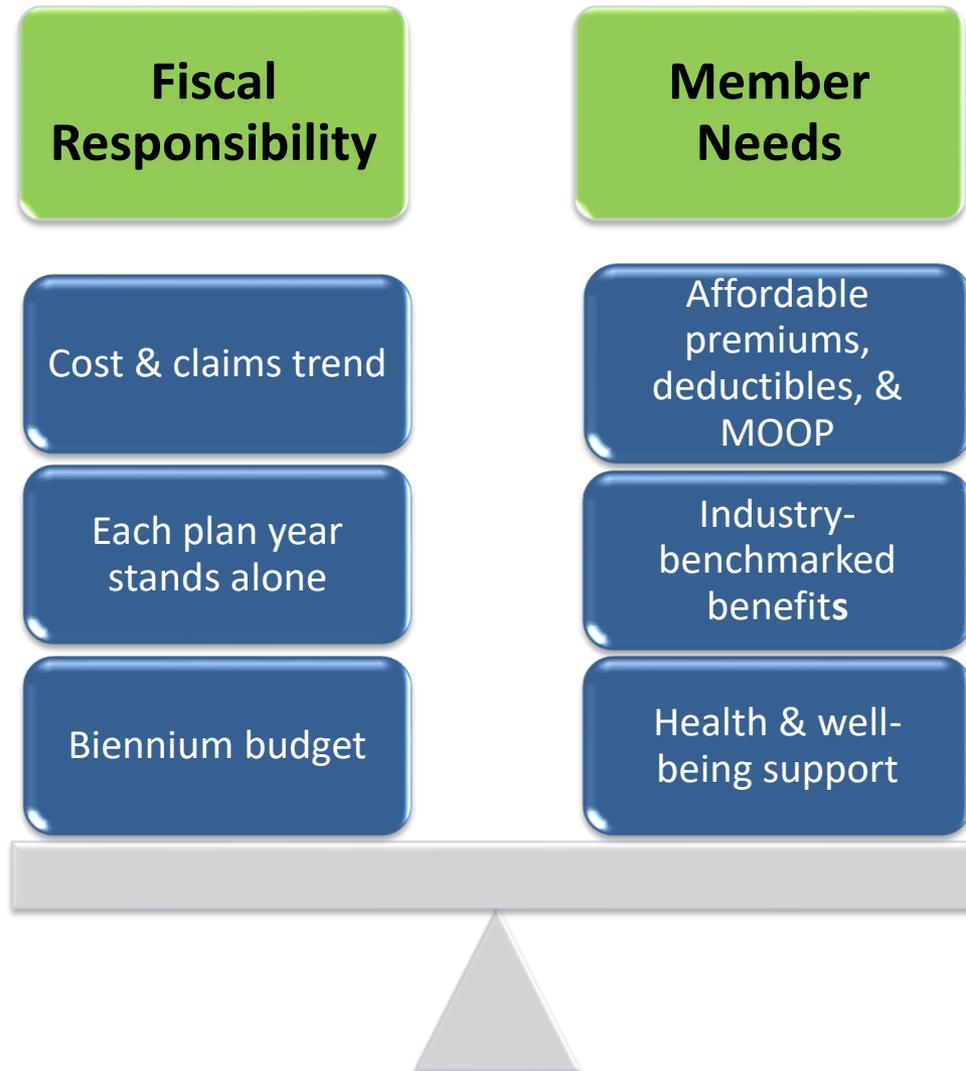
- Anticipation of the FDA continuing to approve significant numbers of expensive specialty medications primarily provider infused/injected (including gene therapy) over the next several years

Plan Year 2024 Projections

Year 2024 Projection As of date	Assumptions		Total Projected Revenue	Total Projected Expenses	Operating Net Gain/(Loss)
	Employee Increase	Employer Increase			
March 2022	0% (2023 and 2024)	10% (2023) 16.5% (2024)	\$2,392,965,760	(\$2,387,755,785)	\$5,209,976
June 2022	0% (2023 and 2024)	10% (2023) 16.5% (2024)	\$2,369,755,838	(\$2,338,415,889)	\$31,339,949

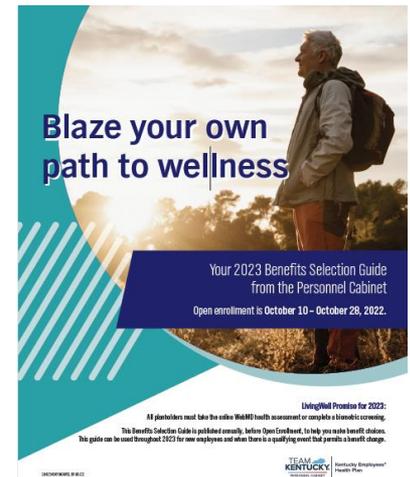
* Data is based on Aon's estimated projections

Decision Process



2023 Plan Year

- ❖ 10% employer premium contribution increase
- ❖ No increase in employee premium contributions
- ❖ No changes to co-pays, co-insurance, deductibles, or maximum out-of-pocket amounts



Plan Management – Current and Future

Year	Action
2022	3% employee and employer premium increase; LW CDHP and PPO co-insurance increase by 5%; LW PPO prescription copay increase by \$5 (30-day supply) and \$10 (90-day supply); Introduced Hinge Health; Implemented PrudentRx so employee and health plan can take advantage of the full value of manufacturer Rx coupons. <i>(est. Savings = \$44.3 million).</i>
2023 – 2024	10%/16.5% employer premium contribution increase
	Annual market checks to ensure competitive prescription drug pricing
	Possible RFPs to extract cost savings
	Continue to evaluate programs that will help the plan address high-cost claim expenditures and determine if current programs are cost-effective
	Continue aggressive contracting to reduce or keep administrative costs the same
Legislative – authorization in budget to use surplus from prior plan years for current and subsequent plan years; coverage mandates; coverage mandates with zero member cost share; imposition of administrative requirements	

Contact Information

Sharron Burton
Commissioner
Dept. of Employee Insurance
501 High Street, 2nd Floor
Frankfort, KY 40601
Sharron.Burton@ky.gov
502-564-5506

Chris Chamness
Deputy Commissioner
Dept. of Employee Insurance
501 High Street, 2nd Floor
Frankfort, KY 40601
Chris.Chamness@ky.gov
502-564-6815