

1 A JOINT RESOLUTION directing the Department of Employee Insurance in the
2 Personnel Cabinet to study and report to the Legislative Research Commission on
3 employer and employee cost-sharing trends, health insurance expenditures and trends,
4 health plan governance models, and administrative processes and costs associated with
5 the Kentucky Employees' Health Plan and other state employee plans across the country.

6 WHEREAS, the Kentucky Employees' Health Plan (KEHP) provides health
7 benefits to nearly 300,000 current and former public employees and dependents; and

8 WHEREAS, KEHP expenditures for providing health benefits to current and
9 former public employees have increased from \$1.6 billion in plan year 2019 to \$2 billion
10 in plan year 2023, and are on track to exceed \$2.5 billion in plan year 2025; and

11 WHEREAS, increases in KEHP health benefit expenditures are anticipated to
12 significantly outpace budgetary growth due to a 24 percent increase in premium costs
13 over the next budget biennium; and

14 WHEREAS, the majority of the KEHP health expenditures and increases in
15 historical expenditures are funded by state tax dollars appropriated by the General
16 Assembly; and

17 WHEREAS, national health expenditures are expected to outpace GDP growth over
18 the next 10 years, resulting in over 20.3 percent of GDP in 2033, and is an issue facing all
19 employers, including state governments across the nation; and

20 WHEREAS, studying the data and trends in the KEHP plan as well as studying the
21 health care plans of other states is a critical step in ensuring healthy and productive plan
22 members and cost containment for KEHP members and employers; and

23 WHEREAS, the General Assembly is committed to providing an affordable and
24 sustainable health plan to current and former public employees; and

25 WHEREAS, ensuring the long-term financial viability of the KEHP is a shared goal
26 of participants, the General Assembly, and the taxpayers of the Commonwealth of
27 Kentucky;

1 NOW, THEREFORE,

2 ***Be it resolved by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. (1) The General Assembly hereby directs the Department of
4 Employee Insurance in the Personnel Cabinet to conduct a study in coordination with
5 their outside consultants and file a report to the Legislative Research Commission that
6 provides data and analysis on the following:

7 (a) The current summary and data of KEHP as of the 2025 plan year, with data
8 and analysis of previous plan years, including:

9 1. A brief summary of current plan offerings and designs, plan membership
10 characteristics by group, administrative structure, a detailed process and timeline for how
11 plan benefit and cost decisions are made prior to open enrollment, and who provides
12 input into the plan's design before it becomes public;

13 2. A description of the history and reasoning why KEHP moved from a fully-
14 insured model to a self-insured model, and the benefits, obstacles, and costs or savings
15 from pursuing a fully-insured model;

16 3. A five-year trend analysis on medical claims, pharmacy claims, administrative
17 expenses, and total expenses;

18 4. A five-year trend analysis by year on the share of costs paid by participants
19 and employers;

20 5. A financial analysis and attribution of the factors that have resulted in the
21 increased plan costs over each year of the five-year period;

22 6. A listing and analysis of the top 25 prescription drug expenditures by product
23 name for each of the last five years that includes the product name, therapeutic class, net
24 prescription drug payments as a dollar value and percentage of all prescription drug
25 claims, net payment per prescription, prescriptions filled, patients, and other relevant
26 data;

27 7. A listing and analysis of the top 25 medical claim expenditures by clinical

1 condition for each of the last five years that includes the general clinical condition, net
2 medical payments by condition as a dollar value and percentage of all medical claims, net
3 costs per prescription, and other relevant data;

4 8. A listing of all third-party vendors used by the plan over the last five years,
5 the type of service provided by the vendor, and payments made to each vendor by year
6 over the last five years;

7 9. Each action taken by the plan over the last five years to reduce plan
8 expenditures and the actuarial or financial impact of each decision on plan costs;

9 10. Potential actions evaluated but not taken by the plan to reduce plan
10 expenditures and the impact of those actions on plan costs, including any actuarial or
11 financial analysis or reports;

12 11. A listing of any statutory provisions that limit the ability to modify plan
13 design;

14 12. Any actions taken in the last five years to review the effectiveness of the
15 KEHP pharmacy benefit manager to optimize prescription drug spending over time and
16 protect the health of KEHP participants;

17 13. A 10-year projection of plan costs by the plan's consultants for plan year 2027
18 and beyond; and

19 14. Attachments that include any actuarial or financial analysis or reports used to
20 evaluate plan options, plan changes, and costs for the 2026 plan year and beyond; and

21 (b) A state-by-state survey that compares other states to KEHP in terms of:

22 1. The governance models used to determine and evaluate plan benefits and
23 costs and any statutory or regulatory requirements that limit future plan costs when
24 establishing plan design;

25 2. Whether the plans offered to state employees are:

26 a. Self-insured or fully insured; and

27 b. More or less expensive than KEHP, with an explanation for the difference in

1 cost;

2 3. The types of groups included in the plan, including but not limited to state
3 employees, school employees, local government employees, and retirees;

4 4. The plan year and whether the plan operates on a calendar-year basis or a
5 fiscal-year basis;

6 5. Any laws, administrative regulations, or policy mandates that provide for
7 cost-sharing requirements or other mechanisms to cap health insurance costs on state
8 employee health insurance plans; and

9 6. Key actions taken by other states to limit the growth of costs to plan
10 participants and employers.

11 (2) The department shall submit the report and survey mandated by subsection (1)
12 of this section to the Legislative Research Commission by December 1, 2027.