USG Healthcare Plan Update

Committee on Personnel and Benefits

Marion Fedrick
Vice Chancellor for Human Resources
May 19, 2015

“Creating A More Educated Georgia”
Topics of Discussion

• CY 2014 USG Healthcare Plan Performance

• CY 2015 Expected Plan Performance

• CY 2016 Projected Plan Cost
  • Active employees and pre-65 retirees
  • Potential Plan Changes
  • Medicare Eligible Retiree Healthcare

“Creating A More Educated Georgia”
2014 Calendar Year

- Changes made in 2014 to address projected cost increase
- Costs ran over projected budget approx. $15.8M

Affordable Care Act (ACA) impacts:
- 6% enrollment increase
- Additional fees

Higher than expected claims experience

“Creating A More Educated Georgia”
CY2015 Expected Plan Performance

2015 Calendar Year – Projected $534M

– 2015 spend based on 2014 projected end of year experience and trend
– Costs running within budget
– 2015 plan changes having a positive impact
– Update cost projections in August

“Creating A More Educated Georgia”
CY2016 Projected Plan Cost
Active employees and pre-65 retirees

- Projected increase of 8.2% in plan costs
- Updated financial projections completed in August
- Board to approve premiums in August
- Historical USG Healthcare plan premium increases*

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average increase over prior year <strong>with</strong> plan changes</td>
<td>9.7%</td>
<td>5.2%</td>
<td>5.4%</td>
<td>0%</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

*BCBSGA self-insured plans only

“Creating A More Educated Georgia”
2015 -2016 Stabilizing years
- Assess new vendors and/or contracts for 2015
- Evaluate new plans and programs implemented in 2015
- Continue move to defined contribution pricing model

Pharmacy Education
- Address increases in spend - $162.9M – 19% inc. 2013-2014
- Generic
- Mail Order

New care management tools & wellness
Objectives

• New plan approved in 2013
  – Rising retiree healthcare costs – avg. annual increase 9%
  – OPEB liability increasing ($1.843B as of FY14)
  – Committed to providing retiree benefit

Proven Strategy

• Provide Medicare eligible retirees benefit through a private marketplace
Important To Note

- Secondary coverage (20%); Medicare is primary (80%)
- Retirees will continue to have secondary coverage
- Retirees will have assistance; will not select plans alone
  - Benefit Advisors (licensed benefit brokers)
  - One-on-one telephonic meetings with retiree & family
- The BOR will continue to provide funds to cover a significant portion of the premium
- HR Departments will continue to actively participate

“Creating A More Educated Georgia”
Developing Recommendations for August BOR Meeting

- Evaluating the marketplace in 2015
- Ensure that retirees are treated fairly
  - Encourage retirees not to over insure
  - Evaluate service provided by Advisors
- Determining the USG Contribution
  - Objective: USG Retirees will be neutral or save in total spend
CY2016 Communications
Medicare Eligible Retirees

- Information meetings were held at all 30 institutions
- Enrollment meetings in August and September
- One-on-one telephonic sessions
- Extended Open Enrollment – Oct. 1 thru Dec. 31
- USG Retiree Advisory Council
  - Communications
  - On-going retiree engagement

“Creating A More Educated Georgia”
Questions?