



**State Budget Conference Chairs
House Appropriations Committee /
Senate Budget**

BUMP ISSUES

State Employee Group Health Insurance

House Offer # 1

**Sunday, May 1, 2011
412 Knott Building**

State Group Insurance Program

Proposed Changes

Goals

- Transition to a defined contribution program over the next three plan years.
- Increase health coverage choices for employees.
- Enable employees to choose less costly coverage and receive increased compensation.
- Provide tools for management of rising costs.

2012 plan year

- Establish a single risk pool contract with HMOs for a self-insured plan design.
- Retain the PPO option and continue to include at least the same number of HMOs as participated in the 2011 plan year.

Independent Benefits Manager

- Procure an independent benefits manager (IBM) to analyze the program and develop a plan to convert the state group insurance program to a defined contribution program.
- Require the plan, including an implementation timeline, to be submitted to the Legislature by January 1, 2013.
- Recommend employer and employee contribution policies including provisions that reward and incentivize nonsmoking and other healthy lifestyle choices.
- Recommend steps for maintaining or improving total employee compensation levels when a transition to a defined contribution program is initiated.
- Recommend a new program design of either an employment-based benefits exchange or a full cafeteria plan which provides a variety of plan and benefit options.
- Make annual recommendations to the Legislature for improvements to the program.

2013 plan year

- Offer four levels of benefits to employees: Platinum, Gold, Silver, and Bronze.
- Each level will offer a different benefit package and the premium will be priced accordingly.
- Employees who chose a lower cost level will share the savings with the state through a proportional pay increase.
- Transition into IBM administrative management of the state group insurance program.
- DMS will phase out its day-to-day operation and management program but will manage the contract with the IBM and be responsible for the financial management of the program.

During the 2013 session, the Legislature will review the plan submitted by the IBM to convert the state group insurance program to a defined contribution program. The Legislature may approve or modify the plan.

2014 plan year and thereafter: Implement the defined contribution plan, if approved.