

**Department of Administration
Health Care & Benefits Division**

Proposed Change in Vision Benefit offering

Issue: Health Care & Benefits offers a fully insured vision benefit to employees that is outdated and does not truly meet the needs of the members electing this benefit.

Recommendation: HCBD recommends partnering with Cigna, the current Third Party Administrator for medical benefits for the State, to offer employees a vision benefit that meets our member's needs. This option would:

- move from fully insured to self-funded
- offer a vision exam to every member enrolled in the medical plan, and
- offer an optional vision benefit for the employee to use for their hardware needs.

Making this change and covering a vision exam under our medical plan will assist us in identifying members that may be at risk for ongoing, chronic conditions such as hyperlipidemia, hypertension and diabetes.

Attached is the proposal from Cigna that outlines the benefits and estimated costs.

Background: The state plan has been contracted with EyeMed since January 1, 2007, to offer a fully insured vision benefit. The contract with EyeMed expires on December 31, 2013, and can't be renewed. Below is a summary of the financial results under EyeMed for the last 2 years:

	Plan Year 2012	Plan Year 2011
Premium paid	\$1,163,258	\$1,106,728
Claim Paid	939,810	874,730
Gross Margin	\$223,448	\$234,998
% margin	19%	21%

As of March 2013 we have 8,200 employees enrolled in the vision program.

Discussion: We need to consider the impact of any change in the vision benefit to ensure we are enhancing the health of our employees while managing overall cost impact to our plan. The detailed network analysis showed that the proposed Cigna network will offer an enhancement to employees. Cigna, with its partner VSP, also offers 54,000+ optometrists & ophthalmologists at over 23,000 locations nationwide. Cigna also provides more providers in Montana's major cities and typically include the smaller, independent providers. Please see the attached document for a listing of Cigna providers.

HCBD recommends including the vision exam in the base medical

plan for all employees and their covered dependents. Under PPACA eye exams are a mandated service for dependents under 18 years old. Eye exams are an effective tool for early diagnosis for several chronic health conditions (diabetes and high blood pressure).

The current EyeMed offering allows for employees to enroll dependents on the vision plan even if they are not enrolled on the medical plan. There are 966 dependents covered by Vision in 2013 that don't have Medical (495 Spouses; 471 Children). Do we want to continue that option in the future?

Based on current enrollment, the financial impact of this proposal is as follows:

Number of employees and retirees	16,046
Admin fee @ \$.24 PEPM	\$46,212
Claim cost @ \$2.14 PEPM	\$412,061
Total cost to medical plan	\$458,273
Number of employees and retirees with vision	8,200
Admin fee @ \$.77-.24 = .53 PEPM	\$52,152
Claim cost @ \$11.52-2.14 = 9.38 PEPM	\$922,992
Total cost to vision plan	\$975,144
Total medical and vision	\$1,433,417

Other questions related to changing our vision benefit structure:

- a) How do the fees proposed compare to current fees?
- b) Is Cigna able to do this as an optional benefit?
- c) How does Cigna process a claim from a provider that offers pricing that is lower than the fee schedule?
- d) We need to confirm the administration fees, claim estimates and allowance are mutually exclusive between the two options if we move forward.
- e) Is the eye exam component just for adults, since children < 18 are covered under the medical plan? If so, did they adjust the pricing accordingly?
- f) We need to discuss tier pricing for the benefit with Cigna to identify costs to member, member & spouse, etc.

Options considered:

HCBD offer a revamped vision plan to employees to cover a vision exam under the medical plan along with a voluntary hardware option that provides an allowance for hardware and contact lens needs.

If we elect to not proceed with this change, the other options for us to consider are 1) stay with the current model of benefits and issue an RFP for a fully insured product; or 2) offer a vision exam benefit under the medical plan and educate employees to use a flexible spending account to pay for vision hardware (not available to

	retirees).																
Interested parties:	<p>We will need to formally resolve the discussion points listed above with Cigna to ensure they are capable of offering the benefit design being contemplated. We will also need our actuary to review the benefit design and associated costs to ensure any change is in the best interest of the plan.</p> <p>Discuss this vision plan alternative with SEGBAC prior to implementing any changes.</p> <p>Russ will need to discuss this with the Governor's office as this will be a significant change from the current benefit format.</p> <p>Russ will also need to discuss this with the Office of Budget and Planning as there will be financial changes to the plan with this change in benefits.</p>																
Procurement:	<p>We have discussed adding this change to the current Cigna contract with representatives from the General Services – Procurement Bureau and have received permission to move forward.</p> <p>The current agreement with EyeMed is in its last year and it cannot be renewed as it was procured under the 7 year contract limit.</p> <p>The current benefit structure is a fully insured product through EyeMed, which requires employees to elect participation and then pay a monthly premium in order to receive any benefit. The State incurs no costs through this fully insured vision benefit.</p> <p>From 2007 through 2012, the State's employees participating in the vision plan paid the following in premiums:</p> <table border="1" data-bbox="451 1245 1416 1549"> <thead> <tr> <th data-bbox="451 1245 933 1283">Plan Year</th> <th data-bbox="938 1245 1416 1283">Premium Paid</th> </tr> </thead> <tbody> <tr> <td data-bbox="451 1283 933 1320">2007</td> <td data-bbox="938 1283 1416 1320">\$1,028,890.96</td> </tr> <tr> <td data-bbox="451 1320 933 1358">2008</td> <td data-bbox="938 1320 1416 1358">\$1,036,359.40</td> </tr> <tr> <td data-bbox="451 1358 933 1396">2009</td> <td data-bbox="938 1358 1416 1396">\$1,028,802.46</td> </tr> <tr> <td data-bbox="451 1396 933 1434">2010</td> <td data-bbox="938 1396 1416 1434">\$1,051,543.73</td> </tr> <tr> <td data-bbox="451 1434 933 1472">2011</td> <td data-bbox="938 1434 1416 1472">\$1,109,728.13</td> </tr> <tr> <td data-bbox="451 1472 933 1509">2012</td> <td data-bbox="938 1472 1416 1509">\$1,163,257.94</td> </tr> <tr> <td data-bbox="451 1509 933 1549">Total</td> <td data-bbox="938 1509 1416 1549">\$6,418,582.62</td> </tr> </tbody> </table> <p>By adopting this benefit design, the State anticipates an increase in its plan costs as more vision exams are paid under the medical plan.</p> <p>It is important to note that a recent audit of our medical plans for 2010 and 2011 shows that we had paid for 3766 vision exams for 2778 members even though vision exams are an exclusion of the medical plan and only paid under the vision benefit option.</p>	Plan Year	Premium Paid	2007	\$1,028,890.96	2008	\$1,036,359.40	2009	\$1,028,802.46	2010	\$1,051,543.73	2011	\$1,109,728.13	2012	\$1,163,257.94	Total	\$6,418,582.62
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