



BOARD OF DIRECTORS

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**Meeting Location:
Tulare County Employees' Retirement
Association Board Chambers
136 N Akers St
Visalia, CA 93291
July 25, 2014 9:00 AM**

AGENDA DATE: July 25, 2014

ITEM NUMBER: 11

SUBJECT: Approve Recommended Annual Out-of-Pocket Maximum Change as Required by the Affordable Care Act Effective January 1, 2015

REQUEST(S): That the Board approve the recommended Annual Out-of-Pocket Maximum Change as required by the Affordable Care Act Effective January 1, 2015

DESCRIPTION:

As part of the renewal underwriting process, any changes to the health plan necessitated by regulation or cost are evaluated by SJVIA staff in cooperation with the Gallagher consulting team. As part of this year's renewal for January 1, 2015, member cost share provisions for all essential health benefits cannot exceed the maximum out-of-pocket amount set by the Affordable Care Act (ACA). For the SJVIA, effective January 1, 2015 this will now include all copay amounts for both medical and prescription, which do not currently credit to the maximum out-of-pocket limit on the traditional PPO and HMO plan options. This change does not apply to the three high deductible PPO plan options offered through the Anthem program as all medical and prescription costs are subject to the deductible and out-of-pocket maximum amounts.

This change will most impact the prescription benefit plans administered by US Script as the member copay amounts are not tracked by Anthem Blue Cross, therefore creating a need to amend the plan to comply with this requirement. There are several ways this requirement can be met:

AGENDA: San Joaquin Valley Insurance Authority

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1. Move all prescription administration from the current US Script contract to Anthem Blue Cross.
2. Establish data sharing for member copay amounts between US Script and Anthem Blue Cross for additional administrative costs to the SJVIA.
3. Implement a separate maximum out-of-pocket for the medical and pharmacy benefits for the traditional PPO and HMO plans.

Currently, the SJVIA plans that have the prescription benefit managed by US Script have benefit amounts as follows:

	HMO	PPO \$0	PPO \$250	PPO \$500	PPO \$1000
Benefits:	In-Network	In-Network	In-Network	In-Network	In-Network
DEDUCTIBLE					
Per Individual	\$0	\$0	\$250	\$500	\$1,000
Per Family	\$0	\$0	\$500	\$1,000	\$2,000
OUT OF POCKET MAX					
Per Individual	\$1,000	\$2,000	\$3,000	\$3,000	\$4,000
Per Family	\$2,000	\$4,000	\$5,000	\$6,000	\$8,000
PHYSICIAN SERVICES					
Office Visits	\$45	\$35	\$15	\$20	\$20
PRESCRIPTION DRUG					
Generic	\$10	\$10	\$10	\$10	\$10
Brand	\$20	\$20	\$20	\$20	\$20
Non-Formulary	\$35	\$35	\$35	\$35	\$35

The maximum allowed out-of-pocket limitations set by the ACA for 2015 are \$6,600 for an individual and \$13,200 for a family. The SJVIA plans can remain compliant by setting a separate out-of-pocket maximum for each of these plans up to an amount that when added to the medical maximum does not exceed the limitations of the ACA maximums. Given the structure of the current medical plans, a \$2,000 individual and \$4,000 family out-of-pocket maximum could be set for the prescription plans. According to US Script data, during the last plan year, the majority (86%) of those that used the prescription benefit had a total out-of-pocket cost of under \$500, while only 3 members incurred over \$3,000 in employee expenses. While this new requirement would add a level of benefit to those very high utilizers of the plan that would cap their prescription copay expenses for the year, it will not have any impact to the underwriting of the plan.

Staff's recommendation for the SJVIA health plan benefits to comply with this ACA requirement would be to implement a separate out-of-pocket maximum for the prescription plans at \$2,000 for an individual and \$4,000 for a family unit.

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FISCAL IMPACT/FINANCING:

None at this time.

ADMINISTRATIVE SIGN-OFF:



- Rhonda Sjostrom -
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager

**BEFORE THE BOARD OF DIRECTORS
SAN JOAQUIN VALLEY INSURANCE
AUTHORITY**

IN THE MATTER OF Approve Recommended Annual Out-of-Pocket Maximum
Change as Required by the Affordable Care Act Effective January 1, 2015

RESOLUTION NO. _____
AGREEMENT NO. _____

UPON MOTION OF DIRECTOR _____, SECONDED BY
DIRECTOR _____, THE FOLLOWING WAS ADOPTED BY
THE BOARD OF DIRECTORS, AT AN OFFICIAL MEETING HELD _____
_____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

BY: _____

* * * * *

That the Board approved the recommended Annual Out-of-Pocket Maximum
Change as required by the Affordable Care Act effective January 1, 2015