Touche Ross

STATE OF MINNESOTA
PUBLIC EMPLOYEES INSURANCE PLAN

REPORT ON
NEEDS ASSESSMENT PROJECT
AND
PRELIMINARY PLAN DESIGN

Pursuant to 1987 Laws, Chap 398
Article 5, section 3

ant's Report prepared for the
Relations Dept.

Touche Ross International

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Note: Please see accompanying recommendations from Department of Employee Relations under separate cover.

SUMMARY

I. SUMMARY

A. Purpose of Report

In 1987, Section 89, Chapter 404, the Public Employees Insurance Plan, was added to Minnesota State law. The intent of this legislation is to create a statewide insurance plan to provide public employees of school districts, cities, counties, and towns and other eligible persons with medical, dental and life insurance benefits on a cost-effective basis regardless of the employer's size or the geographic location of their jurisdiction. With the participation of large numbers of public employees these benefits can be purchased at competitive rates that experience less fluctuation than smaller contracts for an individual employer or bargaining group.

As a first step, the Department of Employee Relations (DOER) determined that the insurance needs of public employees should be assessed. They, in conjunction with Touche Ross and a Joint Labor Management Committee, performed a needs assessment. This assessment included four (4) surveys (Employers, Exclusive Representatives, Employees, and Retirees), in addition to telephone interviews and discussions with insurance vendors.

The preliminary plan design, laid out in this report, has been developed as a response to the needs identified through the needs assessment process. This design includes benefit provisions, financing recommendations, administrative detail and implementation costs.

This plan design will be applied to the following implementation timeframe:

January, 1989	Rates on plan design published
April, 1989	School district participants identified and accounts established
September, 1989	Coverage effective for participating school districts
August, 1990	Participating cities and counties identified and accounts established
January, 1991	Coverage effective for all participants

B. Highlights of Needs Assessment

This section highlights the results of the four surveys. It does not include additional data from the telephone surveys since these interviews basically confirmed what was found in the surveys.

MEDICAL

1. **11% of Employer Survey respondents (public employers in Minnesota) do not offer medical coverage.**

   - Projecting this rate to all public employers yields 150 employers without coverage with approximately 2,000 employees.
   - Virtually all employers without coverage are small employers with less than 25 employees. Most of these are cities.

2. **The medical plans offered to public employees are average in plan design.**

   - 75% of plans have a deductible less than or equal to $100. These same plans pay all expenses (physician, hospital, etc.) at 80% to an out-of-pocket maximum equal to or less than $1,000. This is comparable to other Minnesota employers, but better than national averages where only 45%-65% of plans have a deductible of $100 or less.
   - Most plans (75%) are of a "Comprehensive Design". Most (63%) do not require hospital pre-certification. This is comparable to other Minnesota employers.

3. **Medical plan costs, in general, are reasonable.**

   - 65% of groups pay less than $81/month for single coverage. 42% pay less than $71/month. Only 14% of groups pay more than $100/month.
   - Small groups (less than 25 lives) are over-represented in the high and low premium ranges.

4. **Retiree medical benefits are provided by 40% of respondents.**

   - Only 6% (of total respondents) contribute to the cost of retiree medical.

5. Comments:

The data from the medical plans indicate that most employers have coverage (89%) and that most employees are covered (approximately 99%). These surveys confirm the data from other surveys conducted by DOER in terms of the magnitude of the "uninsured" population and of the benefit levels (for active and retired employees). Those with coverage have at least average plans. It is our impression that the benefits of the public sector plans are slightly better (less deductible, less out-of-pocket cost) than many smaller private sector employers.

The needs assessment also points out that a fair number of small employers may not be interested in coverage. They already have coverage at very competitive rates. For this reason, the Public Employees Insurance Plan will probably have to include some medium and large employers to have enough "lives" for a viable plan.

The needs assessment indicates the plan design will have to reflect a balance of good benefit provisions and cost. The benefit provisions will have to be attractive, such as offering deductibles of less than $100, good mental health benefits, etc. Yet, the plan will also have to control costs with features such as discounts through provider networks and strong utilization control. Employers and exclusive representatives both responded that they would rather have strong cost containment features than higher deductibles. A health promotion (or Wellness) package could also be considered for this plan. This option could be offered at cost to employers who are trying to encourage healthy lifestyles.

If the only intent of establishing a Public Employees Insurance Plan (PEIP) is to provide coverage to employers who currently do not have coverage, then the PEIP is not a cost-effective idea. The cost of establishing the plan does not warrant providing this coverage. Many of the groups without coverage are very small cities with mostly a part-time (benefit-less) workforce.

The rest of this report is based on the premise that the intent of the PEIP would also be to benefit other employers and bargaining units by providing a plan that offers rate stability and competitive rates. It will be another option in the marketplace that could, through pooling arrangements, offer cost-effective benefit plan options to public employees.

DENTAL AND LIFE INSURANCE

1. **27% of groups responding to the survey provide dental benefits.**

   - The groups without coverage are primarily those with less than 100 lives.
   - Virtually all groups with 500 or more lives (greater than 87%) have dental coverage. This is comparable to other large Minnesota employers.

2. **Dental plan benefits are average.**

   - 71% of plans have an annual deductible of $25 or less. This is comparable to other Minnesota employers.
   - 58% provide some orthodontia treatment. This is also comparable to other Minnesota employers.

3. **Life insurance is provided by 65% of respondents.**

   - Most employers offer a fixed benefit; 49% offer a benefit of $10,000 or less.
   - Employers without life insurance usually have fewer than 50 employees.
   - 43% of employers offer additional, supplemental life insurance.

4. **Comments:**

   Responses to the dental benefits questions are what we would have expected. Basically, the large employers have dental coverage, small employers (less than 500 lives) do not. Life insurance is usually a flat-dollar amount. 40% of respondents with more than 500 lives reported a salary-based benefit. This differs from private sector employers where a benefit of one times salary is more common (especially in groups over 500 lives).

   Dental and life insurance benefits are <u>less</u> likely to be offered by small employers. Thus, it would appear that the Public Employees Insurance Plan will have to reach these small employers with a plan that is modestly priced and that protects the plan from adverse selection (especially with dental plans).

C. Plan Design Recommendations

This section outlines the plan design recommendations, the specific benefit provisions, to be incorporated into the PEIP plan.

Major issues:

- Benefits have to be attractive to encourage employers and bargaining units into the plan.
- Rates (plan costs) must be controlled to provide a plan that employers and exclusive representatives want to purchase and that can provide rate stability.
- Cost control will be achieved through average to good benefit provisions (no first-dollar coverage), discounts through preferred provider organizations (PPOs), and cost management through strong utilization control (hospital pre-certification, case management, etc.).
- The plan must be able to provide benefits to rural and urban areas. Some rural areas will not have provider groups that will participate in a PPO. So, an alternate benefit plan will need to be offered.

A summary of Touche Ross' recommendations follows. These recommendations are based primarily on the Needs Assessment Surveys. However, other issues are also factored into the recommendations. The plan design includes provisions that should control costs. For instance, deductibles, coinsurance levels, out-of-pocket maximum limits, and preferred provider networks have been included in the plan design to balance employee wants with cost containment. These recommendations are based on Touche Ross' knowledge of the group insurance marketplace and the underwriting requirements of the plan. Since this plan will be fully insured, it must be designed so that insurance companies will underwrite it. Otherwise, unless the State underwrites (self insures) the risk, no plan will exist.

1. Offer a Preferred Provider Organization (PPO)* plan where network and discounts can be established.

- In-network benefits:
  - $0 deductible for non-hospital services.
  - 90% coinsurance.
  - $1,000 out-of-pocket maximum, 100% thereafter.

* See Section IV for definitions and complete details and plan alternatives.

- . $100 deductible for inpatient hospitalization.
- . Utilization Review (UR)* program.
- . Mental and Nervous/Chemical Dependency Benefits (State-mandated minimum).

- Out-of-network benefits:
  - . $300 deductible.
  - . 70% coinsurance.
  - . $2,500 out-of-pocket maximum, 100% thereafter.
  - . Utilization Review (UR)* program (penalty for non-compliance with UR program).
  - . Mental and Nervous/Chemical Dependency Benefits (State-mandated minimum).

- In areas where no PPO network* is available, benefits will be:
  - . $250 deductible.
  - . 80% coinsurance, 100% thereafter.
  - . $1,250 out-of-pocket maximum.
  - . Utilization Review (UR)* program (penalty for non-compliance with UR program).
  - . Mental and Nervous/Chemical Dependency Benefits (State-mandated minimum).

2. **Retiree medical benefit will be offered on a group basis only.** An employer or bargaining unit must enroll actives and retirees into the plan. Retirees will not be accepted as a retiree-only group (without the active group) or as individuals only (unless their bargaining unit or employer is participating). There will be at least three main retiree plans:
   - Early retirees (less than age 65).
   - Medicare-eligible retirees.
   - Non-Medicare-eligible retirees (65 or older, but not eligible for Medicare).

* See Section IV for definitions and complete details and plan alternatives.

The rates of these plans will vary, with the non-Medicare-eligible plan probably being the most expensive.

3. **Dental insurance.**

- **Dental must be optional.** The present law enabling the PEIP appears to require that dental benefits **must be included** as part of the plan. If dental is a mandated benefit within the PEIP, it will make the plan less attractive to the target markets. **We recommend that dental be offered as an optional benefit.** Those employers who currently do not offer a dental plan will not want to enroll in the PEIP because of costs. They will not want to negotiate an increased contribution for the dental coverage. At the same time, this would put the bargaining unit in the position of not electing to join the PEIP, or alternatively, of joining the PEIP and requiring its members to increase their contributions by the amount attributable to dental. Thus, some bargaining groups and employers will be driven away from the medical plan, which might benefit them, solely because of a required dental plan.

- **If dental is a mandated benefit within the PEIP, the benefits should be limited to preventive only.*** The suggested plan design is:

  . No deductible, 100% coinsurance.

  . $200 calendar year maximum benefit limit.

- **If dental plan will be offered on a group basis.** There will need to be a first-year surcharge for groups entering the plan if they previously had no dental insurance. This is necessary to maintain long-term rate stability and fiscal soundness of the plan. The recommended plan* includes these features:

  . Preventive services covered at 100% coinsurance, no deductible.

  . Basic services covered at 80%, after deductible.

  . Major services covered at 50%, after deductible.

  . $1,000 calendar year maximum benefit limit.

* See Section IV for definitions.

- Single dental coverage will be required of all employees in participating unit.

- Benefit provision options will be a $25- or $50-deductible policy and orthodontia benefits.

4. **Life insurance must be taken by the group along with the medical plan.** This will enhance the benefit package and will also make the plan more attractive to insurance companies (so that they will want to administer the plan).

   - Initial offering will be a basic $10,000 minimum benefit. Higher options ($20,000) could be made available.

   - Supplemental (optional) life insurance should be made available.

   - Accidental Death and Dismemberment (AD&D) should be offered, at least with basic minimum benefit.

D. Plan Financing Recommendations

This section summarizes the risk and rate setting (underwriting) requirements of the plan.

1. **The plan will be established on a fully insured basis.** The State will bear no risk or liability for claims expense.

2. **Groups will be rated before entry into the plan.** Rates will be established separately for each group.

   - Most groups will be age rated (their rate will reflect the age demographics of their group).

   - Some large groups will be experience rated (their rates will be based on their prior medical claims experience).

   - It may be necessary to consider combining geographical rating (Metro and Non-Metro) with the age-rating strategy.

3. **Four pooling groups will be established for the medical (and dental) plans; they are:**

   - Less than 50 employees.

   - 50 - 100 employees.

- 100 or more employees.
- Retired employees (pre- and post-age 65).

There will be no subsidization between the active and retiree pools, except on a short-term basis to facilitate rate stability.

E. Plan Administration Recommendations

Plan administration is probably the most complicated part of establishing the Public Employees Insurance Plan. There has to be coordination between vendors who market the plan, administer the plan and pay claims. Some of the major tasks are listed below:

- Groups and individuals must be enrolled.
- Each group must be billed monthly.
- Claims have to be paid.
- Customer service will have to be performed for groups and individual insureds.
- Group plans have to be initially rated (premium established), their experience (claims cost) monitored, and new rates established each year.
- The total plan must be managed, which will require a larger amount of reporting.

Touche Ross recommends one of two options for administration:

Option 1 - Use external vendor for all services.

1. **Department of Employee Relations (DOER) will oversee the operation of the plan.** They will not directly administer it.
2. **Marketing will be accomplished through an outside organization** that specializes in group insurance marketing.
3. **Recordkeeping, billing, enrollment and reporting functions will be performed by an insurance company, third party administrator or the marketing organization noted above.**
4. **Claim processing of medical and dental claims will be performed by an insurance company or a third party administrator.** This could possibly be the same organization that does the recordkeeping, billing, enrollment and reporting functions.

5. This option will require DOER to manage the three functions, claims administration, marketing and recordkeeping. We feel this would require:

   - Plan Director - Overall plan responsibility, especially claim problems.
   - Marketing Director - To oversee marketing organization.
   - Benefits Specialist - To oversee billing and recordkeeping.
   - Clerical Support - To provide administrative and office support services to PEIP staff.

Option 2 - Internal development of recordkeeping system.

Option 2 is the same as Option 1 with the exception that the recordkeeping and billing functions are performed internally by the Department of Employee Relations (DOER). The major advantage is that DOER will maintain control of the entire plan by controlling the interactions with the various public employers enrolled in the Plan.

Cost Impact of Options

	FISCAL YEAR	
Option 1	1988	1989
DOER staff	$ 96,288	$ 161,210
Consulting	80,000	50,000
Programming	--	--
Communication/Printing	109,000	100,000
Indirect	45,000	24,500
Total	$ 330,288	$ 335,710
2-Year Total	$ 665,988	

Option 2	FISCAL YEAR 1988	1989
DOER staff	$ 96,288	$ 196,524
Consulting	80,000	50,000
Programming	84,500	477,707
Communication/Printing	109,000	100,000
Indirect	45,000	24,500
Rent	--	28,000
Equipment	--	55,000
Total	$ 414,788	$ 931,731
2-Year Total	$1,346,519	

Advantages/Disadvantages

The major advantage of Option 1 is cost. There is some risk in a program like the PEIP, which is new. It may not attract enough participants. If it fails and has to be terminated, it would be better to have a minimum investment of equipment, programming and staffing. Option 1 is basically half the cost of Option 2.

The advantage of Option 2 is that the State, specifically DOER, will maintain control over the entire plan. Through the billing and enrollment functions, DOER will have contact with all participating groups. This will help maintain plan quality through customer service. It could be difficult for DOER to actually manage plan design changes, and be responsive to participating employers, without the day-to-day contact through the billing function.

II. NEEDS ASSESSMENT

A. Overview

The major purpose of the needs assessment was to aid the Department of Employee Relations in determining the need for the Public Employees Insurance Plan. The other reason for the needs assessment was to help design the benefit plan (medical, dental and life insurance benefits). The survey results were used both in deciding what benefits should be offered and in determining the plan provisions (deductibles, copays, etc.) that should be included under each benefit.

The needs assessment had two components, telephone interviews and surveys. The telephone interviews were conducted prior to the survey being designed. The purpose was to provide some initial help in designing questions for the surveys. The interviews also helped guage initial interest in the plan. The surveys were a more objective measure of public employee's benefit plans.

B. Survey Methodology

The survey instruments were designed by Touche Ross in conjunction with DOER staff and were reviewed by the Joint Labor Management Committee. To insure a maximum return rate, the major criteria was to make the surveys easy to complete.

1. Survey Sample

DOER staff organized the sampling. A description of the groups and individuals who received surveys follows:

- Employer Survey:
  - 1,333 were mailed to cities, counties, towns and schools.
  - Labels were provided by PERA (Public Employees Retirement Association).
- Exclusive Representative Survey:
  - 480 surveys were mailed. Most exclusive representatives responded to the survey on a composite basis, rather than by individual locale. These were sent to the following exclusive representatives:
    - MEA - 430
    - AFSCME - 35
    - Teamsters - 5

- MFT - 5
- Fire - 2
- LELS - 2
- Police - 1

- Employee Survey:

  . 1,000 surveys were mailed.

  . They were randomly selected (500 by PERA, 500 by TRA).

- Retiree Survey:

  . 1,000 surveys were mailed.

  . They were randomly selected (500 by PERA, 500 by TRA).

2. **Response**

The surveys were mailed out during the week of November 16, 1987. Virtually all of the surveys we received were returned by the cut-off date of December 11, 1987. The overall response rate was:

Survey	Percent	Number
Employer	59%	784
Exclusive Representative	45%	214
Employee	50%	504
Retiree	62%	620

Surveys were returned to Touche Ross. The employers and exclusive representatives were provided with self-addressed envelopes. Employees and retirees were supplied with stamped, self-addressed envelopes.

The response rate was excellent. A return rate over 40%, when no follow-up mailings or "premiums" are used, is very good. The high response rate enhances the validity of the data.

C. Survey Summaries

The following information is a summary of the detailed survey reports. These detailed reports are found in the **Appendix.**

1. Employer/Exclusive Representative Survey Summary*

a) Response Rate - Employer Survey

	Total Number	Percent
Schools	338	43%
Cities	360	46%
Counties	55	7%
Others	31	4%
Total	784	100%

- Survey results are slightly over-represented by schools. Schools will be the first to participate in the plan, so this over-representation may be due to interest in the plan.

- Survey results are slightly under-represented by cities.

b) Response Rate - Exclusive Representative Survey

	Total	Percent
Schools	187	87%
Cities	9	4%
Counties	12	6%
Others	6	3%
Total	214	100%

- Survey results are very skewed toward schools. This is due to the large MEA sample.

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*Note: The results of the employer and exclusive representative surveys were very similar. Because they were so similar, the data reported here is from the Employer Survey data. Also, because the Exclusive Representative Survey is highly weighted toward schools, it is a less representative sample of the State's public employees. Whenever the exclusive representative data varied from the Employer data, we specifically noted the difference in the summary.

c) Medical Benefits

- 11% of respondents do not have medical coverage.
  - Most of those without coverage are groups under 25 employees (10% of respondents).
  - All of those without coverage are groups under 100 employees.
  - 76% of those without coverage are cities (8% of total respondents).
  - 14% of those without coverage are schools (2% of total respondents).
  - **Exclusive Representative** - Only 1% (1 respondent) had no coverage.
- Annual deductible for single coverage.

Deductible	Number	Percent	Cumulative %
$ 0 - 50	106	19%	19%
51 - 100	314	56%	75%
101 - 150	43	8%	83%
151 - 200	37	6%	89%
201 +	63	11%	100%
	563		

  - **Exclusive Representative** - 83% have a deductible of $100 or less.
- Majority (82%) of those with deductibles greater than $100 are groups with less than 100 lives.
- Maximum annual out-of-pocket cost for single coverage:

Max. Out-of-Pocket	Responses		
	Number	Percent	Cumul. %
$ 500 or less	309	53%	53%
501 - 1,000	141	24%	77%
1,001 - 1,500	55	9%	86%
1,501 - 2,000	14	2%	88%
2,001 - 2,500	56	10%	98%
2,501 or more	10	2%	100%

  - The majority of those with out-of-pocket maximums greater than $1,000 are groups with less than 100 lives (62% of the 135 respondents).

- Plan design*:
  - 73% of plans are a comprehensive major medical type.
  - 27% are a basic plus major medical type of plan.
  - Schools are more likely to have a basic plus plan design than are cities.
- Hospital pre-certification:
  - 37% (226) of plans require it.
  - The smallest (1-24 lives) and largest (1000+) groups are more likely to require it.
- Monthly premiums for single medical coverage:

Premium	Responses		
	Number	Percent	Cumul. %
$ 60 or less	144	24%	24%
61 - 70	110	18%	42%
71 - 80	139	23%	65%
81 - 90	82	14%	79%
91 - 100	44	7%	86%
101 or more	84	14%	100%

  - Small groups (less than 50 lives) are over-represented in both $61 or less, and $80 or more categories.
  - In follow-up analysis, Touche Ross noted that there was no correlation between premium cost and plan design. For instance, over 66% of the small group plans (50 or fewer) had a deductible of $100 or less in both the category of less than $61 dollar/month and the category of more than $80/month.

* See Section IV for definitions.

- If PEIP offered benefits that were identical to or less than your current plan at (0%, 5%, 10%, 20%) less total cost and provided greater rate stability, would you leave your current plan and elect the PEIP?

  The percent answering YES:

	1-24	25-49	50-99	100-499	500-999	1000 +
Same benefit, stability	70%	70%	72%	67%	54%	86%
Same benefit, 5% less cost	82%	83%	82%	87%	50%	100%
Same benefit, 10% less cost	91%	97%	88%	97%	85%	100%
10% less benefit, 10% less cost	25%	23%	28%	30%	21%	86%
10% less benefit, 20% less cost	41%	44%	41%	46%	42%	100%

  - **Exclusive Representative** - Survey respondents were generally more likely to join the plan than respondents in the Employer Survey.

- Plan design changes:

  . 81% (463) of respondents prefer $100 increase in deductible over paying greater percentage (co-insurance) after deductible.

  . 59% (372) favor cost containment over raising deductibles.

  . Raising benefit by 10-20% is acceptable to 55% (333) of the respondents only if cost increase is less than $10. A $20 increase is acceptable to only 32% of respondents.

  . **Exclusive Representative** - 80% of respondents prefer $100 increase in deductible to greater coinsurance. 53% favor strong cost containment over $100 deductible (very similar response to Employer Survey).

- Retiree medical benefit:

  . 40% (300 responses) offer retiree medical coverage.

  . 6% (42 responses) contribute to the cost.

    - Most employers that contribute to retiree coverage (57% or 24 responses) have 100 or more employees.

d) **Dental Benefit**

- 27% (201) offer dental coverage.

- 73% (555) do not offer dental; 473 of these (85%) have less than 100 lives.

- Monthly premium for single dental coverage:

Monthly Single Premium	Responses	
	Number	Percent
$10 or less	37	20%
11 - 15	85	46%
16 - 20	27	14%
21 or more	35	19%

- Small groups (less than 50 lives) are over-represented in the category of less than $11 premiums (probably due to "preventive-only"* coverage).

* See definitions in Section IV.

e) Life Insurance

- 65% (494) responded that they offer life insurance.
- Smaller groups (less than 100 lives) represent the majority (95%) of groups without coverage.
- Of those offering coverage:
  - 92% offer a fixed amount.
  - 49% offer a benefit of $10,000 or less.

2. Employee/Retiree Survey

a) Employee Survey

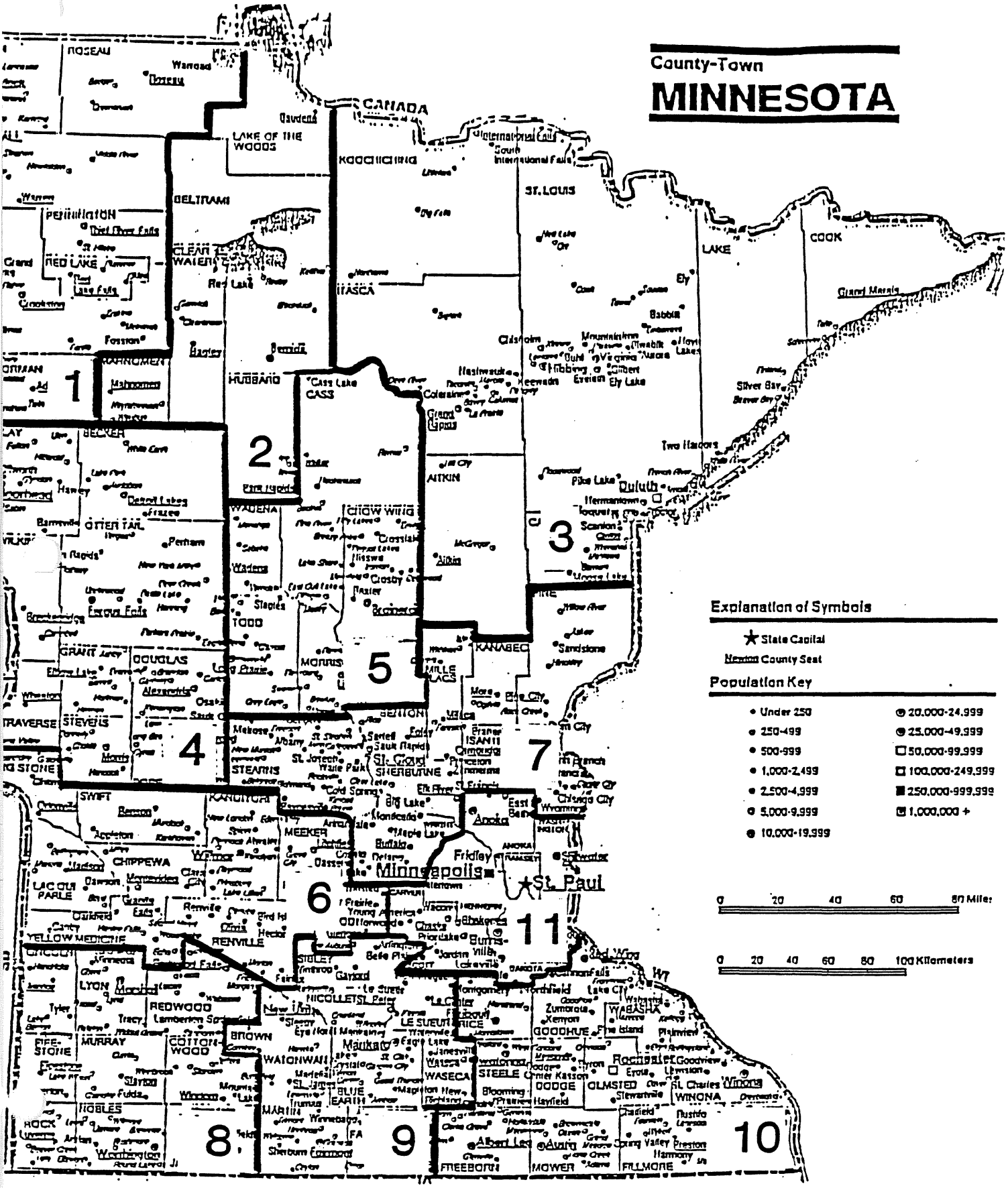
- 20% of respondents are not covered by their employer's health plan.

  Of the 20% not covered:
  - 47% are ineligible (part-time employees).
  - 44% have coverage under spouse's plan.
  - 18% have no coverage offered by employer (approximately 4% of total respondents).
- 8% of respondents are interested in a medical plan that provides 10% less benefit at 10% less cost to them.
- 43% of respondents are interested in an HMO-like plan that costs $10 more a month. (Only 15% were interested at $20/month.)
- 41% of respondents are covered by a dental plan.

b) Retiree Survey

- 41% of respondents indicated that they are covered under their former employer's plan. Of those with coverage:
  - 49% said the employer contributes. This data was not consistent with the employer survey. We feel some retirees answered the question considering their former employer's contribution to Medicare. The percentage could also be due to a very high proportion of retirees with employer-provided healthcare responding to the survey.
  - 84% of respondents said that they are Medicare-eligible.
- 6% of respondents are covered under a dental plan.

C. Survey Regions



D. Interview Summary

The intent of the telephone interviews was to gather information to assist in the preparation of the survey questionnaires.

As a first step in developing the surveys, we selectively interviewed by telephone public employers throughout the State at the county, city, and school district level. Initial data was gathered on five employers in each category throughout the State. The purpose of these telephone interviews was to get a better sense of the types of plans offered, the financing arrangements, and the organization underwriting coverage by size or type of employer. In addition to interviewing those employers, we also talked to carriers and associations currently offering coverage to public employers.

Information requested included basic information regarding:

- Availability of coverage.
  - Medical,
  - Life, and
  - Dental.
- Premium costs.
- Employer contributions.
- Underwriting carrier or organization.
- Availability of retiree coverage.

In general, the information gathered in this process confirmed the results reported from the surveys.

III. MARKET ANALYSIS

The first section of this analysis discusses the target market, those employers the PEIP will try to reach. The second and third sections list the assumptions and enrollment projections of the plan.

A. Target Market

1. Primary Target

Employers who currently are without coverage make up the primary target for the PEIP. The survey identified 86 employers (11%) without coverage. Of these, 80 had less than 25 employees. The remaining eight had fewer than 100 employees. The majority of groups without coverage are in regions 7, 8, 9 and 10, and are primarily small cities. These southern and central regions have 55% of the employers without coverage. Projecting the total number of employers without coverage from our survey results, our data projects:

Group Size	Projected Number of Employers	Projected Number of Employees*
Under 25	136	1,360
25 - 99	14	840
Total	150	2,200

* Assume average group size of 10 and 60, for under 25 and 25-99 respectively.

The reasons given for not having coverage varied. But the major reasons were:

- Group too small (41%).
- No employee demand (37%).
- Most employees are volunteers or part-time (37%).

2. Second Target

The second target for the PEIP are small public employers (less than 100 employees) who currently have coverage, yet who may benefit from pooling arrangements within the PEIP. Our survey told us that these employers are more likely to:

- Have changed carriers because of increased rates.
- Not have a dental plan.
- Not have a life insurance benefit.
- Be interested in the PEIP.

3. **Third Target**

The third target for the PEIP are large employers or individual bargaining units who might benefit from the plan (get a benefit package comparable to their current plan for less cost). Since the exclusive representatives can elect into the PEIP, groups from large employers may enter the plan on a bargaining unit by bargaining unit basis. Because some large employers and bargaining groups may find the PEIP's premiums advantageous, these large groups will have to be experience rated to some extent. (This will be discussed in more detail in the financing section.) This means that lower administrative costs than they currently incur would have to be the major cost savings advantage to large employers.

B. Enrollment Assumptions

It is always difficult to predict actual enrollment in any insurance plan. It is extremely difficult in one that does not currently exist. The surveys indicated a willingness from both employers and exclusive representatives to enter a Public Employees Insurance Plan (PEIP). Approximately 70% of the employers (under 500 lives) are interested, while nearly 80% of the exclusive representatives are interested. However, the determining factor to each employer or bargaining group will be whether the PEIP offers a better rate, or a better benefit at a competitive rate.

The assumptions that follow are optimistic and estimate the numbers of employee units that we could get into the PEIP based on fairly competitive premiums.

1. **Small groups (1-24) without coverage**

- Target 70 employers who might be interested in coverage (half of the estimated 136 employers without coverage).

- Average size = 10 (700 total employees).
- Year 1 - 0%*; Year 2 - 35%; Year 3 - 40%.

2. **Small groups (1-24) with coverage**
   - Target 600 employers; 6,000 employees.
   - Year 1 - 5%; Year 2 - 10%; Year 3 - 20%.
3. **Intermediate groups (25-99) with and without coverage**
   - Target 400 employers; 34,000 employees.
   - Year 1 - 5%; Year 2 - 10%; Year 3 - 15%.
4. **Large groups (100-999) with coverage**
   - Target 200 employers; 70,000 employees.
   - Year 1 - 2%; Year 2 - 5%; Year 3 - 10%.
5. **Very large groups (1000+) with coverage****
   - Target 10 employers; 70,000 employees.
   - Year 1 - 1%; Year 2 - 2%; Year 33 - 5%.

C. Enrollment Summary

The table below summarizes the enrollment assumptions listed in part B, above. These figures assume that the PEIP will be promoted by the major state bargaining units.

	Small		Intermediate	Large	Very Large	Total
	Without Coverage	With Coverage				
YEAR 1	0	300	1,700	1,400	700	4,100
YEAR 2	245	600	3,400	3,500	1,400	9,145
YEAR 3	280	1,200	5,100	7,000	3,500	17,080

* Most small groups without coverage are cities or towns which are not eligible to enter the PEIP until Year 2.

** Most likely that employees entering from this grouping will do so by bargaining group; less than 1,000 per group.

If the PEIP is not acceptable to the major bargaining units, we expect enrollment to be approximately one-third of our initial projection. This would be:

	Total
YEAR 1	1,352
YEAR 2	3,000
YEAR 3	5,600

IV. PLAN DESIGN RECOMMENDATIONS

A. Introduction

In developing a preliminary plan design, we based our recommendations on survey results, informal telephone interview results, and observations of general trends in the insurance marketplace. The greatest weight was given to the survey results.

It may be helpful to establish some definitions before discussing specific plan designs:

1. **Preferred Provider Organization (PPO)** - An organization of hospitals, physicians, and other providers of medical services and supplies that negotiates an agreement in which its providers will discount fees or charges and modify practices. In return, providers can anticipate a higher volume of business (patients) because the PPO plan design encourages employees to use PPO providers by offering "richer" (less out-of-pocket expenses paid by covered person) benefits if a PPO provider is used rather than a non-PPO provider. It is expected that the discounted fees and charges in a well-managed plan will offset the "richer" benefits.

2. **Utilization Review (UR)** - A system of managed healthcare incorporating Pre-admission Certification, Continued Stay Review, Hospital Discharge Planning, and Large Case Management. A well-managed UR program would be expected to pre-approve a hospital admission or suggest alternative high quality cost-effective care. Included in pre-approval is the initial certification of hospital days to treat the condition. Continued Stay Review determines if the length of stay (LOS) can be shortened or should be extended. Hospital Discharge Planning seeks to get the patient out of the hospital as soon as practical into a less costly setting. Large Case Management is designed to manage special cases such as AIDS or cancer treatment, transplants and other costly courses of treatment.

3. **Base Plus Plan (Basic)** - Also known as basic plus major medical, a plan in which most or a part of inpatient hospital expenses are paid on a "first dollar" basis up to a limit usually expressed in dollars (i.e. $10,000). All other medical expenses are paid, after a deductible is satisfied, at 80% up to a predetermined limit. Once that limit is met, all other expenses are paid at 100% up to the lifetime maximum benefit. A typical plan design might be: 100% of hospital inpatient up to $5,000 with no deductible, all other charges subject to a

$100 deductible; 80% coinsurance up to the next $2,500 of other charges, 100% thereafter; $1,000,000 lifetime maximum (non-inpatient expenses are subject to the deductible and coinsurance).

4. **Comprehensive Major Medical Plan (Comprehensive)** - This plan design is similar to the base plus except that all expenses are subject to the deductible and coinsurance (i.e., including hospital charges). A typical plan design might be: $100 deductible, 80% of next $2,500, 100% thereafter; $1,000,000 lifetime maximum.

5. **Point-of-Purchase PPO Plan** - This is a plan offered by a PPO in which there are two benefit payment options; In-PPO (In-Network, or participating provider) and Non-PPO (Out-of-Network or non-participating provider). At the time a covered person needs a medical service or supply, he or she may choose any provider; however, if a PPO provider is selected, the reimbursement for services received will be higher than for a non-PPO provider. This would be in contrast to a "forced-choice" plan where expenses for services are reimbursed **only** if a PPO provider is used.

It is important to recognize that the medical plan is the "pivotal" coverage of the different plans to be offered by a Public Employees Insurance Plan. It is the most expensive and most difficult coverage to obtain; therefore, our study has directed most of the focus to the medical plan.

B. Medical Plan - Active Employees

Our recommendations for plan design include a **PPO plan** and a **non-PPO area plan.** Ultimately, we believe that the goal of the PEIP is to provide a PPO plan with a statewide provider network. However, we also recognize that this goal may not be attainable immediately, so we have recommended a plan design for those groups located in an **area** where there are no PPO providers.

1. Rationale for PPO Plan

In suggesting a preliminary medical plan, we believe it is important that the design of the plan should:

- Be presently utilized by the majority of public employers;
- Be able to compete with other plans;
- Incorporate state-of-the-art cost containment features; and
- Be designed in a way that will not be obsolete in a matter of a few years.

The delivery of healthcare benefits has been revolutionized over the past several years by the introduction of health maintenance organization (HMO) plans. **HMOs have taken advantage of preferred provider arrangements** within a managed care setting to offer benefit plans that pay nearly 100% of all eligible expenses at a cost less than or comparable to traditional base plus or comprehensive major medical plans. However, it now appears that **HMO's are incorporating deductibles and co-pays** into their plan designs to keep the cost of the plans attractive.

Also, in the past few years, PPO plans have been introduced. Generally, PPO plans take advantage of managed care and preferred provider arrangements while offering a comprehensive major medical plan design. PPOs are more attractive than HMOs with respect to access because they give the employee the ability to receive covered care anywhere without requiring a referral from the HMO.

Two basic PPO designs are common. Employees may either enroll in a plan using only PPO providers (like many HMO plans), or they have the option at the point-of-purchase of choosing whether to use a PPO or non-PPO provider. Under the "point-of-purchase" arrangement, benefit levels are usually "richer" when the employee uses a PPO provider than when using a non-PPO provider. **The point-of-purchase design is the most widely used PPO arrangement** in the marketplace today.

Many employers with Comprehensive plans are moving toward incorporation of a PPO, and most HMOs are beginning to move towards the use of copays. The trend seems to clearly point toward managed care. At this time, it is not clear if the PPO would be using only one provider network or several networks linked together in order to provide statewide coverage. At present, only Blue Cross & Blue Shield has a statewide provider network fully established, but several other organizations are positioning themselves to do the same. Since this plan would not be available until the latter part of 1989, it is probable that the provider networks will have expanded considerably beyond their present status.

2. Preliminary PPO Plan Design

The following table is a brief overview of a preliminary plan design for active employees. It assumes that the PPO plan providers would be available throughout the State.

Preliminary Active Employee Plan Design
Single Coverage; PPO Point-of-Purchase

Feature	In-PPO	Non-PPO
Deductible	$0	$300 per calendar year
Deductible per inpatient hospital admission	$100	N/A
Maximum out-of-pocket, including deductible (max. O-O-P)	$1,000	$3,000
Co-insurance	90% of eligible expense up to max. O-O-P, 100% thereafter	70% of next $9,000, 100% thereafter
Pre-admission certification (PAC) (includes Mental & Nervous (M&N) and Chemical Dependency (CD) treatments)	Yes	Yes
Continued stay review	Yes	Yes
Hospital discharge planning	Yes	Yes
Large case management	Yes	Yes
Penalty for non-compliance with pre-admission certification	None	$250 deductible per admission
Lifetime maximum	Unlimited	$250,000
Lifetime inpatient M&N and CD maximum	$50,000	$25,000
Outpatient M&N and outpatient CD	First 10 hours of treatment @ $10 co-pay/hour, 75% of next 30 hours. At least 10 hours must be reserved for mental and nervous treatment. Last 30 hours must be approved by PAC	First 10 hours of treatment @ $10 co-pay/hour, 75% of next 30 hours. At least 10 hours must be reserved for mental and nervous treatment. Last 30 hours must be approved by PAC
Chiropractor, after satisfaction of deductible	80% up to 24 visits each calendar year	80% up to $500 maximum per calendar year

Both plans are Comprehensive major medical plans. This is based on the Needs Assessment. Seventy-three percent (73%) of all employers with medical coverage responding to the survey have a Comprehensive plan. Sixty-four percent (64%) of the schools and eighty-four percent (84%) of the cities have a Comprehensive plan. The remaining groups offer a base plus or an HMO-like plan to their employees. A deductible of $100 or less was offered by 75% of employers responding. A maximum out-of-pocket of $1,000 or less was offered by 77%. This data suggests that a Comprehensive plan design would be most appropriate.

The design of the two plans will encourage people to select a PPO provider, yet will give them the freedom to choose outside the network if desired. The main deterrent to choosing a non-PPO provider is the higher deductible and maximum out-of-pocket expenses.

Both plans should incorporate a UR program. The PPO providers will be required to work with the UR plan. Since the non-PPO providers are not required to work with the UR program, it is necessary that the employee choose to comply with UR. The $250 deductible penalty for non-compliance is expected to encourage compliance.

Although only 37% of the employers with health plans responding to the survey currently incorporate a UR program, 59% of respondents would favor adding a UR program rather than increasing deductibles (or presumably incorporating other cost-shifting features). The response from the exclusive representatives mirrored the employers' response. In the interests of offering a good, cost-effective plan, we believe the plan should include a UR program. (General industry figures would support a 3-5% cost savings.)

The lifetime benefit level under the non-PPO plan is lower than in-network. This level is adequate, but is not as desirable as in-PPO network benefits. In no event would the combination of limits exceed the in-PPO lifetime limits. The lifetime inpatient mental and nervous and chemical dependency benefit limits could be expressed alternatively as days (e.g., 60 or 90) or courses of treatment (1 or 2 inpatient treatments). The use of a dollar maximum may need to be revised at some point in the future to reflect an increase in treatment costs. Outpatient mental and nervous and chemical dependency represent benefit levels as mandated by state law.

Chiropractic benefits would be limited to 24 visits (as opposed to spinal manipulations) per year for in-PPO and up to $500 for non-PPO. In no event would the combination exceed 24 visits to a chiropractor each calendar year.

It may be desirable to offer optional deductible levels. These could be selected on an employer-wide or bargaining-group-wide basis only. In-PPO deductible options to be considered are $100 and $300. The non-PPO deductibles would be on a corresponding basis at $300 and $700. Maximum out-of-pocket costs would increase by the additional amount of deductible.

Family coverage would be the same as single, except that only two deductibles (if applicable) would need to be satisfied per family each calendar year, and out-of-pocket costs would be limited to two times the single amount.

3. Non-PPO Area Plan Design

It may be possible that an acceptable PPO arrangement may not be available for all public employees throughout Minnesota. There are several approaches that could be taken in this situation.

- **Non-PPO Coverage** - Employers or bargaining groups could participate in the plan, relying primarily on the non-PPO benefits. When extensive treatment is required, the insured could be treated in a PPO facility. If we assume that the PPO network is quite extensive, missing only small areas, it would be likely that most major hospitals would participate, and treatment in a PPO facility would be likely. Treatment most likely to fall under non-PPO benefits would be visits to the local doctor. If this approach were adopted, it would also be expected that gaps in the network would eventually be filled.

- **In-PPO Benefits for Non-PPO Area** - Under this scenario, those units in non-PPO areas would have in-PPO benefits. This would be a more expensive plan than in-PPO area coverage, since discounts would not be available. A penalty for non-compliance with the UR program would need to be extended to the "in-PPO benefit" design. It could be necessary to charge a higher rate to reflect the higher cost of such a plan.

- **Separate Plan Design** - Another approach would be to offer a separate plan for non-PPO area benefits. It would be understood that **once the PPO network was extended to a new area, those units in the area would be converted to the PPO plan on the next renewal date** (or beginning of calendar year).

- **Recommended Non-PPO Area Plan Design** - We recommended a **separate plan design** for areas where a PPO network is not available. The following table is a brief overview of a preliminary non-PPO area plan design for active employees. **This plan would be available to groups until the PPO network was extended to their area.** This plan would also be available to groups who initially entered the PPO plan, and then the participating PPO clinic/hospital withdrew from the network leaving no local PPO provider to service the area.

The recommended design for the non-PPO area plan is expected to be equal in cost to the PPO plan. Since the non-PPO area plan will not reap the benefits of provider discounts and managed practice styles, the non-PPO area plan design benefits were adjusted to keep it on the same cost basis. However, since the level of discounts and other cost factors of the PPO plan are an unknown at this time, this preliminary plan design represents an estimate of what the plan should look like. **We would recommend that alternative deductibles be requested for consideration when this plan is being put out to bid and if a lower deductible can be offered at a "reasonable" (same as PPO plan) cost, that the lower deductible be selected in lieu of the suggested $250 deductible.**

Preliminary Active Employee Plan Design
Single Coverage; Non-PPO Area

Feature	Benefits
Deductible	$250 per calendar year
Co-insurance	80% of next $5,000, 100% thereafter
Maximum out-of-pocket, including deductible (max. O-O-P)	$1,250
Pre-admission certification (PAC) (includes Mental & Nervous (M&N) and Chemical Dependency (CD) treatments)	Yes
Continued stay review	Yes
Hospital discharge planning	Yes
Large case management	Yes
Penalty for non-compliance with pre-admission certification admission	$250 deductible per
Lifetime maximum	$1,000,000
Lifetime inpatient M&N and CD maximum	$50,000
Outpatient M&N and outpatient CD	First 10 hours of treatment @ $10 co-pay/hour, 75% of next 30 hours. At least 10 hours must be reserved for mental and nervous treatment. Last 30 hours must be approved by PAC
Chiropractor, after satisfaction of deductible calendar year	80% up to $500 maximum

4. HMO Options

It is our opinion that the PEIP should not offer any other options such as HMO plans at this time because:

- **PEIP needs to be well-established** - The plan needs time to develop a well-established base if it is expected to succeed as a cost-effective insurance plan. Fragmenting its base market by also offering HMO options will work in opposition to this goal and could raise costs by creating adverse selection against the PPO.

- **PPO plans meet most objectives of HMO plans** - Since the objectives of both an HMO and PPO are to deliver quality health care in a cost-effective setting, a properly structured PPO plan should meet the needs of those seeking an HMO. Also, most HMO plan designs are now incorporating deductibles and copays, therefore blurring the distinctions between the two types of offerings.

- **There has been an assumption that HMO-mandate requirements do not apply to the PEIP.** The PEIP, is not itself an employer, and therefore should not subject to the HMO-mandate laws. However, this issue will have to be resolved with the assistance of legal counsel before a final plan design is formulated.

C. Medical Plan - Retired Employees

1. Group Basis Only

Retired employees (before or after age 65) may participate in the Public Employees Insurance Plan as long as their employer or bargaining unit does. If the active employee's unit, of which the retired employee is a part, withdraws from the PEIP, the retiree no longer may participate in the PEIP, but must follow his or her original unit.

2. Plan Design

The plan design should be the same as that of the PEIP. This may create a problem for those retirees who live out-of-state, since they would not be able to readily use PPO network providers. One solution to this problem would be to allow those retirees to enroll in the non-PPO area plan (as long as their former employer or bargaining group of active employees remains in the PEIP).

The non-PPO area benefit plan, if compared to a non-HMO Medicare Supplement Plan, would compare favorably in terms of deductible and copayments. Hopefully, the premium for the PEIP non-PPO benefits would be a better buy than most non-HMO Medicare Supplement plans. Retirees residing in Minnesota would have the same access to PPO providers as active employees.

3. Retires Over Age 65

- **Medicare Carve-Out** - It is expected that the coverage for retired employees **eligible** for Medicare would cover benefits after Medicare has paid, and at no more than the benefit level within the PEIP. This would be true whether or not the retiree chose to elect Medicare.

- **Non-Medicare Eligible** - Retirees of employers which elected to opt out of Social Security, and who therefore are not eligible for Medicare, would have the same coverage as the PEIP.

4. Retirees Under Age 65

Employees retiring before age 65 would have the same plan of benefits as active employees. Should a retiree choose to reside outside of Minnesota, he or she could elect primary coverage under the non-PPO area benefit plan.

D. Life Insurance

1. Basic Life

- **Background** - Sixty-five percent (65%) of the employers responding to the survey provide basic life insurance benefits to employees on an employer-pay-all basis. Of those providing life insurance, 49% provide an average benefit of $10,000 or less. The vast majority (92%) provide a fixed benefit amount, as opposed to a salary based death benefit.

- **Recommended Plan Design:**

  . Fixed amount of $10,000 as a minimum benefit. This amount would be smallest amount allowable for any covered employee.

  . Larger fixed amounts up to $50,000. These alternative amounts could be allowed if administratively feasible. It should be noted that 47% of employers responding provided death benefits of $20,000 or more.

- **Basic Life Required** - Any employer or bargaining unit participating in the medical plan will be required to buy the minimum life insurance benefit ($10,000). This requirement will make the medical plan more attractive to insurance carriers that consider underwriting the PEIP.

2. Supplemental Life Insurance

If administratively feasible, the PEIP should offer a plan of supplemental life insurance. This would make the plan more attractive to those units already offering this benefit who wish to participate in the PEIP. Of those employers responding to the survey, 43% offer this benefit. This plan could be offered in increments of $10,000, limited by two times the basic life amount.

3. Dependent Life Insurance

The option of covering dependents is offered to employees by 42% of employers responding to the survey. This optional coverage could be offered by the PEIP fairly easily and inexpensively.

The most common offering in the marketplace is $5,000 for a spouse and $2,000 per dependent child. It would be recommended that dependent life must be selected if family medical coverage is elected by an employee. Dependent life would be offered on an employer-wide or bargaining-unit-wide basis only.

4. Accidental Death & Dismemberment

The option of adding AD&D coverage to the basic life could be made available under the PEIP. For administrative reasons, we would recommend that the amount match the basic life amount and the amount be required for every covered employee if selected.

It may be desirable to add AD&D to the supplemental life insurance coverage a few years after the PEIP has been established.

E. Dental Plan

1. Background

- **Only 27% of the employers responding to the survey offer dental insurance.** Most (85%) of the employers not offering coverage employ 100 or fewer employees.

- **Law enabling the PEIP requires inclusion of dental benefits.** We would recommend the enabling legislation for the PEIP be amended to make dental benefits an optional rather than required benefit. Our recommendation is based upon the following:

  . Most employers (73%) responding to the survey do not offer dental insurance.

  . The additional cost of including dental benefits, when compared to other medical plans without dental, will put the PEIP at a competitive disadvantage.

  . Since the cost of providing dental benefits to those persons who have not previously had coverage is higher than for those previously covered under a dental plan, and since most groups entering the PEIP are likely not to have had dental coverage, it would be expected that dental costs under the PEIP would be higher than average, thereby putting the PEIP at further competitive disadvantage.

  . Some employers may have excluded contributions for dental benefits from a bargaining agreement; therefore, a bargaining unit wishing to join the PEIP for the purposes of the medical plan would have to ask its members to pay the additional cost attributable to dental. Faced with this decision, the bargaining unit may decide against the PEIP.

  . Many groups currently without dental may not want dental coverage, nor wish to pay the higher premium associated with dental, and would not elect to join the PEIP when they might have otherwise.

2. Plan Design

- **If dental benefits are required to be included in the PEIP,** the recommendation would be to only provide **preventative benefits.** The calendar year maximum benefit would be $200. This benefit would not be subject to a deductible.

- The following is a brief overview of a **preliminary plan design if dental is offered as an optional plan.**

- The recommended calendar year deductible for a single would be $25, and $50 for a family.

- The calendar year maximum benefit would be $1,000.

- A group must be participating in the PEIP medical benefits if dental option is desired.

DEDUCTIBLE TYPE OF SERVICE		PLAN APPLIES?	REIMBURSEMENT
Preventive:		No	100%
Oral exams, cleanings, x-rays topical fluoride application, space maintainers and emergency treatment, one time per year.			
Basic:		Yes	80%
Fillings, extractions, oral surgery, endodontics, general anesthesia, peridontics, etc.			
Major:		Yes	50%
Inlays, onlays, crowns dentures, fixed bridgework and denture adjustments.			
OPTIONS			
Orthodontics:		No	50%
Lifetime Maximum Benefit		$1,000	
Optional Deductible	Single	$ 50	
	Family	100	

- **Rationale for plan design.** Of those employers offering Dental coverage, 21% have a deductible in excess of $25. Forty-one (41%) percent have a deductible of $1 - 25, while 30% do not have a deductible ($0). In the general marketplace, the deductible amount most typically seen is $25.

  About 70% of the employers surveyed reported that their plans paid 100% for preventative services, and more than half (56%) reported basic services paid at the 70-80% level. The survey did not inquire about major services, but, the majority of all dental plans underwritten pay at the 50% level.

  Because of the higher degree of claims for the first year a dental plan is offered, it is recommended that a special first year load be applied to the rates of any group that purchases dental where they don't currently have a comparable dental plan.

  Orthodontia benefits are recommended as optional coverage (per employer or bargaining unit). The benefit would cover dependent children up to age 19. Of those surveyed employers offering dental coverage, more than half (58%) provide orthodontia coverage. If orthodontia benefits were to be considered only as part of the plan (as opposed to an option), we would recommend that orthodontia not be included in the PEIP's initial offering.

  The option of a higher deductible would allow a group to select dental on a lower cost basis.

  Finally, to prevent adverse selection against the PEIP, we would recommend that if dental coverage is elected by an employer or bargaining group, single coverage must be elected by all employees. We would further recommend that an employee who elects dependent coverage and subsequently drops that coverage would be prohibited from electing dependent coverage for a two-year period.

F. Disability Benefits

1. Background

The legislation enabling the Public Employees Insurance Plan does not call for the provision of disability benefits. Typically, a small employer will offer short term disability (STD - also called weekly income benefit or Accident & Sickness Benefit) on an insured basis while a large employer will probably self fund the benefit.

Twenty-three (23%) percent of the surveyed employees reported offering a short term disability plan. Of those, 75% were 100% employer paid. The percentage of employers offering STD was fairly consistent across the size groupings.

2. Recommendation

It is our recommendation that the Public Employees Insurance Plan not offer a disability plan at this time. Such a decision would require further study to develop a schedule of benefits. Furthermore, the time and expense necessary to set up a plan is not justified by need, as demonstrated by those responding to the survey.

V. PLAN FINANCING

A. Introduction

1. Financing Considerations

Any discussion of the underlying financial considerations of the Public Employees Insurance Plan must answer the question of who will ultimately bear the risk of the plan. It is our understanding, at this time, that the State of Minnesota does not intend to subsidize the PEIP (except to the extent of financing the start-up costs) nor to be at risk for the plan. The significance of this statement is that it virtually rules out the possibility of self insuring the PEIP Insurance Trust, since, to do so, would put the State at risk.

Therefore, the recommendations put forth in this section are based on the assumption that all plans will be offered on an insured basis. That is, it is expected that an insurance carrier will assume the risk for the plan in return for a set of premiums. If the plan's operations create a deficit in any given year, the insurance company will need to increase premiums in subsequent years to recover that deficit. If the PEIP was terminated after a deficit year, the insurance company would incur a loss.

It may be possible to consider alternative funding arrangements for the PEIP once it has been established and has reached a size and volume (and operations reserves) appropriate for the assumption of some level of risk.

Financing of the PEIP means that sufficient premiums will need to be collected in order to pay:

- Current claims due.
- Incurred but not yet paid claims (IBNR).
- Adjudication (processing) of claims expenses.
- Marketing costs.
- Administrative recordkeeping and billing expenses.
- Risk premiums.
- Communication costs.
- Enrollment procedure expenses.

- Managed healthcare service fees, including:
  - Utilization Review and Case Management.
  - PPO access fees, if any.
- Actuarial and consulting fees.
- Other necessary expenses of PEIP.

It should be noted that an insurance carrier may not perform all of the functions listed above. Therefore, the premium charged by the insurance carrier may need a "surcharge" added to it to pay the providers of those services (e.g., marketing, recordkeeping, billing, or professional fees).

2. Volume Purchasing

As a group purchaser of services, the PEIP should be able to provide benefits on a less expensive, more cost-effective basis than an individual employer or bargaining group can buy individually. The economies of scale should be realized in:

- Administration;
- Risk premiums;
- Negotiated discounts of fees and charges from providers;
- Claims processing expenses; and
- Marketing expenses.

At the same time, it should be recognized that the amount of savings generated in these areas may only be in a range of 1% to 5% when compared to the current insurance product offered to an individual intermediate-sized employer.

B. Medical Plan - Active Employees

1. Underwriting Overview

Several options are available for underwriting the anticipated premium rates of the PEIP. One approach could be adopted exclusively, or several could be "blended together" in a modified approach. The following is a brief description of the options available:

- **Composite Rating** - The appeal of this option is simplicity. This approach would assume one published rate for all groups entering the PEIP. For example, monthly premiums for single coverage would be $70, and $190 for family coverage. The result would be that groups paying more than that premium would join; those paying less would not, and eventually the cost of the plan would be forced upward at a higher trend than in the general marketplace. Most likely those groups electing to enter the PEIP would be employing people with health problems or higher-than-average ages. The end result of adopting this rating strategy is that the premiums would continue to spiral upward, while groups would leave seeking lower cost insurance; and eventually the PEIP would fail.

- **Age Rating** - Under this option a rate schedule would be developed in which a premium would be assigned for each insured employee (or person) in the employer or bargaining group. An average premium could be charged to the unit based upon the age mixture of the group. The premium would be recalculated each year at renewal. For example:

Group A 3 employees, age 60; 2 employees, age 30

Age 30	$ 50 x 2 =	$100
Age 60	$180 x 3 =	$540
	Total Premium	$640
	Group Rate	
	640 / 5 =	$128

Group B 1 employee, age 60; 2 employees, age 40; 2 employees, age 30

Age 30	$ 50 x 2 =	$100
Age 40	$ 75 x 2 =	$150
Age 60	$180 x 1 =	$180
	Total Premium	$430
	Group Rate	
	430 / 5 =	$ 86

The use of the age-rating approach would allow the PEIP to charge an appropriate rate based upon the average expected expenses of each person in an age group. This approach will not protect the plan from adding a group with poorer-than-normal claims experience due to factors other than age. While it may not represent a great risk to the PEIP if a small group is added with poor experience, adding a large group with bad credible claims experience would cause adverse selection against the plan.

- **Geographic Rating** - This option could be used in coordination with either the composite or age-rating approach. Essentially, geographic rating would recognize that the cost of providing medical care is not uniform throughout Minnesota. Geographic rating would recognize higher costs for Twin Cities based groups and lower costs for various rural area groups. Larger cities such as Duluth, Rochester or St. Cloud may also be assigned their own modified rates. **The simplest and most significant strategy would be to consider metro and non-metro geographical rates.** Again, this approach will not protect the plan against adverse selection from a large group with poor claims experience.

- **Experience Rating** - Simply stated, this method bases the rate upon the past claims experience of the group. Practically speaking, an insurance carrier would "grade" the experience of the group by the number of employees covered. A credibility factor would be assigned for the group's experience balanced against the credibility factor of the carrier's experience for a similar pool of business. For example:

  Small Group (40 employees) - 25% Credibility

  Small Group's Experience:

$100/month x .25 =	$25/month

  Insurance Carrier's Experience:

$95/month x .75 =	$71/month
Projected Rate	$96/month

  Large Group (200 employees) - 75% Credibility

  Large Group's Experience:

$100/month x .75 =	$75/month

  Insurance Carrier's Experience:

$95/month x .25 =	$24/month
Projected Rate	$99/month

  This method requires employers and/or bargaining groups to provide experience data which might be considered as too much work and thus a deterrent to getting groups enrolled.

- **Pooled Rating** - This approach would pool participating units together for the purpose of rating groups according to their unit size. One approach would envision three pools:

  . 50 or less employees;

  . 51 to 99 employees; and

  . 100 or more employees.

  This method could make use of age rating for the small and intermediate sized units, and could use age rating modified by experience rating for the large units. Each pool could be experience rated with the aggregate pool of the PEIP used to "smooth out" any year of poor experience for one of the three pools. For example:

	Loss Ratio	Recommended Increase	Adjusted Recommended Increase
Large Pool	84%	+1%	+1%
Intermediate Pool	80%	0%	+1%
Small Pool	95%	+8%	+5%
Aggregate PEIP	87%	+2%	+2%

  Over time, this arrangement would produce different age-rated premiums for each pool.

2. **Recommended Underwriting Approach**

- **Initial Years** - For the first few years of operation, we believe that the PEIP should use age rating for entrance underwriting for small and intermediate groups. For larger groups, age rating should be modified by their experience using credibility factors. Strong consideration should be given to using age rating modified by geographical rating (metro and non-metro).

- **Ongoing Operation** - Once a group has entered the PEIP, it should be assigned a pool for renewal rating purposes. Eventually, each pool will generate its own set of rates for entrance underwriting of similar sized units.

- **Rate Stability** - In any event, the methodology selected needs to assure rate stability. More than 70% of employers responding to the survey indicated that a plan with stable and predictable rates was of great importance. Secondly, current legislation requires that any unit entering the PEIP must remain for a period of only three or four years (unless receiving a premium increase in excess of 50%), and therefore, rate stability will be of special concern.

C. Medical Plan - Retired Employees

1. Underwriting Considerations

- Generally, it would be expected that the number of retired employees in any group participating in the PEIP would be relatively small. As a result, any method of experience rating would not be feasible except for the largest employers.

- We would recommend that retiree coverage would be age rated. Separate rates would have to be developed for:

  . Retirees under age 65 not yet eligible for Medicare, recognizing that the healthcare expenses of these retirees are higher than those for active employees of the same age (as a group).

  . Retirees eligible for Medicare since the cost of covering their healthcare expenses will be reduced by Medicare payments.

  . Retirees over age 65 not eligible for Medicare, recognizing that the healthcare expenses of this group will be higher than for any other retirees or active employees (of the same age).

2. Pooling of Active and Retired Employee Experience

- **Separate Pools** - It is our recommendation that the retired employees' coverage should be a fourth pool separate from the three unit-sized pools for active employees. The retired employee pool would have to "stand on its own" for rating purposes.

- **No Long-Term Subsidization of Retiree Pool Recommended** - If a deficit was incurred by the retiree pool in any given year, it could be subsidized by the active employees' pool if the funds were available (for purposes of facilitating rate stability). However, it would be expected that the deficit would be repaid as soon as possible in subsequent years.

D. Life Insurance

1. Age Rating

Clearly, life insurance lends itself easily to an age rated premium structure.

2. Separate Pooling

The life insurance benefit should be pooled separately from medical and dental benefits.

E. Dental Insurance

1. Optional Plan

- **Underwriting**

  Dental insurance operates in the same manner as medical insurance except that the claims amounts are smaller. The plan design limits the amount of benefit to $1,000 per year per person (excluding orthodontia benefits), a much smaller risk than when offering medical coverage. Our recommendations for rating the plans for entrance and renewal underwriting are the same as for the medical plan. More attention should be given to geographical rating because of the practice patterns of metro and non-metro area practitioners.

- **Orthodontia**

  Separate rates should be developed for orthodontia, which is an option available on a group-by-group basis. These benefits may need to be pooled separately for rate calculations.

- **Separate Pool**

  The dental plan should be pooled separately from the medical or life insurance benefits for rating purposes. The dental plan should be able to support its own rate structure in the same manner as the other plans.

2. Required as part of medical PEIP

- **Rates would be included in medical plan.**

  The costs attributable to providing preventative dental benefits would be factored into the rating process.

- **Claims experience should be monitored separately for dental plan.**

  This would make it possible to separate this plan of benefits from the medical plan in the future if desired.

VI. MARKETING

A. Importance of Marketing

Based on the results of the various surveys described earlier in this report and our own knowledge of the group insurance marketplace in Minnesota, the PEIP will be a plan purchased primarily by employers and bargaining units of less than 100 employees. To be successful in that size market, the PEIP must be competitively priced and then aggressively marketed. The PEIP will not sell itself.

The most likely prospects for the PEIP are those respondents to the Employer Survey who have no medical coverage. This group amounted to 11% of the total respondents, or 86 governmental units. The overwhelming majority of this group (80 governmental units or 93%) have less than 25 employees, and 76% (60 groups) are cities.

It is interesting to note that the majority of the respondents who had no medical coverage had none because they felt their group was either too small or the cost too expensive. A well designed PEIP may address both of these concerns.

One target market for the PEIP appears to be the 65 cities with less than 25 employees who currently have no medical coverage. The surveys seem to indicate a concentration of these cities in the southern one-third of the state.

For the PEIP to be successful, it will need to attract more groups than this modest target market of uninsured cities comprising, perhaps, 700 employees. The Market Analysis included in Section III of this report anticipates a significant penetration into the 25-99 employee groups, as well as the 100+ categories.

Select markets need to be aggressively pursued for the PEIP to be successful. It is our opinion that this sales and marketing effort must be organized and conducted by a professional marketing organization. It is unlikely that this marketing organization would be part of the selected carrier or Third Party Administrator (TPA) which would be designated to handle claim processing. It is our feeling that few carriers or TPAs would have either the interest or ability to market the PEIP throughout the state.

B. Marketing Functions

The marketing effort must include the following functions:

1. **Development of a well thought-out sales plan, including:**

   - Further definition of the prospect pool.
   - Identification and analysis of those plans that will compete with the PEIP.
   - Strategies for market penetration.
   - Sales goals with time frames.

2. **Development of sales support materials, including:**

   - Brochures.
   - Mailings.
   - Endorsement letter from the State and/or appropriate bargaining units.

3. **Contact with employers and bargaining units soliciting membership, including:**

   - Direct mail solicitation.
   - Telemarketing.
   - Direct sales calls.
   - Other contacts through existing communications channels.

4. **Preparation and presentation of proposals to employers and bargaining units, including:**

   - Assistance in design of the proposal format.
   - Submission of required data to carrier/TPA for rating purposes.
   - Presentation of proposal to the employer or bargaining unit.

5. Enrollment assistance, including:

   - Assistance to the employer or bargaining unit in completing necessary applications.
   - Assistance to the employer or bargaining unit in enrolling employees.
   - Submission of necessary information to carrier/TPA.
   - Delivery of insurance certificates and related materials to the employer or bargaining unit.

6. **Renewal assistance to include delivery of annual renewal terms to the employer or bargaining unit.**

C. Marketing Options

As noted previously, we feel an organization which specializes in the marketing of group insurance products is essential to the success of the PEIP. It seems unlikely that the selected carrier/TPA would be qualified to undertake this function. It does not appear that the State would have the staff to support the required marketing effort, nor is it clear that under state statutes whether a department of the state is legally authorized to undertake such an effort. Qualified marketing organizations would be identified through a bidding process.

Compensation for this marketing organization would be included in the premium rates. We also assume that the selected marketing organization would be willing to finance the development effort associated with their marketing function.

ADMINISTRATION &
CLAIM PROCESSING

VII. ADMINISTRATION AND CLAIM PROCESSING

A. Overview

Though the marketing function will determine the initial success or failure of the PEIP, quality administration and claim processing will determine its long-term viability. In general, without an efficient and responsive administrative system, the PEIP will not be able to attract the employers and bargaining units that have other insurance plans from which to choose. Administration will have a direct impact on:

- Customer satisfaction.
- The administrative expense component of plan costs.
- Compliance with various governmental legislation and regulation.
- The effectiveness of the various cost containment features included in the PEIP and the resulting overall plan costs.

The administrative and claim processing arm of the PEIP will have to deal with the following questions:

- Who is covered?
- What benefits are these covered individuals eligible for?
- Is PEIP meeting its intended objectives?

In answer to these questions, we feel that a carrier/TPA is in the best position to process claims and issue payments. A marketing organization or the carrier/TPA may also adequately perform the other tasks, with such activities overseen by State. On the other hand, a strong argument can be made for the State to perform those administrative functions directly.

B. Administrative Functions

Obviously, the extent of the administrative effort to support the PEIP will be directly affected by the success of marketing and the resulting volume of business. Of course, the effort to support several hundred enrollees will be significantly less than that needed to support many thousands. Regardless of size, though, there are certain administrative functions that need to be performed. It is important for the State to understand the complexities of administering the PEIP. In response to the administrative issues noted above, these functions would include:

1. **Who's covered?**

   - Creation of the original enrollment file of all covered employees and dependents.
   - Ongoing maintenance of that file as changes occur.
   - Billing each participating unit and the accounting related to that function.
   - Administration of the applicable coverage continuation options available to employees and dependents (e.g. COBRA).

2. **What benefits are these covered individuals eligible for?**

   - Administrative coordination with the selected provider network(s).
   - Administrative coordination with the selected utilization review company.
   - Processing of medical and dental claims, which includes:
     - Receipt of claims directly from employees or the providers of service;
     - Coordination with the selected utilization review company;
     - Determination of benefits payable;
     - Issuance of benefit payments and explanation of benefits; and
     - Correspondence and related customer service.
   - Processing of life insurance claims.

3. **Is the PEIP meeting its intended objectives?**

   - Periodic reports from the carrier/TPA to facilitate:
     - Pricing of individual benefits;
     - Pricing of each employer or bargaining unit, if applicable;
     - Pricing of PEIP in total; and
     - Evaluation of carrier/TPA performance.

- Periodic reports from the provider network(s) to evaluate its performance.

- Periodic reports from the utilization review company to evaluate its performance.

C. Administrative Options

Touche Ross recommends one of two options for administration:

Option 1 - Use external vendor for all services.

- **Department of Employee Relations (DOER) will oversee the operation of the plan.** They will not directly administer it.

- **Marketing will be accomplished through an outside organization** that specializes in group insurance marketing.

- **Recordkeeping, billing, enrollment and reporting functions will be performed by an insurance company, third party administrator or the marketing organization noted above.**

- **Claim processing of medical and dental claims will be performed by an insurance company or a third party administrator.** This could possibly be the same organization that does the recordkeeping, billing, enrollment and reporting functions.

- **This option will require DOER to manage the three functions, claims administration, marketing and recordkeeping.** We feel this would require additional staff members:

  . Plan Director - Overall plan responsibility, especially claim problems.

  . Marketing Director - To oversee marketing organization.

  . Benefits Specialist - To oversee billing and recordkeeping.

  . Clerical Support - To provide administrative and office support to PEIP staff.

For Option 1 we suggest that two alternatives be explored through a bidding process:

- The first alternative would have a carrier/TPA provide claim processing and the other administrative functions.

- The second alternative would have the carrier/TPA provide only claim processing and corresponding management reporting, with the other administrative functions provided by a separate organization. It is possible that the organization providing this non-claims administration component would be the marketing organization previously described in Section VI.

Option 2 - Internal development of recordkeeping system.

Option 2 is the same as Option 1 with the exception that the recordkeeping and billing functions are performed internally by the Department of Employee Relations (DOER). The major advantage is that DOER will maintain control of the entire plan by controlling the interactions with the various public employers enrolled in the Plan.

Advantages/Disadvantages

The major advantage of Option 1 is cost. There is some risk in a program like the PEIP, which is new. It may not attract enough participants. If it fails, and must be terminated, it would be better to have a minimum investment of equipment, programming and staffing. Option 1 is basically half the cost of Option 2.

The advantage of Option 2 is that the State, specifically DOER, will maintain control over the entire plan. Through the billing and enrollment functions, DOER will have contact with all participating groups. This will help maintain plan quality through customer service. It could be difficult for DOER to actually manage plan design changes, and be responsive to participating employers, without the day-to-day contact through the billing function.

VIII. WORKPLAN AND RESOURCES

This section of the report describes the major steps in implementing the Public Employees Insurance Plan with cost estimates. This is not intended to be the final implementation plan, but rather an outline to broadly describe the scope of implementation.

A. Workplan

1. Design Final Plan Benefits

- The groundwork for this design has been laid out earlier in this report.

2. Develop Marketing Strategy

- Determine compensation strategy for the marketing organization.
- Develop DOER's role in controlling the marketing organization.
- Develop constraints and rules.
- Suggest preliminary promotion strategies.

3. Determine Final Administrative and Financial Arrangements

- Age rating.
- Pooling versus experience rating.
- Report format from insurance carrier to DOER.
- Report format from account management organization (Administrative Option 1).
- Develop systems support and hire/train staff (Administrative Option 2).

4. Select Vendors

- Vendors could include insurance carriers, marketing organization and/or plan administrators.
- Have pre-bid conferences with potential vendors.
- Develop request for proposals (RFP's).
- Communicate with bidders.
- Analyze RFP's, including health actuarial analysis.

- Recommend vendor(s).
- Negotiate contracts.

5. Plan Implementation

- Develop communication materials.
- Establish enrollment and billing procedures.
- Develop reports and report procedures.
- Prepare rate manual.

6. Plan Management

- Administrative Option 1; DOER will perform this role, including:
  - Plan design change.
  - Addition of new products (STD, LTD, etc.).
  - Necessary health actuarial and consulting assistance.
  - Renewals for vendors.
  - Claim experience review.
  - Funding analysis.
  - Periodic review of administration and claim operation.
- Administrative Option 2; DOER will perform this role, including:
  - All of the functions listed above for Option 1.
  - Recordkeeping and billing.

B. Resource Needs

Since the benefit plan will be fully insured, the costs of the marketing, administrative and claim processing functions will be included in the rates charged to employers. No State funds will then be needed to "run" the plan. However, some funds will be necessary to manage the plan (a DOER function) and provide technical consulting. In addition, some initial "seed" funds will likely be needed to aid in the initial implementation.

The resources listed below should be adequate to get the plan started and through 1989.

OPTION 1	FISCAL YEAR 1988	1989
DOER staff*	$ 96,288	$ 161,210
Consulting	80,000	50,000
Programming	--	--
Communication/Printing	109,000	100,000
Indirect	45,000	24,500
Total	$ 330,288	$ 335,710
2-Year Total	$ 665,998	

OPTION 2	FISCAL YEAR 1988	1989
DOER staff*	$ 96,288	$ 196,524
Consulting	80,000	50,000
Programming	84,500	477,707
Communication/Printing	109,000	100,000
Indirect	45,000	24,500
Rent	--	28,000
Equipment	--	55,000
TOTAL	$ 414,788	$ 931,731
2-Year Total	$1,346,519	

* DOER Staff:

- Plan Director - Overall plan responsibility, especially claims problems.
- Marketing Director - To oversee marketing organization.
- Benefits Specialist - To oversee billing and recordkeeping.
- Clerical Support - To provide administrative and office support services to PEIP staff.

APPENDIX

IX. APPENDIX

- Detailed Survey Data

- Survey Instruments

STATE OF MINNESOTA

PUBLIC EMPLOYEES INSURANCE PROGRAM

SURVEY SUMMARIES

January 12, 1988

- Goals
- Employer Survey
- Exclusive Representative Survey
- Employee Survey
- Retiree Survey

STATE OF MINNESOTA
DEPARTMENT OF EMPLOYEE RELATIONS

SURVEY GOALS FOR REPORT TO LEGISLATURE

A. Compare the cost and types of current employee benefits by size of organization, type of organization and size of county for all employers eligible for the State plan.

B. Identify which eligible employers, bargaining groups and types of employees (or former employees) would most benefit from a Public Employees Insurance Plan.

C. Test the acceptability of a plan of benefits for the Public Employees Insurance Plan.

EMPLOYER SURVEY

EMPLOYER SURVEY

RESPONSE RATES

A. By Type

	Schools	Cities	Counties	Others	Total
Sample mailed	435	677	87	134	1333
Received	338	360	55	31	784
%	78%	53%	63%	23%	59%

B. By Size of Employer (group health insurance)

	Number Responding
1 - 24	360
25 - 49	126
50 - 99	127
100 - 499	146
500 - 999	17
1000+	8
	784

C. By Region

	Total Number	Total %	Number School	Number City	Number County	Number Other	% School	% City
1. Northwest	50	6%	28	14	5	3	56%	28%
2. Northwest Central	19	2%	7	8	3	1	37%	42%
3. Northeast	76	10%	31	37	6	2	41%	49%
4. West Central	61	8%	29	25	2	5	48%	41%
5. North Central	49	6%	21	24	3	1	43%	49%
6. Southwest Central	74	9%	31	35	5	3	42%	47%
7. Central	90	12%	38	42	6	4	42%	47%
8. Southwest	74	9%	34	28	7	5	46%	38%
9. South Central	83	11%	42	33	6	2	51%	40%
10. Southeast	93	12%	38	44	9	2	41%	47%
11. Metro	115	15%	39	70	3	3	34%	61%
TOTAL	784	100%	338	360	55	31		
% OF TOTAL			43%	46%	7%	4%		

D. Percent of actives eligible for insurance coverage not covered by bargaining unit.

Percent	Type			
	School	City	County	Other
0-10%	49%	28%	17%	37%
11-25%	24%	7%	26%	7%
26-50%	14%	12%	19%	10%
51-75%	4%	9%	21%	3%
76%+	9%	44%	17%	43%

Size	1-24	25-49	50-99	100-499	500-999	1000+
0 - 10%						
Number	115	37	42	63	16	0
Percent	36%	30%	34%	42%	80%	
76% +						
Number	152	19	9	13	0	0
Percent	47%	15%	7%	9%	0%	

E. How many hours per week must an employee work to be eligible for any insurance benefits?

Hours	Total Number		Type School	City	County
31 or more	386	(53%)	29%	76%	49%
21 - 30	222	(30%)	46%	16%	30%
15 - 20	96	(13%)	20%	6%	21%
14 or less	30	(4%)	5%	2%	0%
			100% (330)	100% (323)	100% (53)

F. How many hours per week must an employee work to be eligible for full employer contribution for benefits?

Hours	Total Number		Type School	City	County
31 or more	554	(79%)	72%	87%	68%
21 - 30	114	(16%)	23%	8%	24%
15 - 20	25	(4%)	4%	3%	8%
14 or less	10	(1%)	1%	2%	0%
			100% (317)	100% (306)	100% (54)

MEDICAL BENEFITS

1. **Do you offer medical benefits?**

89% (688) of respondents answered **YES**. The 11% (86) who answered **NO** were comprised of:

- 93% were in the category of 1-24 employees.
- 100% had less than 100 employees.
- 44% were in the three southern regions (8, 9, 10).

Of the total **NO** answers, the type of employer was:

	Percent NO Of Total	Percent NO Of Type
Schools	14%	4%
Cities	76%	18%
Counties	2%	4%
Other	8%	2%
	100%	

In answer to the statement, "Please note reason for no coverage" the answers were:

- 27% - because they could not afford coverage.
- 37% - because of no employee demand.
- 37% - because most are volunteers or part-time employees.
- 41% - because the group is too small.
- 31% - because they are not interested in offering the benefit.

NOTE: Employers could answer more than one response, so total is greater than 100%.

2. **Do you currently offer HMO (or HMO-like) coverage?**

- 33% (220) answered **YES**.

Of those answering **YES**, the type of employers were:

	Percent YES Of Total	Percent YES Of Type	
School	44%	30%	
Cities	42%	35%	
Counties		9%	61%
Other	5%	52%	
	100%		

Of those with HMOs, penetration rates are as follows:

HMO Penetration Rate	Number	Percent
10-25%	30	15%
25-50%	22	11%
50-75%	25	13%
75-100%	22	61%
		100%

- 82% of cities (71 responses) are in the 75-100% range.
- 45% of schools (7 responses) are in the 75-100% range.
- 36% of counties (7 responses) are in the 75-100% range.
- 81% of employers sized 1-24 are in the 75-100% range.
- 75% of employers sized 25-49 are in the 75-100% range.

3. Have you dropped medical insurance carriers in the last 2 years?

18% (86 responses) said **YES**.
82% (397 responses) said **NO**.

Of those saying **YES**:

- 27% had 1-24 employees.
- 57% had less than 100 employees.
- 91% had less than 500 employees.

Why dropped?

11% - eligible group became too small.

84% - cost increased too much.

35% - other reasons (not described).

MEDICAL INSURANCE PLAN

4. What is the annual deductible for single medical coverage?

Deductible	Responses #	%	Cumul. %
$ 0 - 50	106	19%	19%
51 - 100	314	56%	75%
101 - 150	43	8%	83%
151 - 200	37	6%	89%
201 +	63	11%	100%
Total	563		

Employers with deductible greater than $100

Size	1-24	25-49	50-99	100-499	500-999	1000+	Total
Percent	36%	25%	13%	17%	21%	40%	25%
Number	77	26	14	21	3	2	143

Type	Schools	Cities	Counties	Other
Percent	20%	33%	15%	50%
Number	59	68	7	9

5. Does annual deductible apply to all or just major medical expenses?

- 73% of total respondents - all expenses (comprehensive design).
- 27% of total respondents - major medical (basic/major medical design).
- 64% of schools have comprehensive plan design.
- 84% of cities have comprehensive plan design.

6. What is the maximum annual out-of-pocket cost for an employee with single coverage?

Max. Out-of-Pocket	Responses #	%	Cumul. %
$ 500 or less	309	53%	53%
501 - 1000	141	24%	77%
1001 - 1500	55	9%	86%
1501 - 2000	14	2%	88%
2001 - 2500	56	10%	98%
2501 or more	10	2%	100%

Employers with maximum out-of-pocket greater than $1000.

Size	1-24	25-49	50-99	100-499	500-999	1000+	Total
Percent	18%	19%	22%	31%	62%	40%	23%
Number	38	21	25	41	8	2	135

7. Does your medical plan require that hospital admission be pre-approved?

- 37% answered **YES**.
- 63% answered **NO**.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent **YES**	44%	31%	33%	33%	9%	50%
Number	105	33	37	45	3	3

Type	Schools	Cities	Counties	Other
Percent **YES**	26%	50%	36%	50%
Number	82	117	18	9

8. What is the total monthly premium for single medical coverage?

Monthly Premium	Responses Number	Responses Percent
$ 60 or less	144	24%
61 - 70	110	18%
71 - 80	139	23%
81 - 90	82	14%
91 - 100	44	7%
101 or more	84	14%

Employers with monthly premium less than $61.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	26%	34%	19%	18%	6%	0
Number	60	38	21	24	1	0

Employers with monthly premium greater than $80.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	35%	24%	34%	41%	56%	60%
Number	78	27	38	55	9	3

Employers with monthly premium greater than $90.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	25%	9%	24%	21%	31%	40%
Number	56	11	27	28	5	2

Employers with monthly premium greater than $90.

Type	Schools	Cities	Counties	Other
Percent	14%	28%	37%	17%
Number	44	62	18	3

Employers with monthly premium greater than $100.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	18%	5%	14%	12%	25%	40%
Number	41	6	15	16	4	2

9. **What is the total monthly premium for family medical coverage?**

Monthly Premium	Responses	
	Number	Percent
$120 or less	33	5%
121 - 140	36	6%
141 - 160	80	13%
161 - 180	83	14%
181 - 200	137	22%
201 - 220	106	17%
221 - 240	61	10%
241 or more	76	13%

Employers with premiums less than $161.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	31%	33%	19%	14%	13%	0%
Number	70	37	21	19	2	0

Employer with premiums greater than $240.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	10%	4%	19%	13%	44%	33%
Number	24	5	21	17	7	2

13. How much did your total medical plan costs change at your last renewal?

Change	Responses Number	Percent
Decrease	54	9%
Same	73	13%
1-9% Increase	144	25%
10-20% Increase	173	30%
21-30% Increase	81	14%
31% or greater	53	9%

Employers with greater than 20% increase.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	17%	25%	23%	31%	38%	20%
Number	39	24	25	39	6	1

Employers with premium decrease or no change.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	23%	15%	25%	6%	13%	40%
Number	51	15	27	30	2	2

DENTAL BENEFITS

15. Do you currently offer dental insurance benefits to your active employees?

- 27% (201 responses) said **YES**.
- 73% (555 responses) said **NO**.

Of those that said **NO**:

- 51% were in the category of 1-24 employees.
- 85% had fewer than 100 employees.
- 99% had fewer than 500 employees.

The type of employer answering **NO** was:

Type	Percent NO
School	69%
City	76%
County	78%
Other	80%

16. What percent of the total cost of one annual, preventive exam will the plan pay?

- o 70% of dental plans paid at 100%. This percentage was constant for plans despite group size.
- o 17% of dental plans paid at the 71-80% level.

17. What percent of the total cost of a filling will be paid after the deductible is satisfied?

- o 56% of dental plans pay at the 71-80% level.
- o 19% of dental plans pay at the 100% level.

18. What is the annual deductible that applies to basic dental services?

- o 41% of dental plans have a $1-25 deductible.
- o 30% of dental plans have no deductible.
- o 21% of dental plans have a $26-50 deductible.

19. Does the dental plan pay for some or all of orthodontia treatment?

- o 58% answered YES.

21. What is the total monthly premium for single dental coverage?

Monthly Premium	Responses	
	Number	Percent
$10 or less	37	20%
11 - 15	85	46%
16 - 20	27	14%
21 or more	35	19%

Employers with monthly premium less than $11.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	23%	32%	6%	20%	8%	0%
Number	11*	8	2	12	1	0

* 7 of these (or 15%) had premiums below $6.00 per month; no other group had a premium this low.

Employers with monthly premium more than $20.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	26%	8%	26%	13%	42%	0%
Number	12	2	8	8	5	0

22. What is the total monthly premium for family dental coverage?

Monthly Premium	Responses	
	Number	Percent
$20 or less	22	12%
21 - 30	38	20%
31 - 40	64	34%
41 - 50	29	16%
51 or more	9	5%
No dependent coverage	25	13%

Employers with premium greater than $40.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	27%	0%	17%	22%	23%	38%
Number	13	0	5	14	3	3

LIFE INSURANCE

25. Do you currently offer an employer-pay-all life insurance benefit?

- 65% (494 responses) answered **YES.**
- 35% (269 responses) answered **NO.**

Of those that answered **NO:**

- 64% were in the category of 1-24 employees.
- 83% were in the category of less than 50 employees.
- 95% were in the category of less than 100 employees.

The type of employer answering **NO** was:

Type	Percent NO
School	34%
City	39%
County	13%
Other	52%

26. What is the average employer-pay-all life insurance benefit?

Average Benefit	Responses	
	Number	Percent
$ 5,000	102	21%
10,000	139	28%
15,000	21	4%
20,000	66	14%
25,000	64	13%
30,000 or more	96	20%

27. What type of benefit is provided?

Benefit	Responses	
	Number	Percent
Fixed	449	92%
Salary-based	38	8%

28. Can employees purchase additional life insurance through the employer's plan?

- 43% answered **YES.**

29. Are employees offered life insurance for their spouse or children?

- 42% answered **YES.**

DISABILITY BENEFITS

30. Is a short-term disability plan available to your employees?

- 23% answered **YES.**

Of those answering **YES:**

- 74% had an employer-pay-all plan.
- 11% had an employee-pay-all plan.
- 15% shared the cost with employees.

31. Is a long-term disability plan available to your employees?

- 46% answered **YES**.

Of those answering **YES**:

- 73% had an employer-pay-all plan.
- 9% had an employee-pay-all plan.
- 18% shared the cost with employees.

RETIREE MEDICAL BENEFITS

32. Do you offer medical benefits to retired employees age 65 or older?

- 40% (300 responses) answered **YES**.
- 60% (456 responses) answered **NO**.

Of those responding **YES**:

- 14% contribute to the cost.
- 93% offer the actives' coverage to retirees.
- 24% offer HMO coverage to retirees.
- 20% offer another type of retiree coverage, such as AARP or individual medical supplement.

Of Employers contributing to the cost of retiree coverage:

- 57% have 100 or more employees.
- 45% are schools (12% of all schools with retiree coverage).
- 31% are cities (13% of all cities with retiree coverage).

33. Is medical coverage provided to the spouse of a retired employee?

- 47% answered **YES**.

34. Is medical coverage provided to early retirees (pre-65)?

- 63% answered **YES.** This is primarily the same coverage as offered to active employees. 29% of those with coverage offer an HMO option.

39. - 43. If a PEIP was offered that . . .

The percent answering **YES:**

Size	1-24	25-49	50-99	100-499	500-999	1000+
39. Same benefit, stability	70%	70%	72%	67%	54%	86%
40. Same benefit, 5% less cost	82%	83%	82%	87%	50%	100%
41. Same benefit, 10% less cost	91%	97%	88%	97%	85%	100%
42. 10% less benefit, 10% less cost	25%	23%	28%	30%	21%	86%
43. 10% less benefit, 20% less cost	41%	44%	41%	46%	42%	100%

44. If PEIP is developed, what plan design changes do you think would be most acceptable?

Benefit Change	Responses	
	Number	Percent
Raise deductible $100	463	81%
Employees pay greater % after deductible	112	19%

45. Would introduction of strong cost containment be more acceptable to your employees than raising the deductible?

- 59% (372 responses) answered **YES.**
- 41% (262 responses) answered **NO.**

46. Do you think employees are interested in 10-20% more benefits (possibly HMO-like plan) if their monthly contribution rose?

The percent answering **YES**:

Size	1-24	25-49	50-99	100-499	500-999	1000+
$10	60%	57%	51%	46%	67%	57%
20	34%	38%	31%	23%	44%	43%
30	6%	6%	8%	7%	11%	0%
40	3%	3%	1%	2%	0%	0%
50	3%	3%	2%	3%	0%	0%

47. Are employees' premiums currently paid on a pre-tax basis?

- 21% (130 responses) answered **YES.**
- 79% (501 responses) answered **NO.**

EXCLUSIVE REPRESENTATIVE SURVEY

EXCLUSIVE REPRESENTATIVE SURVEY

RESPONSE RATES

Type	Schools	Cities	Counties	Other	Total
Percent	87%	4%	6%	3%	100%
Number	187	9	12	6	214

- 45% response rate. (480 in initial mailing; 430 (90%) were to MEA repts. Thus the response was primarily from schools because of large MEA group in sample.)

MEDICAL BENEFITS

1. Do you offer medical benefits?

   - 99% (212 responses) answered **YES.**
   - 1% (1 response) answered **NO.** This respondent was in the category of 1-24 employees and was a school. No medical coverage was offered by this employer because coverage couldn't be obtained at an affordable price.

2. Do you currently offer HMO coverage?

   - 28% (55 responses) answered **YES.**

   Of these, the type of employers were:

	Percent YES
Schools	60
Cities	13
Counties	16
Other	11

MEDICAL INSURANCE PLAN

3. What is the annual deductible for single medical coverage?

Deductible	Responses #	%	Cumulated %
$ 0 - 50	39	21%	21%
51 - 100	114	62	83
101 - 150	9	5	88
151 - 200	8	4	92
201 +	15	8	100
TOTAL	185		

Employers with deductible greater than $100.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	11%	14%	22%	21%	29%	0
Number	3	9	10	8	2	0

Type	Schools	Cities	Counties	Other
Percent	16%	38%	22%	25%
Number	26	3	2	1

4. What is the total monthly premium for single medical coverage?

Monthly Premium	Responses Number	Responses Percent
$60 or less	43	22%
61 - 70	34	17%
71 - 80	39	20%
81 - 90	32	16%
91 +	46	23%
		98%

2% (4) of respondents didn't know the answer to this question.

Employers with monthly premium greater than $80.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	36%	30%	49%	41%	75%	50%
Number	10	19	24	18	6	1

Employers with monthly premium greater than $90.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	21%	16%	31%	27%	38%	-
Number	6	10	15	12	3	0

Employers with monthly premium greater than $100.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	7%	8%	24%	9%	25%	-
Number	2	5	12	4	2	0

Employer with monthly premium less than $61.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	32%	40%	14%	5%	-	-
Number	9	25	7	2	0	0

Employer with monthly premium greater than $90.

Type	Schools	Cities	Counties	Other
Percent	21%	22%	45%	60%
Number	36	2	5	3

5. **What is the total monthly premium for family medical coverage?**

Monthly Premium	Responses Number	Responses Percent
$120 or less	7	4%
121 - 140	19	10%
141 - 160	22	11%
161 - 180	36	18%
181 - 200	29	15%
201 - 220	33	17%
221 - 240	26	13%
241 or more	23	11%
	195	

1.0% (3) of the respondents didn't know the answer to this question.

Employers with premium less than $161.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	39%	34%	19%	9%	25%	-
Number	11	22	9	4	2	0

Employers with premium greater than $240.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	7%	8%	19%	14%	13%	-
Number	2	5	9	6	1	0

Employers with a premium greater than $200.

Type	Schools	Cities	Counties	Other
Percent	37%	78%	60%	80%
Number	65	7	6	4

DENTAL BENEFITS

8. Are dental insurance benefits currently offered to active employee members?

- 30% (63 responses) answered **YES.**
- 70% (150 responses) answered **NO.**

Of those that said **NO:**

- 19% (29 respondents) were in the category of 1-24 employees.
- 83% (125 respondents) had fewer than 100 employees.
- 99% (148 respondents) had fewer than 500 employees.

The type of employer who answered **NO:**

Type	Percent **NO**
School	73%
City	67%
County	58%
Other	33%

11. What is the total monthly premium for single dental coverage?

Monthly Premium	Responses	
	Number	Percent
$10 or less	11	19%
11 - 15	26	45%
16 - 20	7	12%
21 or more	12	21%
	56	97%

3% didn't know the answer to this question.

Employer with monthly premium less than $11.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	50%	38%	14%	13%	40%	-
Number	1	3	2	3	2*	0

* One of these had a premium below $6/month.

Employer with monthly premium greater than $20.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	-	-	7%	38%	-	67%
Number	0	0	1	9	0	2

12. What is the total monthly premium for family dental coverage?

Monthly Premium	Responses	
	Number	Percent
$20 or less	7	12%
21 - 30	13	23%
31 - 40	20	34%
41 - 50	6	11%
51 or more	3	5%
No dependent coverage	8	4%
	57	99%

1% didn't know the answer to this question.

Employer with monthly premium greater than $40.

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	-	25%	14%	42%	40%	-
Number	0	2	2	11	2	0

LIFE INSURANCE

15. Do you currently offer an employer-pay-all life insurance benefit?

- 63% (133 responses) answered **YES.**
- 37% (78 responses) answered **NO.**

Of those that answered **NO:**

- 23% (18 respondents) were in the category of 1-24 employees.
- 72% (56 respondents) were in the category of less than 50 employees.
- 92% (72 respondents) were in the category of less than 100 employees.

The type of employer answering NO was:

Type	Percent NO
School	42%
City	0
County	0
Other	20%

16. What type of employer-pay-all life insurance benefit is provided?

Benefit	Responses	
	Number	Percent
Fixed	117	91%
Salary Based	12	9%

RETIREE MEDICAL BENEFITS

21. Is medical coverage offered by the previous employer to retired members (age 65 or older)?

- o 50% (106 responses) answered YES.
- o 50% (106 responses) answered NO.
- o 8% (16 responses) contribute to retiree medical coverage.

Of those contributing to coverage:

Size	1-24	25-49	50-99	100-499	500-999	1000+
Percent	-	15%	17%	14%	43%	50%
Number	0	4	5	3	3	1

- o Is it the same medical coverage offered to active employees?
  - . 96% (98 responses) answered YES.
  - . 4% (4 responses) answered NO.

- o Is HMO retiree coverage provided?
  - . 28% (28 responses) answered **YES.**
  - . 72% (73 responses) answered **NO.**
- o Is another type of retiree medical coverage offered?
  - . 19% (18 responses) answered **YES.**
  - . 81% (79 responses) answered **NO.**

INTEREST IN PUBLIC EMPLOYEE INSURANCE PLAN

If a PEIP was offered that . . .

Size	1-24	25-49	50-99	100-499	500-999	1000+
26. Same benefit, stability	86%	79%	94%	80%	57%	67%
27. Same benefit, 5% less cost	97%	81%	90%	91%	63%	100%
28. Same benefit, 10% less cost	100%	100%	94%	95%	75%	100%
29. 10% less benefit, 10% less cost	14%	15%	12%	7%	0	50%
30. 10% less benefit, 20% less cost	17%	22%	24%	20%	25%	50%

31. If a less costly PEIP is developed, which plan design changes do you think would be most acceptable?

Benefit Change	Response Number	Response Percent
Increase deductible $100	142	80%
Employees pay greater % of cost after deductible satisfied	35	20%

32. Would the introduction of strong cost containment features be more acceptable than raising the deductible $100/year?

- o 53% (103 responses) answered YES.
- o 47% (92 responses) answered NO.

33. Do you think employees would be interested in 10-20% more benefits (possibly an HMO-like plan) if their monthly contribution rose?

Size	1-24	25-49	50-99	100-499	500-999	1000+
a) $10	77%	70%	60%	65%	57%	50%
b) 20	54%	41%	35%	34%	17%	50%
c) 30	20%	11%	2%	6%	0%	0%
d) 40	0%	2%	0%	3%	0%	0%
e) 50	0%	2%	0%	3%	0%	0%

35. As the exclusive representative, what do you negotiate for (with respect to medical benefits) with your employers?

Medical Benefits	Responses	
	Number	Percent
Benefit levels	8	4%
Employee premium contribution	80	40%
Both	105	52%
Neither	9	4%
	202	

EMPLOYEE SURVEY

EMPLOYEE SURVEY

RESPONSE RATES

	Schools	Cities	Counties	Other	Total
Number	283	67	100	54	504
Percent	56%	13%	20%	11%	100%

- Total response rate was 50%.

QUESTIONS

1. Are you covered by a medical plan offered by your employer?

20% (99) responded NO
80% (404) responded YES

For those answering NO

- 47% were ineligible for coverage because part-time employee
- 44% had coverage under spouse's plan
- 18% had no coverage offered by employer
- 9% had another type of coverage (other than spouse's plan)
- 9% found coverage offered by employer too costly.

For those who only have coverage under spouse's plan:

- 36% found that their spouse's coverage was better
- 20% found that the cost of their employer's coverage was too high.

2. Which level of coverage do you have?

- 30% (119) responded Single
- 70% (281) responded Family

3. Are you covered by an HMO plan?

30% (115) responded YES
70% (273) responded NO

- Of the 115 with HMO's most (63%) of respondents were in the regions that comprise the Twin Cities, Duluth and Rochester.

8. Would you be interested in a medical plan that provides 10-20% less benefits if it would cost you 10-20% less?

8% (30) responded YES
92% (301) resonded NO

9. Would you be interested in a medical plan that provides 10-20% more benefit (possibly HMO) if your monthly contribution rose?

Increase	Responded YES	
	Number	Percent
$10	158	43%
20	54	15%
30	14	4%
40	7	2%
50	5	1%

10. Are you covered by a dental plan offered by your employer?

41% (207) responded YES
59% (295) responded NO

Of the answering NO:

75% did not have coverage offered by employer.
13% were part-time employees and ineligible.
6% took coverage under spouse's plan.
2% found that employer's coverage was too expensive.

11) Which level of dental coverage do you have?

51% (101) responded Single
49% (97) responded Family

RETIREE SURVEY

RETIREE SURVEY

RESPONSE RATES

	Schools	Cities	Counties	Other	Total
Number	375	92	121	32	620
Percent	60%	15%	20%	5%	100%

- 62% response rate.

QUESTIONS

1. Are you covered by a medical plan offered by your former employer?

   - 41% (257 responses) answered **YES.**
   - 59% (363 responses) answered **NO.**

   For those answering **NO:**

   - 71% had no coverage offered by their employer.
   - 13% took coverage under spouse's plan.
   - 15% found coverage offered by employer too expensive.

   What type of coverage have they selected?

   - 6% have no coverage.
   - 66% have Medicare.
   - 21% have HMO coverage.
   - 37% have an individual Medicare supplement.

2. Which level of medical coverage do you have through your former employer?

   - 50% (123 responses) answered **SINGLE.**
   - 37% (93 responses) answered **SINGLE plus DEPENDENT.**
   - 13% (32 responses) answered **FAMILY.**

3. Are you covered by an HMO plan?

   - 27% (61 responses) answered **YES.**
   - 73% (169 responses) answered **NO.**

4. Are you eligible for Medicare coverage (either now or when you turn 65)?

- o 84% (206 responses) answered **YES.**
- o 16% (39 responses) answered **NO.**

6. Does your former employer contribute to the cost of your medical coverage?

- o 49% (119 responses) answered **YES.**
- o 51% (124 responses) answered **NO.**

(Could this include Medicare, FICA tax?)

Type	Responding YES #	Responding YES %
School	84	57%
City	15	48%
County	18	34%
Other	2	18%

7. Are you covered by a dental plan offered by your former employer?

- o 6% (40 responses) answered **YES.**
- o 94% (583 responses) answered **NO.**

Of those answering **NO:**

- o 69% were not offered coverage.
- o 65% have no dental coverage.
- o 5% chose their spouse's dental plan.
- o 2% have other dental coverage.
- o 4% found their former employer's coverage too expensive.

STATE OF MINNESOTA
PUBLIC EMPLOYEES INSURANCE PLAN

EMPLOYER SURVEY

This survey of employee benefit plans is designed to be **easy** to complete. It should take about 20 minutes to answer all the questions. Except for questions a)–d), you do not need to write a response. Just ***check*** the appropriate response under each question.

ORGANIZATION

Directions: Complete questions a) through f) as they apply to your entire organization.

a) Governmental Unit _____

b) School District Number _____(if applicable)

c) Your Name _____

d) Business Telephone ( ) _____

e) Type of governmental unit (or local jurisdiction) ***(check one)***

- ☐ School or School District
- ☐ City
- ☐ County
- ☐ Other (Agencies, public hospitals, public nursing homes, libraries, housing authorities, etc.)

If **other** is checked above, is this unit included under the benefit plan of a city or county?

- ☐ Yes
- ☐ No

f) Name of county in which the unit or jurisdiction is located. If the unit spans multiple counties, check the county with the majority of the unit's employees. ***(check one)***

☐ Aitkin	☐ Cottonwood	☐ Kanabec
☐ Anoka	☐ Crow Wing	☐ Kandiyohi
☐ Becker	☐ Dakota	☐ Kittson
☐ Beltrami	☐ Dodge	☐ Koochiching
☐ Benton	☐ Douglas	☐ Lac Qui Parle
☐ Big Stone	☐ Faribault	☐ Lake
☐ Blue Earth	☐ Fillmore	☐ Lake of the Woods
☐ Brown	☐ Freeborn	☐ Le Seuer
☐ Carlton	☐ Goodhue	☐ Lincoln
☐ Carver	☐ Grant	☐ Lyon
☐ Cass	☐ Hennepin	☐ Mahnomen
☐ Chippewa	☐ Houston	☐ Marshall
☐ Chisago	☐ Hubbard	☐ Martin
☐ Clay	☐ Isanti	☐ McLeod
☐ Clearwater	☐ Itasca	☐ Meeker
☐ Cook	☐ Jackson	☐ Mille Lacs
☐ Morrison	☐ Ramsey	☐ Stevens
☐ Mower	☐ Red Lake	☐ Swift
☐ Murray	☐ Redwood	☐ Todd
☐ Nicollet	☐ Renville	☐ Traverse
☐ Nobles	☐ Rice	☐ Wabasha
☐ Norman	☐ Rock	☐ Wadena
☐ Olmsted	☐ Roseau	☐ Waseca
☐ Otter Tail	☐ St. Louis	☐ Washington
☐ Pennington	☐ Scott	☐ Watonwan
☐ Pine	☐ Sherburne	☐ Wilkin
☐ Pipestone	☐ Sibley	☐ Winona
☐ Polk	☐ Stearns	☐ Wright
☐ Pope	☐ Steele	☐ Yellow Medicine

BENEFIT ELIGIBILITY

Directions: Complete questions g) through j) as they apply to your entire organization.

g) Number of active employees eligible for health insurance benefits in the governmental unit checked in (e). ***(check one)***

- ☐ 1 - 24
- ☐ 25 - 49
- ☐ 50 - 99
- ☐ 100 - 499
- ☐ 500 - 999
- ☐ 1000 or more

h) Percent of all active employees eligible for health insurance benefits but not represented by an exclusive bargaining unit. ***(check one)***

- ☐ 0% - 10%
- ☐ 11% - 25%
- ☐ 26% - 50%
- ☐ 51% - 75%
- ☐ 76% or more

i) On average, how many hours per week must an employee work to be eligible for **any** insurance benefits? ***(check one)***

- ☐ 31 or more
- ☐ 21 to 30
- ☐ 15 to 20
- ☐ 14 or less

Please **enclose** a copy of your **benefits booklet, summary plan description (SPD)** or **plan document** when you return the survey. Please mail your survey back to Touche Ross (envelope enclosed) by **December 4, 1987**:

Touche Ross
900 Pillsbury Center
Minneapolis, MN 55402

State of Minnesota
Confidential Survey

j) On average, how many hours per week must an employee work to be eligible for a **full** employer contribution for medical benefits? ***(check one)***
- ☐ 31 or more
- ☐ 21 to 30
- ☐ 15 to 20
- ☐ 14 or less

MEDICAL BENEFITS

Directions: Complete questions 1 through 3 as they apply to your entire organization.

1. Do you currently offer medical benefits (medical insurance or HMO) to your active employees?
   - ☐ Yes
   - ☐ No

   If **NO**, please note the reasons below:
   - a) We cannot obtain coverage at a price we can afford.
     - ☐ Yes
     - ☐ No
   - b) There is no demand from employees.
     - ☐ Yes
     - ☐ No
   - c) Most employees are either volunteers or part-time workers.
     - ☐ Yes
     - ☐ No
   - d) The number of eligible employees is too small to obtain "group" coverage.
     - ☐ Yes
     - ☐ No
   - e) We are not interested in offering medical benefits to our employees.
     - ☐ Yes
     - ☐ No

If you don't provide medical benefits, GO TO QUESTION 15

2. Do you currently offer HMO medical coverage (or HMO-like coverage) to your employees?
   - ☐ Yes
   - ☐ No

   If **YES**:
   - a) What percent of eligible active employees have elected the HMO ***(check one)***?
     - ☐ 10% - 25%
     - ☐ 25% - 50%
     - ☐ 50% - 75%
     - ☐ 75% - 100%
   - b) What percent of active employees in your HMO(s) have elected **SINGLE** coverage (as opposed to family or another level of coverage) ***(check one)***?
     - ☐ 0% - 10%
     - ☐ 11% - 20%
     - ☐ 21% - 30%
     - ☐ 31% - 40%
     - ☐ 41% - 50%
     - ☐ 51% - 60%
     - ☐ 61% - 70%
     - ☐ 71% or greater

3. Have you dropped medical insurance carriers in the last 2 years?
   - ☐ Yes
   - ☐ No

   If **YES**, why ***(check all that apply)***:
   - ☐ The number of eligible employees became too small for coverage with this carrier.
   - ☐ The cost increased too much.
   - ☐ Other

MEDICAL INSURANCE PLAN

Directions: Complete questions 4 through 14 as they apply to your medical insurance plan. Your medical insurance plan is defined as a non-HMO medical plan, sometimes called an indemnity or traditional medical insurance plan.

*IMPORTANT NOTE: If **more than one** medical insurance plan is offered to your employees, answer the questions in this section of the survey as they relate to the medical insurance plan with the **largest** number of your employees.*

4. What is the annual deductible for SINGLE MEDICAL coverage ***(check one)***?
   - ☐ Only offer HMOs (or HMO-like benefits)
   - ☐ $ 0 - 50
   - ☐ $ 51 - 100
   - ☐ $101 - 150
   - ☐ $151 - 200
   - ☐ $201 - 300
   - ☐ $301 - 400
   - ☐ $401 - 500
   - ☐ $501 or greater

5. Does the annual deductible apply to **all** medical expenses or just major medical (non-hospital) expenses ***(check one)***?
   - ☐ Only offer HMO coverage
   - ☐ All medical expenses
   - ☐ Just major medical expenses

6. What is the maximum annual out-of-pocket cost (deductible plus their coinsurance) for an employee with SINGLE medical coverage ***(check one)***?
   - ☐ $ 500 or less
   - ☐ $ 501 - 1000
   - ☐ $1001 - 1500
   - ☐ $1501 - 2000
   - ☐ $2001 - 2500
   - ☐ $2501 - 3000
   - ☐ $3001 or greater

   EXAMPLE: $100 deductible plus 20% of the first $4000 is $900 out-of-pocket maximum.

7. Does your medical insurance plan require that hospital admission be pre-approved (usually through the insurance carrier or a pre-certification organization)?
   - ☐ Yes
   - ☐ No

8. What is the total **MONTHLY PREMIUM** (employee contribution plus employer cost) for **SINGLE** medical coverage (excluding life or dental) under your medical insurance plan *(check one)*?
   - ☐ $ 50 or less
   - ☐ $ 51 - 55
   - ☐ $ 56 - 60
   - ☐ $ 61 - 65
   - ☐ $ 66 - 70
   - ☐ $ 71 - 75
   - ☐ $ 76 - 80
   - ☐ $ 81 - 85
   - ☐ $ 86 - 90
   - ☐ $ 91 - 100
   - ☐ $101 or greater

   NOTE: For responses about the medical insurance plan, recall that the "medical plan" is defined as the non-HMO medical plan that covers the greatest number of your employees.

9. What is the total **MONTHLY PREMIUM** (employee contribution plus employer cost) for **FAMILY** medical coverage under your medical insurance plan *(check one)*?
   - ☐ $100 or less
   - ☐ $101 - 110
   - ☐ $111 - 120
   - ☐ $121 - 130
   - ☐ $131 - 140
   - ☐ $141 - 150
   - ☐ $151 - 160
   - ☐ $161 - 170
   - ☐ $171 - 180
   - ☐ $181 - 190
   - ☐ $191 - 200
   - ☐ $201 - 220
   - ☐ $221 - 240
   - ☐ $241 or greater

*IMPORTANT NOTE: If **more than one** medical insurance plan is offered to your employees, answer the questions in this section of the survey as they relate to the medical insurance plan with the **largest** number of your employees.*

10. What is the **MONTHLY EMPLOYEE CONTRIBUTION** for **SINGLE** medical coverage under your medical insurance plan *(check one)*?
    - ☐ $ 0
    - ☐ $ 1 - 10
    - ☐ $11 - 20
    - ☐ $21 - 30
    - ☐ $31 - 40
    - ☐ $41 +

11. What is the **MONTHLY EMPLOYEE CONTRIBUTION** for **FAMILY** medical coverage under your medical insurance plan *(check one)*?
    - ☐ $ 0
    - ☐ $ 1 - 15
    - ☐ $16 - 30
    - ☐ $31 - 45
    - ☐ $ 46 - 60
    - ☐ $ 61 - 75
    - ☐ $ 76 - 99
    - ☐ $100 +

12. What percent of active employees in your medical insurance plan have elected **SINGLE** coverage (as opposed to family or another level of coverage) *(check one)*?
    - ☐ 10% or less
    - ☐ 11% - 20%
    - ☐ 21% - 30%
    - ☐ 31% - 40%
    - ☐ 41% - 50%
    - ☐ 51% - 60%
    - ☐ 61% - 70%
    - ☐ 71% or greater

13. How much did your total medical plan costs (or premiums) change at your last renewal (when new rates were provided by your carrier or TPA) *(check one)*?
    - ☐ They decreased 10% or more
    - ☐ They decreased 1-9%
    - ☐ They stayed the same
    - ☐ They increased 1-9%
    - ☐ They increased 10-20%
    - ☐ They increased 21-30%
    - ☐ They increased 31% or more

14. Please check the type of plan administration that you currently have for your medical plan. *(check one)*
    - ☐ Self-insured with insurance company
    - ☐ Self-insured with Third Party Administrator (TPA)
    - ☐ Pooled management — Multi-Employer Trust (such as ECSU or League of Cities)
    - ☐ Other arrangement (such as fully insured)

DENTAL BENEFITS

Directions: Complete the questions in this section as they apply to **most** of your employees.

15. Do you currently offer dental insurance benefits to your active employees?
    - ☐ Yes (We provide dental benefits)
    - ☐ No

    If you don't provide dental benefits, GO TO QUESTION 25

16. What percent of the total cost of one annual, preventive dental exam (examination and cleaning) will the dental plan pay *(check one)*?
    - ☐ 70% or less
    - ☐ 71% - 80%
    - ☐ 81% - 90%
    - ☐ 100%

17. What percent of the total cost for the filling of a cavity will the dental plan pay after the deductible is satisfied *(check one)*?
    - ☐ 50% or less
    - ☐ 51% - 60%
    - ☐ 61% - 70%
    - ☐ 71% - 80%
    - ☐ 81% - 90%
    - ☐ 91% - 100%

18. What is the annual deductible that applies to the BASIC dental services (filling a cavity) listed in question 17 *(check one)*?
    - ☐ $ 0
    - ☐ $ 1 - 25
    - ☐ $26 - 50
    - ☐ $51 - 75
    - ☐ $76 or greater

19. Does the dental plan pay for some or all of orthodontic treatment *(check one)*?
    - ☐ Yes
    - ☐ No

20. What percent of active employees in your dental plan have elected **SINGLE** coverage *(check one)*?
    - ☐ 10% or less
    - ☐ 11% - 20%
    - ☐ 21% - 30%
    - ☐ 31% - 40%
    - ☐ 41% - 50%
    - ☐ 51% - 60%
    - ☐ 61% - 70%
    - ☐ 71% or greater

21. What is the total **MONTHLY PREMIUM** (employee contribution plus employer cost) for **SINGLE** dental coverage *(check one)*?
    - ☐ $ 1 - 5
    - ☐ $ 6 - 10
    - ☐ $11 - 15
    - ☐ $16 - 20
    - ☐ $21 or greater

22. What is the total **MONTHLY PREMIUM** (employee contribution plus employer cost) for **FAMILY** dental coverage *(check one)*?
    - ☐ $15 or less
    - ☐ $16 - 20
    - ☐ $21 - 25
    - ☐ $26 - 30
    - ☐ $31 - 40
    - ☐ $41 - 50
    - ☐ $51 or greater
    - ☐ Dependent coverage is **not offered**

23. What is the **MONTHLY EMPLOYEE CONTRIBUTION** for **SINGLE** dental coverage *(check one)*?
    - ☐ $0
    - ☐ $1 - 4
    - ☐ $5 - 8
    - ☐ $9 or more

24. What is the total **MONTHLY EMPLOYEE CONTRIBUTION** for **FAMILY** dental coverage *(check one)*?
    - ☐ $ 0
    - ☐ $ 1 - 4
    - ☐ $ 5 - 8
    - ☐ $ 9 - 12
    - ☐ $13 or more

LIFE INSURANCE

Directions: Complete the questions in this section as they apply to most of your employees.

25. Do you currently offer an **EMPLOYER-PAY-ALL** life insurance benefit (either stand-alone or through your health insurance package)?
    - ☐ Yes
    - ☐ No

> If you don't offer employer-pay-all life insurance, GO TO QUESTION 30

26. What is the average **EMPLOYER-PAY-ALL** life insurance benefit for your **largest group** of employees (pick the one that is the closest to average)?
    - ☐ $ 5,000
    - ☐ $10,000
    - ☐ $15,000
    - ☐ $20,000
    - ☐ $25,000
    - ☐ $30,000 or more

27. What type of **EMPLOYER-PAY-ALL** life insurance is provided?
    - ☐ Fixed amount (same amount for most employees)
    - ☐ Salary-based (differing amounts based on salary)

28. Can employees purchase additional life insurance through the employer's plan in addition to the coverage listed in question 26?
    - ☐ Yes
    - ☐ No

29. Are employees offered life insurance for their spouse or children through the employer's plan?
    - ☐ Yes
    - ☐ No

DISABILITY BENEFITS

Directions: Complete the questions in this section as they apply to most of your employees.

30. Is a short-term disability, weekly income, or salary continuation plan available to your employees (in addition to sick leave or retirement disability)?
    - ☐ Yes
    - ☐ No

    NOTE: A short-term disability plan is a plan that provides a benefit from 1 to 26 weeks.

    If **YES**, are the plan's costs *(select one)*:
    - ☐ Paid 100% by the **EMPLOYER**
    - ☐ Paid 100% by the **EMPLOYEE**
    - ☐ **SHARED** between employer and employees

31. Is a long-term disability (LTD) plan available to employees?
    - ☐ Yes
    - ☐ No

    If **YES**, are the plan's costs *(select one)*:
    - ☐ Paid 100% by the **EMPLOYER**
    - ☐ Paid 100% by the **EMPLOYEE**
    - ☐ **SHARED** between employer and employees

RETIREE MEDICAL BENEFITS

Directions: Complete the questions in this section as they apply to most of your employees.

32. Do you offer medical coverage (medical insurance or HMO) to retired employees who are **age 65 or older**?
    - ☐ Yes
    - ☐ No

    If **YES**:

    a) Do you contribute to the cost of medical coverage for retired employees who are **age 65 or older**?
       - ☐ Yes
       - ☐ No

    b) Is it the same medical coverage as offered to active employees?
       - ☐ Yes
       - ☐ No

c) Is HMO-retiree medical coverage offered?
- ☐ Yes
- ☐ No

d) Is another type of retiree medical coverage offered through the employer (individual Medicare supplement policy, AARP, etc.)?
- ☐ Yes
- ☐ No

33. Is medical coverage offered to the spouse of a retired employee?
- ☐ Yes
- ☐ No

34. Is medical coverage provided to early retirees (pre-age 65)?
- ☐ Yes
- ☐ No

If **YES**:

a) Is it the same coverage as for active employees?
- ☐ Yes
- ☐ No

b) Is HMO coverage offered?
- ☐ Yes
- ☐ No

If no retiree coverage is offered,
GO TO QUESTION 39

35. What percent of your current retirees (retired on or before October 31, 1987) are eligible for Medicare benefits when they reach(ed) age 65 ***(check one)***?
- ☐ 0
- ☐ 1% - 10%
- ☐ 11% - 20%
- ☐ 21% - 30%
- ☐ 31% - 40%
- ☐ 41% - 50%
- ☐ 51% - 60%
- ☐ 61% - 70%
- ☐ 71% - 80%
- ☐ 81% - 90%
- ☐ 91% - 100%

36. What is the **MONTHLY CONTRIBUTION** from a retiree who is **LESS than age 65** for **SINGLE** medical coverage?
- ☐ $ 0
- ☐ $ 1 - 10
- ☐ $11 - 20
- ☐ $21 - 30
- ☐ $31 - 40
- ☐ $41 - 50
- ☐ $51 - 60
- ☐ $61 - 70
- ☐ $71 - 80
- ☐ $81 or more

37. What is the **MONTHLY CONTRIBUTION** from a retiree who is **age 65 or OVER** for **SINGLE** medical coverage?
- ☐ $ 0
- ☐ $ 1 - 10
- ☐ $11 - 20
- ☐ $21 - 30
- ☐ $31 - 40
- ☐ $41 - 50
- ☐ $51 - 60
- ☐ $61 - 70
- ☐ $71 - 80
- ☐ $81 or more

38. What is the **MONTHLY EMPLOYER CONTRIBUTION** to coverage for a **SINGLE** retiree **age 65 or OVER**?
- ☐ $ 0
- ☐ $ 1 - 25
- ☐ $ 26 - 50
- ☐ $ 51 - 75
- ☐ $ 76 - 100
- ☐ $101 - 125
- ☐ $126 - 150
- ☐ $151 - 175
- ☐ $176 - 200
- ☐ $201 - 250
- ☐ $251 or greater

INTEREST IN A PUBLIC EMPLOYEE INSURANCE PLAN

39. If a Public Employee Insurance Plan (PEIP) was offered that provided **IDENTICAL** benefits to your current plan at the **SAME** total cost, **BUT PROVIDED GREATER RATE STABILITY**, would you leave current plan and elect the PEIP?
- ☐ Yes
- ☐ No

40. If a Public Employee Insurance Plan was offered that provided **IDENTICAL** benefits to your current plan at **5% LESS** total cost, **AND PROVIDED GREATER RATE STABILITY**, would you leave your current plan and elect the PEIP?
- ☐ Yes
- ☐ No

41. If a Public Employee Insurance Plan was offered that provided **IDENTICAL** benefits to your current plan at **10% LESS** total cost, **AND PROVIDED GREATER RATE STABILITY**, would you leave your current plan and elect the PEIP?
- ☐ Yes
- ☐ No

42. If a Public Employee Insurance Plan was offered that provided **10% LESS** benefits than your current plan at **10% LESS** total cost, **AND PROVIDED GREATER RATE STABILITY**, would you leave your current plan and elect the PEIP?
- ☐ Yes
- ☐ No

NOTE: Assume this benefit reduction could be negotiated.

43. If a Public Employee Insurance Plan was offered that provided **10% LESS** benefits than your current plan at **20% LESS** total cost, **AND PROVIDED GREATER RATE STABILITY**, would you leave your current plan and elect the PEIP?
- ☐ Yes
- ☐ No

NOTE: Assume this benefit reduction could be negotiated.

44. If a Public Employee Insurance Plan is developed which is **LESS COSTLY** (reduced benefits) than your current plan, which plan design changes do you think would be the **MOST ACCEPTABLE** to **YOUR EMPLOYEES?** *(check one)*
    - ☐ Increase current individual deductible at least $100 (Example: $50 to $150)
    - ☐ Have employees pay a greater portion of most medical costs after the deductible is satisfied (but **don't** raise the deductible)

45. Would the introduction of strong cost containment features (mandatory preadmission certification, mandatory second surgical opinion, mandatory outpatient treatment for some conditions) be more acceptable to **your employees** than raising the deductible $100 per year?
    - ☐ Yes (Mandatory cost containment is more acceptable)
    - ☐ No

46. Do you think your employees are interested in a medical plan that provides 10%-20% **MORE** benefits (possibly an HMO-like plan) if **their** monthly contribution rose? *(please answer a–e)*:
    - a) $10
        - ☐ Yes
        - ☐ No
    - b) $20
        - ☐ Yes
        - ☐ No
    - c) $30
        - ☐ Yes
        - ☐ No
    - d) $40
        - ☐ Yes
        - ☐ No
    - e) $50
        - ☐ Yes
        - ☐ No

47. Are the **EMPLOYEES** medical benefit premiums currently paid on a pre-tax basis (in other words, if they make a monthly contribution to medical coverage, is that contribution taken before taxes are calculated)?
    - ☐ Yes
    - ☐ No

STATE OF MINNESOTA
PUBLIC EMPLOYEES INSURANCE PLAN

EXCLUSIVE REPRESENTATIVE SURVEY

This survey of employee benefit plans is designed to be **easy** to complete. It should take about 20 minutes to answer all the questions. Except for questions a)–e), you do not need to write a response. Just *check* the appropriate response under each question.

ORGANIZATION*

Directions: Complete questions a) through h) as they apply to your largest bargaining unit.

a) Employee group you represent (identify name of Governmental Unit)

_____

b) School District Number _____ (if applicable)

c) Union name and local _____

d) Your Name _____

e) Business Telephone (_____) _____

f) Type of governmental unit (or local jurisdiction) *(check one)*

- ☐ School or School District
- ☐ City
- ☐ County
- ☐ Other (Agencies, public hospitals, public nursing homes, libraries, housing authorities, etc.)

IF OTHER is checked above, is this unit included under the benefit plan of a city, township or county?

- ☐ Yes
- ☐ No

g) Name of county in which the bargaining unit or jurisdiction is located. If the unit spans multiple counties, check the county where the majority of your members work. *(Check one)*

☐ Aitkin	☐ Isanti	☐ Pipestone
☐ Anoka	☐ Itasca	☐ Polk
☐ Becker	☐ Jackson	☐ Pope
☐ Beltrami	☐ Kanabec	☐ Ramsey
☐ Benton	☐ Kandiyohi	☐ Red Lake
☐ Big Stone	☐ Kittson	☐ Redwood
☐ Blue Earth	☐ Koochiching	☐ Renville
☐ Brown	☐ Lac Qui Parle	☐ Rice
☐ Carlton	☐ Lake	☐ Rock
☐ Carver	☐ Lake of the Woods	☐ Roseau
☐ Cass	☐ Le Seuer	☐ St. Louis
☐ Chippewa	☐ Lincoln	☐ Scott
☐ Chisago	☐ Lyon	☐ Sherburne
☐ Clay	☐ Mahnomen	☐ Sibley
☐ Clearwater	☐ Marshall	☐ Stearns
☐ Cook	☐ Martin	☐ Steele
☐ Cottonwood	☐ McLeod	☐ Stevens
☐ Crow Wing	☐ Meeker	☐ Swift
☐ Dakota	☐ Mille Lacs	☐ Todd
☐ Dodge	☐ Morrison	☐ Traverse
☐ Douglas	☐ Mower	☐ Wabasha
☐ Faribault	☐ Murray	☐ Wadena
☐ Fillmore	☐ Nicollet	☐ Waseca
☐ Freeborn	☐ Nobles	☐ Washington
☐ Goodhue	☐ Norman	☐ Watonwan
☐ Grant	☐ Olmsted	☐ Wilkin
☐ Hennepin	☐ Otter Tail	☐ Winona
☐ Houston	☐ Pennington	☐ Wright
☐ Hubbard	☐ Pine	☐ Yellow Medicine

h) Number of active employees in your bargaining unit. *(check one)*

- ☐ 1 - 24
- ☐ 25 - 49
- ☐ 50 - 99
- ☐ 100 - 499
- ☐ 500 - 999
- ☐ 1000 or more

NOTE: If you represent more than one bargaining unit, check the number that corresponds to the unit that you are describing in this survey.

Touche Ross
900 Pillsbury Center
Minneapolis, MN 55402
State of Minnesota
Confidential Survey

*NOTE: The individual responses to this survey are confidential. Identifying data is requested to aid Touche Ross if any follow-up becomes necessary.

MEDICAL BENEFITS

Directions: Complete questions 1 and 2 as they apply to your largest bargaining unit.

1. Are medical benefits (medical insurance or HMOs) currently offered to actively employed members?
   - ☐ Yes
   - ☐ No

   If **NO**, please note the reasons below:
   - a) Coverage cannot be obtained at an affordable price.
     - ☐ Yes
     - ☐ No
   - b) There is no demand from employees.
     - ☐ Yes
     - ☐ No
   - c) Most employees are either volunteers or part-time workers.
     - ☐ Yes
     - ☐ No
   - d) The employer has elected not to offer medical benefits to its employees.
     - ☐ Yes
     - ☐ No

If you don't have medical benefits
GO TO QUESTION 8

2. Is HMO medical coverage currently offered to your members?
   - ☐ Yes
   - ☐ No

MEDICAL INSURANCE PLAN

Directions: Complete questions 3 through 7 as they apply to your medical insurance plan. Your medical insurance plan is defined as a non-HMO medical plan, sometimes called an indemnity or traditional medical insurance plan.

*IMPORTANT NOTE: If **more than one** medical insurance plan is offered to your members, answer the questions in this survey as they relate to the **largest** number of your members.*

3. What is the annual deductible for **SINGLE MEDICAL** coverage *(check one)*?
   - ☐ Only offer HMOs (or HMO-like benefits)
   - ☐ $ 0 - 50
   - ☐ $ 51 - 100
   - ☐ $101 - 150
   - ☐ $151 - 200
   - ☐ $201 - 300
   - ☐ $301 - 400
   - ☐ $401 - 500
   - ☐ $501 or greater

4. What is the total **MONTHLY PREMIUM** (employee contribution plus employer cost) for **SINGLE** medical coverage under your medical insurance plan *(check one)*?
   - ☐ $ 50 or less
   - ☐ $ 51 - 55
   - ☐ $ 56 - 60
   - ☐ $ 61 - 65
   - ☐ $ 66 - 70
   - ☐ $ 71 - 75
   - ☐ $ 76 - 80
   - ☐ $ 81 - 85
   - ☐ $ 86 - 90
   - ☐ $ 91 - 100
   - ☐ $101 or greater
   - ☐ Don't know

5. What is the total **MONTHLY PREMIUM** (employee contribution plus employer cost) for **FAMILY** medical coverage under your medical plan *(check one)*?
   - ☐ $100 or less
   - ☐ $101 - 110
   - ☐ $111 - 120
   - ☐ $121 - 130
   - ☐ $131 - 140
   - ☐ $141 - 150
   - ☐ $151 - 160
   - ☐ $161 - 170
   - ☐ $171 - 180
   - ☐ $181 - 190
   - ☐ $191 - 200
   - ☐ $201 - 220
   - ☐ $221 - 240
   - ☐ $241 or greater
   - ☐ Don't know

6. What is the **MONTHLY EMPLOYEE CONTRIBUTION** for **SINGLE** medical coverage under your medical plan *(check one)*?
   - ☐ $ 0
   - ☐ $ 1 - 10
   - ☐ $11 - 20
   - ☐ $21 - 30
   - ☐ $31 - 40
   - ☐ $41 or greater

7. What is the **MONTHLY EMPLOYEE CONTRIBUTION** for **FAMILY** medical coverage under your medical plan *(check one)*?
   - ☐ $ 0
   - ☐ $ 1 - 15
   - ☐ $ 16 - 30
   - ☐ $ 31 - 45
   - ☐ $ 46 - 60
   - ☐ $ 61 - 75
   - ☐ $ 76 - 99
   - ☐ $100 or greater

DENTAL BENEFITS

Directions: Complete the questions in this section as they apply to your largest bargaining unit.

8. Are dental insurance benefits currently offered to your actively employed members?
   - ☐ Yes
   - ☐ No

If no dental benefits are provided,
GO TO QUESTION 15

9. What is the annual deductible for **BASIC** dental services (such as filling a cavity) for **SINGLE** coverage in the dental plan *(check one)*?
   - ☐ $ 0
   - ☐ $ 1 - 25
   - ☐ $26 - 50
   - ☐ $51 - 75
   - ☐ $76 or greater

10. Does the dental plan pay for some or all of orthodontic treatment *(check one)*?
    - ☐ Yes
    - ☐ No

11. What is the total **MONTHLY PREMIUM** (employee contribution plus employer cost) for **SINGLE** dental coverage *(check one)*?
    - ☐ $ 1 - 5
    - ☐ $ 6 - 10
    - ☐ $11 - 15
    - ☐ $16 - 20
    - ☐ $21 or greater
    - ☐ Don't know

12. What is the total **MONTHLY PREMIUM** (employer contribution plus employer cost) for **FAMILY** dental coverage *(check one)*?
    - ☐ $15 or less
    - ☐ $16 - 20
    - ☐ $21 - 25
    - ☐ $26 - 30
    - ☐ $31 - 40
    - ☐ $41 - 50
    - ☐ $51 or greater
    - ☐ Dependent coverage **not offered**
    - ☐ Don't know

13. What is the **MONTHLY EMPLOYEE CONTRIBUTION** for **SINGLE** dental coverage *(check one)*?
    - ☐ $0
    - ☐ $1 - 4
    - ☐ $5 - 8
    - ☐ $9 or more

14. What is the total **MONTHLY EMPLOYEE CONTRIBUTION for FAMILY** dental coverage *(check one)*?
    - ☐ $ 0
    - ☐ $ 1 - 4
    - ☐ $ 5 - 8
    - ☐ $ 9 - 12
    - ☐ $13 or more

LIFE INSURANCE

Directions: Complete the questions in this section as they apply to your largest bargaining unit.

15. Do members currently receive an **EMPLOYER-PAY-ALL** life insurance benefit (either stand-alone or through your health insurance package)?
    - ☐ Yes (Members receive some life insurance at no employee cost)
    - ☐ No

> If no employer-pay-all life insurance is provided, GO TO QUESTION 19

16. What level of **EMPLOYER-PAY-ALL** life insurance is provided (either stand-alone or through your health insurance package) *(check one)*?
    - ☐ Fixed amount (same amount for most employees)
    - ☐ Salary-based (differing amounts based on salary)

17. Can employees purchase additional life insurance through the employer's plan in addition to the coverage listed in question 16?
    - ☐ Yes
    - ☐ No

18. Are members offered life insurance for their spouse or children through the employer's plan?
    - ☐ Yes
    - ☐ No

DISABILITY BENEFITS

Directions: Complete the questions in this section as they apply to your largest bargaining unit.

19. Is a short-term disability, weekly income or salary continuation plan available to your members (in addition to sick leave or retirement disability)?
    - ☐ Yes
    - ☐ No

    NOTE: A short-term disability plan is a plan that provides a benefit from 1 to 26 weeks.

20. Is a long-term disability (LTD) plan available to your members?
    - ☐ Yes
    - ☐ No

RETIREE MEDICAL BENEFITS

Directions: Complete the questions in this section as they apply to your largest bargaining unit.

21. Is medical coverage (medical insurance or HMOs) offered by the former employer to retired members of your bargaining unit who are **age 65 or older**?
    - ☐ Yes
    - ☐ No

    If YES:

    a) Does the employer contribute to this retiree medical coverage?
       - ☐ Yes
       - ☐ No

    b) Is it the same medical coverage as offered to active employees?
       - ☐ Yes
       - ☐ No

    c) Is HMO-retiree medical coverage offered?
       - ☐ Yes
       - ☐ No

    d) Is another type of retiree medical coverage offered through the employer (individual Medicare supplement policy, AARP, etc.)?
       - ☐ Yes
       - ☐ No

22. Is medical coverage offered to the spouse of a retired employee?
    - ☐ Yes
    - ☐ No

23. Is medical coverage provided to early retirees (pre-age 65)?
☐ Yes
☐ No
If YES:
a) Is it the same coverage as for active employees?
☐ Yes
☐ No
b) Is HMO coverage offered?
☐ Yes
☐ No

If no retiree coverage is provided, GO TO QUESTION 26

24. What is the **MONTHLY CONTRIBUTION** from a retiree who is **LESS than age 65** for **SINGLE** medical coverage *(check one)*?

☐ $ 0	☐ $41 - 50
☐ $ 1 - 10	☐ $51 - 60
☐ $11 - 20	☐ $61 - 70
☐ $21 - 30	☐ $71 - 80
☐ $31 - 40	☐ $81 or more

25. What is the **MONTHLY CONTRIBUTION** from a retiree who is **age 65 or OVER** for **SINGLE** medical coverage *(check one)*?

☐ $ 0	☐ $41 - 50
☐ $ 1 - 10	☐ $51 - 60
☐ $11 - 20	☐ $61 - 70
☐ $21 - 30	☐ $71 - 80
☐ $31 - 40	☐ $81 or more

INTEREST IN PUBLIC EMPLOYEE INSURANCE PLAN

26. If a Public Employee Insurance Plan (PEIP) was offered that provided **IDENTICAL** benefits at the **SAME** total cost, **BUT PROVIDED GREATER RATE STABILITY**, would your membership leave their current plan and elect the PEIP?
☐ Yes
☐ No
27. If a Public Employee Insurance Plan was offered that provided **IDENTICAL** benefits at **5% LESS** total cost, **AND PROVIDED GREATER RATE STABILITY**, would your membership leave their current plan and elect the PEIP?
☐ Yes
☐ No
28. If a Public Employee Insurance Plan was offered that provided **IDENTICAL** benefits at **10% LESS** total cost, **AND PROVIDED GREATER RATE STABILITY**, would your membership leave their current plan and elect the PEIP?
☐ Yes
☐ No
29. If a Public Employee Insurance Plan was offered that provided **10% LESS** benefits at **10% LESS** total cost, **AND PROVIDED GREATER RATE STABILITY**, would your membership leave their current pl and elect the PEIP?
☐ Yes
☐ No
30. If a Public Employee Insurance Plan was offered that provided **10% LESS** benefits at **20% LESS** total cost, **AND PROVIDED GREATER RATE STABILITY**, would your membership leave their current plan and elect the PEIP?
☐ Yes
☐ No
31. If a Public Employee Insurance Plan is developed which is **LESS COSTLY** (reduced benefits) than your current plan, which plan design changes do you think would be the **MOST ACCEPTABLE** to YOUR MEMBERSHIP *(check one)*
☐ Increase current individual deductible at least $100 (Example: $50 to $150)
☐ Have employees pay a greater portion of most medical costs after the deductible is satisfied (but **don't** raise the deductible)
32. Would the introduction of strong cost containment features (mandatory preadmission certification, mandatory second surgical opinion, mandatory outpatient treatment for some conditions) be more acceptable to **your members** than raising the deduc ible $100 per year?
☐ Yes (mandatory cost containment is more acceptable)
☐ No
33. Do you think your members are interested in a medical plan that provides 10%-20% **MORE** benefits (possibly an HMO-like plan) if **their** monthly contribution rose? *(please answer a-e):*

a) $10	d) $40
☐ Yes	☐ Yes
☐ No	☐ No
b) $20	e) $50
☐ Yes	☐ Yes
☐ No	☐ No
c) $30	
☐ Yes	
☐ No	

34. With respect to **medical benefits**, what do you (the exclusive representative) negotiate for with your employer(s)? *(check one response)*
☐ Benefit levels
☐ Employee premium contribution
☐ Both
☐ Neither

STATE OF MINNESOTA
PUBLIC EMPLOYEES INSURANCE PLAN

EMPLOYEE SURVEY

Directions: Please answer the questions in this section as they apply to you. Check the one best response.

1. Are you covered by a medical plan offered by your employer?
   - ☐ Yes
   - ☐ No

   If **NO**, please note the reasons below:

   a) If you are **NOT COVERED** by a medical plan offered by your employer, why not? ***(select all that apply)***
      - ☐ No coverage is offered by my employer.
      - ☐ I chose coverage under my spouse's plan.
      - ☐ I have other coverage (other than spouse's plan).
      - ☐ I am a part-time employee and ineligible for coverage.
      - ☐ I have coverage from former employer.
      - ☐ Coverage offered by employer was too expensive.

   b) If you are covered under your spouse's plan, which response below **best** describes your reasons for that decision ***(select one)?***
      - ☐ My spouse's coverage was better.
      - ☐ The cost of my employer's coverage was too high.
      - ☐ I took the option of cash rather than coverage through a Flexible Benefit plan.
      - ☐ Not applicable

   If no medical coverage is offered, GO TO QUESTION 10

2. Which level of medical coverage do you have?
   - ☐ Single
   - ☐ Family

3. Are you covered by an HMO plan? (For example: PHP, MedCenters, Group Health, Share or HMOM)
   - ☐ Yes
   - ☐ No

4. How much per paycheck do you pay for **SINGLE MEDICAL** coverage ***(check one)***?
   - ☐ Not applicable
   - ☐ $ 0
   - ☐ $ 1-10
   - ☐ $11-20
   - ☐ $21-30
   - ☐ $31-40
   - ☐ $41-50
   - ☐ $51 or more

5. How much per paycheck do you pay for **FAMILY MEDICAL** coverage ***(check one)***?
   - ☐ Not applicable
   - ☐ $ 0
   - ☐ $ 1-10
   - ☐ $ 11-20
   - ☐ $ 21-30
   - ☐ $ 31-40
   - ☐ $ 41-50
   - ☐ $ 51-75
   - ☐ $ 76-99
   - ☐ $100 or more

6. How often are you paid ***(check one)***?
   - ☐ Once per month
   - ☐ Twice per month
   - ☐ Once every other week
   - ☐ Once every week

7. How many months in a year do you receive a paycheck ***(check one)***?
   - ☐ 9 months
   - ☐ 10 months
   - ☐ 12 months

8. Would you be interested in a medical plan that provides 10%-20% **LESS** benefits than your current plan, that would also cost you 10%-20% **LESS**?
   - ☐ Yes
   - ☐ No

9. Would you be interested in a medical plan that provides 10%-20% **MORE** benefits (possibly an HMO-like plan) if your **monthly** contribution rose? ***(please answer a-e)***:
   - a) $10
     - ☐ Yes
     - ☐ No
   - b) $20
     - ☐ Yes
     - ☐ No
   - c) $30
     - ☐ Yes
     - ☐ No
   - d) $40
     - ☐ Yes
     - ☐ No
   - e) $50
     - ☐ Yes
     - ☐ No

10. Are you covered by a dental plan offered by your employer?
    - ☐ Yes
    - ☐ No

    If **NO**, why not *(select all that apply)*?
    - ☐ No coverage is offered by my employer.
    - ☐ I chose coverage under my spouse's plan.
    - ☐ I have other coverage (other than spouse's plan).
    - ☐ I am a part-time employee and ineligible for coverage.
    - ☐ Coverage offered by employer was too expensive.

If no dental coverage is offered, GO TO QUESTION 14

11. Which level of dental coverage do you have?
    - ☐ Single
    - ☐ Family

12. How much per paycheck do you pay for **SINGLE DENTAL** coverage *(check one)*?
    - ☐ Not applicable
    - ☐ $ 0
    - ☐ $ 1- 5
    - ☐ $ 6-10
    - ☐ $11-15
    - ☐ $16 or more

13. How much per paycheck do you pay for **FAMILY DENTAL** coverage *(check one)*?
    - ☐ Not applicable
    - ☐ $ 0
    - ☐ $ 1- 5
    - ☐ $ 6-10
    - ☐ $11-15
    - ☐ $16-20
    - ☐ $21-25
    - ☐ $26-30
    - ☐ $31 or more

14. Which of the following is your employer: *(check one)*
    - ☐ School or School District
    - ☐ City
    - ☐ County
    - ☐ Other (Agencies, hospitals, nursing homes, braries, housing authorities, etc.)

    If School, list number ____ ____ ____ .

15. Name of county in which the unit or jurisdiction of your employment is located. *(check one)*

☐ Aitkin	☐ Isanti	☐ Pipestone
☐ Anoka	☐ Itasca	☐ Polk
☐ Becker	☐ Jackson	☐ Pope
☐ Beltrami	☐ Kanabec	☐ Ramsey
☐ Benton	☐ Kandiyohi	☐ Red Lake
☐ Big Stone	☐ Kittson	☐ Redwood
☐ Blue Earth	☐ Koochiching	☐ Renville
☐ Brown	☐ Lac Qui Parle	☐ Rice
☐ Carlton	☐ Lake	☐ Rock
☐ Carver	☐ Lake of the Woods	☐ Roseau
☐ Cass	☐ Le Seuer	☐ St. Louis
☐ Chippewa	☐ Lincoln	☐ Scott
☐ Chisago	☐ Lyon	☐ Sherburne
☐ Clay	☐ Mahnomen	☐ Sibley
☐ Clearwater	☐ Marshall	☐ Stearns
☐ Cook	☐ Martin	☐ Steele
☐ Cottonwood	☐ McLeod	☐ Stevens
☐ Crow Wing	☐ Meeker	☐ Swift
☐ Dakota	☐ Mille Lacs	☐ Todd
☐ Dodge	☐ Morrison	☐ Traverse
☐ Douglas	☐ Mower	☐ Wabasha
☐ Faribault	☐ Murray	☐ Wadena
☐ Fillmore	☐ Nicollet	☐ Waseca
☐ Freeborn	☐ Nobles	☐ Washington
☐ Goodhue	☐ Norman	☐ Watonwan
☐ Grant	☐ Olmsted	☐ Wilkin
☐ Hennepin	☐ Otter Tail	☐ Winona
☐ Houston	☐ Pennington	☐ Wright
☐ Hubbard	☐ Pine	☐ Yellow Medicine

PLEASE MAIL YOUR SURVEY BACK TO TOUCHE ROSS (envelope enclosed) BY **DECEMBER 4, 1987**:

Touche Ross
900 Pillsbury Center
Minneapolis, MN 55402

State of Minnesota
Confidential Survey

STATE OF MINNESOTA
PUBLIC EMPLOYEES INSURANCE PLAN

RETIRED EMPLOYEE SURVEY

Directions: Please answer the questions in this survey as they apply to you.

1. Are you covered by a medical plan offered by your former employer?
   - ☐ Yes
   - ☐ No

   If **NO**, note the reasons below:

   a) If you are **NOT COVERED** by a medical plan offered by your former employer, why not ***(select all that apply)***?
      - ☐ No coverage was offered by my former employer.
      - ☐ I chose coverage under my spouse's plan.
      - ☐ The coverage offered by employer was too expensive.

   b) What kind of medical coverage have you purchased for yourself ***(select all that apply)***?
      - ☐ No coverage purchased
      - ☐ Medicare
      - ☐ HMO plan for seniors
      - ☐ Individual Medicare supplement product;
        please name: _____

> If no retiree medical coverage is offered, GO TO QUESTION 7

2. Which level of medical coverage do you have through your former employer ***(check one)***?
   - ☐ Single (yourself only)
   - ☐ Single plus one dependent (you and your spouse)
   - ☐ Family (yourself plus more than one dependent)

3. Are you covered by an HMO plan? (For example: PHP, MedCenters, Group Health, Share or HMOM)
   - ☐ Yes
   - ☐ No

4. Are you eligible for Medicare coverage (either now or when you turn 65)?
   - ☐ Yes
   - ☐ No

5. How much per **month** do you pay for the type of **medical** coverage checked in question 2? Do not include any payment for Medicare coverage. ***(check one)***
   - ☐ Not applicable
   - ☐ $ 0
   - ☐ $ 1 - 10
   - ☐ $11 - 20
   - ☐ $21 - 30
   - ☐ $31 - 40
   - ☐ $41 - 50
   - ☐ $51 - 60
   - ☐ $61 - 70
   - ☐ $71 - 80
   - ☐ $ 81 - 90
   - ☐ $ 91 - 100
   - ☐ $101 - 125
   - ☐ $126 - 150
   - ☐ $151 - 175
   - ☐ $176 - 200
   - ☐ $201 or more

6. Does your former employer contribute to the cost of your medical coverage?
   - ☐ Yes
   - ☐ No

7. Are you covered by a dental plan offered by your former employer?
   - ☐ Yes
   - ☐ No

   If **NO**, why not ***(select all that apply)***?
   - ☐ No coverage is offered by my former employer.
   - ☐ I chose coverage under my spouse's plan.
   - ☐ I have other coverage (other than spouse's plan).
   - ☐ Coverage offered by former employer was too expensive.
   - ☐ I have **no** dental coverage (or dental insurance).

8. From which of the following did you retire *(check one)*?
   - ☐ School or School District
   - ☐ City
   - ☐ County
   - ☐ Other (Agencies, hospitals, nursing homes, libraries, housing authorities, etc.)

9. Name of county in which the unit or jurisdiction from which you retired is located. *(check one)*

- ☐ Aitkin
- ☐ Anoka
- ☐ Becker
- ☐ Beltrami
- ☐ Benton
- ☐ Big Stone
- ☐ Blue Earth
- ☐ Brown
- ☐ Carlton
- ☐ Carver
- ☐ Cass
- ☐ Chippewa
- ☐ Chisago
- ☐ Clay
- ☐ Clearwater
- ☐ Cook
- ☐ Cottonwood
- ☐ Crow Wing
- ☐ Dakota
- ☐ Dodge
- ☐ Douglas
- ☐ Faribault
- ☐ Fillmore
- ☐ Freeborn
- ☐ Goodhue
- ☐ Grant
- ☐ Hennepin
- ☐ Houston
- ☐ Hubbard
- ☐ Isanti
- ☐ Itasca
- ☐ Jackson
- ☐ Kanabec
- ☐ Kandiyohi
- ☐ Kittson
- ☐ Koochiching
- ☐ Lac Qui Parle
- ☐ Lake
- ☐ Lake of the Woods
- ☐ Le Seuer
- ☐ Lincoln
- ☐ Lyon
- ☐ Mahnomen
- ☐ Marshall
- ☐ Martin
- ☐ McLeod
- ☐ Meeker
- ☐ Mille Lacs
- ☐ Morrison
- ☐ Mower
- ☐ Murray
- ☐ Nicollet
- ☐ Nobles
- ☐ Norman
- ☐ Olmsted
- ☐ Otter Tail
- ☐ Pennington
- ☐ Pine
- ☐ Pipestone
- ☐ Polk
- ☐ Pope
- ☐ Ramsey
- ☐ Red Lake
- ☐ Redwood
- ☐ Renville
- ☐ Rice
- ☐ Rock
- ☐ Roseau
- ☐ St. Louis
- ☐ Scott
- ☐ Sherburne
- ☐ Sibley
- ☐ Stearns
- ☐ Steele
- ☐ Stevens
- ☐ Swift
- ☐ Todd
- ☐ Traverse
- ☐ Wabasha
- ☐ Wadena
- ☐ Waseca
- ☐ Washington
- ☐ Watonwan
- ☐ Wilkin
- ☐ Winona
- ☐ Wright
- ☐ Yellow Medicine

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PUBLIC EMPLOYEES' INSURANCE PLAN
DEPARTMENT OF EMPLOYEE RELATIONS
REPORT TO THE LEGISLATURE - 1988

The Department of Employee Relations (DOER) contracted with the firm of Touche Ross to provide consulting services for the design and development of the Public Employees Insurance Plan (PEIP). Specifically, Touche Ross was hired to:

- Evaluate current insurance arrangements in public jurisdictions -- to compare the current cost and types of employee benefits by size, type, and geographic location of the jurisdiction.

- Conduct a needs assessment survey to identify which eligible employers, bargaining groups, and types of employees would most benefit from a PEIP and to test the acceptability of a plan of benefits.

- Recommend to DOER the benefit provisions (plan design), financing, and administrative arrangements which should be included.

Touche Ross, in the attached "Report on Needs Assessment Project and Preliminary Plan Design," has presented their findings and their recommendations on plan design, plan financing, marketing, administration and resource needs. DOER's position is to support the recommendations made by Touche Ross. The Touche Ross report has been reviewed by the Joint Labor Management Committee. In some cases, Touche Ross identified more than one option or approach. We evaluated those options, consulted with the Labor Management Committee, and selected what we identified as the best option. Committee members were asked for input throughout the whole process. The committee has not unanimously agreed with the recommendations made by Touche Ross and DOER. In formulating the department's position, DOER staff relied heavily on the technical and actuarial advice of the consultants and considered cost to the plan when evaluating conflicting opinions from committee members.

The ultimate challenge of developing the PEIP has been, and will continue to be, one of providing a cost - competitive and affordable insurance plan given:

- the diversity in size and experience ratings within all eligible groups.

- the regional differences and availability of alternative health care options.

- the requirement that the plan provide coverage for all eligible retirees.

- the requirement that the plan provide dental coverage in addition to medical and life benefits for all eligible employees.

- the competing demands from various jurisdictions and various groups with varying needs and with vested interest in particular plan components.

- that the rate structure must be established before plan participants are identified and, for that reason, insurance carriers may submit very conservative bids.

- that all eligible employers can participate regardless of experience ratings and can also move in and out of the plan every four years.

DOER's position on the establishment of the Public Employees' Insurance Plan follows. We believe that this plan will provide quality coverage to public employees and retirees. The plan contains all minimum mandated benefits.

I. Plan Design

M.S. 43A.316. Subdivision 6. Requires that the plan include:

- Hospital, medical, dental, and life insurance for employees, and hospital and medical benefits for dependents (herein referred to as the basic plan).
- Optional coverages that may be available to eligible employees and their dependents.

In the basic plan, single medical and dental and the minimum basic life benefits must be elected by all eligible employees. No group can participate in only part of the basic plan, and no group can participate in the optional plan without first participating in the basic plan.

BASIC PLAN

A. Medical

- The medical plan will be a Preferred Provider Organization (PPO) Plan with a separate plan equal in premium costs, but with somewhat higher deductible and co-insurance, for areas where no PPO network is available. See pages 29 and 33 of the Touche Ross report for specific plan components.

- Requests for Proposals (RFPs) may contain alternative deductible levels as separate options and if it seems advisable after the RFP process, plans may incorporate an alternative deductible option.

- Retiree plan design will be the same as for active employees, but the cost will be different depending on age of the retired employee, and whether or not the retired employee is Medicare eligible and therefore participating in Medicare A & B (see pages 34 - 35).

B. Dental

- The basic dental plan will provide coverage for oral exams, cleanings, x-rays, topical flouride application, space maintainers and emergency treatment, one time per year. These preventative benefits are for employees only.

- DOER's position is to offer preventative benefits as a mandatory part of basic employee coverage, and also to offer a comprehensive dental plan as an optional benefit for employees and dependents.

C. Basic Employee Life Insurance

- $10,000 minimum benefit.

- Larger fixed amounts available to $50,000.

- Accidental death and dismemberment (AD&D) offered with basic minimum benefit.

OPTIONAL COVERAGE

DOER recommends that the optional plan consist of any combination of the following coverages. Participation in the optional plan will not be required, but may be provided by collective bargaining agreements or by employers if employees are not represented by an exclusive representative.

A. Comprehensive dental plan for employees and their dependents. Single dental coverage must be elected by all eligible employees in the group, dependent coverage would be optional (pages 37-40).

B. Supplemental Life (page 36).

C. Dependent Life (page 36).

II. Plan Financing

- All basic and optional plans will be offered on an insured basis. The state will not be at risk in financing the underwriting of the plan.

- Groups will be rated separately before entry into the plans. We concur with all of the Touche Ross recommendations for underwriting premium rates with the PEIP (pages 42 - 49).

- The method of rating a group will be primarily based upon age rating (i.e. as determined by the age make-up of each group). The age rating method will be modified when credible claims experience is available for larger groups. In addition, groups will be "pooled" according to size in three pools and a fourth pool will be established for retired employees.

III. Marketing

- DOER will develop and coordinate a statewide marketing program and will retain, through the bid process, an external vendor with a statewide sales network to market the PEIP.

- Compensation for the marketing firm will be included in premium rates.

IV. Administration and Claims Processing Functions

A. Claims processing

- An external vendor will process claims (either a carrier or third-party administrator).

- Costs for claims processing will be included in rates.

B. Administrative functions of enrollment, billing, and record keeping

- Two options were presented (pages 55-56).

- DOER's position is to have the function performed by a carrier or third-party organization (Option 1). See rationale for decision in next section. Cost was major reason for selecting Option 1.

- Costs to be included in rates.

C. Program management

- DOER will provide ongoing program management through four positions, a Director, a Marketing Coordinator, a Benefits Specialist and a clerical/technical support position (see attached position descriptions).

V. Resources

During the 1987 legislative session, $550,000 was appropriated to begin to establish the PEIP. Additional funding is necessary in order to complete the establishment of the plan.

Our original budget request, submitted during the 1987 session, assumed that the Department of Employee Relations would need a substantial allocation to design and develop the computerized system to process enrollment, billing and carrier payment functions ($874,000), and additional funds to purchase equipment and supplies for the staff to perform those functions.

The Information Management Bureau of the Department of Administration provided the original cost estimates for systems design and development. They were recently asked to re-evaluate those estimates based on the number of computer programs which could be shared with a system which performs similar functions for the state's insurance plan. Their revised estimate ($562,241) is included in the attached budget detail and is $311,759 less than the original estimate.

As indicated in the previous section, two options for handling the administrative functions of enrollment and billing were presented.

OPTION 1 - DOER to provide overall plan management, outside vendors to process claims, market and process enrollment and billing transactions. (See page 55.) On the following budget detail, this would include costs for program management only.

$665,998	-	Program Management Costs
-550,000	-	Appropriated During 1987 Session
$115,998	-	Additional Appropriation Required

OPTION 2 - DOER to provide overall plan management, and design and develop computerized enrollment and billing system, outside vendors to process claims and market plan. (See page 56.) On the attached budget detail, this option would include costs for both program management and administration of enrollment and billing function.

$ 665,998	-	Program Management Costs
680,521	-	Development Costs for Administration of Enrollment and Billing Function
$1,346,519	-	Total
- 550,000	-	Appropriated
$ 796,519	-	Additional Appropriation Required

(Additional consideration: The actual costs for the design and development of a similar system for the state insurance plan are currently running close to 100% over original estimates. Therefore, the estimate of $562,241 may actually end up being substantially higher.)

Realizing that there is:

1. a substantial expenditure required for DOER to administer the enrollment and billing function,

2. a financial risk to the state for recovery of developmental costs,

3. limited experience in DOER (DOER's experience performing the enrollment, billing and record keeping functions for the state plan is limited to less than a year),

We are recommending that the PEIP be established according to Option 1.

Option 1 would require an addition of expenditure of $115,998. Option 2 would require an additional expenditure of $796,519.

PUBLIC EMPLOYEES INSURANCE PLAN
ESTIMATED DEVELOPMENTAL BUDGET

OBJECT	FY 1988	FY 1989	TOTAL
Program Management Costs	**330,288**	**335,710**	**665,998**
Salaries			
Program Director	42,000 (12 mos)	50,000	
Marketing Director	23,500 (5 mos)	46,000	
Benefits Specialist	22,500 (6 mos)	40,350	
Clerical/Technical Support	8,288 (4 mos)	24,860	
Printing	51,500	50,000	
Communication	57,500	50,000	
Travel	15,000	17,500	
Supplies	5,000	7,000	
Consultant	80,000	50,000	
Preliminary Systems Analysis	25,000		
TOTAL OPTION 1	**330,288**	**335,710**	**665,998**
Administrative Costs for Enrollment Billing Function	**84,500**	**596,021**	**680,521**
Salaries			
Exec. 1 (1)		12,768 (6 mos)	
Acctg. Tech. (3)		5,685 (1 mo)	
Acct. Clk. Sr. (2)		6,974 (2 mos)	
Clerk 3		9,887 (2 mos)	
Rents		28,000	
Equipment		55,000	
Data Processing/Systems Development			
System Design	84,500		
Programming/Development		388,717	
Implementation		88,990	
TOTAL OPTION 2	**414,788**	**931,731**	**1,346,519**

POSITION DESCRIPTIONS

MANAGER, PUBLIC EMPLOYEE BENEFIT PROGRAM

POSITION PURPOSE

This position will be responsible for managing the development, design, marketing and implementation of a plan which will provide health, dental, life and optional insurance coverages to employees of school districts, cities, counties and towns.

1. To manage the development, design, implementation, and ongoing administration of an insurance plan for local governmental units within the parameters of applicable laws, rules, regulations and other administrative requirements.

2. To manage the establishment and maintenance of the administrative system and procedures necessary to administer a complex insurance program for local government.

3. Direct the development and maintenance of the computerized system which will be necessary to process all enrollments, terminations and changes required to maintain complete and accurate records of the participants and to process billings and collect premium from all participating jurisdictions.

4. Direct insurance carrier selection, monitor performance and periodically assess need to rebid.

5. Prepare formal budgetary and legislative reports.

6. Provide direction to and monitor the activities of the statewide Labor Management Committee which serves in an advisory capacity to the Commissioner of the Department of Employee Relations.

MARKETING DIRECTOR

POSITION PURPOSE

To develop and coordinate a comprehensive advertising and marketing program containing methods and techniques for the promotion of the statewide Public Employee Insurance Plan (PEIP) so that there will be a participation level in the plan which will ensure that competitive, cost effective, and affordable insurance coverage will be made available to employees of public jurisdictions.

1. Design and Develop a Statewide Sales Plan.

2. Design and develop promotional programs specifically tailored for each interest group so that an understanding of and participation in the program will be promoted.

3. Develop appropriate presentation strategies to reach employers and exclusive representatives.

4. Establish a selection and bid process, and secure an outside marketing agency to act as the sales force to carry out the marketing plan.

5. Plan and execute public information plans designed to provide information about the PEIP once participation has been finalized.

6. Monitor the performance of the marketing agency.

BENEFITS SPECIALIST

POSITION PURPOSE

This position exists to assist in the administration and communication of a cost-effective Public Employees Insurance Program (PEIP) for participating employees of cities, counties, towns, and school districts so that all participating employees will have access to and an understanding of their group insurance provisions.

1. To administer and explain the contracts with the various insurance carriers for the Public Employee Insurance Plan (PEIP) so that all parties are in agreement regarding their respective responsibilities and obligations.

2. To explain the State insurance program to employees, former employees participating in the program, employee representatives, and public employers, orally and in writing, so that individuals may have enough data upon which to make informed decisions.

3. Assist in the development of a training package and train a network of Designated Insurance Representatives in each participating public jurisdiction.

4. Mediate disputes/misunderstandings between individuals insured under the group and the various carriers so that employees receive all the coverage to which they are entitled without requiring unreasonable interpretations of the contractual obligations of the insurance companies.

5. Coordinate the Open Enrollment process by preparing/reviewing descriptive literature, responding to employee/retiree/agency questions, and ensuring that applications are processed in a timely manner.

6. Assist in the analysis of plan design and utilization data.

CLERICAL/TECHNICAL SUPPORT

POSITION PURPOSE

This position exists to provide assistance to the PEIP staff in the areas of administrative and office support services.

1. To establish and maintain the filing and records retention system.

2. To provide program support services including assistance in recording and analyzing data.

3. To provide office support services including reception, mailing, answering correspondence and phones, and maintenance of routine procedures.

4. To provide administrative services including handling confidential requests, researching special subjects.