

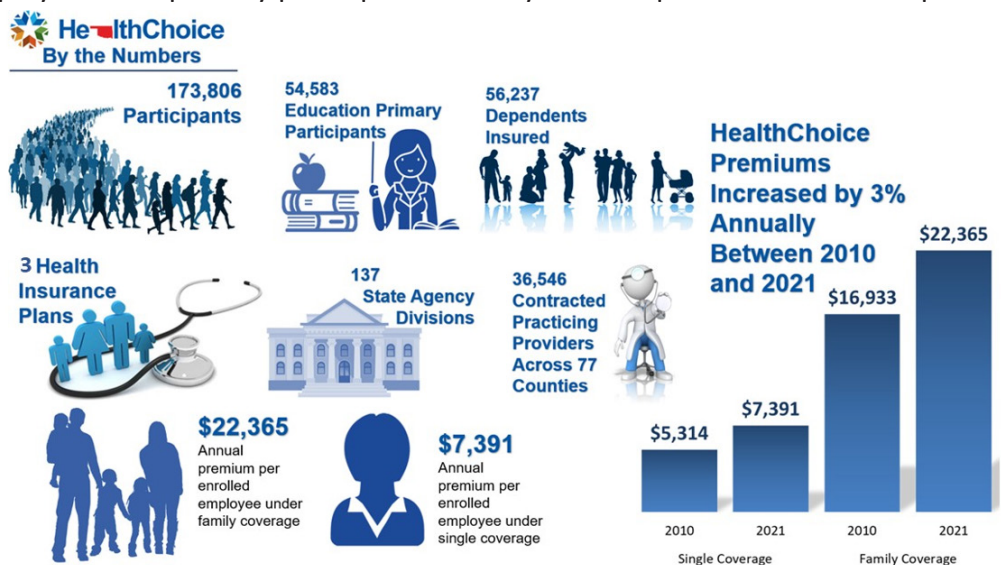
Key Objectives:

- Map health insurance coverage and services offered by HealthChoice
- Compare HealthChoice's benefits, costs, and funding sources to both regional peer states and the private industry
- Identify opportunities for cost containment strategies

Executive Summary

As part of most public employees' total compensation, Oklahoma subsidizes health insurance benefits. In FY21, the Legislature appropriated approximately \$809 million toward the cost of health insurance benefits for State employees and education personnel. Covered employees may select from private health insurance plan options or enroll in HealthChoice, the State-administered health insurance plan.

Approximately 174,000 employees and their dependents were covered by a HealthChoice plan in FY21. HealthChoice members are categorized into three primary sectors: State government, education, and local government. The employee is the primary participant and may cover dependents under the plan.



Source: LOFT's creation based on data from the Employee Group Insurance Division
 Note: Data is reflective as of May 5, 2022, the latest information reported by EGID.
 HealthChoice premiums rates are based on the HealthChoice High plan.

As a self-funded insurance plan, HealthChoice is responsible for its administrative costs, has control over its insurance plan design, assumes the risk for all claims, and retains any funds in excess of claims paid. HealthChoice is administered by the Employees Group Insurance Division (EGID) of the Office of Management and Enterprise Services (OMES). EGID also oversees the delivery of private health insurance plan options. OMES establishes the annual premium rates for the three health insurance options offered by HealthChoice.

With this evaluation, the Legislative Office of Fiscal Transparency sought to evaluate the coverage, services, and benefits of HealthChoice, compare the plan to the private industry and peer states, and identify opportunities to contain costs. Additionally, LOFT examined the fiscal impact of HealthChoice's premiums, as State-subsidized coverage is based on the premium rate of the HealthChoice High Plan option.

This evaluation resulted in four key findings:

Finding 1: HealthChoice has the Lowest Premiums and Most Extensive Coverage Among the Health Insurance Plans Offered by the State

Of the six health insurance options offered under the State benefits plan, 77 percent of covered employees were enrolled in HealthChoice in 2021. HealthChoice is the most selected plan across every eligible employment sector.

Among the available health plans for 2022, HealthChoice offers lower single monthly premiums for two out of three of its plans. Only Blue Cross Blue Shield (BCBS) has a lower rate than the HealthChoice High plan. Each of the three HealthChoice family premiums are considerably lower than the three other alternatives. While both HealthChoice and Blue Cross Blue Shield (BCBS) have a statewide network of providers, HealthChoice's network has nearly twice as many providers as BCBS.

2022 EGID Health Plan Offerings Comparison						
	HealthChoice High	HealthChoice High Deductible	HealthChoice Basic	BCBS of Oklahoma – BlueLincs HMO	CommunityCare HMO	GlobalHealth HMO
Employee Only	\$615.90	\$422.26	\$487.36	\$587.20	\$1,056.06	\$855.70
Employee + Spouse	\$1,338.02	\$918.12	\$1,059.32	\$1,394.52	\$2,594.34	\$2,118.80
Employee + Children	\$1,141.62	\$790.48	\$912.50	\$1,856.94	\$1,916.66	\$1,653.70
Employee + Family	\$1,863.74	\$1,286.34	\$1,484.46	\$2,664.26	\$3,454.94	\$2,916.80
Deductible	\$750 Individual	\$1,750 Individual	\$1,000 Individual	\$0.00	\$0.00	\$0.00
	\$2,000 Family	\$3,500 Family	\$1,500 Family	\$0.00	\$0.00	\$0.00
Out of Pocket Limit	\$3,300 Individual	\$6,000 Individual	\$4,000 Individual	\$3,750 Individual ¹	\$4,000 Individual ¹	\$4,000 Individual ¹
	\$8,400 Family	\$12,000 Family	\$9,000 Family	\$11,250 Family ¹	\$8,000 Family ¹	\$12,000 Family ¹
Office Visit Copay	\$30 Copay	\$30 Copay ²	50% of Allowable ³	\$10 Copay	\$35 Copay	\$0 Copay
Specialist Visit Copay	\$50 Copay	\$50 Copay ²	50% of Allowable ³	\$50 Copay	\$50 Copay	\$50 Copay
Urgent Care	\$30 Copay ⁴	\$30 Copay ⁴	50% of Allowable ³	\$30 Copay	\$50 Copay	\$25 Copay

Source: LOFT's analysis based on data from the Employee Group Insurance Divisions's 2022 Benefits Guide

¹ Includes medical and pharmacy

² Member pays 100% of allowable amounts until deductible is met

³ First-dollar coverage, then 50% of allowable amounts after deductible

⁴ 20% of allowable amounts after deductible

To assess the overall market competitiveness of HealthChoice, LOFT compared its premiums and plans to various benchmarks in both the public and private sectors. While HealthChoice offers the lowest premiums for family coverage among the health insurance plans offered by the State, HealthChoice's family premiums are higher than the national average, higher than the average private sector premium, and the second-highest premium among regional peer states.

Finding 2: Oklahoma Subsidizes Employee Health Insurance at a Higher Rate than Regional and National Averages

Oklahoma has the highest state contribution rate in the region for State employees covered under self-funded health insurance plans. The State's contribution to employee health benefits has remained above both the regional and national market average for the last decade.

Both State employees and school personnel receive a State-funded annual benefit allowance based on the cost of the HealthChoice High single insurance premium, however, they are calculated differently. State employees receive an annual average allowance of \$8,100, which covers the employee's selection of a health insurance plan as well as additional funding for other required insurance selections, such as dental, life and disability. State employees also receive an amount equal to roughly 75 percent of the HealthChoice High Option premium for dependent plan coverage. School personnel receive an annual average benefit allowance of \$7,400 and do not receive any benefit allowance contribution toward dependent coverage. Local governmental entities participating in HealthChoice do not receive any State-funded contributions toward health insurance premiums.

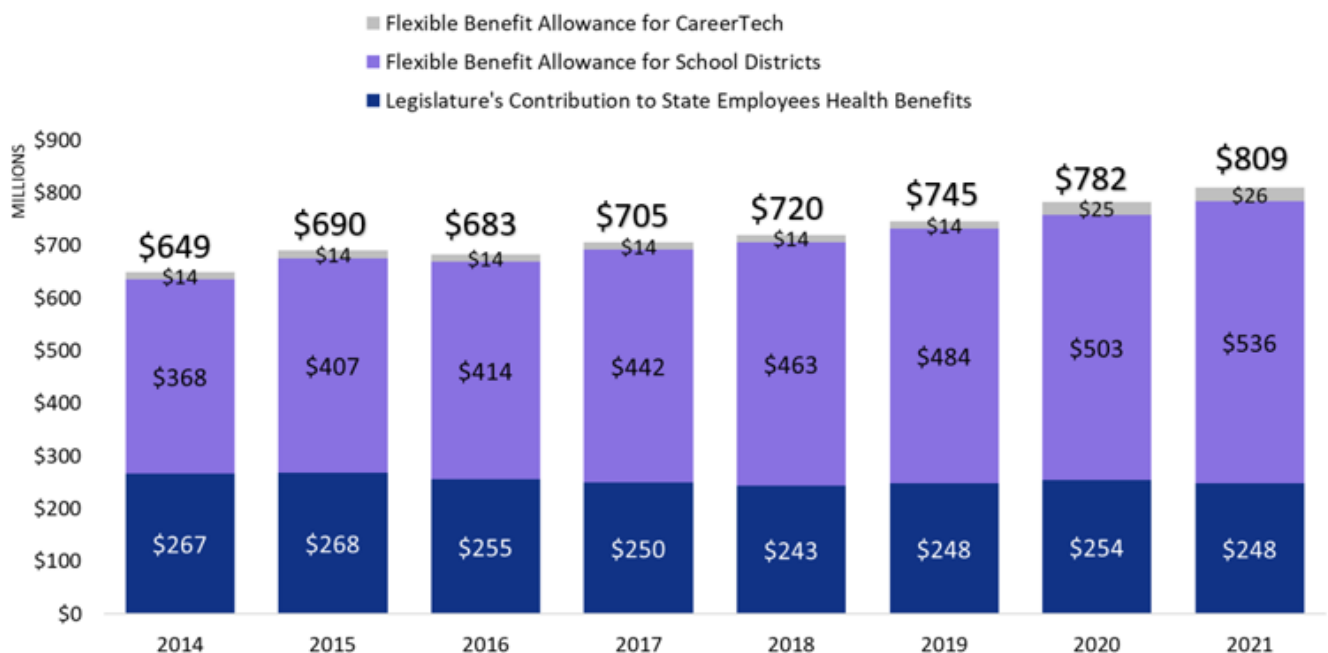
While it is common for state government to fund a significant portion of health insurance benefits for state employees, it is less common for states to directly fund this benefit for school personnel, as school districts – not the state – are the employer. LOFT's regional comparison found that Oklahoma is the only state in the seven-state region to fund 100 percent of school personnel health insurance benefits.

Education entities account for the largest share (57 percent) of organizations participating in HealthChoice. In 2021, 97 percent of all local school districts participated in HealthChoice.

Finding 3: HealthChoice Premiums Directly Impact the State Budget

As the annual Flexible Benefit Allowance provided to state employees and education personnel is based on the premium of the HealthChoice High option plan, the HealthChoice premiums set annually by OMES have a direct impact on the State budget. In 2021, the State's contribution to health benefits for State, local school district, and CareerTech employees accounted for 10 percent of all State-appropriated dollars. The State's total contributions to health insurance coverage has increased by 25 percent since 2014. The largest area of growth has been in coverage for education employees, as shown below.

OKLAHOMA LEGISLATURE'S CONTRIBUTIONS TO STATE, LOCAL SCHOOL DISTRICT AND CAREERTECH EMPLOYEE'S HEALTH BENEFITS



Source: LOFT's analysis based on data from the Employees Group Insurance Division, Office of Management and Enterprise Services, Oklahoma State Department of Education and the Oklahoma Department of Career and Technology Education.

Note: Analysis based on average State contribution to State employee's health benefits and total line-item appropriation for education personnel's flexible benefit allowance. The number of State employees has declined 10 percent since 2014 contributing to the State's overall contribution for health benefits.

In 2012, in response to rising annual benefit allowance costs, the Legislature froze state employees' flexible benefit allowance to the 2012 rate, or the HealthChoice High Option premium rate, whichever one is greater. Since that time, the Health Choice High Plan premium has never exceeded the 2012 flexible benefit allowance rate for the employee. The Legislature's action resulted in level and more predictable costs for State employees' benefit allowance. In contrast, the allowance for education personnel is directly tied to the HealthChoice High premium rate. The different benefit structure directly results in education's FBA being most affected by premium changes. **Since 2010, the Legislature's contributions to school district employees' health benefits increased by 91 percent.**

EGID maintains a reserve fund to manage year to year fluctuations in claims experience. Excess funds can also be used to offset premium rate increases. Since 2010, the annual amount used to offset premiums averaged 10 percent of the fund balance. LOFT found that EGID's reserve fund exceeds its own established minimum reserve benchmark, and historical claims experience over the past decade shows the greatest loss covered (\$66.5 million in 2015) was less than one-half of the lowest reserve benchmark set by EGID.

Finding 4: OMES-EGID's Cost Containment Strategies Do Not Align with Health Care's Top Cost Drivers

The two greatest contributing factors to health care expenses are hospital visits and prescription drugs, both of which are driven by a population's general health. The composition of individuals insured by a health insurance plan can have a dramatic effect on health care costs. Oklahoma's state employee population has a higher age than the private sector employee population. Additionally, members covered under the State's health insurance population includes retirees. Both factors drive up premium costs.

In reviewing cost containment strategies employed by OMES-EGID, only two of their recent initiatives are targeted at hospital prices, and none are targeted at prescription drug prices. EGID negotiates provider reimbursements from the starting point of Medicare pricing, which has demonstrated cost savings nationally. While EGID contracts with an actuary that evaluates gender and age demographics, they do not use widely available predictive analytics data that also factor in medical/pharmacy claims history, or medical cost history, which would further reduce expenses.

LOFT could not substantiate the reported success of other cost savings initiatives by OMES-EGID. For example, a member phone app is reported to have saved \$500,000 annually through redirecting members from high-cost services to lower cost services, but there is no data demonstrating where and how savings were realized. The mandatory monthly fee for the app is included in HealthChoice's premium rate, which is the basis for funding employees' benefits.

The greatest potential for premium cost containment may be with requiring pharmacy price transparency as other states have. The value of State-offered health insurance plans could also be enhanced by improving the ability to negotiate plans and premiums offered by private providers. This change would require removing OMES from the negotiation process, as it would be negotiating with direct competitors to HealthChoice.