2024 State Employee Health Benefit Study

Key Findings of Plan Design and Cost Sharing Arrangements

Jason Jossie, ASA, MAAA
Melanie Clark, ASA, FCA, MAAA, EA

May 1, 2024

Segal

Discussion Outline

Introduction – About the Study

Key Findings

Study Results – Medical, Rx, Wellness

New Interactive Tool

Questions?

Introduction – About the Study

- State leaders' focus on health benefit coverage has increased as costs continues to outpace overall inflation

- Segal's 2024 *State Employee Health Benefits Study* presents an overview of plan design and cost-sharing arrangements in all 50 states

- It covers medical and prescription drug plan design and benefit cost-sharing arrangements offered to full-time active employees for 2023–2024 for the:
  - Least expensive plan option
  - Most expensive plan option

Background

Data collected

- Plan type offered

- In-network medical and prescription drug plans

- Average salary

- Employee contributions
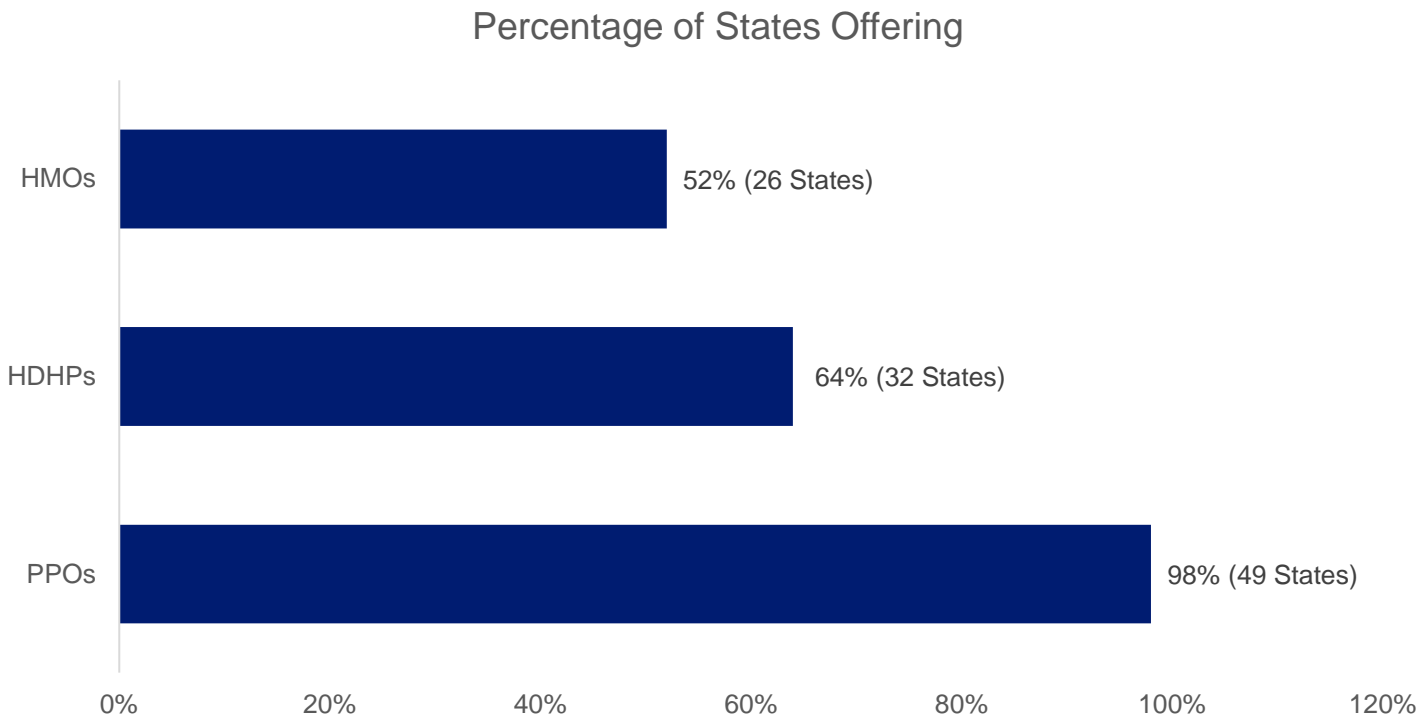
- HSA contributions

- Wellness incentives

Actuarial value calculated for most expensive and least expensive plan offering.

Key Findings

- Almost all states (47) give their employees a choice of medical plans.

- Health insurance as a percentage of salary varies by region and plan type, for example:

  – Employees in the **West** contribute **0.47** percent of their salary towards coverage for the **least expensive plan**

  – Employees in the **Midwest** contribute **3.21** percent of their salary for the **most expensive plan**.

- While deductible levels for high-deductible health plans (HDHP) are much higher than for PPO plan options, the variance of out-of-pocket (OOP) maximums between these plan types is not as significant.

- States are using plan design to manage prescription drug costs by influencing utilization towards more efficient delivery channels and more cost-effective medications.

Most States Offer a Choice of Medical Plan Type

Almost All States Offer PPOs; Many Also Offer HDHPs and HMOs*

Percentage of States Offering

Plan Type	Percentage
HMOs	52% (26 States)
HDHPs	64% (32 States)
PPOs	98% (49 States)

Source: Segal, 2024

* For simplicity, this study uses "HMOs" to also represents EPOs, which have a similar plan design.

Plan Design Poll

What type of plan are you enrolled in?

○ HMO

○ PPO

○ HDHP

Regional Differences in Offerings

Regional Differences in Medical Plan Offerings Are Most Pronounced for HDHPs

	Northeast		South		Midwest		West	
	# States Offering	% of States	# States Offering	% of States	# States Offering	% of States	# States Offering	% of States
PPOs	9	100%	16	100%	11	92%	13	100%
HDHPs	2	22%	12	75%	11	92%	7	54%
HMOs	6	67%	8	50%	5	42%	7	54%

Notes: This study's regional breakdown follows the regions used by the U.S. Census Bureau: Northeast = CT, MA, ME, NH, NJ, NY, PA, RI and VT; South = AL, AR, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA and WV; Midwest = IL, IN, IA, KS, MI, MN, MO, ND, NE, OH, SD, WI; and West = AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, and WY. The total for each region exceeds the number of states in the region because many states offer more than one plan type.

Source: Segal, 2024

Contribution Ratios Vary by Plan Type and Region

Variation in the Median Employee-Only Contribution as a Percentage of Median State Salary* is Less Significant in the Northeast
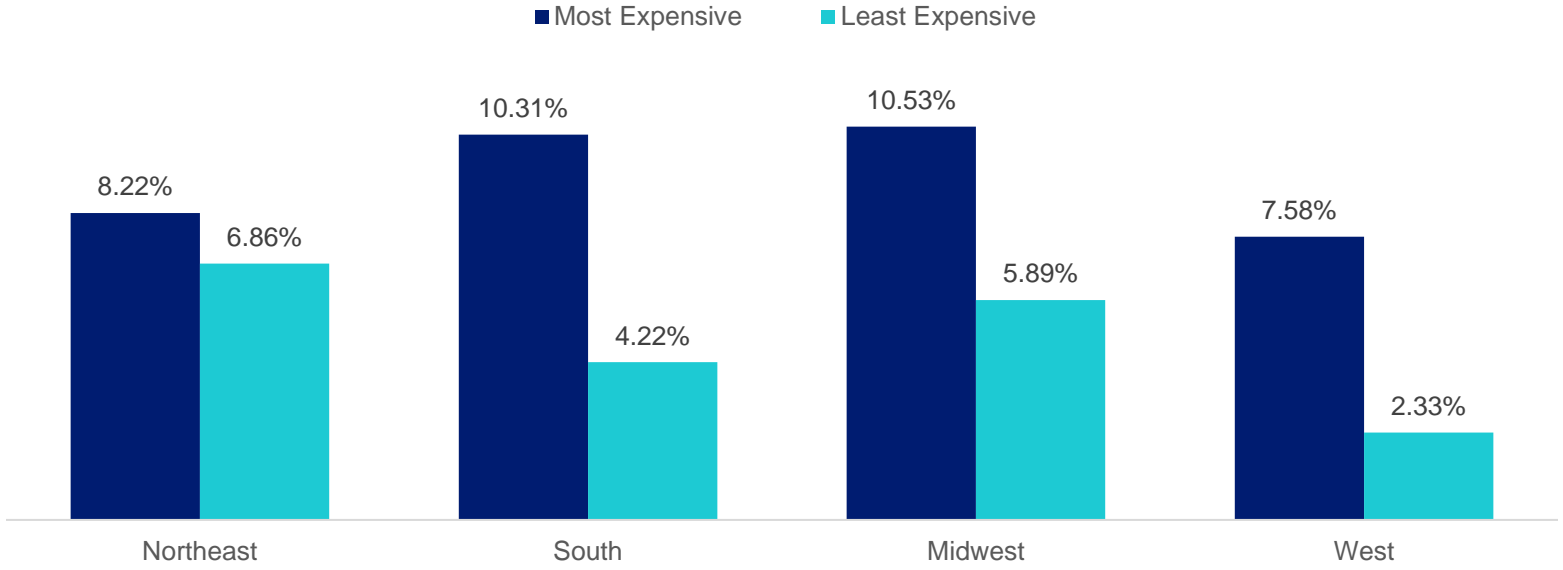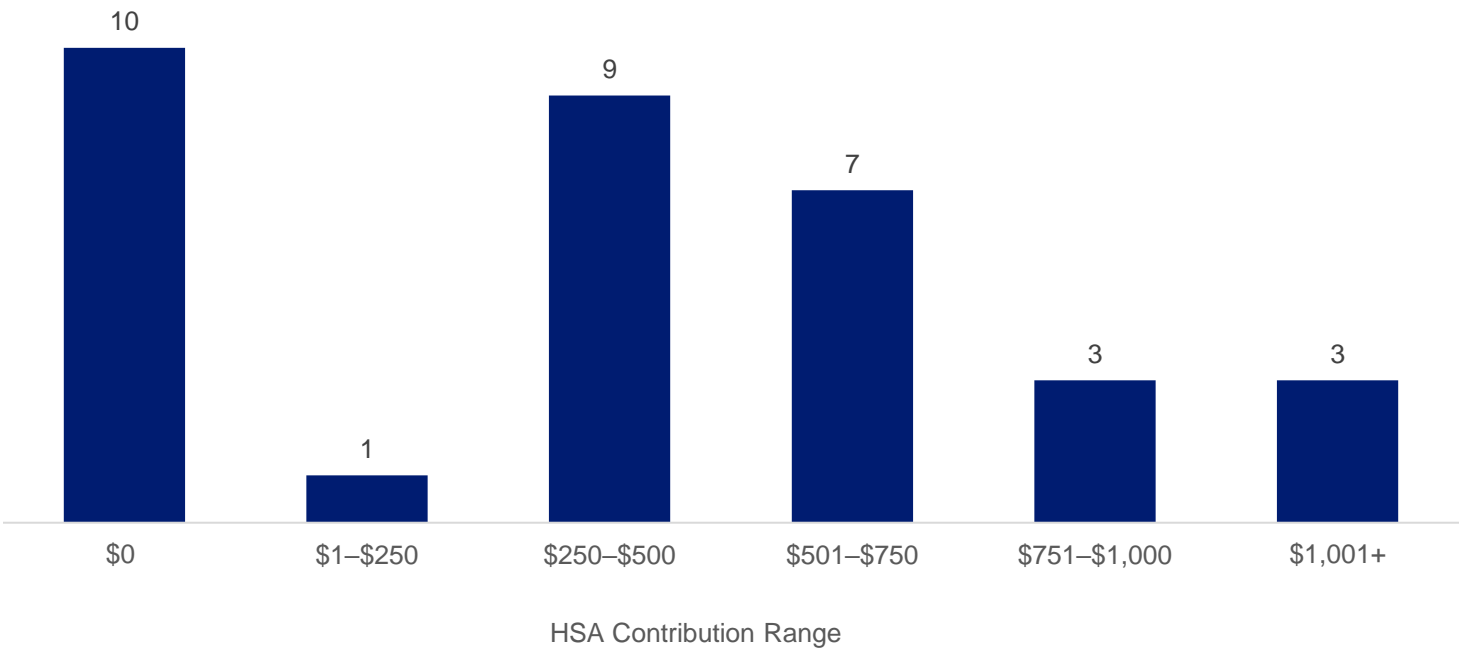
■ Most Expensive　■ Least Expensive

Region	Most Expensive	Least Expensive
Northeast	2.81%	2.78%
South	2.31%	0.64%
Midwest	3.21%	1.54%
West	1.68%	0.47%

Source: Segal, 2024

* Salary reflects employees only and does not account for dual income households.

Contribution Ratios Vary by Plan Type and Region

Variation in the Median Family Contribution as a Percentage of Median State Salary* is Less Significant in the Northeast

Source: Segal, 2024

* Salary reflects employees only and does not account for dual income households.

Health Savings Accounts (HSAs)

There's Wide Variation in State Contributions Towards Employee-Only Health Savings Accounts (HSAs)

Source: Segal, 2024

Most States Have a Fixed Copayment Design for Medical Cost Sharing

Median Participant Cost Per Visit* by Plan Type and Setting Shows States Are Using Cost Sharing to Encourage Participants to Seek More Cost-Effective Care

	PCP	Urgent Care	ER
PPOs	$25	$50	$324
HDHPs	$52	$96	$727
Total	**$30**	**$70**	**$515**

Source: Segal, 2024

*Cost per visit takes into account deductible, copayment/coinsurance and OOP maximum.

Prescription Drug Cost Sharing Is Designed to Encourage Behavior

Median Participant Cost Share* Per Prescription (30-day Supply) by Plan Type and Drug Type Shows How Cost Sharing Incentivizes Use of Generics and Discourages Use of Specialty Drugs

	Retail Generic	Retail, Brand Formulary	Specialty
PPOs	$10	$35	$72
HDHPs	$17	$111	$236
Total	**$10**	**$40**	**$100**

Source: Segal, 2024

*Cost share per prescription above incorporates any applicable deductibles, fixed copayments, coinsurance, and OOP maximums for which patients are responsible.
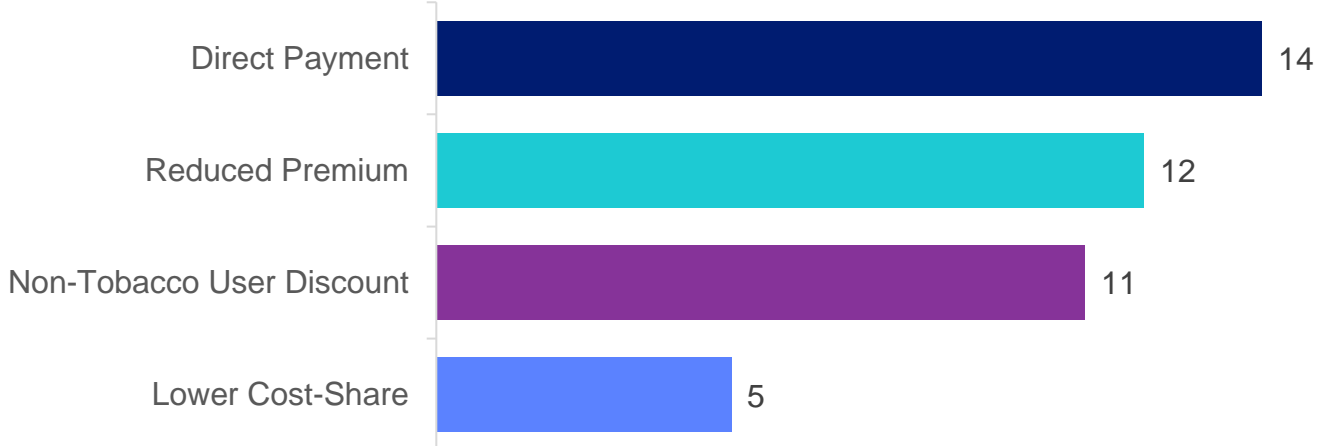
Wellness Incentives Poll

What kind of wellness programs do you participate in?

☐ Health assessment

☐ Biometric screening

☐ Annual physical

☐ Primary care physician visit

☐ None of the above

Wellness Incentives

The Most Common Method of Wellness Incentive is a Direct Financial Payment, Followed by Lower Participant Premium, Discounts for Non-Tobacco Users and Lowering Cost-Sharing

Category	Value
Direct Payment	14
Reduced Premium	12
Non-Tobacco User Discount	11
Lower Cost-Share	5

Source: Segal, 2024

What Does an 8% Annual Increase Mean?

An 8% increase in plan costs could take away up to 80 percent of plan sponsor's budget towards wage increases.

Annual average cost of employer sponsored health covered*	8% Increase	Wage Growth**
$23,968	$1,900	$2,400

*Kaiser Family Foundation, 2023
**Assumes 4% wage growth for median average salary of $60,000.

Demonstration

New Interactive Online Tool
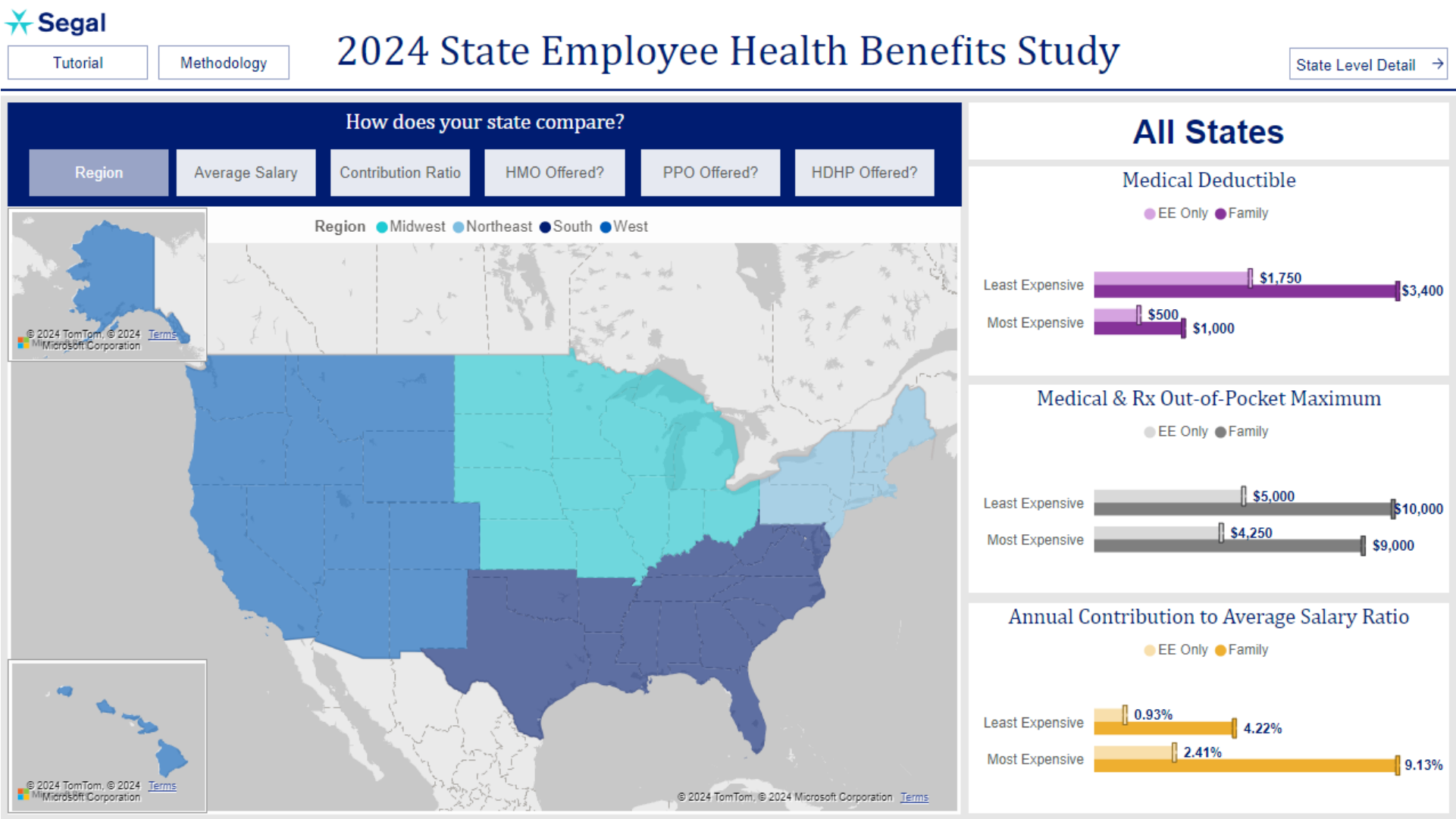
How are States Using this Information?

- Developing custom benchmarks to compare to similarly situated peers

- Identifying outlier cost-sharing values

- Comparing appropriateness of cost-sharing relativity between different sites of care

- Comparing actuarial value of plan offerings

- Understanding how much employees are actually paying on average for different services

- Comparing affordability of health benefits

Questions?

Jason Jossie, ASA, MAAA
Vice President, Senior Health Consultant
jjossie@segalco.com
312-877-3553

Melanie C. Clark, ASA, FCA, MAAA, EA
Vice President, Consulting Actuary
mcclark@segalco.com
202-489-6195

Download the report and
access the interactive tool