

K-12 Health Care Package

STATE OF MONTANA EMPLOYEE BENEFITS PLAN

- Background - Taking What Works Into a New Environment

In 2001 the Legislative Auditor issued a biennial report that contained one little noted item which caught our attention. It found that a large claim had not been subject to case management and recommended our claims processor implement a better system for identifying large claims. The report was important not for the solution but because that one seemingly small finding tipped our staff off to an issue that lead to a much better system for managing large claims costs today.

When I came on board as Bureau Chief I was bothered by the profile and amount of large claims we were seeing in our large claims report. The audit report confirmed that our case management needed to be reviewed. At the time our case management was provided through a contract and we managed the contract as we could with existing staff. We hired an additional FTE to specifically focus on that contract. What we found was we were not correctly identifying the appropriate cases for management, we did not identify them in a timely manner, and we were not managing them to potential.

Concurrently, we were working to develop a claims reporting system to consolidate claims data from all of our claims processing vendors in one place. This tool, from DxCG corporation incorporated state-of-the-art risk modeling and forecasting capabilities which allowed us to mine our claims data and use it for case management. Ultimately, we reviewed the cost and efficiency of bringing the case management function in-house. We chose to transition from an outsourced function at the end of a contracting period and hired staff for in-house case management services. The change ultimately reduced our administrative costs by \$120,000 per year and increase our efficiency. By having dedicated staff for this function, we have significantly impacted our members quality of care and reduced our overall claims costs.

- Impact on Costs

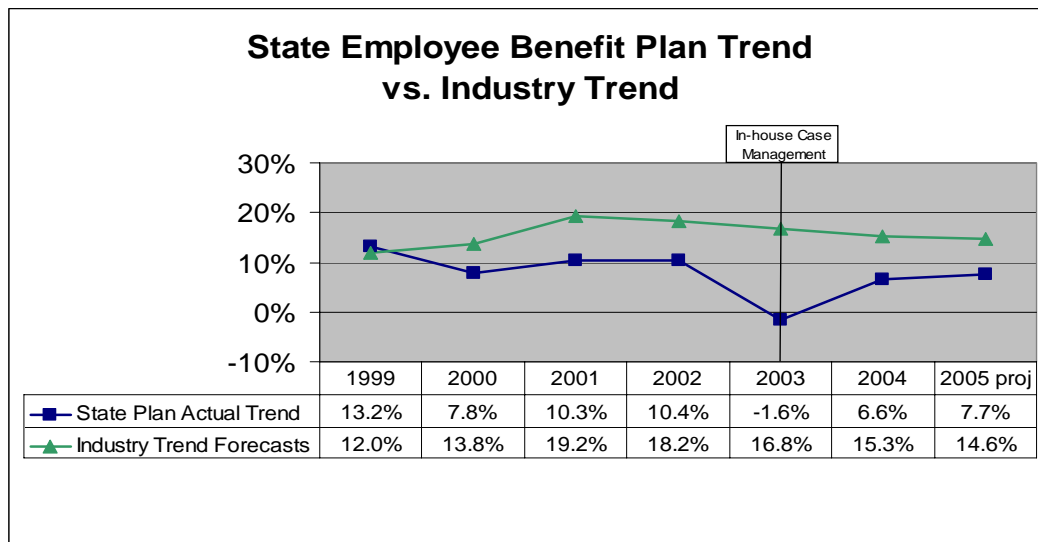
The State Plan typically has a lower medical trend rate (inflationary and utilization increase) than is experienced by nationwide projections of trend. However, even taking into account this lower trend rate, the State Plan growth rate has dropped even further during the last three years. During the 2004-2006 plan years, we have been able to provide PREMIUM REDUCTIONS to employees in some medical plans. In 2006, we will provide premium reductions to RETIREES!

Below is a table that shows the net out-of-pocket cost to a single employee/retiree and to an employee/retiree covering their family under our two most popular medical plans for 2003-2006.

	2003		2004		2005		2006	
	Trad	HMO	Trad	HMO	Trad	HMO	Trad	HMO
Employee Only	-\$3.60	-\$17.60	-\$13.60	-\$50.60	-\$4.64	-\$52.64	-\$1.44	-\$88.44
Employee + Family	\$209.40	\$195.40	\$199.40	\$150.40	\$213.36	\$152.36	\$216.56	\$102.56
Retiree Only	\$331.00	\$317.00	\$365.00	\$328.00	\$425.00	\$377.00	\$475.00	\$388.00
Retiree + Family	\$526.00	\$512.00	\$560.00	\$511.00	\$625.00	\$564.00	\$675.00	\$561.00

What accounts for this result? We have not increased deductible or copayments/ coinsurance since 2004. We have had some movement between our managed care plans which are more efficient and our Traditional indemnity plan which has reduced costs, but much of those savings come back to the employees in the form of reduced premiums. A significant driver, we believe, is the impact of the case management.

Below is a graph that shows the trend for the State Employee Plan compared to the nationwide trend forecast for 1999-2005.



- Program Components and the State Employee Plan Experience
 1. Stop-Loss Coverage - Not Separate for State Employee Claims
 2. State of the art case management for catastrophic health care claims
 3. Wellness and Health Care Screening Program offering to School employees
 4. Pharmacy purchasing alternative with large employer purchasing pool
 5. Technical insurance assistance, underwriting assistance, consulting services

- Use What Works and Is in Place!

Among the lessons we have learned in administering the State Employee Benefit Plan, there are some very effective things happening in the health care world in Montana currently. Where we have best practices and good arrangements, we strive NOT TO FIX WHAT IS NOT BROKEN! In some cases, regional arrangements serve our members very well and we have worked to keep those in place and make those continue to serve.

- Case Management Examples

1. A plan member was identified through our analytic claims evaluation tool (DxCG) as having been recently diagnosed with a rare form of metastatic cancer. Our case managers out-reached to this member and his providers to offer assistance and care coordination.

This member was driving 90 minutes one way to a hospital emergency room to receive drug infusions to help battle his cancer. The travel distance was causing significant problems for the member as he was trying to maintain a productive work schedule. Our case managers were able to have these services and medications provided to him at home.

The costs of these services provided through an emergency room setting was 400% greater than coordinating these services through home health.

Expected annual claims expense:	\$ 164,000.00
Actual annual claims expense:	\$ 42,450.00

2. A plan member was identified through our health screening as have abnormal liver functions. This member was not seeing a health care provider on a regular basis.

This member was put in contact with our case managers who assisted him with accessing the health care system. His provider diagnosed a treatable condition and the member was able to ward off long-term permanent liver damage.

Savings to the plan and member:	Priceless
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