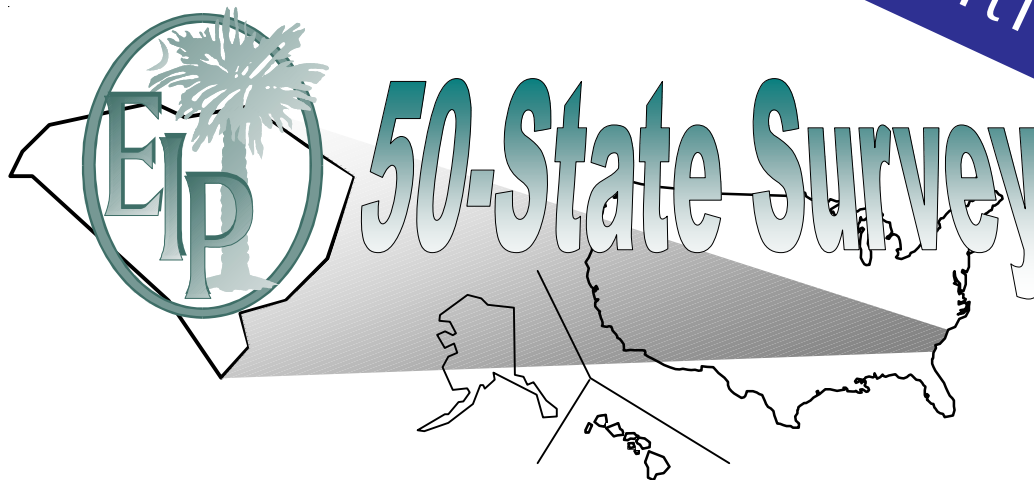


2006 Edition



Employee Insurance Program

- January 2006 Rates -

**A Composite Analysis of South Carolina's
State Health Plan Standard Option Rates
Compared to State Plans Across The Nation**

From the Publishers of:

TRENDS

South Carolina
Budget & Control Board
Division of Insurance & Grants Services

SURVEY METHODOLOGY

The tier structure of health plans varies from state to state. The South Carolina State Health Plan (SHP) operates under a “four-tier” structure, which means that contributions vary according to four different levels of coverage: Employee Only (EO), Employee/Spouse (E/S), Employee/Children (E/C), and Full Family (FF).

Many states use two-, three-, or four-tier premium structures. A two-tier structure is defined generally as one with Employee Only and Employee/Dependent coverage levels. A three-tier structure entails Employee Only, Employee/Dependent, and Full Family coverage.

The tier structure has a significant impact on contribution levels. In the case of a two-tier structure, plans typically spread the cost of dependent coverage across all employees with dependents, resulting in employees covering only a spouse or dependents paying higher rates than equivalently priced plans with a four-tier structure.

Composite Calculation

To conduct our comparative analysis of plan rates, we calculated composite employer, employee, and total contribution rates for each state. To do so, we took the percentage of South Carolina Employee Insurance Program (EIP) health subscribers in

each coverage level and applied those percentages to each state’s rate for that coverage level.

It should be noted that our analysis uses the 2006 coverage levels when comparing the 2005 and previous years rates. As a result, composite rates for previous years will differ slightly to previous publications.

2006 Survey Sample

South Carolina Employee Insurance Program
Survey of State Employee Health Insurance Programs



CONTACT INFORMATION

Agency/Organization: _____
 Address: _____
 City: _____ State: _____ Zip: _____
 Contact Name/ Title: _____
 Phone: _____
 Department: _____

PLAN STRUCTURE & RATE INFORMATION

1. What type of structure does your state use to categorize active employee subscribers into different premium groups (tiers)? (2-tier, 3-tier, or 4-tier)
For example: (subscriber only, subscriber/spouse, subscriber/child(ren), full family) = 4-tier
2. What will your most populated plan’s rates be as of January 1, 2006 for each of these different tier groups? Please use the plan with the most active subscribers enrolled and indicate the plan’s type below (i.e. PPO, POS, HMO).
3. These rates are in effect from _____ to _____.

| Tier (For example, subscriber only, full family, etc.) | Employee Contribution | Employer Contribution | Total Monthly |
|--|-----------------------|-----------------------|---------------|
| | | | |

For states that do not use a four-tier structure, the rate an employee would pay for the equivalent coverage under the four-tier structure was used in calculating the composite rates.

The percentages for each coverage level, as of January 2006, are:

- Employee Only (EO) – 57.571%
- Employee / Spouse (E/S) – 15.843%
- Employee / Children (E/C) – 14.492%
- Full Family (FF) – 12.094%

PLAN DESIGN

Is South Carolina's Plan Design Competitive?

Each year, state health plans across the nation review their plan designs and make adjustments as deemed necessary to contain costs and provide valuable health care benefits. We reviewed the plan designs of the other 13 states in the Southern region to get an idea for how South Carolina's plan design compares.

Our analysis indicates that South Carolina's State Health Plan (SHP) Standard Plan remained comparable to those of other Southern states.

Annual Deductibles

The SHP's individual annual deductible of \$350 was higher than 69% of the region's other states. While 9 states had a lower individual annual deductible, 3 states had a higher deductible than South Carolina. Only 1 state had the same annual individual deductible. The average regional individual deductible was \$268.

The SHP's \$700 annual family deductible was in the middle of the pack in the region. A total of 7 states had a lower family deductible as 6 states had a higher family deductible. The regional average family deductible was \$617.

Coinsurance (In-Network)

The majority of Southern states shared the same coinsurance breakout as the SHP, with states paying 80% of in-network costs after deductibles and copays, while employees paid the remaining 20%. Including South Carolina, 8 states had an 80/20 coinsurance layout. The remaining 6 states pay 90-100% of in-network costs.

The SHP's coinsurance max for individual employees, \$2,000, was higher than 10 of the region's states. However, the SHP's family coinsurance max was lower than 6 states, yet higher than 7 regional states.

Prescription Drugs

The SHP's prescription drug copays of \$10- Generic, \$25-Preferred Brand, and \$40-Non-Preferred Brand were all very competitive to other Southern states. Only 3 regional states had a lower generic copay. The majority of states had preferred and non-preferred brand copays that were equal to or higher than the SHP.

Hospital

Like South Carolina, 5 other states do not have an inpatient hospital deductible. The same cannot be said for hospital outpatient and emergency room deductibles. A total of 7 states have hospital outpatient deductibles lower than the SHP. In terms of emergency room (ER) deductibles, 11 regional states have a lower ER deductible than the SHP's \$125.

| 2006 Southern Region Plan Design Comparison | | | | |
|---|----------------------------|----------------------------|--------------|----------------|
| Plan Design on January 1, 2006 | South Carolina | Regional State Comparisons | | |
| | | Lower Benefit | Same Benefit | Higher Benefit |
| Deductible – Individual | \$350 | 3 states | 1 state | 9 states |
| Deductible – Family | \$700 | 6 states | only S.C. | 7 states |
| Coinsurance (in-network) | 80% plan 20% subscriber | none | 7 states | 6 states |
| Coinsurance Max – Individual | \$2,000 | 2 states | 2 states | 9 states |
| Coinsurance Max – Family | \$4,000 | 2 states | 4 states | 7 states |
| Retail Prescription Drug Copays (31-day supply) | | | | |
| Generic | \$10 | 5 states | 5 states | 3 states |
| Preferred Brand | \$25 | 4 states | 3 states | 6 states |
| Non-Preferred Brand | \$40 | 8 states | 2 states | 3 states |
| Prescription Drug Copay Maximum | \$2,500 | 9 states | 2 states | 2 states |
| Prescription Drug Deductible | \$0 | 4 states | 9 states | none |
| Hospital Inpatient Deductible | \$0 | 8 states | 5 states | none |
| Hospital Outpatient Deductible | \$75 | 5 states | 1 state | 7 states |
| Emergency Room Deductible | \$125 | 2 states | only S.C. | 11 states |
| Lifetime Maximum | \$1 million | none | 6 states | 7 states |

SOUTH CAROLINA COMPOSITES

While South Carolina offers other health plans to active employees, the State Health Plan (SHP) Standard Plan by far remains the most popular. In January 2006, 76.8% of all active subscribers were enrolled in that plan. The plan again proved to be very competitive regionally and nationally.

As health plans adjusted premiums in 2006 to cover rising costs, the SHP held rates steady for employees in all enrollment tiers. Employers, however, saw an average 4.8% increase in their share of health premiums. For employees, the *employee only* premium rose 4.6%, the *employee/spouse* rose 4.9%, the *employee/child(ren)* rose 4.7%, and the *full family* employer premium rose 5% for 2006.

Employee Composite Rate

The proportion of premiums paid by employees in South Carolina declined slightly in 2006, with the employee composite composing 31.8% of the total composite.

Unlike last year, the state's employee composite rate remained steady at \$147.71.

The employee composite rose 29.7% in 2005, but remained unchanged in 2006 as employers absorbed premium increases.

In comparison, the regional employee composite rose 5.7%. The SHP's employee composite is now 1.24 times the regional average as 3 regional states have higher employee composites than

2006 State Health Plan Standard Option Premiums

| | <u>Employee</u> | <u>Employer</u> | <u>Total Rate</u> |
|-------------------|-----------------|-----------------|-------------------|
| Employee Only | \$ 93.46 | \$231.84 | \$325.30 |
| Employee/Spouse | \$237.50 | \$453.02 | \$690.52 |
| Employee/Children | \$142.46 | \$327.18 | \$469.64 |
| Full Family | \$294.58 | \$529.00 | \$823.58 |
| Composite Rate | \$147.71 | \$ 316.64 | \$464.35 |

South Carolina. Nationally, 5 states had higher employee composites than South Carolina.

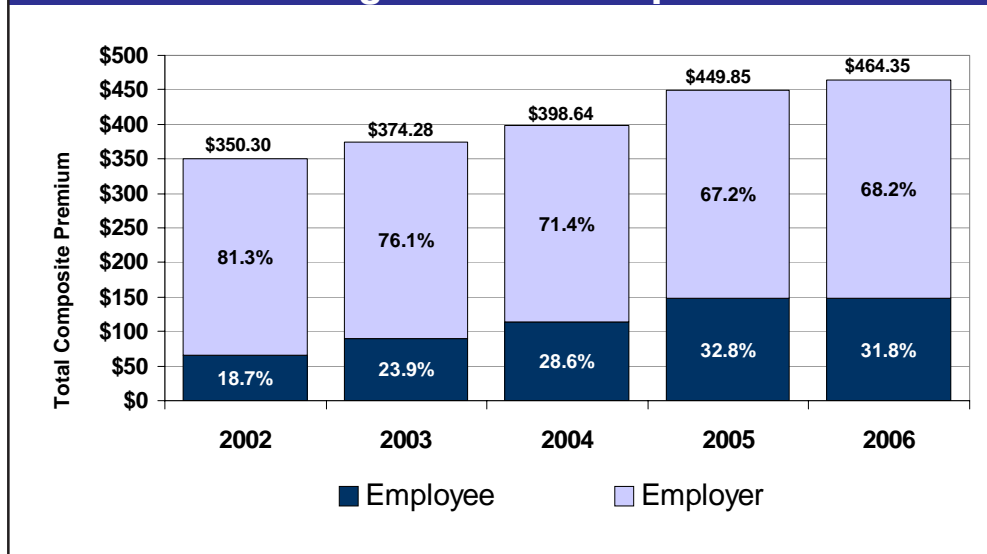
The SHP's employee composite 5-year trend indicated an average annual growth rate of 23.2%.

Employer Composite Rate

As in all other states, SHP employers contributed a larger share of health premiums than employees. The state's 2006 employer

See SOUTH CAROLINA on Page 5

South Carolina Employee/Employer Sharing of Total Composite



SOUTH CAROLINA COMPOSITES

South Carolina

Continued from Page 4

composite rate totaled \$316.64, up 4.8% from \$302.14 in 2005. During the past 5 years, the employer composite increased an average 4.2% per year.

The state's employer composite remained below the regional average, making up 71.5% of the regional average. The growth in the SHP's employer composite for 2006 was below the region's 7.2%. A total of 12 regional states had a higher employer composite rate than South Carolina.

Nationally, composite data show a continuance of these trends. South Carolina's employer composite was only 60.1% of the national employer composite. The national employer composite growth of 5.5% in 2006 also surpassed the growth rate of the SHP employer composite. A total of 45 states had a higher employer composite than South Carolina.

The Big Picture: Total Composite Rate

The state's total composite rate is the sum of the employee and employer composites. In 2006, the SHP's total composite rate grew 3.2% to \$464.35, up from \$449.85 in 2005. The 5-year growth trend averages 8.3% annually.

From an overall perspective, South Carolina's total composite compares quite favorably to other states in the nation. It is lower than that of 46 states and only 75.6% of the national total composite average. The 3.2% growth rate observed in the SHP's

How South Carolina Compares in 2006

SHP Composite Total Rate

46 of 50 States Have Higher Rate
12 of 14 Regional States Have Higher Rate

SHP Composite Employer Contribution Rate

45 of 50 States Have Higher Rate
12 of 14 Regional States Have Higher Rate

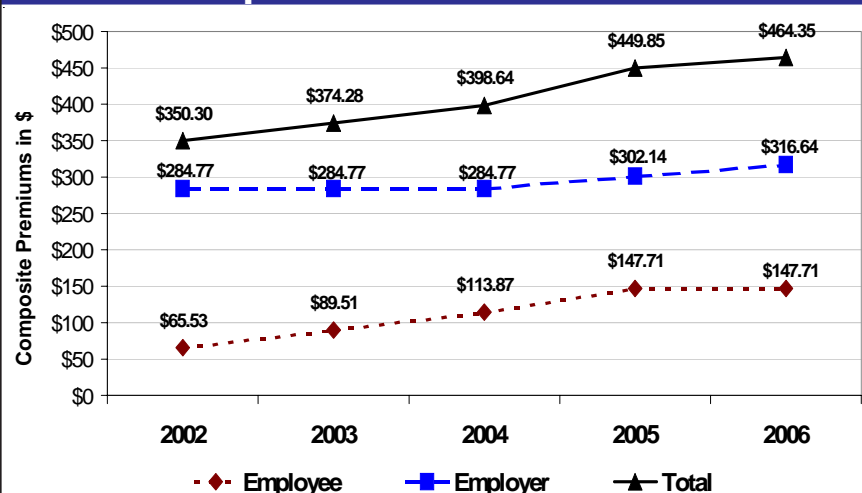
SHP Composite Employee Contribution Rate

5 of 50 States Have Higher Rate
3 of 14 Regional States Have Higher Rate

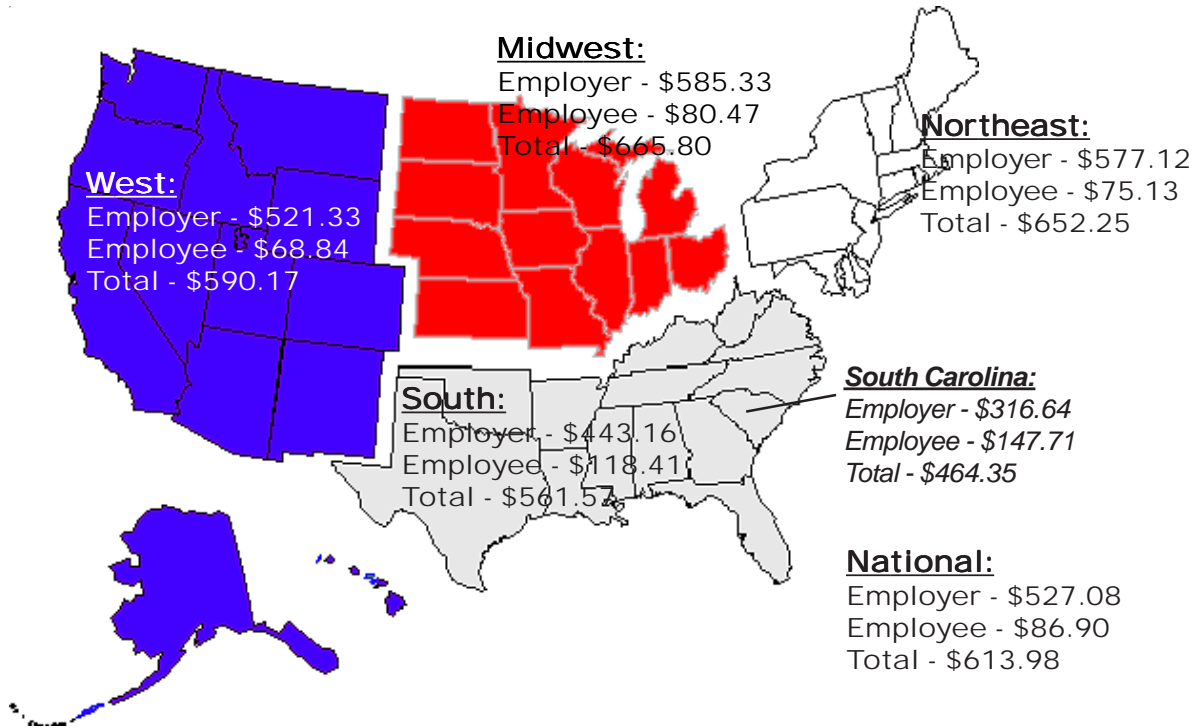
total composite was below than the 4.0% observed nationally. The same occurred in the state's 5-year growth rate, nearly a full percentage point lower than the national average of 9.1%.

South Carolina's composite was only 78.7% of the regional composite as 12 other states had a higher total composite rate.

South Carolina Premium Composite Rates: 2002 - 2006

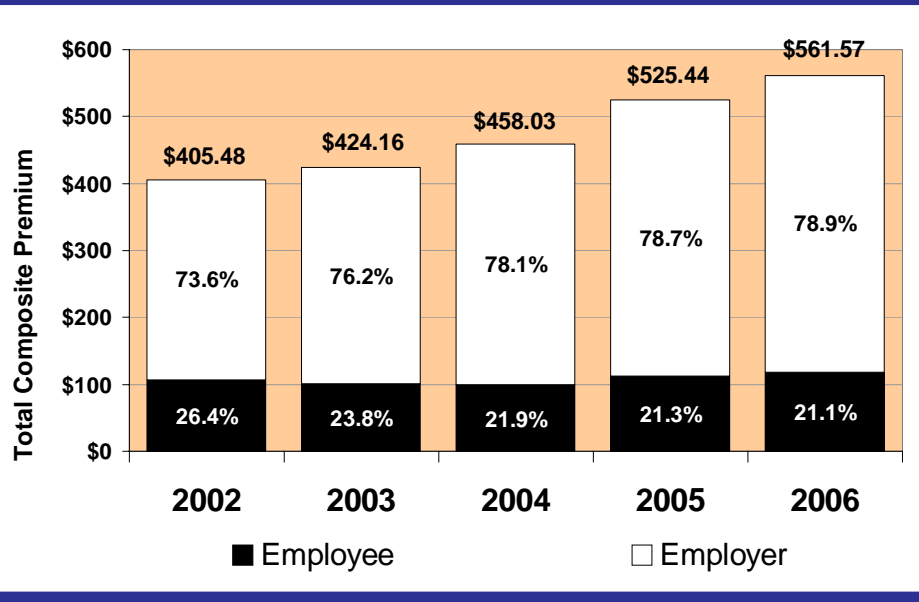


REGIONAL COMPOSITES



Providing quality health insurance is not only a priority in South Carolina. Each state recognizes the importance of these benefits. However, each state has developed its own strategies to balance the need for value against cost concerns. To assess how states and their employees pay health premiums, we examined state composite trends by geographical regions. The four regions are: Northeast, South, Midwest and West.

Southern Region Employee/Employer Share of Total Composite Rates: 2002 -2006



See REGIONAL on Page 7

REGIONAL COMPOSITES

Regional

Continued from Page 6

Regional Employee Composite

Although growth in regional employee composites slowed in 2006, employees in the South continued to contribute more to total premiums. The Southern region's employee composite of \$118.41, up 5.7%, was the highest noted of the 4 regions. Employees in the West the lowest employee composite rate in 2006 at \$68.84.

Regional Employer Composite

States in the Midwest paid the largest share of premiums. The region's employer composite was \$585.33 in 2006. The region also had the highest growth rate, at 8.2%, in 2006. Southern states had the lowest regional employer composite in 2006 at \$443.16.

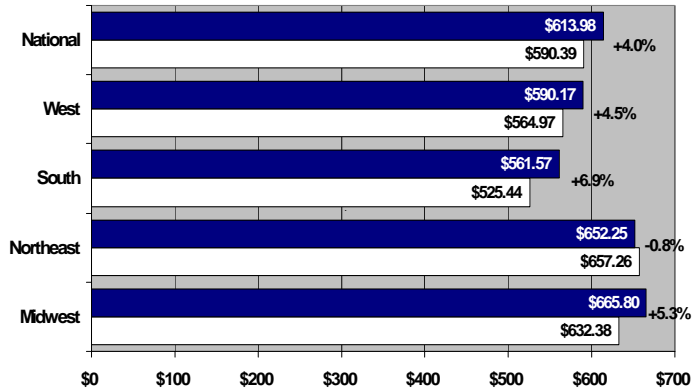
Regional Total Composite

The Midwest had the highest regional total composite rate in 2006, \$665.80. It surpassed the Northeast, which had posted the largest regional total composite for several years. The South had the highest regional growth rate at 6.9% in 2006.

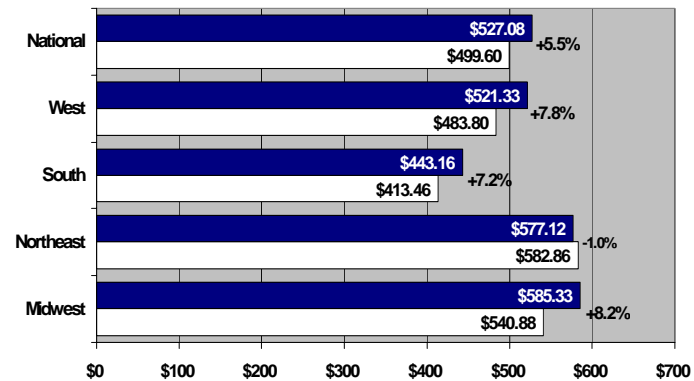
2006 & 2005 Regional Composite Averages

2006 Rates 2005 Rates

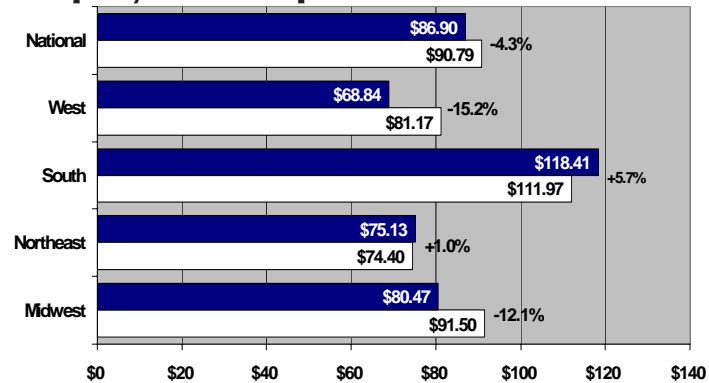
Total Composite Rates



Employer Composite Rates



Employee Composite Rates

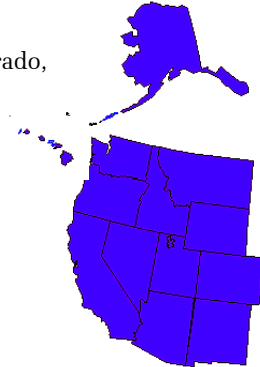


REGIONAL COMPOSITES

West

13 States:

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming



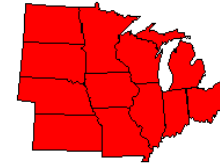
West:

Employer - \$521.33
Employee - \$68.84
Total - \$590.17

Midwest

12 States:

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin



Midwest:

Employer - \$585.33
Employee - \$80.47
Total - \$665.80

The 13-state West region posted a regional total composite rate of \$590.17 in 2006, up 4.5% from \$564.97 in 2005. The West's 2006 total composite growth rate slowed to less than half the 9.5% rate of 2005.

Over the past 5 years, the West's total composite has grown an average of 10% annually, peaking at 18.6% in 2004.

While the West's total composite growth slows, employers are still paying an increasing share of premiums. In 2002, employers in the West paid 79.1% of the total composite rate. By 2006, the employer share had risen to 88.3%, the second highest regional employer share cited.

The West's employer composite was \$521.33 in 2006, up 7.8% from \$483.80 in 2005. The employer composite's 5-year annual growth rate was 12.4%, the highest in the nation. The employer composite growth rate peaked in 2004 at 21.5%.

Employees in the West have seen their share of the region's total composite rate continue to decline. The employee composite rate totaled \$68.84 in 2006, the lowest of the 4 regions.

The Midwest, comprised of 12 states, had the highest regional total composite rate in 2006, \$665.80. The rate reflects a 5.3% increase from \$632.38 in 2005, and it ranks second in regional total composite growth rates. The total composite growth rate in 2006 was relatively unchanged from the 5.1% growth rate observed in 2005 and was below the 5-year trend of 9.4% annually.

Employers absorbed a larger share of total composite growth in 2006. The region's employer composite of \$585.33 was 87.9% of the total composite rate. The Midwest's employer composite grew more than any other region, 8.2% in 2006. The region's employer composite 5-year annual growth trend was 10%.

While Midwest employers picked up more of the total composite rate, the employee share declined to 12.1% in 2006. Although the employee composite rate was \$80.47 in 2006, the second highest regional employee composite in the nation, the region's employee composite actually declined 12.1%. The composite's 5-year trend indicated an average annual growth rate of 6.0%.

REGIONAL COMPOSITES

Northeast

11 States:

Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont



| | |
|-------------------|-----------------|
| Northeast: | |
| Employer - | \$577.12 |
| Employee - | \$75.13 |
| Total - | \$652.25 |

The Northeast region is composed of 11 states. The region has had the highest regional total composite rate for more than 6 years. However, that changed in 2006 when the Midwest surpassed the Northeast. The Northeast's total composite rate of \$652.25 for 2006 ranked second with a decrease of 0.8% from \$657.26 in 2005. During the past 5 years, the region's annual total composite growth has averaged 7.4%.

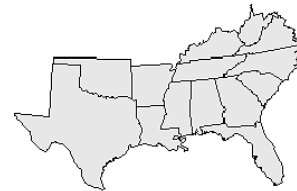
Employers in the Northeast region contribute the highest regional employer share to their total composite rate. In 2006, the Northeast's employer composite of \$577.12 was 88.5% of the region's total composite rate. The employer composite declined 1.0% from \$582.86 in 2005. It is also interesting to note that the Northeast's employer composite 5-year annual growth trend of 7.9% is the lowest of the regions.

The Northeast's employee composite of \$75.13 was second highest among the regions and increased 1.0% from \$74.40 in 2005. The employee composite has grown an average of 4.2% annually during the past 5 years. Employees contributed 11.5% to the region's total composite rate in 2006.

South

14 States:

Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia



| | |
|-------------------|-----------------|
| South: | |
| Employer - | \$443.16 |
| Employee - | \$118.41 |
| Total - | \$561.57 |

The South is composed of 14 states. Typically, the region boasts the lowest total composite rate in the nation. The trend, which began in 2002, continued in 2006 as the South had a total composite rate of \$561.57. However, the 6.9% growth in the 2006 total composite rate led regional growth rates for the second year in a row. The South's total composite rate has grown an average 9.8% annually during the past 5 years.

While the region has the lowest total composite rate, employers in the South contribute the least toward the total composite than any other region. In 2006, the South's employer composite of \$443.16 was the lowest regional employer composite and 78.9% of the total composite. By comparison, the regional employer share in other regions was 87.9% or more.

Employees in the South saw their employee composite rate increase 5.7% to \$118.41 in 2006, the highest regional employee composite growth rate. Over the past 5 years, the region's employee composite has grown an average 7.2% annually.

NATIONAL COMPOSITES

The national total composite increased 4.0% in 2006 to \$613.98 from \$590.39 in 2005. The growth rate was the lowest in more than 5 years. The total composite's 5-year annual growth trend was 9.1%.

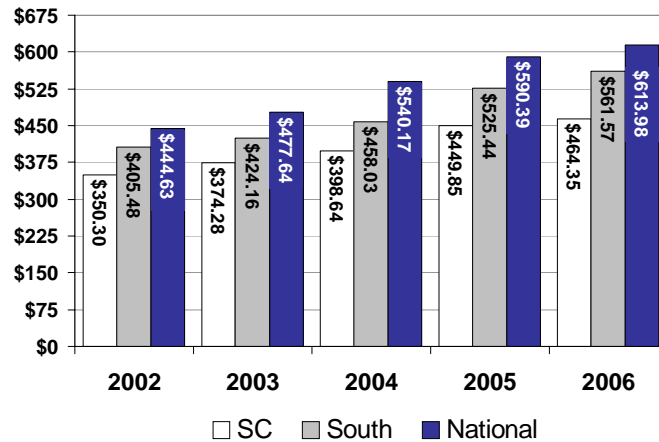
While the total composite rate continues to rise, employers are paying an ever-increasing share of total premiums. In 2006, the employer composite rate was 85.8% of the total composite rate as compared to 84.6% in 2005. The employer composite rate was \$527.08 in 2006, an increase of 5.5% from \$499.60 in 2005. During the past 5 years, employer composite rate has grown an average of 10.2% annually.

Employees, on the other hand, saw a 4.3% decrease in their employee composite rate in 2006, to \$86.90. The employee share of the total composite rate continued to decline. In 2006, the employee composite was 14.2% of the national total composite as compared to being 18.9% in 2001.

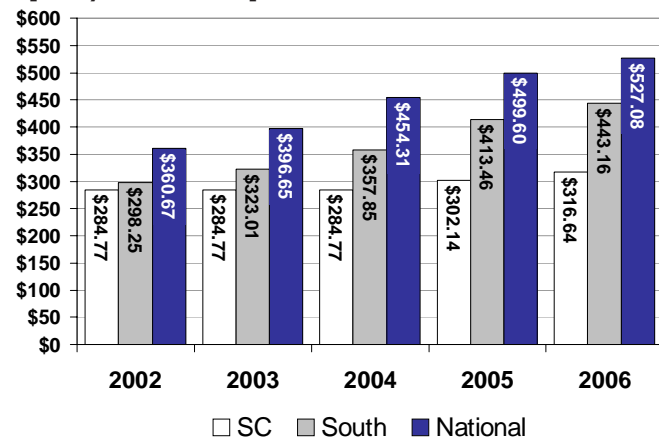
In general, growth in composite rates slowed somewhat in 2006.

Composite Rate Trends: 2002 - 2006

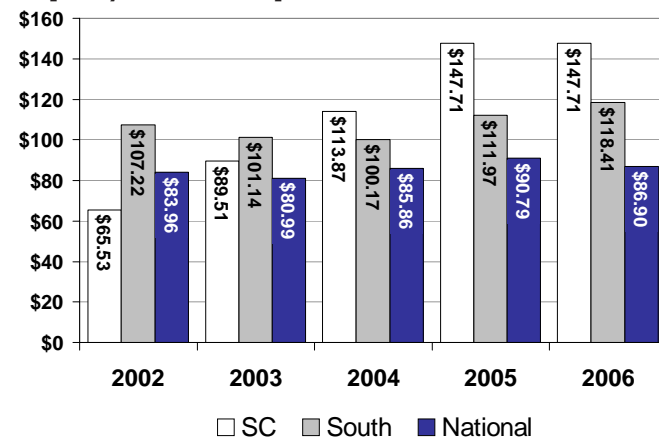
Total Composite Rates



Employer Composite Rates

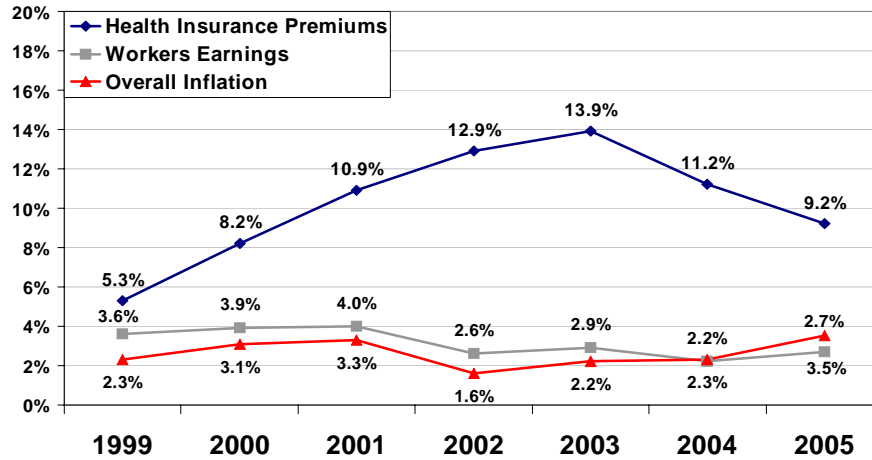


Employee Composite Rates



ACROSS THE NATION

Increases in Health Insurance Premiums Compared to Other Indicators, 1999 - 2005



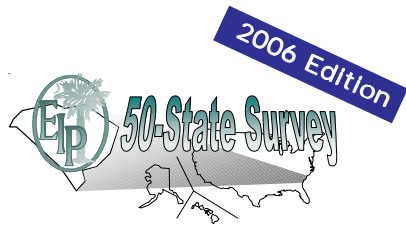
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999-2005

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

ACKNOWLEDGEMENT

The Employee Insurance Program would like to thank each state's dedicated benefit program staff members for their cooperation in our survey. Because of your assistance, we again had 100 percent participation from the 50 states.

Again, thanks for making this survey a success.



Employee Insurance Program

Rob Tester
Director, Employee Insurance Program

Laura Smoak
Research & Statistics Unit Manager

Patrick A. Harvin
50-State Survey Editor

On the Web at: www.eip.sc.gov

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*Employee Insurance Program
State Budget and Control Board
Post Office Box 11661
Columbia, South Carolina 29211*

ADDRESS CORRECTION REQUESTED