

2007 Edition



*Employee Insurance Program*

- January 2007 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

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 2007 coverage levels when comparing the 2007 and previous year’s rates. As a result, composite rates for previous years will differ slightly from previous publications.

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 2007, are:

- Employee Only (EO) – 57.973%
- Employee/Spouse (E/S) – 15.775%
- Employee/Children (E/C) – 14.370%
- Full Family (FF) – 11.882%

### 2007 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: (sub. only, sub./spouse, subscriber/children, full family) = 4-tier

2. What will your most populated plan’s rates be as of January 1, 2007 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

**RETIREE DRUG SUBSIDY**

4. Does your office also coordinate drug benefits for retirees? \_\_\_\_\_

5. If yes, will your state be participating in the CMS Retiree Drug Subsidy program for your plan year 2007? \_\_\_\_\_

Thank you for participating in this survey. Please fax the completed survey to:  
Patrick A. Harvin, Program Coordinator  
EIP - Research & Statistics Unit  
FAX: (803) 737-0557  
PHONE: (803) 734-3577  
- OR - Email to: pharvin@eip.sc.gov

If possible, please mail a copy of this plan’s benefits guide to:  
Patrick A. Harvin, S.C. Employee Insurance Program, 1201 Main Street-Suite 300, Columbia SC 29201

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

# PLAN DESIGN

## South Carolina's Plan vs. Southern States

State health plans around the nation continue to analyze their plans to ensure their benefits provide value to their employees. In South Carolina, we communicate with other states to examine their approaches and strategies to minimizing plan costs while maintaining a high benefit value for our employees.

As a part of this analysis, we collected the plan designs for the 13 other Southern regional states to compare them to South Carolina's State Health Plan (SHP) Standard Plan.

### Annual Deductibles

The SHP's annual deductible for individuals remained unchanged in 2007 at \$350, 23% higher than the regional average. Only 4 regional states had a higher individual annual deductible than South Carolina. Nine regional states required a lower annual deductible than the SHP.

While the SHP's individual deductible exceeded the regional average, the SHP's annual family deductible of \$700 was lower than the regional average of \$714. The SHP's annual family deductible was lower than that of 6 regional states while being higher than 7 states.

### Coinsurance (In-Network)

The SHP utilizes an 80/20 coinsurance ratio in which the plan pays 80% of in-network costs after deductibles and copays, with employees responsible for the remaining 20% of costs. The 80/20 ratio was shared across the region by 7 other states. Other regional states utilized a 90/10 coinsurance ratio.

To limit the impact of coinsurance on employees, the SHP

has a \$2,000 individual coinsurance maximum before the SHP pays at 100% of covered costs. The SHP's individual coinsurance maximum was shared by one regional state.

### Prescription Drug Copays

The SHP utilizes a three-tier prescription drug copay program for retail prescriptions. Insureds pay \$10 for generics, \$25 for preferred brands, and \$40 for non-preferred brand drugs. These copays ranked favorably among regional peer states. Only 3 regional states had lower generic copays. The majority of states had preferred and non-preferred brand copays that were equal to or higher than the SHP.

### Per Occurrence Deductibles

South Carolina's SHP, along with 5 other regional states, does not have a per occurrence hospital inpatient deductible.

The SHP's hospital outpatient and emergency room (ER) per occurrence deductibles were less favorable to other regional states. A total of 8 states had a lower hospital outpatient deductible while 11 regional states had a lower ER deductible.

## 2007 Southern Region Plan Design Comparison

Plan Design on January 1, 2007	South Carolina	Regional State Comparisons		
		Lower Benefit	Same Benefit	Higher Benefit
Deductible – Individual	\$350	4 states	None	9 states
Deductible – Family	\$700	6 states	None	7 states
Coinsurance (In-network)	80% plan 20% subscriber	None	7 states	6 states
Coinsurance Max – Individual (In-Network)	\$2,000	2 states	1 state	10 states
Coinsurance Max – Family (In-Network)	\$4,000	4 states	None	9 states
Retail Prescription Drug Copays (31-day supply)				
Generic	\$10	5 states	5 states	3 states
Preferred Brand	\$25	5 states	3 states	5 states
Non-Preferred Brand	\$40	8 states	2 states	3 states
Prescription Drug Copay Maximum	\$2,500	None	2 states	11 states
Prescription Drug Deductible	\$0	4 states	9 states	None
PER OCCURRENCE DEDUCTIBLES:				
Hospital Inpatient Deductible	\$0	8 states	5 states	None
Hospital Outpatient Deductible	\$75	4 states	1 state	8 states
Emergency Room Deductible	\$125	2 states	None	11 states
Lifetime Maximum	\$1 million	None	6 states	7 states

# SOUTH CAROLINA COMPOSITES

South Carolina provides active employees with several health plan choices to meet their needs. However, the predominant plan continues to be the State Health Plan (SHP) Standard Plan. In fact, with 132,643 active subscribers, the Standard Plan accounts for 74.6% of all active subscribers insured by the Employee Insurance Program (EIP).

When comparing the SHP to other states, the SHP was, once again, very competitive. As health plans continue to adjust their rates because of market pressures, employees enrolled in the SHP saw their monthly premiums remain steady across the board as premium increases were passed on to employers for a second year in a row. Employers, however, saw a uniform 3.1% premium increase across coverage levels in 2007.

## Employee Composite Rate

As a result of employers in South Carolina absorbing 100% of premium growth, the employee share of total premiums declined in 2007. The employee composite rate remained at \$147.12, making up 31.1% of the total composite. In 2006, the employee composite composed 31.8% of the SHP total composite.

When compared to the regional employee composite, the SHP was 1.2 times the regional average, with 5 regional states having higher

## 2007 State Health Plan Standard Plan Premiums

	<u>Employee</u>	<u>Employer</u>	<u>Total Rate</u>
Employee Only	\$ 93.46	\$238.64	\$332.10
Employee/Spouse	\$237.50	\$467.46	\$704.96
Employee/Children	\$142.46	\$337.00	\$479.46
Full Family	\$294.58	\$546.22	\$840.80
Composite Rate	\$147.12	\$ 325.42	\$472.54

composites. As the SHP's employee composite saw no growth, the regional average grew 4.7%.

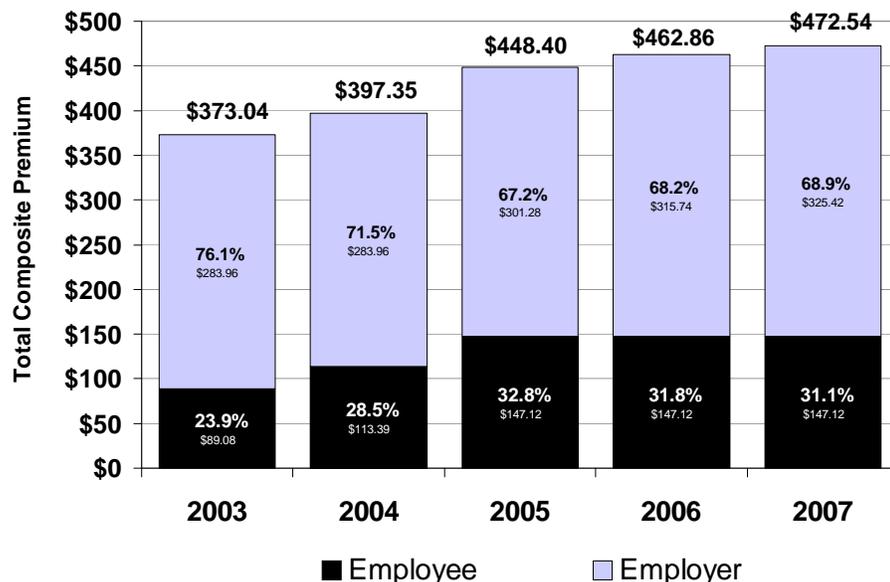
The SHP's employee composite 5-year average annual growth trend of 18.7% was due to substantial growth rates from 2003 to 2007.

## Employer Composite

SHP employers continued to pay a larger share of total premiums in 2007. The

*See SOUTH CAROLINA on Page 5*

## South Carolina Employee/Employer Sharing of Total Composite



# SOUTH CAROLINA COMPOSITES

## South Carolina

Continued from Page 4

employer composite of \$325.42 was up 3.1% from \$315.74 in 2006. The employer composite composed 68.9% of the total composite, up from 68.2% in 2006. The employer composite grew an average 2.8% annually the past 5 years.

The SHP's employer composite was 70.1% of the regional average, which grew 5.1% in 2007, and an average 9.4% annually the past 5 years. A total of 12 regional states had a higher employer composite rate than South Carolina.

When compared nationally, the SHP held its own with the 4<sup>th</sup> lowest employer composite in the nation. The national employer composite average was \$550.06, 40.8% higher than the SHP's employer composite.

## South Carolina Composites Regional/National Rankings

	From Lowest to Highest	
	Regional (14 States)	National (50 States)
SHP Total Composite	9th	5th
SHP Employer Composite	2nd	4th
SHP Employee Composite	9th	39th

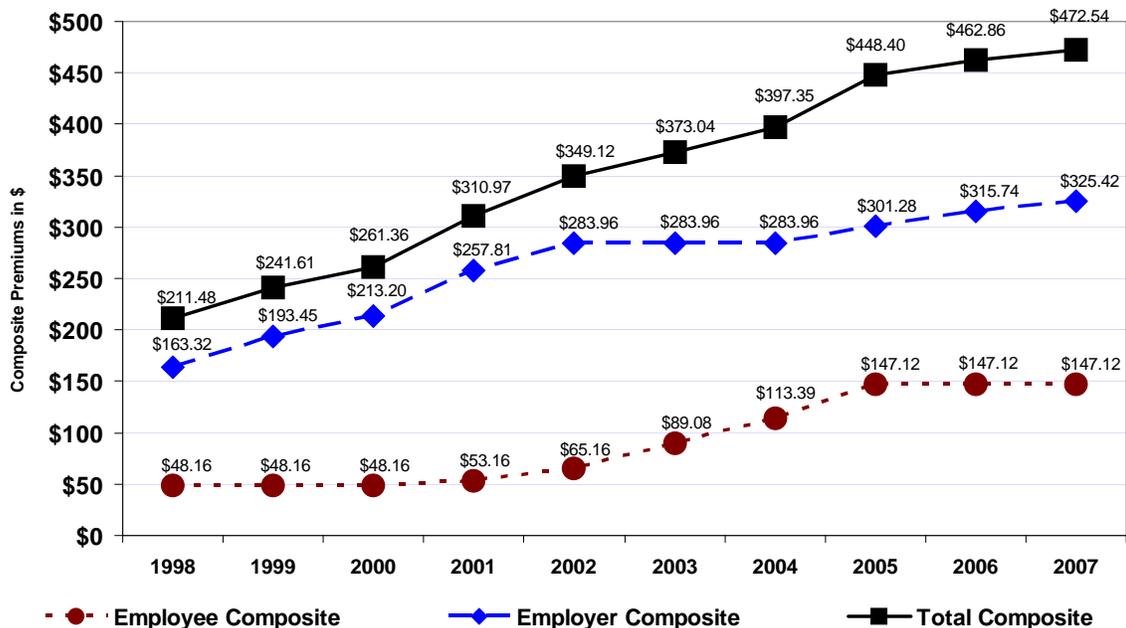
### Total Composite Rate

Combining the employee and employer composites, the SHP's 2007 total composite grew 2.1% to \$472.54. The total composite grew an average 6.3% annually the past 5 years.

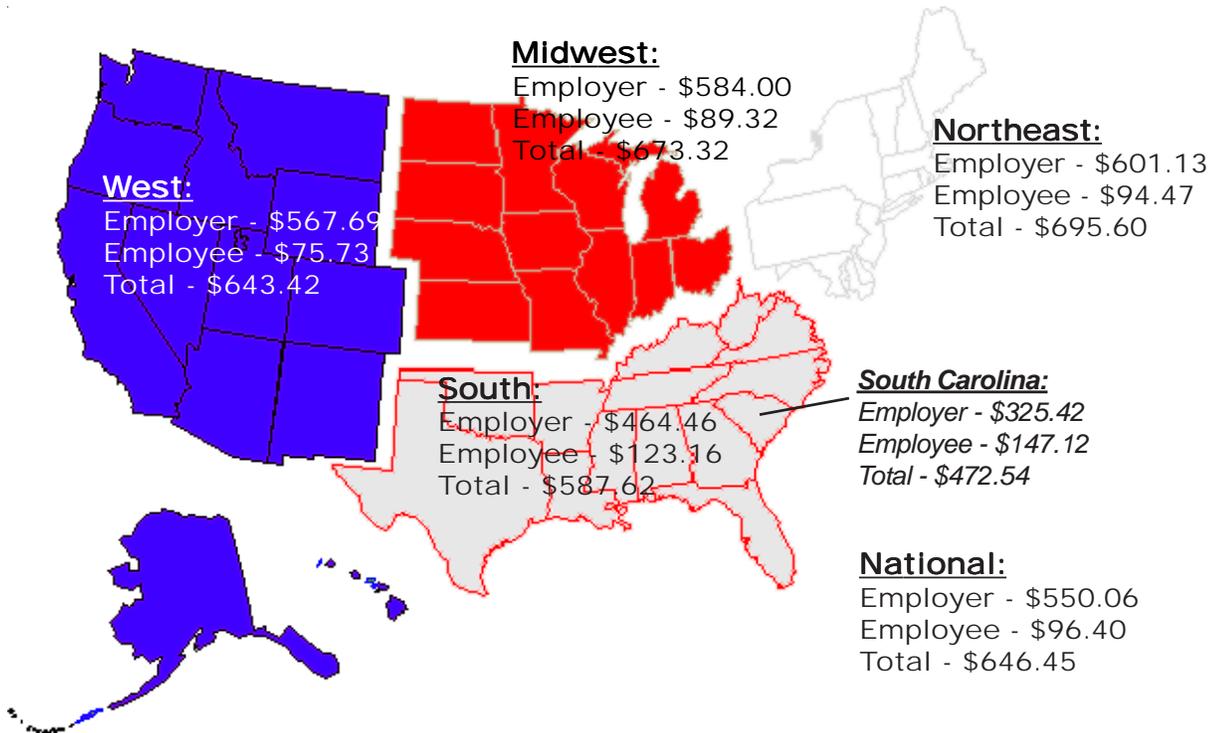
Regionally, the SHP's total composite was 80.4% of the regional total composite and was the second lowest in the region.

Nationally, only 4 states had a lower total composite than the SHP in 2007. The SHP's total composite growth was also less than half the national rate of 5.6%.

## South Carolina Composite Rates History: 1998 - 2007



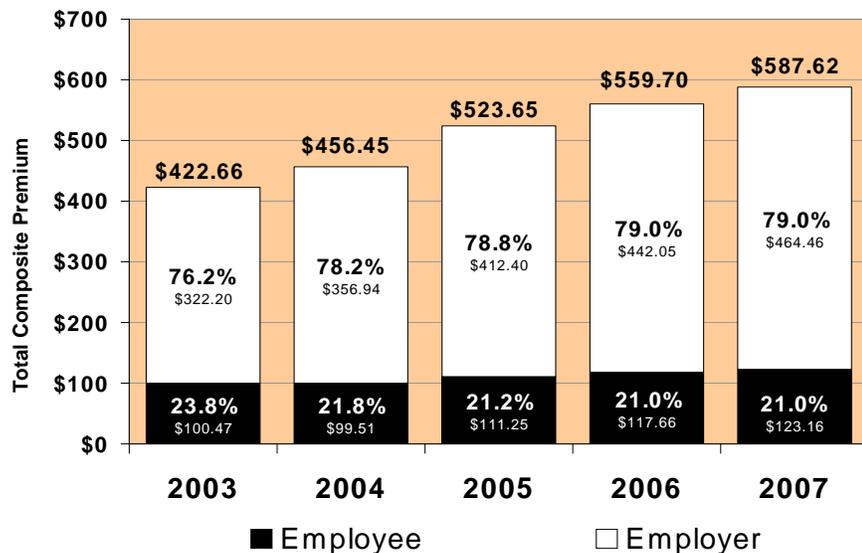
# REGIONAL COMPOSITES



While all state governments are concerned about the health of their workers, the costs associated with providing health insurance varied across the nation. Many of these cost variations reflect market conditions in certain geographical regions, along with the cost containment strategies adopted by states.

For this analysis, the states were divided into four regions: Northeast, South, Midwest and West.

## Southern Region Employee/Employer Share of Total Composite Rates: 2003 -2007



See REGIONAL on Page 7

# REGIONAL COMPOSITES

## Regional

Continued from Page 6

### Regional Employee Composite

Regional employee composites saw double-digit growth in all but the South, where employees already contribute more to total premiums than in other regions. The South, at \$123.16 in 2007, has had the highest employee composite for more than 7 years. The West had the lowest for the second straight year with \$75.73 in 2007.

### Regional Employer Composite

The Northeast passed the Midwest in 2007 for the highest employer composite at \$601.13, a 4.5% increase from 2006. The West, however, had the highest growth rate, at 9.1%. Southern states had the lowest regional employer composite in 2007 at \$464.46.

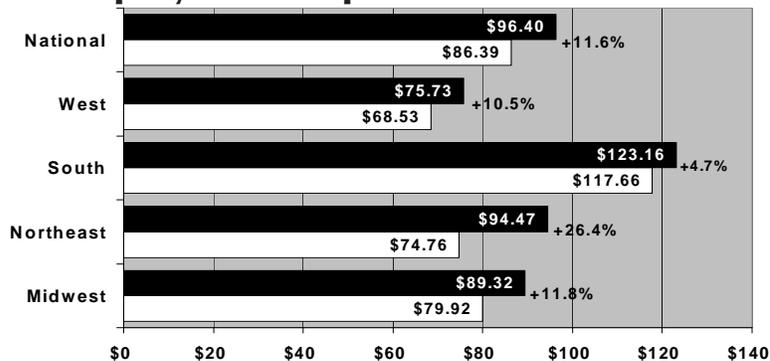
### Regional Total Composite

Putting both employee and employer composites together, the Northeast emerged with the highest total composite in the nation at \$695.60, a 7% increase from 2006. The South continued to post the lowest total composite at \$587.62, up 5% from 2006.

## 2007 & 2006 Regional Composite Averages

2007 Rates 2006 Rates

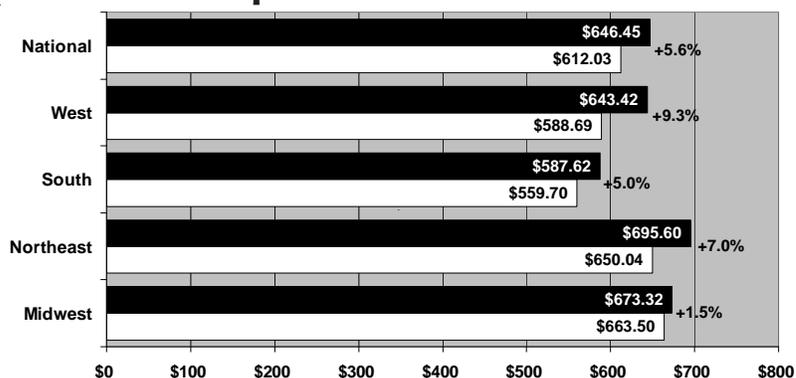
### Employee Composite Rates



### Employer Composite Rates



### Total Composite Rates



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# REGIONAL COMPOSITES

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## West

### 13 States:

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



#### West:

**Employer - \$567.69**  
**Employee - \$75.73**  
**Total - \$643.42**

## Midwest

### 12 States:

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



#### Midwest:

**Employer - \$584.00**  
**Employee - \$89.32**  
**Total - \$673.32**

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The 13-state West region ranked third in terms of total composite rate but first in terms of its rate of growth in 2007. The region's total composite of \$643.42 was up 9.3% from \$588.69 in 2006.

The West's total composite growth was in line with its 5-year trend of 9.9% annually, the highest 5-year total composite growth trend in the nation.

Employers in the West pay the largest share of total composite in the nation at 88.2%. The employer composite of \$567.69 ranked third, yet first in terms of year-to-year growth, as it rose 9.1% in 2007. The employer composite's 5-year annual growth rate of 12.4% also ranked first in the nation. The highest one-year growth during the past 5 years was the 21.4% growth rate observed in 2004.

Employees in the West continued to pay less in premiums than their counterparts in other regions. The region's employee composite of \$75.73 in 2007 was up 10.5% from 2006. The 11.8% employee share of the region's total composite remained the lowest in the nation.

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The Midwest, comprised of 12 states, had the second highest regional total composite rate in 2007, \$673.32. The rate reflects a 1.5% increase from \$663.50 in 2006, ranking last in regional total composite growth rates. The total composite growth rate in 2007 was down from the 5.3% growth rate observed in 2006 and was well below the 5-year trend of 7.5% annually.

Unlike previous years, employers did not absorb a significantly larger share of total composite growth in 2007. The region's employer composite of \$584 was 86.7% of the total composite rate compared to 88% in 2006. The Midwest's employer composite grew only 0.1% in 2007, dropping the region's employer composite 5-year annual growth trend to 7.7%.

As Midwest employees picked up more of the total composite rate, the employee share rose to 13.3% in 2007 from 12% in 2006. The employee composite rate was \$89.32 in 2007, up 11.8% after declining 12.1% in 2006. The employee composite's 5-year trend showed an average annual growth rate of 6.9%.

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# REGIONAL COMPOSITES

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## Northeast

### 11 States:

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



**Northeast:**  
**Employer - \$601.13**  
**Employee - \$94.47**  
**Total - \$695.60**

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The Northeast region is composed of 11 states. The region traditionally has the highest regional composite rate. That trend changed last year when the region ranked second. However, the Northeast has regained its status of posting the largest regional total composite in 2007 at \$695.60. The region's total composite grew 7% in 2007, ranking second among the regions. During the past 5 years, the region's annual total composite growth has averaged 6.4%, the lowest 5-year trend in the nation.

The region's 2007 employer composite was \$601.13, up 4.5% from \$575.28 in 2006. Employers in the Northeast region paid less of the total composite than in previous years. In 2007, employers paid 86.4% of the total composite, compared to a peak of 88.7% in 2004. During the past 5 years, the region's employer composite growth has averaged 6.6% annually, the lowest 5-year employer composite growth trend in the nation.

The Northeast's employee composite of \$94.47 was second highest among the regions and up 26.4% from \$74.76 in 2006. The employee composite has grown an average of 6.1% annually during the past 5 years. Employees contributed 13.6% to the region's total composite rate in 2007, up from 11.5% 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 - \$464.46**  
**Employee - \$123.16**  
**Total - \$587.62**

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The South is composed of 14 states. Typically, the region boasts the lowest regional total composite rate, as was the case in 2007. The South's total composite of \$587.62, up 5% from \$559.70 in 2006, was 10% lower than the national total composite.

Unlike the previous 2 years, the South's 5% total composite growth did not lead regional growth rates. During the past 5 years, the total composite's growth rate averaged 7.8% annually, second in the nation only to the West.

Employers in the South contribute the smallest portion toward total composite than in other regions. The employer composite of \$464.46 was the lowest in the nation and only 79% of the region's total composite. The employer composite grew 5.1% in 2007 and at a 5-year average of 9.4% annually.

The South's employees continued to pay more towards the total composite than their counterparts in other regions. The South posted an employee composite of \$123.16 in 2007, the highest regionally, and 21% of the region's total composite. However, the employee composite's rate of growth was the lowest among regions in 2007, at 4.7%.

During the past 5 years, the region's employee composite has grown an average of 3.1% annually.

# NATIONAL COMPOSITES

## National Employee Composite

The national employee composite rate for 2007 was \$96.40, up 11.6% from \$86.39 in 2006. The growth in the employee composite is the largest since a 15.9% growth rate in 2002. It also reflects an increase in the employee share of the total composite in 2007 (14.9%) after 4 years of declines. In terms of 5-year growth, the employee composite grew an average of 3.1% annually.

## National Employer Composite

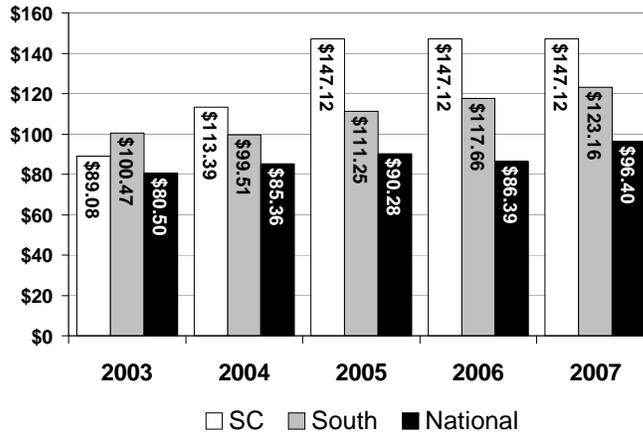
Employers paid 85.1% of the total composite rate in 2007. The employer composite was \$550.06 in 2007, up 4.6% from \$525.64 in 2006, yet below the 5-year trend of 8.9% annually.

## National Total Composite

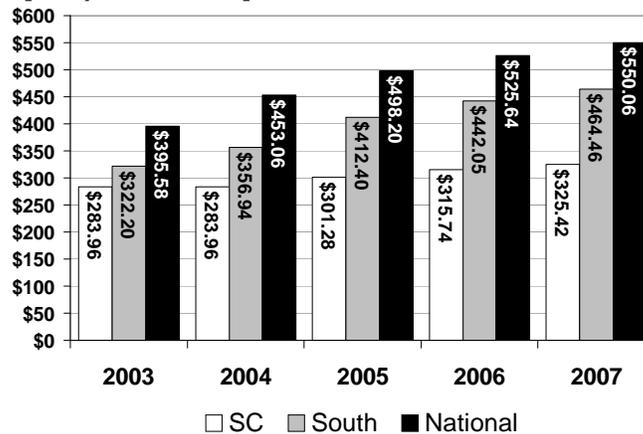
The national total composite rate was \$646.45 in 2007, up 5.6% from \$612.03 in 2006. The growth was less than the 5-year average of 7.9% annually.

## Composite Rate Trends: 2003 - 2007

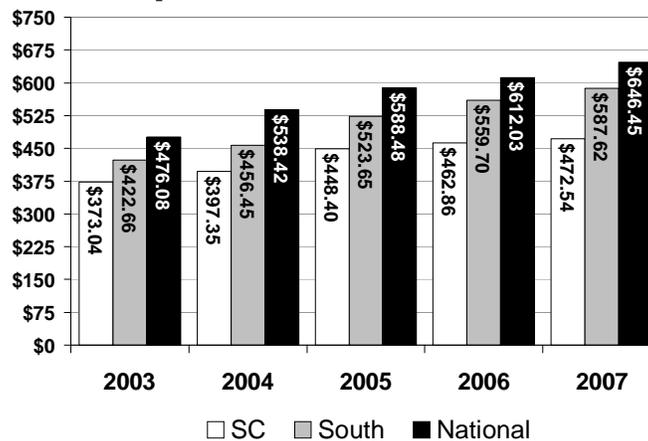
### Employee Composite Rates



### Employer Composite Rates



### Total Composite Rates

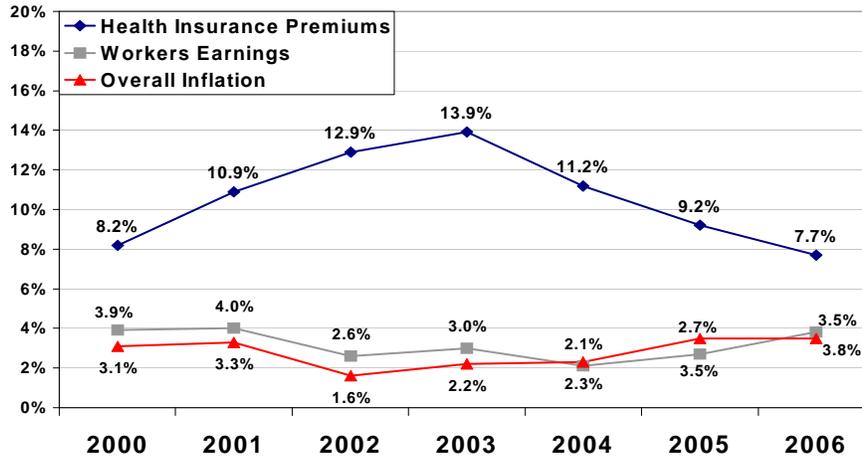


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# ACROSS THE NATION

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## Increases in Health Insurance Premiums Compared to Other Indicators, 2000 - 2006



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000-2006

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

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## ACKNOWLEDGEMENT

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*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.*



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**On the Web at:** [www.eip.sc.gov](http://www.eip.sc.gov)

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