

Employee Insurance Program

- JANUARY 2005 RATES -

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

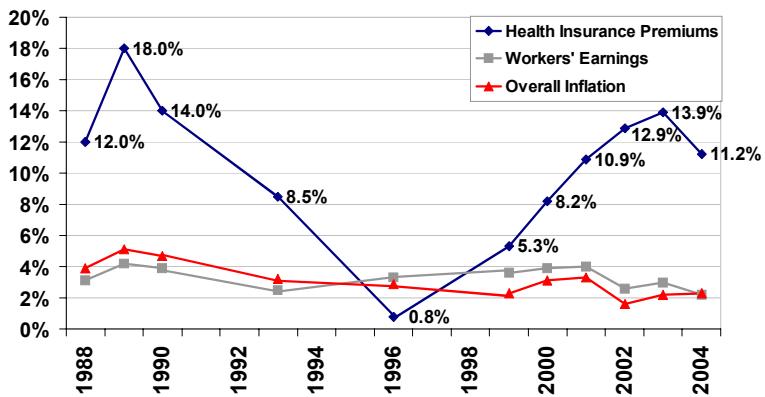
From the Publishers of:



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

NATIONAL TREND

Increases in Health Insurance Premiums Compared to Other Indicators, 1988 - 2004



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003, 2004.
KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

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



*Employee Insurance Program
Research & Statistics Unit*

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2005 PLAN CHANGES

As costs continue to increase, the State Health Plan reviews data and adjusts both plan design and premiums accordingly. Changes also are made to enhance the value of the health care benefits provided under the SHP.

The following are the key changes to the State Health Plan's Standard Plan for the 2005 plan year:

- Health premiums increased for both employees and employers for all levels of coverage. Employers faced per subscriber premium increases ranging from 0.0% to 7.9%, depending on an employee's coverage tier. Employees had premium increases ranging from 25.3% to 34.7%.
- The coinsurance maximum for out-of-network services increased to \$4,000/single and \$8,000/family per year.
- Prescription drug mail service (90-day supply) copays increased to \$25 for generic drugs, \$62 for preferred brands, and \$100 for non-preferred brands.
- The SHP ended coverage for gastric bypass surgery beginning January 1, 2005.

PLAN DESIGN COMPARISON

South Carolina Remains Competitive in Southern Region

Plan design adjustments are a common way to fight cost growth. South Carolina's State Health Plan (SHP) Standard Plan was competitive with the health plans of other state in the region.

Southern states remained close in terms of coinsurance percentages. A majority of the region's other states, 7, use a 80/20 split, with employers paying 80% of allowable charges and employees paying the remaining 20%.

South Carolina's individual deductible was identical to only 1 other state. Nine regional states had a lower individual deductible. In terms of the family deductible, South Carolina's deductible was higher than that of 7 regional states. However, 6 states had a higher family deductible in 2005.

Several states in the South had plan designs similar to South Carolina's in terms of prescription drug copays and deductibles. Like the SHP, 9 other Southern states did not have a prescription drug deductible. However, 7 states had a larger prescription drug

copay maximum than South Carolina. Generic drug copays in 6 states matched that of the SHP, while only 3 states had lower generic copays. Five states had the same preferred brand copay as the SHP, and 5 other states lower copays for these drugs.

Hospital deductibles varied. While South Carolina did not charge an inpatient hospital deductible, 8 of the 14 Southern states had one. In contrast, 12 of the remaining 13 regional states did not have an emergency room deductible, while the SHP had a \$125 deductible.

2005 SOUTH REGION PLAN DESIGN COMPARISON					
Plan Design on January 1, 2005	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 (in-network)					
Individual	\$2,000	2 states	1 state	10 states	
Family	\$4,000	6 states	only S.C.	7 states	
Retail Prescription Drug Copays (31-day supply)					
Generic	\$10	4 states	6 states	3 states	
Preferred Brand	\$25	3 states	5 states	5 states	
Non-Preferred Brand	\$40	5 states	3 states	5 states	
Prescription Drug Copay Max	\$2,500	7 states	2 states	4 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	only S.C.	8 states	
Emergency Room Deductible	\$125	1 state	only S.C.	12 states	
Lifetime Maximum	\$1 million	none	6 states	7 states	

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 2005 coverage levels when comparing the 2005 and previous years rates. As a result, composite rates for previous years will differ slightly to 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 2005, are:

Employee Only (EO) – 56.800%
Employee / Spouse (E/S) – 15.592%
Employee / Children (E/C) – 14.938%
Full Family (FF) – 12.671%

2005 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

- 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

- What will your most populated plan's rates be as of January 1, 2005 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).

- These rates are in effect from _____ to _____.

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

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

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

SOUTH CAROLINA COMPOSITES

The State Health Plan (SHP) has a long history of providing state, local, school district, and other employees with valuable health benefits. The SHP continued its tradition in 2005 by remaining very competitive with other state health plans across the nation.

The SHP's composite rates calculated for 2005 were impacted by premium growth for both employees and employers. Employees saw their monthly premiums increase \$23.96 for *employee only* coverage, \$47.92 for *employee/spouse* coverage, \$35.94 for *employee/children* coverage, and \$59.90 for *full family* coverage for 2005.

Total Composite Rate

The total composite rate is the sum of the employer and employee composites. While the employee and employer composites illustrate how a state distributes health costs, the total composite provides an overall view of the impact plan design changes and other cost containment strategies are having on rising health care costs.

In 2005, the SHP's total composite rose to \$452.36, a 12.8% increase from \$400.93 in 2004. South Carolina's total composite growth rate for 2005 was still lower than the regional total composite's rate of growth of 14.7%. In comparison, the national total composite increased 8.2% in 2005.

2005 STATE HEALTH PLAN STANDARD PLAN PREMIUMS

	<u>Employee</u>	<u>Employer</u>	<u>Total Rate</u>
Employee	\$ 93.46	\$221.58	\$315.04
Employee/Spouse	\$237.50	\$431.60	\$669.10
Employee/Child(ren)	\$142.46	\$312.60	\$455.06
Full Family	\$294.58	\$503.46	\$798.04
Composite Rate	\$148.72	\$ 303.64	\$452.36

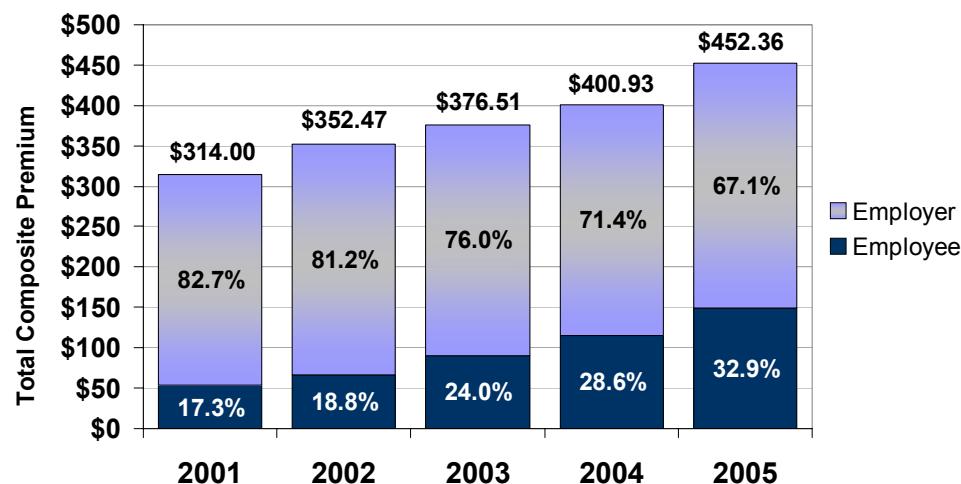
When compared to the national and regional total composite rates, South Carolina's total composite was only 76.9% of the national composite. South Carolina's total composite was lower than that of 43 other states.

South Carolina's total composite was 85.6% of the South region's composite rate, with 11 of the 14 regional states having a higher total composite rate.

During the past 5 years, South Carolina's total composite increases averaged 11.5% per year.

**See SOUTH CAROLINA
on Page 6**

SOUTH CAROLINA EMPLOYEE/EMPLOYER SHARE OF TOTAL COMPOSITE: 2001 - 2005



SOUTH CAROLINA COMPOSITES

South Carolina

Continued from Page 5

Employer Composite Rate

Unlike 2004, when only employee premiums increased, both employees and employers paid more in 2005. South Carolina's employer composite rose to \$303.64, up 6.1% from \$286.25 in 2004. During the past 5 years, employer composite increases averaged 7.4% per year.

Despite the growth, South Carolina's employer composite remained lower than the regional composite in 2005, comprising only 73.1% of the regional employer composite. The employer composite's 6.1% rate of growth was also less than the regional employer composite growth rate of 15.5%. Regionally, 11 of 14 states had a higher employer composite than South Carolina.

South Carolina's employer composite remained lower than the national employer composite

average, comprising only 60.9% of the national employer composite. The national employer composite growth rate of 9.1% also was higher than that South Carolina's. A total of 44 states had a higher employer composite rate than South Carolina.

HOW SOUTH CAROLINA COMPARES IN 2005

SHP Composite Total Rate

43 of 50 States Have Higher Rate
11 of 14 Regional States Have Higher Rate

SHP Composite Employer Contribution Rate

44 of 50 States Have Higher Rate
11 of 14 Regional States Have Higher Rate

SHP Composite Employee Contribution Rate

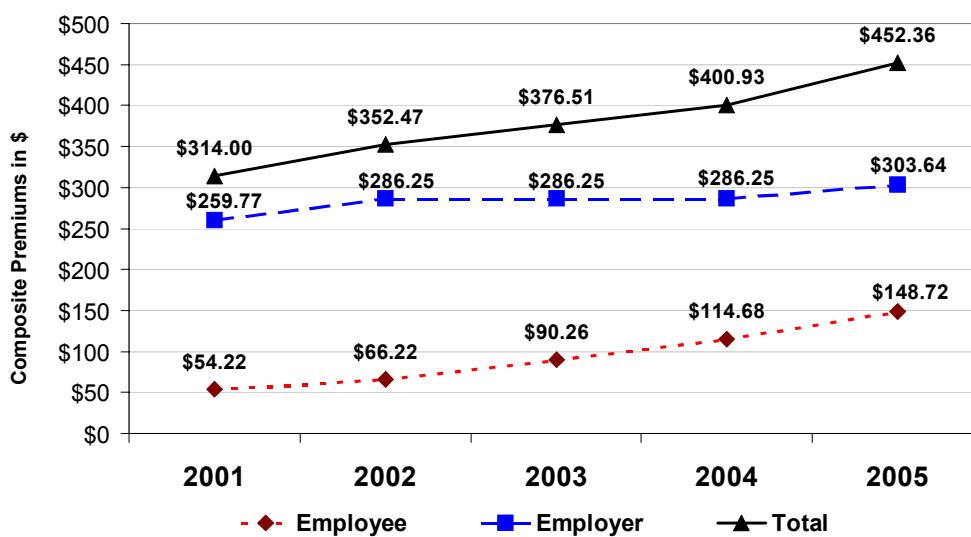
6 of 50 States Have Higher Rate
2 of 14 Regional States Have Higher Rate

Employee Composite Rate

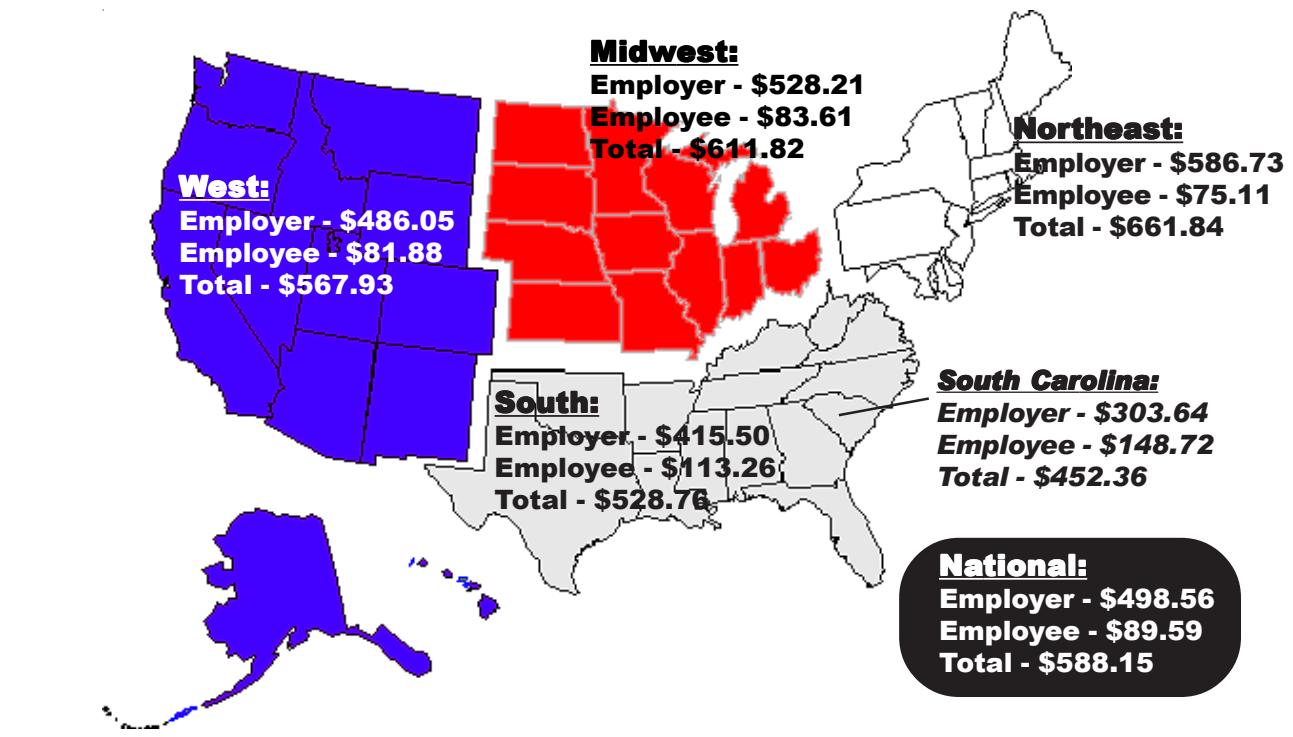
As a result of premium growth, the state's employee composite rate rose 29.7%, from \$114.68 in 2004 to \$148.72 in 2005. In the South, 2 of the 14 regional states had a higher employee composite rate. Nationally, 6 states posted a higher employee composite rate.

During the past 5 years, South Carolina's employee composite grew an average 25.1% per year.

SOUTH CAROLINA PREMIUM COMPOSITE RATES: 2001 - 2005



REGIONAL COMPOSITES

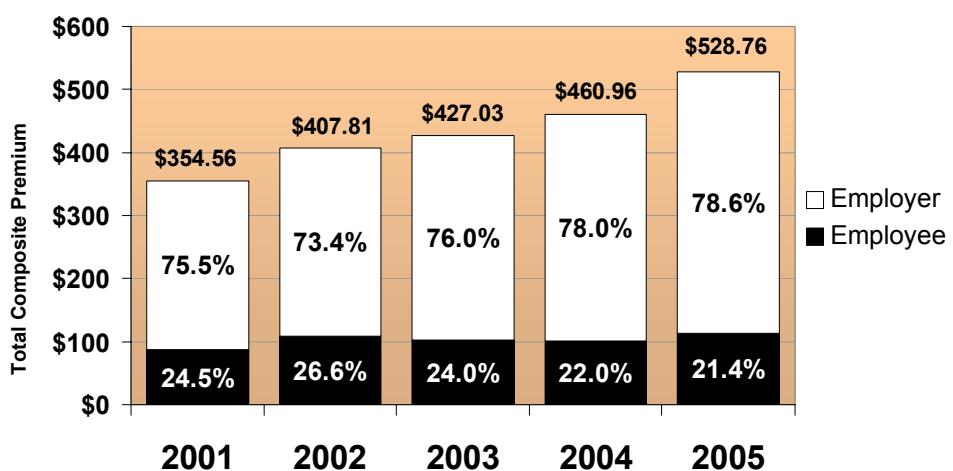


State governments across our nation provide health benefits for their employees, retirees, and eligible dependents. While these benefits are helpful in attracting and maintaining a quality workforce, their costs continue to grow.

According to the data, these costs tend to vary across the nation. To further review plan premiums, we divided the nation into

See REGIONAL
on Page 8

SOUTHERN REGION EMPLOYEE/EMPLOYER SHARE OF TOTAL COMPOSITE: 2001 - 2005



REGIONAL COMPOSITES

Regional

Continued from Page 7

four regions: Northeast, South, Midwest, and West.

Regional Total Composite

Regional total composite rates differed across the nation. As was the case in 2004, the South had the lowest regional total composite in 2005 at \$528.76. In contrast, the Northeast's total composite of \$661.84 was the highest in the nation.

An interesting trend to track is regional total composite growth. While the South had the lowest total composite, its rate of increase topped the nation at 14.7%.

The Midwest had the lowest total composite growth rate at 0.9% in 2005. The Midwest's total composite of \$611.81 ranked second highest.

The 5-year regional total composite annual growth rate trend showed the Northeast region's growth rate, 8.7%, is the lowest of the regions. The highest growth rate was in the South, 9.6%.

2005 & 2004 REGIONAL COMPOSITE AVERAGES

2005 Rates

2004 Rates

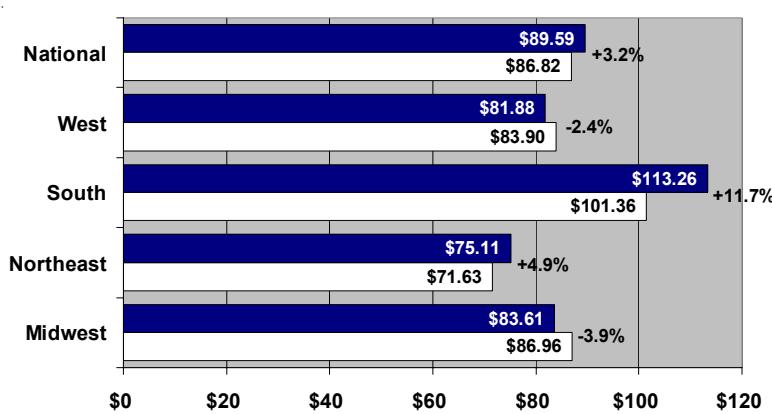
Total Composite Rates



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 -	\$486.05
Employee -	\$81.88
Total -	\$567.93

MIDWEST

12 States:

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



Midwest:

Employer -	\$528.21
Employee -	\$83.61
Total -	\$611.82

The 13 states in the West ranked third in terms of regional total composite premium with a composite of \$567.92 in 2005. The West's total composite reflected a 9.5% increase from \$518.61 in 2004. The West was second in total composite growth rate among the 4 regions.

The West's total composite 5-year growth rate was 9.4%. During this time, the largest single year total composite growth rate was in the West, 18.6% in 2004.

As health plan premiums have increased, the West's employers have paid more of the increase. Their 2005 employer composite of \$498.56 ranked third nationally. However, in terms of growth percentage, the West's employer composite had the second largest growth rate in 2005, 11.8%. It ranked first in growth rates over the past 5 years with a 10.9% average increase per year.

As employers paid more in 2005, the West's employee composite, \$81.88, actually declined 2.4% from 2004. The drop is indicative of the declining share of the West's total composite premium paid by employees. In 2002, the West's employee composite was 21.1% of the total composite. Now, that share is only 14.4%.

During the past 5 years, the West's employee composite increased an average 2.7% per year, the lowest 5-year employee composite growth trend in the nation.

The Midwest region had the second highest total composite in the nation, \$611.82. This represents only a 0.9% increase from 2004. What makes the Midwest's growth rate of less than 1% interesting is that the region had double-digit total composite growth rates each of the previous 3 years. During the past 5 years, the Midwest's total composite increased an average 9.5% per year, the second highest in the nation.

The Midwest's employer composite, \$528.81, was the second highest in the nation. Midwest employers saw their share of the total composite premium increase to 86.3% in 2005. The 1.8% growth in the region's employer composite in 2005 was still considerably less growth than in the previous 5 years when annual double-digit increases were the norm. During the past 5 years, the employer composite increased an average 10.1% per year.

Employees in the Midwest had a decrease in regional employee composite rate in 2005. The employee composite, \$83.61, was 3.9% less than in 2004. It was the largest decline in regional employee composites in the nation.

Employers paid more of total premiums in 2005. This is a reversal of the previous 4 years during which the Midwest's employee composite had increases ranging from 1.5% to a high of 14.5%. The employee composite increased an average 6.6% per year the past 5 years.

REGIONAL COMPOSITES

NORTHEAST

11 States:

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



Northeast:

Employer -	\$586.73
Employee -	\$75.11
Total -	\$661.84

SOUTH

14 States:

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



South:

Employer -	\$415.50
Employee -	\$113.26
Total -	\$528.76

The 11-state Northeast region posted the largest total composite rate in the nation, \$661.84 in 2005. The Northeast continued to lead the nation in total composite premiums as it has since this survey was first conducted in 1998. The total composite increased 8.4% from \$610.36 in 2004.

While leading in total composite premiums, the Northeast's total composite rate grew an average 8.7% per year during the past 5 years which was the lowest 5-year regional trend observed.

Employers in the Northeast typically pay a greater share of health premiums than employees. In 2005, the Northeast's employer composite, \$586.73, was the largest nationally and made up 88.7% of the region's total composite rate.

Like the total composite, the region's employer composite's 5-year rate of growth average of 9.2% per year was the lowest regional 5-year trend. The employer composite rate increased 8.9% in 2005.

Employees in the Northeast on average paid less for health premiums than those of other regions in 2005. The Northeast's employee composite was \$75.11, up 4.9% from \$71.63 in 2004. The region's 5-year employee composite growth trend was 5.6% annually.

In 2005, the 14-state South region once again had the lowest total composite premium in the nation, \$528.76. However, the South's total composite rate still increased faster than in other regions. The South's total composite grew 14.7%, the only double-digit regional total composite rate growth in 2005. In contrast, the South was the only region without a double-digit growth in 2004. During the past 5 years, the South's total composite grew an average 9.6% per year, which led the nation. Total composite premium growth left employers in the South paying 15.5% more for the employer composite premium in 2005. The South's 2005 employer composite, \$415.50, was 78.6% of the total composite. It also was the lowest regional employer composite in the nation in 2005.

While employers in the South had the largest growth rate in the nation, their 5-year growth trend, an average 10.9% per year, was right in line with what was observed across the nation.

Employees in the South saw the region's employee composite rate rise 11.7% to \$113.26 in 2005. In general, employees in the South shared a larger portion of the total composite rate than those in other regions. The South's employees paid 21.4% of the total composite rate, compared to the national employee average share of 15.2%.

NATIONAL COMPOSITES

The national total composite increased again in 2005, up 8.2% to \$588.15. The growth was less than the 13.1% growth recorded for 2004 and less than the 5-year growth average of 9.2% per year.

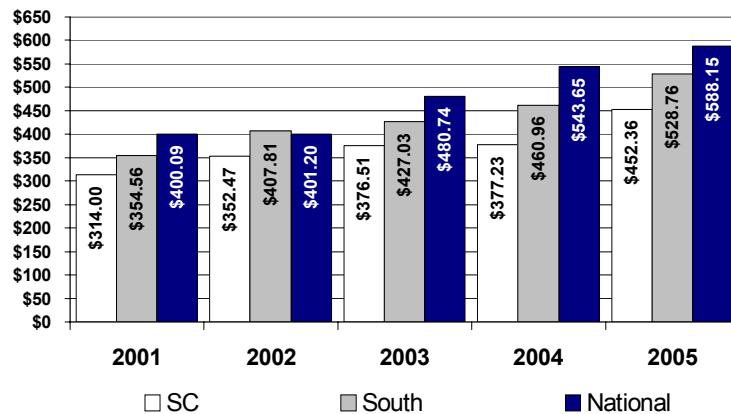
As the total composite continues its rise, employers continue to pay more of it. The employer composite rose 9.1% in 2005 to \$498.56. Employers continued the trend of paying a larger share of costs in 2005 as employers paid 84.8% of the total composite rate. During the past 5 years, the employer composite increased an average 10.2% per year.

The employee composite grew 3.2% in 2005 to \$89.59. The slower growth fueled the trend observed for four years now as employees paid less of the total composite rate. In contrast to employers, the employee composite's growth rate during the past 5 years has averaged 5.0% per year, less than half that observed for employers.

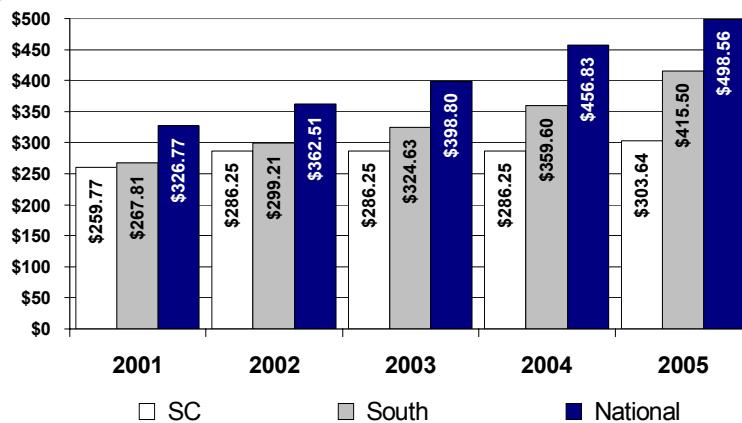
As rates continued to climb, employers have been absorbing a greater share of premium growth than employees. Consequently, many employers have been forced to make benefit reductions to offset these premium and other plan costs.

COMPOSITE RATE TRENDS: 2001 - 2005

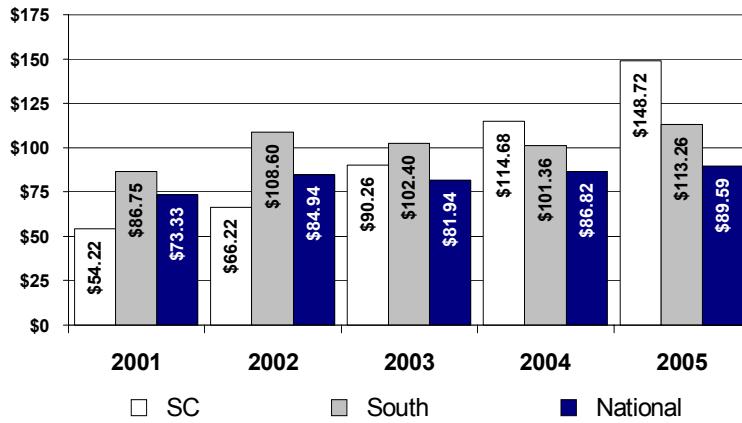
Total Composite Rates



Employer Composite Rates



Employee Composite Rates



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

2005 EDITION

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