



2003 MEDICAL INSURANCE RATES AND PLANS

Plans	Carrier Premium Rates	State Contribution	Sub-Total Employee Cost	Self-Funding Assessment	State Administration Fee	Total Employee Cost
Anthem Liberty EPO (new plan)						
Employee	\$ 294.38	\$ 147.86	\$ 146.52	\$ 10.00	\$ 2.90	\$ 159.42
Employee +1	\$ 514.18	\$ 220.90	\$ 293.28	\$ 10.00	\$ 2.90	\$ 306.18
Employee +2	\$ 772.62	\$ 310.62	\$ 462.00	\$ 10.00	\$ 2.90	\$ 474.90
Anthem Centennial PPO						
Employee	\$ 221.00	\$ 147.86	\$ 73.14	\$ 10.00	\$ 2.90	\$ 86.04
Employee +1	\$ 386.04	\$ 220.90	\$ 165.14	\$ 10.00	\$ 2.90	\$ 178.04
Employee +2	\$ 580.06	\$ 310.62	\$ 269.44	\$ 10.00	\$ 2.90	\$ 282.34
Kaiser HMO						
Employee	\$ 230.10	\$ 147.86	\$ 82.24	\$ 10.00	\$ 2.90	\$ 95.14
Employee +1	\$ 437.18	\$ 220.90	\$ 216.28	\$ 10.00	\$ 2.90	\$ 229.18
Employee +2	\$ 678.78	\$ 310.62	\$ 368.16	\$ 10.00	\$ 2.90	\$ 381.06
San Luis Valley HMO						
Employee	\$ 251.82	\$ 147.86	\$ 103.96	\$ 10.00	\$ 2.90	\$ 116.86
Employee +1	\$ 503.64	\$ 220.90	\$ 282.74	\$ 10.00	\$ 2.90	\$ 295.64
Employee +2	\$ 698.62	\$ 310.62	\$ 388.00	\$ 10.00	\$ 2.90	\$ 400.90
PacificCare HMO						
Employee	\$ 311.22	\$ 147.86	\$ 163.36	\$ 10.00	\$ 2.90	\$ 176.26
Employee +1	\$ 622.44	\$ 220.90	\$ 401.54	\$ 10.00	\$ 2.90	\$ 414.44
Employee +2	\$ 887.00	\$ 310.62	\$ 576.38	\$ 10.00	\$ 2.90	\$ 589.28
Rocky Mountain Health Plans HMO						
Employee	\$ 341.98	\$ 147.86	\$ 194.12	\$ 10.00	\$ 2.90	\$ 207.02
Employee +1	\$ 683.96	\$ 220.90	\$ 463.06	\$ 10.00	\$ 2.90	\$ 475.96
Employee +2	\$ 906.24	\$ 310.62	\$ 595.62	\$ 10.00	\$ 2.90	\$ 608.52

The table above details the costs of the 2003 medical insurance plans. Total Employee Cost (monthly premium) equals Carrier Premium Rates minus the State Contribution, plus the Self-Funding Assessment plus the State Administration Fee. Rates have gone up, but certainly not as much as they would have without the plan design changes for the 2003 plan year. A table that shows how much more premiums would have been without these changes is on page 5.

Tables that summarize basic benefits - annual deductibles, annual out of pocket maximums, routine office visits, inpatient hospital and prescription drugs for each plan appear inside on pages 3 and 4. The benefits shown in the table are subject to provisions of the policy, which contains all terms, covenants and conditions of coverage. Additional plan benefits will be included with

other Open Enrollment materials being mailed to all employees in early October.

The 2003 rates and plans reflect the current health care crisis, a crisis that insurance experts and carriers believe will continue for several years to come. Although this is not good news, the Department of Personnel and Administration (DPA) is committed to addressing the challenge and to communicating even the most difficult issues directly, openly and honestly to all employees.

To emphasize the importance of this commitment, DPA benefits professionals have put together answers to the most frequently asked questions posed by employees at recent Town Hall Meetings and other important questions about the 2003 rates and plans. The "Questions and Answers" article begins on page 3.



WHY ARE INSURANCE RATES SO HIGH?

BY TROY A. EID
EXECUTIVE DIRECTOR, DPA

Why is health insurance coverage so expensive for state employees?

This is the question I am most frequently asked as I travel throughout Colorado meeting with our fellow state employees. In fact, since Governor Owens appointed me to lead the Department of Personnel and Administration (DPA) a year ago, I've met personally with more than 5,000 state employees in more than 40 insurance-reform "town hall" meetings in every region of the State, and responded to e-mail messages from at least 5,000 more. Everywhere I go, the rising cost of health insurance is on people's minds.

Despite high utilization and an aging workforce, the negotiated rate increases are similar to - and in some cases, lower than - those of comparably sized public and private sector employers throughout Colorado. This is because the State's insurance contract negotiators, led by DPA's Jeff Schutt, are among the best in the business. In fact, Jeff was honored earlier this year by the National Association of State Personnel Executives as the best Human Resources director of any state government in the entire United States.

So where's the problem?

The problem, in a nutshell, is that the State of Colorado pays only about one-half of the cost of health insurance coverage for its employees. Surveys show that comparable Colorado employers, in both the public and private sectors, pay between 75 and 80 percent of the total cost of their employees' health insurance. In contrast, the State of Colorado pays only about 45 percent of the cost of its employees' health insurance coverage.

Why doesn't the State simply spend more money on employees' insurance?

The reason is that legally, we can't.

Here in Colorado, unlike many other states, the Colorado General Assembly (the Legislature) has passed a law that strictly limits the amount of money that the state can spend on its employees' health insurance coverage. Unless the Legislature passes a new law, the amount of money the State pays for our insurance never increases with the cost of insurance. Instead, the amount of money we receive each year for our insurance remains fixed in statute - that is, frozen in law.

What's more, this means that the effective rates we pay for insurance coverage - the dollars that come out of our own pockets instead of from our employer - are rising faster than the overall insurance rates that the carriers are charging the State. Every time rates go up, an even bigger portion of the money comes from us because our

employer is still paying approximately what it paid for our insurance in years past.

What can be done?

Earlier this year, Governor Owens and I proposed the single largest increase to employees' insurance coverage in modern state history - an 8 percent increase in the State's contribution to insurance premiums for 2003. Unfortunately, the Legislature's Joint Budget Committee (JBC), which writes the State's budget, funded only about half of our request.

This year, the Governor and I are again calling for increased spending on the state's insurance coverage for employees. We need your help. On our own, the Governor and I can only propose that the Legislature make this issue a higher priority in the State budget. The final decision rests with the state lawmakers, including your elected State Senator and Representative. If this is an issue that matters to you, please consider taking a moment to contact them.

In the meantime, DPA is continuing to press for insurance reform and has taken our message to the road in our STATE OF THE STATE WORKFORCE town hall meeting series for state employees. Increasing spending on the State insurance coverage is not the only answer but just one topic of discussion. This is why I urge you to please watch for and attend a meeting near you. I look forward to meeting you personally. Thanks for what you are doing for Colorado. I know times are tough, but together we can make a positive difference. You can e-mail me directly at troy.eid@state.co.us.

**OPEN ENROLLMENT MATERIALS
WILL BE MAILED TO ALL
EMPLOYEES' HOMES IN
EARLY OCTOBER. EVERY
EMPLOYEE MUST ENROLL IN A
PLAN TO CONTINUE COVERAGE.**

For more information about 2003 plans and rates, open enrollment or any other benefits concerns, contact your department's benefits administrator or call the Benefits Hotline at:

303-866-3434

or

1 800-719-3434

Health Insurance Questions & Answers

Q: What is an EPO (the Anthem Liberty EPO is new for 2003)?

A: An EPO is an Exclusive Provider Organization that is similar to an HMO in that it incorporates co-payments and does not provide any coverage for out of network providers.

Q: Why are the AETNA and CIGNA plans no longer available to state employees?

A: Aetna informed the State that they could not sustain the heavy financial losses that began in 2001 and continued into 2002. Therefore, they declined to renew their plan for the 2003 plan year.

CIGNA responded to the State's rate renewal letter that they would only continue to contract with the State with unblended rates for Pueblo County - in other words charge a higher premium to Pueblo County than is charged to the other counties in which CIGNA is offered. DPA has committed to State employees that it will not

allow a carrier to charge more to some State employees than they charge other State employees. Therefore, the State will not offer CIGNA in 2003.

Q: What does annual maximum out of pocket mean?

A: It means the maximum amount of money a person will pay annually in addition to premium payments. An out of pocket payment can include deductibles, co-insurance and co-payments.

Q: What is a formulary or preferred drug list?

A: A formulary/preferred drug list identifies drugs a physician may wish to consider when deciding which drug to prescribe. Prescribing drugs from the preferred list will allow the patient to pay a lower co-payment than drugs that are not on the formulary.

Q: What is a "tiered" formulary?

A: Many plans include a tiered formulary to help minimize members' out of pocket expenses and encourage the use of generics when appropriate. With tiered formularies your co-payment amounts will vary depending upon whether a generic or brand name drug is prescribed.

Q: These "plan redesigns" really mean higher co-payments or deductibles and reduced benefits. Why do I keep paying more for less?

A: One of the major components of the State's health care increases is utilization, the number of times each of us goes to the doctor, gets a prescription, and/or receives a specific medical procedure. There are very few ways to reduce the overall premium increases of fully insured health plans in the current marketplace. One way of reducing the 22 - 78% increases that the State and its employees faced during the rate renewal process was to redesign plans. Without these plan redesigns rates would be much higher (see table on page 5).

2003 EPO/PPO Plans		
SUMMARY OF BENEFITS	Anthem Liberty EPO (No out of network coverage available)	Anthem Centennial PPO
Annual Deductible (Ded.) a) Individual b) Family	a) No deductibles b) No deductibles	a) \$2,000 In Network \$4,000 Out of Network b) \$4,000 In Network \$8,000 Out of Network
Annual Out of Pocket Maximum a) Individual b) Family	a) \$2,000 + copays b) \$6,000 aggregate + copays	a) \$5,000 + Ded. In Network \$10,000 + Ded. Out of Network b) \$10,000 + Ded. In Network \$10,000 + Ded. Out of Network
Routine Office Visits a) PCP b) Specialist	100% after \$50 per office visit copay (including preventive care)	80% after Ded. - In Network 60% after Ded. - Out of Network (preventive care for children to age 13 not subject to Ded.)
Inpatient Hospital	\$400 copay per day for the first five days then 100% until discharge (including maternity)	80% after Ded. - In Network 60% after Ded. - Out of Network (including maternity)
Prescription Drugs a) Inpatient Care b) Outpatient Care c) Prescription Mail Service	a) Included with inpatient hospital copayment b) Tier 1- \$15 generic formulary Tier 2- \$40 brand formulary Tier 3- \$60 non-formulary Tier 4- 30% self-administered injectibles Per prescription up to 34 day supply; self-injectibles maximum coinsurance per prescription is \$250 c) Tier 1- \$30 generic formulary Tier 2- \$100 brand formulary Tier 3- \$120 non-formulary Tier 4- 30% self-administered injectibles Per prescription up to 90 day supply; self-injectibles maximum coinsurance per prescription is \$500	a) 80% after Ded. - In Network 60% after Ded. - Out of Network b) Tier 1- \$15 generic formulary Tier 2- \$40 brand formulary Tier 3- \$60 non-formulary Tier 4- 30% self-administered injectibles Up to 34 day supply, and self-injectibles maximum coinsurance is \$250 per prescription; not covered out of network c) Tier 1- \$30 generic formulary Tier 2- \$100 brand formulary Tier 3- \$120 non-formulary Tier 4- 30% self-administered injectibles Up to 90 day supply, and self-injectibles maximum coinsurance is \$500 per prescription; not covered out of network

See "Q&A" page 4

2003 HMO Plans				
SUMMARY OF BENEFITS	Kaiser	San Luis Valley	PacifiCare	Rocky Mountain Health Plans
Annual Deductible (Ded.) a) Individual b) Family	a) No deductibles b) No deductibles	a) No deductibles b) No deductibles	a) No deductibles b) No deductibles	a) \$2,000 b) \$6,000 All services are subject to the deductible unless otherwise noted.
Annual Out of Pocket Maximum a) Individual b) Family	a) \$3,000 b) \$6,000	a) & b) 2 times annual premium	a) \$2,500 b) \$5,000	a) \$3,000 b) \$6,000 Deductibles shall not be applied to satisfy the out of pocket maximum. All copays do apply unless otherwise noted.
Routine Office Visits a) PCP b) Specialist	a) \$30 PCP/\$15 Preventive b) \$50 Specialist	a) \$30 PCP b) \$50 Specialist (including preventive care)	a) \$30 PCP b) \$50 Specialist (including preventive care)	a) \$25 per PCP visit copay, not subject to Ded. b) \$50 per participating physician visit
Inpatient Hospital	\$1,000 per admission copay (including maternity)	\$250 copay per day; \$1,000 maximum per admission (including maternity)	\$250 copay per day; \$1,000 maximum per admission (including maternity)	\$750 copay per day up to 4 days (including maternity)
Prescription Drugs a) Inpatient Care b) Outpatient Care c) Prescription Mail Service	a) Included in inpatient hospital copay b) Denver: \$15 copay Generic \$40 copay Brand Name For up to a 60 Day Supply Colorado Springs: \$15 copay Generic \$40 copay Brand Name For up to a 60 Day Supply	a) Included in inpatient hospital copay b) \$15 copay generic drug \$40 copay formulary brand name, formulary brand name where generic available \$60 copay non-formulary brand name where generic is available Prescriptions are filled at the lesser of a 30 day supply or 100 unit dose c) Two (2) copays required for 90 day supply through mail order	a) Included in inpatient hospital copay b) \$15 copay formulary generic \$40 copay formulary brand name \$60 copay non-formulary c) Two (2) copays for 90 day supply of formulary maintenance drugs available by mail order	a) Included in inpatient hospital copay b) Outpatient insulin \$10 copay for generic; members pay full price for brand names; self-injectables (except insulin) covered as basic medical benefit, subject to 20% coinsurance; not subject to deductible. Coinsurance does not apply toward deductible or out of pocket maximum.

“Q&A” from page 3

Q: What can I do if I simply cannot afford any of these plans?

A: The DPA Benefits Unit has gathered a list of options for uninsured State of Colorado employees and dependents. Please consult your department's benefits administrator for more information about these options.

Q: I've seen lots of advertisements about good individual health plans with lower premiums. What about individual health care coverage?

A: Individual health plans are a viable option for many individuals, particularly those who are self-employed. However, when considering your health insurance options, it is very important to familiarize yourself with all aspects of the plan. Often plans with lower premiums have extremely high deductibles and require additional payments for benefits not included in the base plan. Not all plans include coverage for emergency care, ambulance service, pregnancy, long-term care, and more. Individual coverage requires an initial health risk assessment, which could result in the denial of coverage or an exception for pre-existing conditions. Be sure to consider all these factors to help ensure that an individual health plan can meet the needs of you and your family.

Q: What is the \$10 Self-Funding Assessment?

A: The self-funding assessment will help enable the State as an employer to return to self-funding medical insurance plans for its employees. As DPA Executive Director Troy Eid has said at town hall meetings, the assessment will make it happen "sooner rather than later." While some may not agree with this choice or the assessment itself, DPA has made the decision to do something, and not simply sit and watch rates skyrocket year after year.

Q: How will self funding help costs?

A: Self-funding alone may not reduce future premiums, but it may help the State control future premium increases by potentially reducing overhead or administrative costs currently charged for fully insured plans. Self-insuring will also enable the State to design more innovative plans that can be offered statewide, as opposed to fully insured programs that may only be licensed to do business in certain counties.

Q: Who has to pay the assessment?

A: Those employees who are enrolled in the State's medical insurance plans starting January 1, 2003, will have \$10 per month added to their portion of the premium to help return the state to self-funding.

See “Q&A” page 5

PLAN DESIGN CHANGES

HELP CONTROL RISING PREMIUM COSTS

The chart to the right shows the savings brought about with this year's plan design changes. While actual percent amounts and employee cost savings vary with each plan and within each plan, the DPA benefits unit did help control premium costs in all plans.

This goal was achieved by shifting more of the actual cost to point of service - co-payments, co-insurances and deductibles. Not everyone will agree with these changes, this "trade-off." However, this "trade-off" attempts to create an acceptable balance while holding down monthly premiums.

Without these changes the State faced increases from 22% to 78% and employees would have seen 43% to 172% increases in their total costs. The changes saved employees from \$10 a month for individual coverage to over \$500 a month for family coverage.

Plans	Total Premium Rate % Increase		Premium Rate % Increase to Employees		Employee Cost	
	Without Design Changes	With Design Changes	Without Design Changes	With Design Changes	Without Design Changes	With Design Changes
Anthem EPO						
Employee	New Plan	New Plan	New Plan	New Plan	New Plan	\$ 159.42
Employee + 1						\$ 306.18
Employee +2						\$ 474.90
Anthem PPO						
Employee	28%	22%	172%	142%	\$ 96.80	\$ 86.04
Employee +1	28%	22%	102%	83%	\$ 196.84	\$ 178.04
Employee +2	28%	22%	87%	70%	\$ 310.58	\$ 282.34
Kaiser HMO						
Employee	22%	0.74%	71%	14%	\$ 142.84	\$ 95.14
Employee +1	22%	0.74%	48%	6%	\$ 319.78	\$ 229.18
Employee +2	22%	0.74%	43%	4%	\$ 521.72	\$ 381.06
SLV HMO						
Employee	22%	10%	73%	39%	\$ 145.34	\$ 116.86
Employee +1	22%	10%	47%	23%	\$ 352.58	\$ 295.64
Employee +2	22%	10%	45%	22%	\$ 473.54	\$ 400.90
PacifiCare HMO						
Employee	32%	17%	80%	47%	\$ 215.77	\$ 176.26
Employee +1	32%	17%	58%	33%	\$ 493.45	\$ 414.44
Employee +2	32%	17%	57%	32%	\$ 701.86	\$ 589.28
RMHP HMO						
Employee	78%	12%	156%	29%	\$ 409.94	\$ 207.02
Employee +1	78%	12%	125%	21%	\$ 881.78	\$ 475.96
Employee +2	78%	12%	130%	21%	\$ 1,152.26	\$ 608.52

"Q&A" from page 4

Q: Why do I have to pay if I'm retiring in the next few years?

A: All employees have the ability to enroll or not enroll in one of the State's medical insurance plans each year. Any employee or his or her dependents could have a large number of claims in one year and then leave the plan. The increased premium caused by increased utilization is borne by those that remain in the plan. We have no way of knowing how many employees will be in the plan from one year to the next. The pool of dollars that will be collected will allow all benefit eligible employees to participate in the self-funded program, not just those who have paid into it. Though this may not seem fair, it is the only way to collect a pool of dollars that will help return the State to self-funding.

Q: Then why aren't all benefit eligible employees being required to pay this \$10 assessment instead of only those that are currently enrolled?

A: We are in the process of reviewing our ability to charge all benefit eligible employees. Depending upon

the results of this review, the State may look to legislative action to require this assessment to be paid by all benefit eligible employees.

Q: How can you ensure that the money will only be used for self-funding?

A: The State is reviewing legislative action to protect the money collected through the monthly self-funding assessment. Such action may help assure that this money is expressly used to finance a self-funded medical plan.

Q: What is the \$2.90 State Administration Fee?

A: Both the State's Employee Benefits Unit and the Colorado State Employees Assistance Program (CSEAP) are cash funded. Both of these programs' funding is charged to employees who are enrolled in the State's medical plans to cover their administrative budgets. Just as the Division of Parks and Recreation or the Division of Motor Vehicles is cash funded and collects fees through licenses, so too are the State's Employee Benefits Unit and CSEAP.