



## 2005 MEDICAL & DENTAL RATES AND PLANS: SHORT PLAN-YEAR AS STATE MOVES TO FISCAL YEAR BENEFITS CYCLE JULY 1, 2005

The table shows the monthly premiums of the 2005 medical and dental plans. Total Employee Cost equals Carrier Premium Rates minus the State Contribution, plus the State Administration Fee. **Rates are for a six-month transition plan year from January 1, 2005 to June 30, 2005.** On July 1, 2005 the state is moving its group benefit plans to a fiscal year cycle to better align with the budget process and the other elements of total compensation.

Understandably, the transition to a fiscal year cycle raises questions about the upcoming open enrollment and what will happen in the spring. DPA and the Employee Benefits Unit have worked hard to create a smooth transition. Plan designs for the six-month plan year have, in most instances, maintained a full year's benefits while reducing deductibles and out-of-pocket maximums by half. A comprehensive Q & A article on the following page details the changes for January 1, 2005 and the short plan-year, and addresses how the fiscal year change may affect your fall choices, the key issues around the upcoming online open enrollment, and the anticipated concerns about the the fiscal year change and ongoing benefits for state employees.

Detailed benefit plan descriptions, comparative rates and plans, and additional Open Enrollment materials for the fall 2004 online open enrollment will be posted in early October on the Benefits website [www.colorado.gov/dpa/dhr](http://www.colorado.gov/dpa/dhr) and available for employees to review, print or download in preparation for this year's online open enrollment. Employees will also receive a detailed online open enrollment instruction letter about a week before open enrollment. DPA remains committed to a paperless, online open enrollment process for greater efficiency and to help with the current budget challenges.

### 2005 SHORT PLAN-YEAR MEDICAL RATES

Plans	Carrier Premium Rates	State Contribution	Subtotal Employee Cost	State Administration Fee	Total Employee Cost
<b>Anthem Liberty EPO</b>					
Employee	\$ 343.06	\$ 178.06	\$ 165.00	\$ 3.30	\$ 168.30
Employee +1	\$ 686.08	\$ 303.50	\$ 382.58	\$ 3.30	\$ 385.88
Family	\$ 960.50	\$ 420.02	\$ 540.48	\$ 3.30	\$ 543.78
<b>Anthem Centennial PPO</b>					
Employee	\$ 218.94	\$ 178.06	\$ 40.88	\$ 3.30	\$ 44.18
Employee +1	\$ 437.90	\$ 303.50	\$ 134.40	\$ 3.30	\$ 137.70
Family	\$ 613.08	\$ 420.02	\$ 193.06	\$ 3.30	\$ 196.36
<b>Kaiser HMO</b>					
Employee	\$ 258.06	\$ 178.06	\$ 80.00	\$ 3.30	\$ 83.30
Employee +1	\$ 516.16	\$ 303.50	\$ 212.66	\$ 3.30	\$ 215.96
Family	\$ 722.64	\$ 420.02	\$ 302.62	\$ 3.30	\$ 305.92
<b>San Luis Valley HMO</b>					
Employee	\$ 261.86	\$ 178.06	\$ 83.80	\$ 3.30	\$ 87.10
Employee +1	\$ 523.68	\$ 303.50	\$ 220.18	\$ 3.30	\$ 223.48
Family	\$ 733.46	\$ 420.02	\$ 313.44	\$ 3.30	\$ 316.74

### 2005 SHORT PLAN-YEAR DENTAL RATES

Plans	Carrier Premium Rates	State Contribution	Total Employee Cost
<b>Delta Dental Basic Plan</b>			
Employee	\$16.26	\$16.26	\$0.00
Employee +1	\$36.92	\$16.26	\$20.66
Family	\$58.00	\$16.26	\$41.74
<b>Delta Dental Basic Plus Plan</b>			
Employee	\$24.34	\$16.26	\$8.08
Employee +1	\$53.90	\$16.26	\$37.64
Family	\$100.48	\$16.26	\$84.22

# 2005 SHORT PLAN-YEAR & OPEN ENROLLMENT Q & A

## **Is there any good news to report for 2005?**

Yes. The Legislature funded an \$8 million increase in the State contributions to the 2005 group benefit plans. These employer contribution increases to health, life and dental, combined with negotiated renewals at less than the anticipated industry trend rates, have resulted in a reduction in employee costs for every medical plan and tier. Also, the basic life insurance benefit for all eligible employees will go up from \$12,000 in 2004 to \$33,000 for 2005.

## **What is the 2005 "short plan-year"?**

In anticipation of the change to a fiscal year plan year July 1, 2005, the "Plan Year," "Short Plan-Year" or "Period of Coverage" will be six months, from January 1, 2005 through June 30, 2005.

## **2005 SHORT PLAN-YEAR MEDICAL**

### **Are there any plan design changes to the State's group medical plans?**

The DPA Employee Benefits Unit (EBU) worked hard to ensure that plan design changes for the 2005 short plan-year would be minimal and not adversely impact employees, maintain the same level of benefits as though it were a 12-month plan-year, and reduce deductibles and out-of-pocket maximums to coincide with the six-month transition. For more information about plan designs, please refer to the 2005 Open Enrollment materials, which will be online at [www.colorado.gov/dpa/dhr](http://www.colorado.gov/dpa/dhr) by early October.

**Anthem Centennial PPO** – The in-network deductibles will go down from \$2000 to \$1000 for an individual and from \$4000 to \$2000 for a family; the out-of-network deductibles also will be reduced from \$4000 to \$2000 for an individual, and from \$8000 to \$4000 for a family. The in-network out-of-pocket annual maximums will decrease from \$5000 to \$2500 for an individual and from \$10,000 to \$5000 for a family; the out-of-network annual maximums will be reduced from \$10,000 to \$5000 for an individual, and from \$20,000 to \$10,000 for a family. Preventive care frequency schedules (e.g., one exam every two years) will be removed for the short plan-year. For physical, occupational and speech therapies, the annual number of visits has been increased to 20 for each type of therapy (i.e., 20 P.T., 20 S.T., 20 O.T.). Wigs are now covered as durable medical equipment at 80% after deductible for those suffering hair loss due to specified reasons. Private duty nursing is now excluded in coverage unless part of services billed by a home health or hospice agency and approved as part of a treatment plan.

**Anthem Liberty EPO** – The out-of-pocket annual maximums will be reduced from \$2000 to \$1000 for an individual, and from \$6000 to \$3000 for a family. The durable medical equipment (DME) annual maximum will go down from \$3000 to \$1500. Preventive care frequency schedules (e.g., one exam every two years) will be removed for the short plan-year. For physical, occupational and speech therapies, the annual number of visits has been increased to 20 for each type of therapy (i.e., 20 P.T., 20 S.T., 20 O.T.). Wigs are now covered as durable medical equipment at 80% as part of the \$1500 maximum payment.

Private duty nursing is now excluded in coverage unless part of services billed by a home health or hospice agency and approved as part of a treatment plan.

**Kaiser Permanente HMO & San Luis Valley HMO** – There are no plan design changes to the Kaiser HMO or SLVHMO for the 2005 short plan-year.

### **Why is the PacifiCare HMO no longer available?**

In addition to extremely high proposed premium increases with a reduction in benefits, PacifiCare HMO proposed several requirements in their renewal agreement that the State could not agree to, such as: a guaranteed number of enrollments; specified employer contribution level; their own definition of employee eligibility; payment of premium in advance; and the right to change rates during the plan year. Thus, the decision was made to not to renew the State's contract with PacifiCare. The Employee Benefits staff is working with PacifiCare to ensure a smooth transition to another plan for its members who are currently in treatment or may be in case management at the end of the plan year. If you currently have PacifiCare HMO and you wish to have the State's medical insurance in 2005, you **must** choose another medical carrier using the online open enrollment system.

## **2005 SHORT PLAN-YEAR DENTAL**

**Basic Plan** – The coverage for basic services, endodontics, oral surgery and periodontics will increase from 50% to 70%.

**Basic Plus Plan** – The lifetime maximum for orthodontic services for dependent children up to age 19 will increase from \$1000 to \$1500, and adult orthodontic services will now be covered, at a rate of 50%, with a \$1500 lifetime maximum.

## **2005 SHORT PLAN-YEAR LIFE**

**Basic Life** – An increase in the State's contribution has made it possible to increase the Basic Life and Accidental Death and Dismemberment (AD&D) coverage from \$12,000 to \$33,000 for all eligible employees.

**Optional Life and Long-Term Disability** – There are no rate changes for 2005, and employees will be able to enroll online for the first time although proof of insurability will still be required of all adult applicants (a medical history form). Employees who apply for optional life or LTD online will be mailed a medical history form which they must complete and submit to Standard Insurance Company. Applications are subject to verification of eligibility, and approval is not guaranteed. Employees will be able to submit beneficiary designations online (using electronic signature technology). For those employees not comfortable with

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changing their beneficiary online, a newly designed beneficiary election form may be downloaded from the benefits website. Death of a Spouse has been added to the list of "Life Change Events" that permit an employee to apply for optional life mid-year.

#### **2005 SHORT PLAN-YEAR FLEXIBLE SPENDING ACCOUNTS**

##### **What are the maximum FSA contributions for the short plan-year?**

The maximum contributions have been halved for the short plan-year. The maximum contribution for the Health Care FSA is \$3000. The maximum contribution for the Dependent [day] Care FSA is \$2500 (\$1250 if married and filing separately).

##### **What is the minimum FSA contribution for the short plan-year?**

The minimum contribution for either the Health Care FSA or the Dependent Care FSA is still \$10 per month, or \$60 for the length of the short plan-year (\$10 x 6 months).

##### **Can I be reimbursed for over-the-counter (OTC) drugs through my Health Care FSA?**

Yes. The State of Colorado Salary Reduction Plan Document has been amended to accommodate the federal changes passed last year. Please be aware that the OTC drugs must meet certain criteria (e.g., they must be for a medical condition, as opposed to just having them on hand in the medicine cabinet) and claims for these drugs must follow strict procedures of documentation. Please review the requirements in the Salary Reduction Plan at [www.colorado.gov/dpa/dhr/benefits](http://www.colorado.gov/dpa/dhr/benefits).

##### **What is the FSA "Use It or Lose It Rule"?**

If the amount reimbursed for expenses incurred during a period of coverage is less than the contributions for the same period, the participant forfeits the balance. In accordance with federal cafeteria plan rules, the balance cannot be applied to any other account, carried over, or refunded. In other words, you lose any amount in an FSA that is not used by the end of the plan year. Remember, though, if you were enrolled in an FSA in 2004, you have until April 15, 2005 to submit claims for expenses incurred in 2004.

#### **2005 SHORT PLAN-YEAR OPEN ENROLLMENT**

##### **What are the open enrollment dates for the short-plan year and is enrollment only online?**

Open enrollment will only be online and will run from **October 18 – November 6**.

##### **Is the 2005 short plan-year open enrollment positive or passive?**

Open enrollment this fall will be passive, meaning only those employees who wish to change their benefits or their tax status, or enroll or reenroll in an FSA must participate in open enrollment. Employees with PacifiCare HMO coverage in 2004 must enroll in a 2005 medical plan if they want to continue some kind of medical coverage through the State.

##### **Will I receive instructions on how to enroll using the online system?**

Yes. Detailed instructions on how to logon and use the online

system will be mailed to employees' homes prior to open enrollment. Please save this instruction letter.

##### **What if I do not have Internet access at my home or office?**

Many departments will be making computers available or setting up computer kiosks where their employees can enroll and get guidance. For many this may prove the easiest way for employees to gain access. Contact your department's human resources and benefits personnel to find out what options they are considering for their employees who do not have computers or Internet access.

##### **Will I get more detailed information that allows me to compare plans side-by-side?**

An online 2005 Short Plan-Year Open Enrollment "packet" will be online at [www.colorado.gov/dpa/dhr](http://www.colorado.gov/dpa/dhr) in early October. The packet will include all the information formerly printed and mailed to employees' homes. It will include the Colorado Health Plan Description Form, which lays out the plans side-by-side, providing answers to some of the basic questions about coverage and allowing you an easy way to compare and choose. Please take the time to review this information prior to open enrollment.

##### **What is "Guarantee Issue" life insurance and is it available during Open Enrollment?**

Guarantee Issue means you apply for an amount of life insurance coverage and are guaranteed the amount applied for without proof of insurability, such as a medical history statement. Guarantee Issue is NOT available during open enrollment. It is only available when first hired

##### **After Open Enrollment, can I make changes to my benefit choices?**

In most cases, no. This is due to Federal irrevocability rules. These rules apply both to the time between the end of open enrollment and the end of the current plan year (11/7/04 – 12/31/04) and for the length of the plan year itself (1/1/05 – 6/30/05). The benefit choices you make during open enrollment are irrevocable – meaning they cannot be changed – except as specifically detailed in the plan document (see Exceptions to the Irrevocability Rules at [www.colorado.gov/dpa/dhr/benefits](http://www.colorado.gov/dpa/dhr/benefits)). Qualifying events are narrowly defined in Federal regulations. If an event does not affect eligibility, then it is not a qualifying status change. If you experience a life event that you believe is a qualifying change in status, you need to quickly contact your department's benefits administrator to find out the rules and procedures. Remember, financial hardship is NOT a qualifying change in status, and an inability to pay for premiums will not allow for mid-year changes. Also, changing your mind and your enrollment errors are not qualifying events. Thus, you must consider your choices during open enrollment very carefully.

##### **Can I enroll, re-enroll or make changes to my 457 Plan during Open Enrollment?**

Yes. On the Open Enrollment site there will be a link to the 457 website where you can enroll, re-enroll or make changes to a 457 Plan. Remember too, that you can make changes, enroll or re-enroll in the 457 Plan at any time during the year. Any changes that are made will be effective with the following month's payroll. For example, if you make a change to your 457 account in October during Open Enrollment, it will become effective with your November pay. The 457 Deferred Compensation Plan is not affected by the Open

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# TOTAL COMPENSATION STRATEGY IMPROVING STATE CONTRIBUTION TO GROUP PLANS

The following is a copy of the Annual Compensation Recommendation letter sent by DPA Executive Director Jeff Wells on July 30, 2004 to Governor Owens and Representative Brad Young. The Annual Compensation Report is available online at [www.state.co.us/dpa](http://www.state.co.us/dpa).

Dear Governor Owens and Representative Young:

In accordance with the Total Compensation Reform Act and based on my review of the findings of the enclosed 2005-06 Annual Compensation Report and the needs of our workforce, I have prepared this total compensation recommendation for your consideration. This recommendation requests that the General Assembly appropriate an additional \$46.2 million for employee total compensation for next fiscal year<sup>1</sup> as shown in the following table.

FY 2005-06 TOTAL COMPENSATION RECOMMENDATION AND ESTIMATED COST (Including associated PERA and Medicare costs)	
Components	Cost
Salary adjustment	\$25,688,660
Performance-based pay awards	\$11,189,850
Range width adjustments	\$488,634
Combined Health, Dental, & Life/AD&D	\$8,832,635
<b>Total</b>	<b>\$46,199,799</b>

I believe that the above allocation of these dollars strikes the best balance for the executive branch workforce. Specifically, the salary adjustment would maintain the State's competitive pay ranges and assure employees are being paid comparably.<sup>2</sup> The statewide average salary adjustment is 2.3%. The specific salary adjustment for each occupational group is shown in the table below.

Occupational Group	Average Midpoint Movement	Total State Classified Employees
Enforcement and Protective Services*	2.30%	5,830
Financial Services	3.10%	1,757
Health Care Services (and Medical)	2.30%	3,388
Labor/Trades/Crafts	2.50%	5,326
Administrative Support and Related	2.20%	5,038
Professional Services	2.10%	7,849
Physical Sciences and Engineering	2.60%	1,928
Teachers	2.10%	245
<b>Overall Weighted Average</b>	<b>2.30%</b>	<b>31,361</b>

\* State Trooper salaries will increase by an average of 5.3% (with SB 03-273 applied) pursuant to C.R.S. § 24-50-104 (1)(a)(III)(A).

I am recommending allocating 1.1% of total payroll for performance pay awards (difference between 3.4% total salary adjustment and 2.3% average range adjustment found in the market). Since implementing performance-based pay three years ago, appropriations were 1.1% for FY 2002-03, 0% for FY 2003-04, and 1.1% for FY 2004-05. With our

Department's five-year strategic planning, it is my intention to reach a meaningful performance award amount that is consistent with the State's historical contributions to the anniversary budget. In the past, the State budgeted approximately 2.2% to ensure that employees could progress within their pay ranges. However, given the tight budget for FY 2005-06, I recommend that we fund performance pay amount comparable to the labor market. When budget permits, it is my goal to allocate a sufficient amount of budget in order to assure that state employees have a real opportunity to move within their pay ranges.

In order to enhance performance-based pay, I am recommending narrower pay ranges over time by increasing the minimum of the range by 1%. Narrowing the width of the pay ranges by further upward adjustments to the minimum salaries provides an additional mechanism for employees at the low end of the ranges to be eligible for larger salary adjustments than those at the higher end. This will enhance performance-based pay by creating narrower pay ranges over time, which will help with recruitment and retention, and provide a better opportunity for high-performing employees to move through their pay ranges.

Overall, an additional \$8.8 million is requested for the State's contributions to group benefit plans for the plan year. These new dollars will help address the critical issue of recent double-digit increases in health care premiums and bring our health care contributions closer to prevailing practice. For group insurance contributions, the State continues to be below the market. One of the goals in our five-year strategic plan is to reach prevailing contribution levels and to allow state employees the flexibility of choosing the compensation package that best meets their needs. Last year, the General Assembly funded our recommendation to achieve 56% of the prevailing contribution levels. For FY 2005-06, I am recommending that we continue to close this critical gap by building on last year's progress and take the State to 65% of the prevailing contribution dollars found in the market. The following table shows the recommended increase in state contributions.

HDL	CY 2004	CY 2005	Jan 06- Jun 06
Health – Employee only	\$156.06	\$178.06	\$205.90
Health – Employee + one	\$232.52	\$303.50	NA
Health – Employee + spouse	NA	NA	\$370.70
Health – Employee + children	NA	NA	\$347.20
Health – Family	\$326.46	\$420.03	\$508.90
Dental – Employee only	\$16.26	\$16.26	\$13.53
Dental – Employee + one	\$16.26	\$16.26	NA
Dental – Employee + spouse	NA	NA	\$20.50
Dental – Employee + children	NA	NA	\$23.32
Dental – Family	\$16.26	\$16.26	\$29.97
Life	\$2.00	\$4.68	\$4.68

<sup>1</sup> This requested appropriation excludes Higher Education Institutions, Department of Law, Treasury, Department of State, Judicial, and General Assembly.

<sup>2</sup> Employees rated "Needs Improvement" will be excluded from salary adjustments.

The Department has made two primary changes to the benefits structure for state employees. First, the Department will be implementing a four-tier enrollment structure for medical benefits commencing in FY 2005-06, which aligns the State's policies with prevailing practices. Second, as permitted by HB04-1449, I plan to align the annual group benefits plan year to coincide with other elements of total compensation on a fiscal year basis commencing July 1, 2005. The Department has devised new and innovative plan designs for FY 2005-06. Our new plan designs will include a high deductible option that will qualify for a Health Savings Account (HSA). Changing group benefits plans to a fiscal year cycle will enable the Department to deliver an HSA-qualified plan to state employees six months sooner.

Despite the change to a four-tier enrollment structure and shifting the annual group benefits plan year to a fiscal year, the state contribution will remain constant in aggregate for CY 2005. In fact, no new dollars are requested or necessary to accommodate the change to a fiscal year cycle. This is consistent with the Fiscal Note accompanying HB04-1449

concluding that changing to a fiscal year cycle would not have a fiscal impact.

The August 1, 2004 survey findings indicate that a total additional cost of \$60.9 million (as explained in footnote 1 on the first page of this letter) is needed for the State to match prevailing practices with respect to salary and benefit adjustments. Due to budgetary constraints, my recommendation results in a total additional appropriation of \$46.2 million for FY 2005-06. It remains vital that the State meet its statutory obligation to offer competitive total compensation to its employees. Based on the current fiscal constraints, this recommendation for the State's appropriated general government positions maximizes the State's investment in its employees and helps us meet our obligation. Please visit the following site for FY 2005-06 annual compensation survey findings [www.colorado.gov/dpa/dhr/comp/pay.htm](http://www.colorado.gov/dpa/dhr/comp/pay.htm).

Sincerely,

Jeffrey M. Wells  
Executive Director

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Enrollment process, but it may be a convenient time to enroll or make needed changes.

**Can I enroll online for Long-Term Disability coverage?**

Yes, employees will be able to enroll online for the first time, although proof of insurability (medical history forms) will still be required of all adult applicants. Employees must work a regular schedule of at least 30 hours per week to be eligible for LTD.

**Can I enroll in or make changes to life insurance offered through PERA (with Anthem Life or Prudential) or the PERA 401(k) through the State's Online Open Enrollment?**

No. These programs are managed by PERA. Enrollments or changes in these programs must be done through PERA. For more information on PERA and their benefits, please visit [www.copera.org](http://www.copera.org) or call them at 1 800-759-7372.

**JULY 1, 2005 TO JUNE 30, 2006 BENEFITS PLAN YEAR**

**Is it true that the State is returning to self-funding its group medical and dental plans on July 1, 2005?**

As recommended in a report from the State Auditor in 2003, DPA undertook a comprehensive analysis on self-funding of group medical and dental plans. The department concluded that both the State and its employees would benefit from regaining the control and flexibility that come with self-funding. The analysis also showed that it is financially feasible to self-fund medical and dental without charging employees an additional fee. Earlier this year DPA redesigned the benefit plans and issued Requests For Proposals (RFPs) seeking both self-funded and commercially insured alternatives for the July 1, 2005 Benefits Plan Year. The new plan designs should provide employees better options at reasonable costs, and self-funding may turn out to be the most viable method of financing these new plans. Proposals are being evaluated and a final decision will be made by the end of November. Pharmacy benefits, while not exactly the same as current plans, are comparable and improved in some respects.

**What might the State gain by returning to self-funding?**

While the return to self-funding will not solve the current benefits crisis and immediately produce lower premiums, it will provide the State with greater control and flexibility in its plan designs and enable the State to more quickly offer a Health Savings Account (HSA)-eligible high deductible health plan (HDHP). Additionally, over time the State will have better access to critical usage data, and this will allow plan designs and disease management programs that are tailored specifically for the State workforce. Coupled with ongoing prudent fiscal management of the self-funded plans, the state should be able to provide its workforce better health plan options at more affordable rates than are currently available in the private market.

**Is the Anthem Centennial PPO an HSA-qualified HDHP?**

No. None of the State plans currently meet the criteria for an HSA-qualified HDHP. A HDHP will be offered next July as one of several new plan designs.

**When the State changes its plan year and benefits plans on July 1, 2005, will provider networks and pharmacy benefits be comparable to today's plans?**

RFPs for July 1, 2005 medical and dental plans include network and pharmacy coverage disruption reports. While it would be the goal that no employee have to change doctors, or drive farther to go to the hospital or get a prescription filled, some employees may be impacted this way. However, proposals are being evaluated based on disruption. Pharmacy benefits, while not exactly the same as current plans, will be comparable to current plans and hopefully include some improvements.

**Will there be another open enrollment in the spring?**

Yes, and DPA will continue to proactively and directly communicate with employees about benefits changes. It is important, however, that you focus on this fall's open enrollment and selecting a plan for the short plan-year that best meets your needs and the needs of your dependents.

For more information about 2005 plans and fall open enrollment, FSAs, deferred compensation programs and other benefits programs, go to [www.colorado.gov/dpa/dhr](http://www.colorado.gov/dpa/dhr).

# 2005 RATES AND PLANS INSIDE

[www.colorado.gov/dpa/dhr](http://www.colorado.gov/dpa/dhr)

or call the Benefits Hotline at:

**303-866-3434**

or

**1 800-719-3434**

or email the DPA Benefits Unit at:

[benefits@state.co.us](mailto:benefits@state.co.us)

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