

When Will I Get My 2004 Rates?

DPA understands how important 2004 health plans and rate changes are to employees, and we are committed to supplying you with this information as soon as possible. We are planning to publish a summary of plans and rates in the next *Healthline* Newsletter, which will be available at the end of August.

Why the end of August?

Proposals for existing contract renewals and proposals based on RFPs for redesigned plans were due from vendors July 1. State benefits professionals, both from within DPA as well as other state departments and contracted private health care experts reviewed all proposals. Their recommendations were presented to the DHR Management Team and DPA's Executive Director, Troy Eid.

Currently, Troy and the DHR Management Team are reviewing the recommendations and proposals in order to most effectively negotiate final rates and terms with vendors. Thus we will have 2004 plans and rates agreed

upon by the end of August and distributed in the next newsletter.

We are providing department benefits administrators with the most current information we have available. We encourage you to speak directly with your department's benefits administrator with any questions or concerns you may have about this process, the health care issues we are all facing, as well as any other state employee health care concerns. Your department benefits administrator can also explain how we are working to bring you affordable health plans for 2004 and beyond.

DHR is also here to help you. You can find answers to the most frequently asked healthcare questions as well as continuously updated information at www.colorado.gov/dpa/dhr (under "Benefits"). In addition, you may contact us with your questions and concerns via email at benefits@state.co.us or by calling the **Benefits Hotline** at 303-866-3434 or 1 800-719-3434.

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www.colorado.gov/dpa/dhr

Email: benefits@state.co.us

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CONSUMER HEALTH CHOICE

Be informed. You decide. Everyone benefits.

Total Compensation

Whether it's higher deductible Preferred Provider Organizations (PPO), defined contribution plans, or tiered drug formularies, the health insurance industry continues to move more and more toward consumer-driven products - products that shift the responsibility and costs of healthcare to the consumers. The days of "free" office visits and five-dollar copays are gone. The Health Maintenance Organization (HMO) model, managed care, has not managed to contain spiraling costs.

Healthcare Programs

Disease Management

Employee Self-Service

The LEAPfrog Group

This shift in the industry necessitates a proactive shift in the way employers design and deliver healthcare programs for their employees and, more importantly, the way employees "buy" healthcare. The DPA Employee Benefits unit continues to explore ways to mitigate costs. But we are all in this together. No matter what changes the Employee Benefits unit implements (even a possible return to self-funding),

it has little control over the single biggest driver of increased costs: consumer habits and utilization rates.

Therefore, Employee Benefits is launching Consumer Health Choice - an integrated, three to five year initiative designed to inform employees about the direct link between wiser consumer healthcare choices and their bottom line costs. From choosing the right plan to choosing the best hospital, from choosing when to go to the emergency room to choosing when not to go to the doctor, from choosing an effective generic drug to making lifestyle choices that directly affect your costs - everyone's costs - the Consumer Health Choice initiative creates a way for all of us to have a lasting impact on the cost of healthcare. By seeing the link in all the components of this initiative, every employee can make a difference.

Total Compensation

The healthcare crisis has taught all employers that insurance is not a "fringe benefit;" it is a core component of a competitive total compensation package. When Governor Owens signed into law HB 03-1316, the State of Colorado as an employer took a big step in recognizing this fact. While HB03-1316 lays the foundation for a more competitive total compensation package for employees, closing the gap in the state's contribution to group benefits plans is only part of a longer-term solution.

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Online Open Enrollment New This Fall

As one of the initiatives of Consumer Health Choice - Employee Self-Service - the State of Colorado is moving to an on-line enrollment process for the 2004 open enrollment. By implementing an online enrollment system, the State will reduce the cost of open enrollment, while allowing benefits professionals to process the enrollment data much faster and with fewer errors.

An online system provides you advantages that include:

- saving you time with easy-to-use online enrollment forms

- providing you access to your benefits data 24/7
- enabling you to compare plans and enroll at your convenience
- reducing errors in your benefits elections
- keeping your personalized information private through a secured login.

The Employee Benefits unit will continue to keep employees updated about this year's online open enrollment. CU classified employees will utilize the CU online system for 2004 open enrollment.



TOTAL COMPENSATION VISION BECOMES REALITY

BY TROY A. EID
DPA EXECUTIVE DIRECTOR

Only weeks after Governor Owens appointed me as the Executive Director of DPA, I headed to Pueblo to face a large group of state employees who were understandably angry about their health plan rates. Pueblo County premiums had been bid separately because utilization rates there were making it difficult for insurance companies to operate successfully. While it was unfair and entirely unacceptable to break out Pueblo County rates, that situation, in many ways, served as the catalyst to make employee benefits for the state workforce a much higher policy priority for the State of Colorado as an employer.

That meeting served as the model for over 50 employee town hall meetings in the past two years where employees loudly and clearly demanded that something be done about the high cost of health benefits. As the result of us raising the issue, the General Assembly overwhelmingly supported and passed HB 1316 (Total Compensation Bill). And when Governor Owens signed the bill into law, the State of Colorado took its biggest step in over 20 years toward providing the workforce affordable and worthwhile benefits as part of a competitive total compensation package.

What does the signing into law of HB 1316 mean for the workforce? HB 1316 recognizes three core components of our total compensation – base salaries, performance-based pay, and state contributions to benefits plans, and provides the flexibility to consider market conditions and recommend distribution amounts that will, on balance, help the workforce. In the short-term it will immediately allow the state to begin closing the gap in the state contribution to benefit plans. In the long-term it provides the mechanism to move the workforce toward more performance-driven pay opportunities, and it lays the foundation for a total compensation system that recognizes that one-size-fits-all is not the best fit for a diverse workforce of 40,000 employees. HB 1316 and the total compensation concept positions the state to address the funding gap in benefits and make our benefit plans more affordable for the greater workforce.

More money, however, is not going to stem the rising costs of health insurance. Independent healthcare professionals have lauded the work of the Employee Benefits unit in their efforts to design cost effective and worthwhile plans. At some point, plan design – the balance among higher deductibles or

copays, restricted provider lists, and drug formularies – and shaving administrative costs cannot curtail rising premium rates. Even a return to self-funding may only have a minor impact on premiums.

Ultimately, the actuarial risk of an insurable group determines premium rates, meaning how much it is going to cost to insure the group. There is no getting around the fact that our workforce is an expensive group to insure. This is true for several reasons: we are dispersed throughout every county in the state; our

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average age is 46 (the third oldest workforce in the nation); and we have relatively high utilization rates.

Even though we cannot control where we live or the age of the workforce, we need to do a much better job of recruiting new employees into public service. We can, however, do something about the behaviors that contribute to those extremely high utilization rates. Experts tell us what we already know from common sense: a healthier workforce costs far less to insure. I was astonished that in a recent DPA survey of the workforce, more than 40% of those who responded said that they *never* exercise.

Many employers know the value of a sponsored wellness program. The state will soon open a fitness center with such a program. While it is located in the downtown area, we hope to use it as a model for the state. All the work, all the plan design, all the money will not mean a thing if we do not start taking personal responsibility for our own health. DPA continues to lay the groundwork to provide affordable and worthwhile health benefits. Taking control of our own health and fitness is also up to each and every one of us.

CONSUMER DEMAND IS ONE KEY FACTOR IN DRIVING THE HIGH COST OF HEALTHCARE

In this country, "Invention is Often the Mother of Necessity." Products and services unimagined today, will be tomorrow's must haves. This is just as true of medical services and prescription drugs as it is for other consumer goods.

In a report prepared for the American Association of Health Plans, the international auditing firm PricewaterhouseCoopers characterized increased demand for medical services as a very powerful force that will continue to be a major driver of healthcare costs for the next decade. They estimate that increased demand is adding about 2 % annually to healthcare costs, or about 15% of the overall trend, representing \$10 billion of the increased health premiums nationwide.

As Americans age into their 40s, 50s and beyond, they consume more medical resources. On average, a U.S. male's healthcare spending doubles in the 45 to 54 age group, as compared to the 35 to 44 age group. Upon entering the 55 to 64 age group, his spending rises another 50 percent. Baby Boomers who used few healthcare services for two decades are turning to physicians, hospitals and other providers with increasing regularity.

At the same time, consumers are demanding more than ever from the healthcare system. The Baby Boomers who have

driven every major trend of the last five decades are very interested in getting the very best medical care no matter how high the costs. Increased advertising for certain brand-name drugs has driven consumers' demand for them. This in turn causes an increase in spending for professional medical services as more patients need to see their physicians to access drugs that they see heavily marketed. These advertisements suggest many of these new pharmaceuticals offer incremental improvements over other less expensive drugs already on the market, creating a tremendous demand for anything "new and improved."

New technologies also impact overall spending as consumers demand that previously uncovered services be paid for by their health insurance. Whenever diagnostic technology receives media attention, healthy, asymptomatic consumers worried about their chances of serious disease begin to ask their physicians to arrange the test to "make sure" they are okay. Even when such tests are relatively inexpensive, pressure is brought to bear on health care plans to cover such tests and procedures.

While consumer demand is only one of several factors impacting healthcare costs, it is a factor that employees can influence by taking the time to weigh cost to benefit before "purchasing" elective healthcare products and services.

"Consumer Health Choice" continued from page 1

Healthcare Programs

As the Employee Benefits unit looks to provide affordable and adequate healthcare plans, it will continue to explore programs that take advantage of the link between sound disease management and lower costs. In the coming plan year, the unit intends to launch an enhanced PPO plan with a disease management component to further emphasize this link.

Disease Management

Many people are born with genetically inherited diseases or predispositions for certain diseases, such as diabetes, high blood pressure, or heart disease. Disease management takes proven approaches to health behaviors that clearly help control symptoms, problems, and the costs of such diseases. Employee Benefits has isolated cardiac problems and cardiac care as the most costly health matters facing the state employee family, and will focus on cardiac issues in its inaugural disease management program.

Employee Self-Service

Employee Benefits will be implementing online open

enrollment this fall. Online open enrollment is a piece of a larger program that allows employees to take greater control over their benefits, leave, and all of their compensation. Employee self-service gives employees the technology and tools to get things done more cost-effectively.

The LEAPfrog Group

A consortium of benefits professionals from Fortune 500 companies put together The LEAPfrog group to look at ways of stemming costs in the healthcare industry. The group is measuring outcomes as a way to control costs. Specifically, they are looking at three key indicators in hospital care: online drug ordering to minimize errors; the number of specifically trained care givers in intensive care units; and, morbidity rates at hospitals. The State of Colorado is an active partner with the group through the Colorado Business Group on Health.

None of us would buy a new car without first doing the research. It's time for all of us to understand that our healthcare is the most valuable product we can buy. Doing the research will save money and help us get the best product. **Be informed. You decide. Everyone benefits.**