Kentucky Employees' Health Plan (KEHP)

Twenty-first Annual Report of the
Kentucky Group Health Insurance Board

Prepared for the Commonwealth of Kentucky's
Governor, General Assembly,
and Chief Justice of the Supreme Court

KENTUCKY PERSONNEL CABINET | Department of Employee Insurance

December 16, 2021

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Executive Summary

Program Highlights

Overview of 2020 cost and usage, plan performance comparison to prior years, and a preview of 2021 plan experience

Population

The KEHP covers nearly 300,000 people in Kentucky—
That's one in 15 Kentuckians!

- Employees and retirees and their family members enrolled in KEHP would fill Cardinal Stadium more than four and a half times over!
- A primary objective for offering health and retirement benefits is to attract and retain a qualified workforce to serve the Commonwealth of Kentucky

Source: *KEHP enrollment in Kentucky Human Resource Information System (KHRIS)*

KEHP by the Numbers

97%

of all KEHP members live in Kentucky

7.6 million

KEHP medical and prescription claims paid in 2020

$1.6 billion

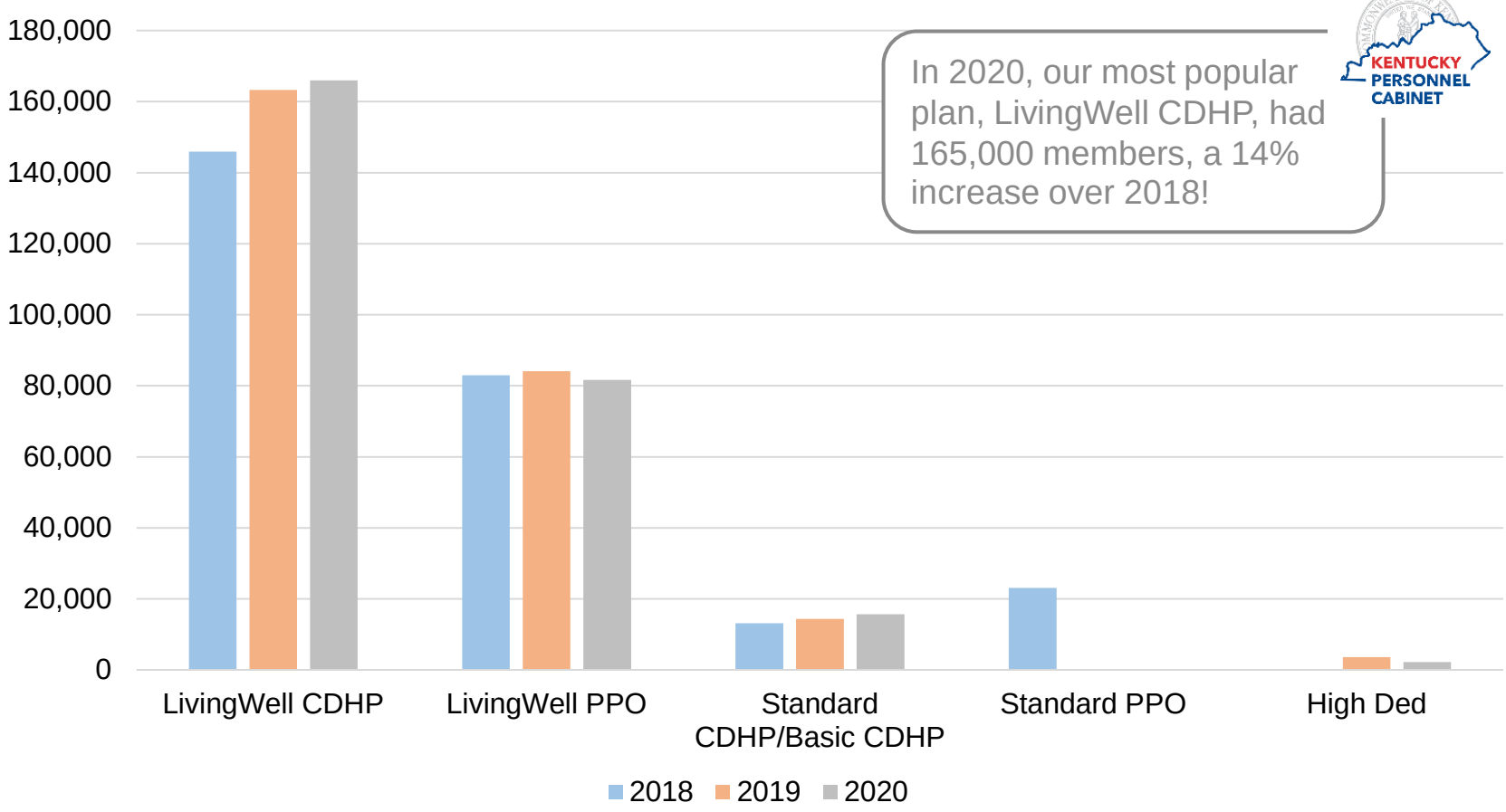
in KEHP payments to doctors, hospitals, pharmacies, and other healthcare providers across Kentucky

$4.4 million

spent daily on KEHP medical and prescription drug costs

Source: *KEHP enrollment in KHRIS and KEHP claims data aggregated by IBM Watson*

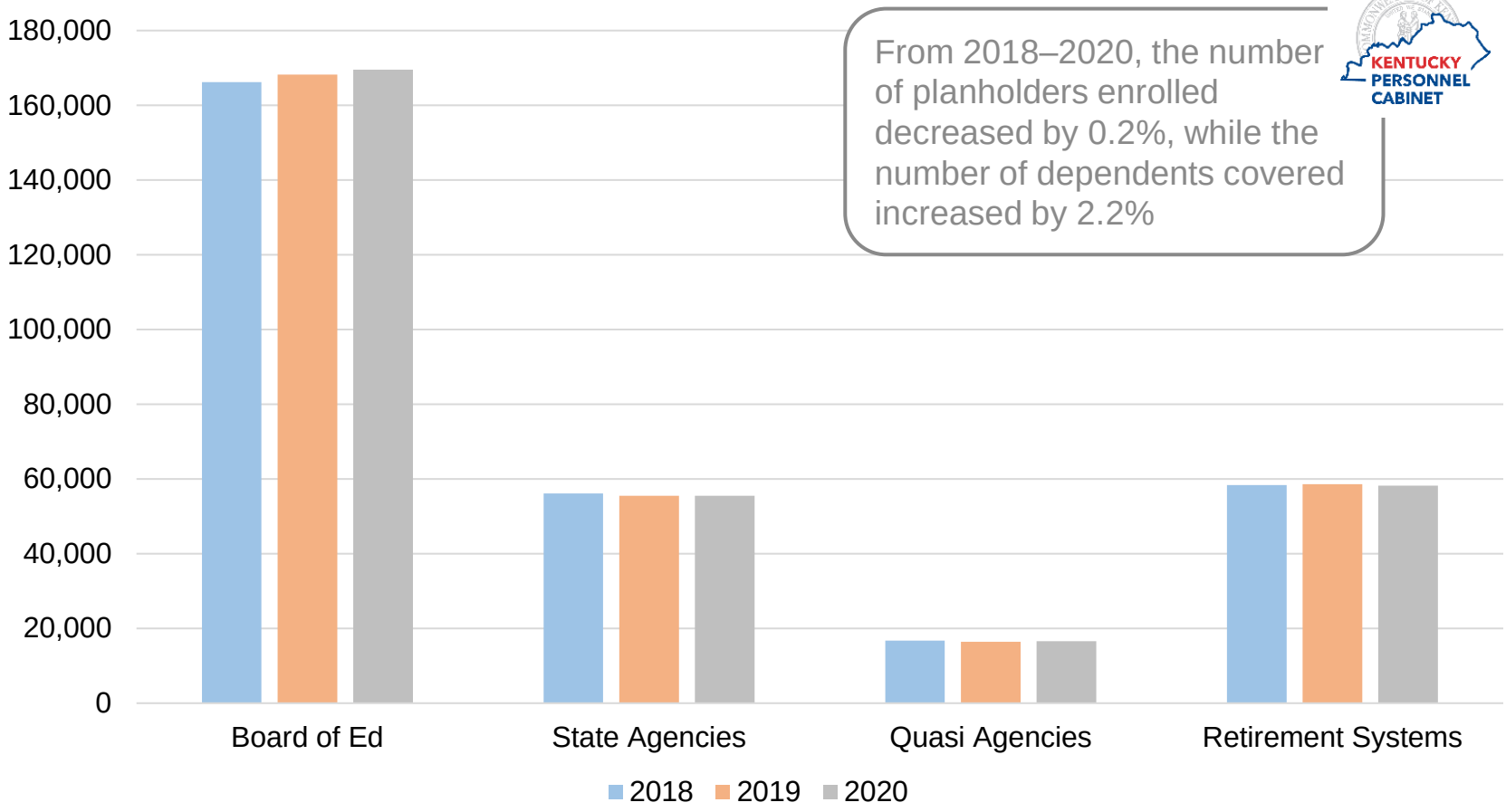
Members by Plan



In 2020, our most popular plan, LivingWell CDHP, had 165,000 members, a 14% increase over 2018!

Source: *KEHP enrollment in KHRIS*

Members by Group



From 2018–2020, the number of planholders enrolled decreased by 0.2%, while the number of dependents covered increased by 2.2%

Source: *KEHP enrollment in KHRIS*

Plan Expenses

95.7% of KEHP expenses are claims payments!

Medical Claims 60.5%

Prescription Claims 30.1%

HRA Claims 5.1%

Prescription Administration Expense 0.5%

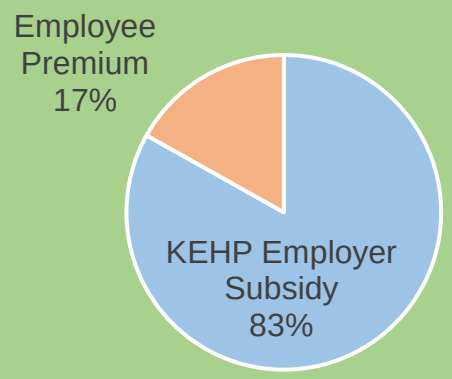
Operating Expense 0.3%

Medical Administration Expense 3.5%

DEI salaries are less than one-quarter of a penny for every dollar spent!

Source: *KEHP Trust Fund Cash Transactions from March 2021*

2020 Premiums



- KEHP employers pay below national benchmark of $844 per month
- Employee premium increases averaged 2% between 2017 and 2020
- Nationwide, premium growth continues to exceed increases in earnings and inflation

$800

Average monthly premium paid for employees by KEHP employers in 2020

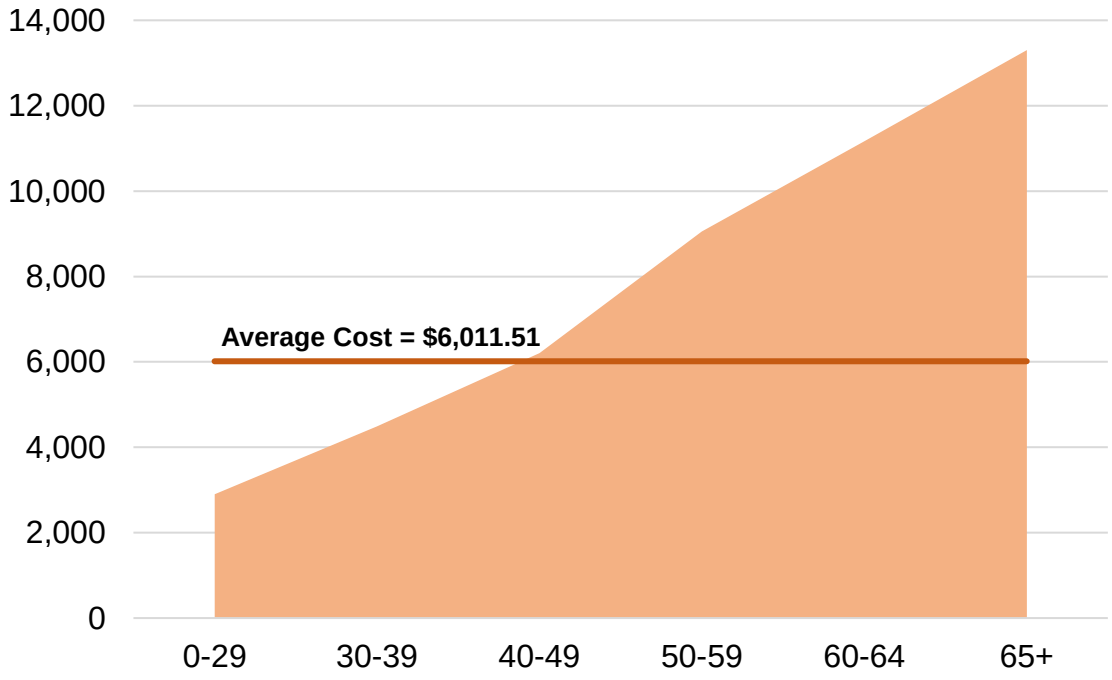
$277 million

Employee pretax deductions for health insurance in 2020

Source: *KEHP claims data aggregated by IBM Watson and benchmarks from Kaiser Family Foundation Employer Health Benefits Survey*

Pooling Risk

- Because anyone—young or old—can have an unforeseen catastrophic health event, KEHP spreads healthcare costs across all 300,000 participants, keeping the plan affordable for everyone
- KEHP average annual claims cost by age group, all medical and pharmacy claims, 2020

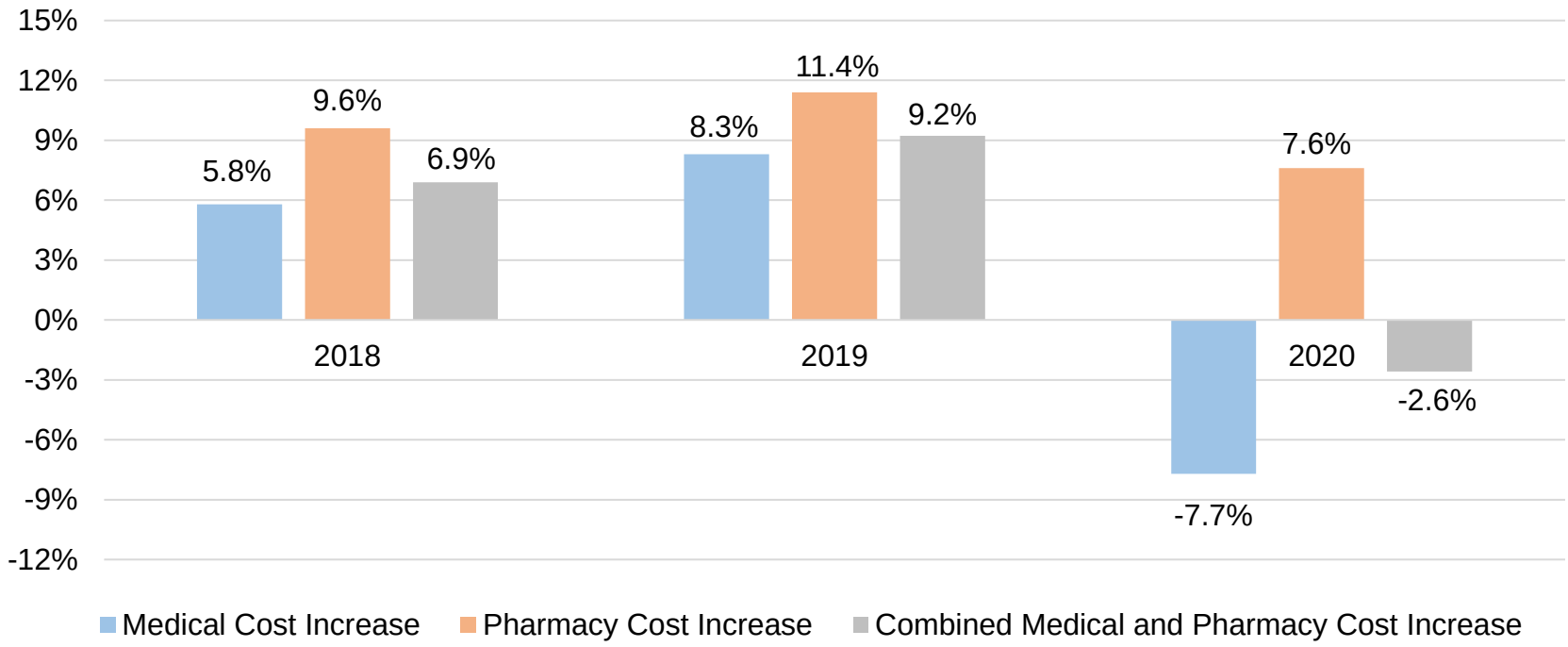


Averaging costs among the members keeps the plan affordable for all

Source: *KEHP claims data aggregated by IBM Watson*

Medical and Pharmacy Trends

Incurred medical cost trends decreased sharply during the pandemic while prescription drug (Rx) costs continued to increase signaling that members with chronic illnesses continued to treat their conditions

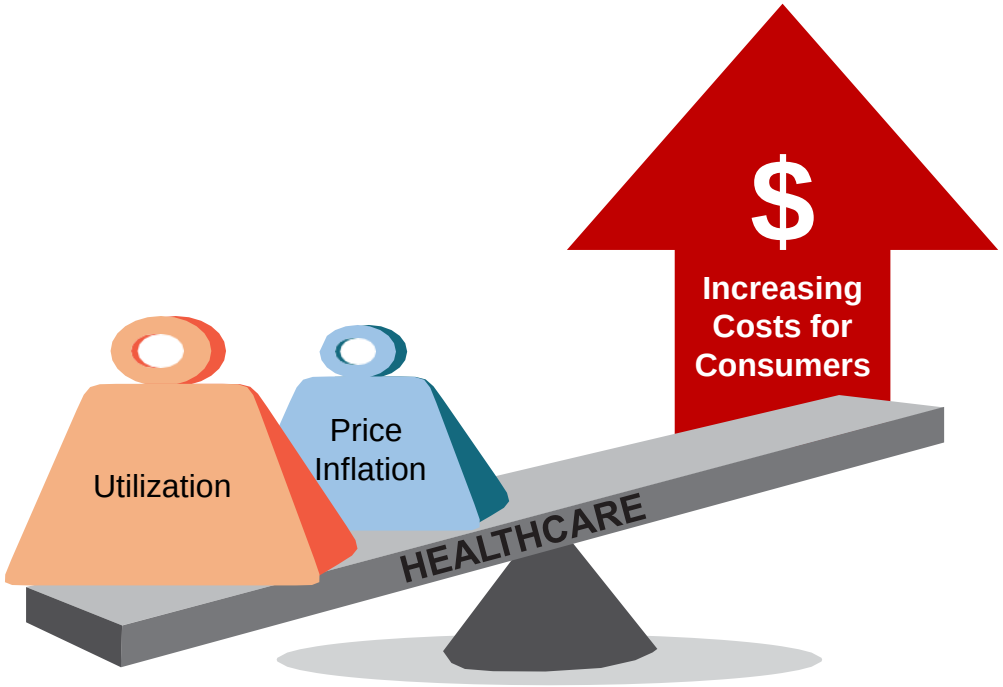


Source: *KEHP claims data aggregated by IBM Watson*

Price Inflation Drives Costs

- Price inflation is a significant driver of health insurance costs in America and for the KEHP
- This is seen when providers require higher rates to treat insured patients, or drug manufacturers increase the price of a popular drug
- KEHP continues to spend the largest portion of total claims for hospital outpatient care, but Rx costs have been growing at a higher pace over the past several years
- Overall claims costs fell in 2020, primarily due to decreased utilization. We expect to see utilization and price inflation to increase significantly in 2021

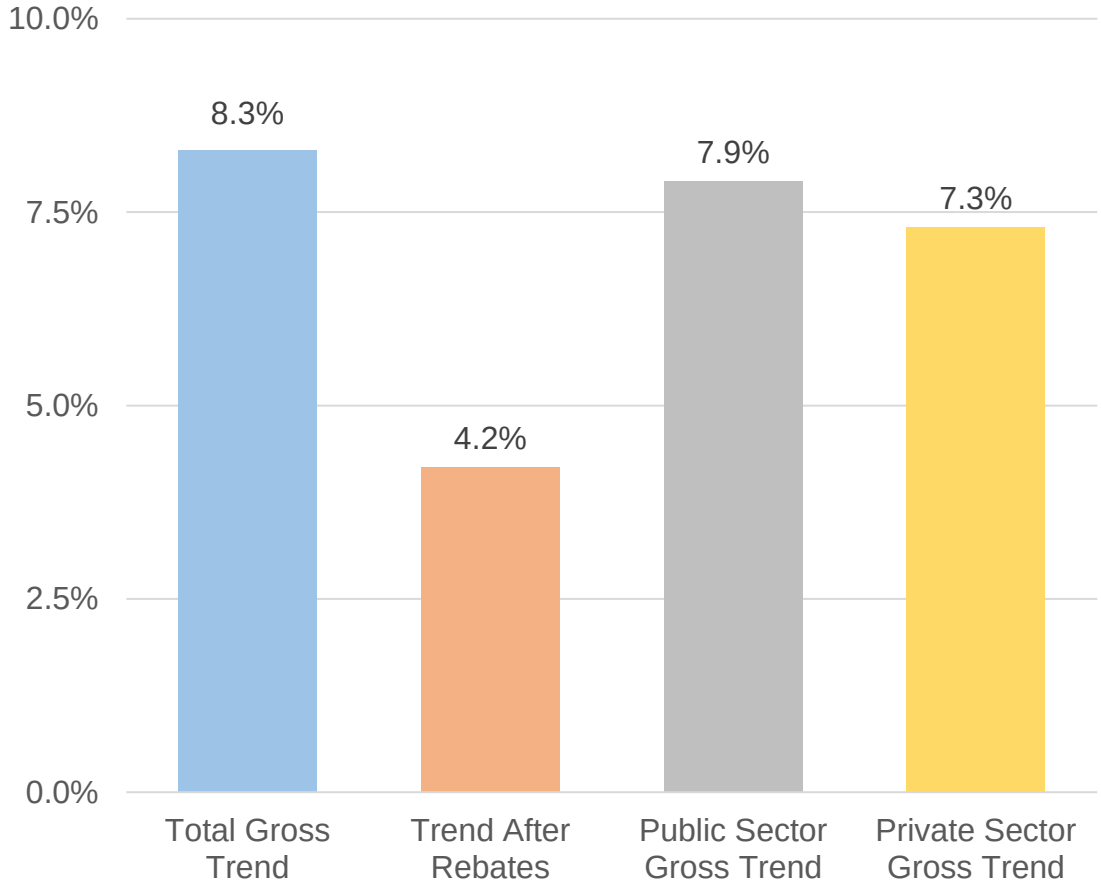
What is driving healthcare spending?



Cost Drivers

Source: *KEHP claims data aggregated by IBM Watson*

2020 Pharmacy Trends



KEHP receives 100% of drug rebates, reducing plan costs by more than $150M annually

Source: *CVS Rx Insights*

Benchmarking

IBM Watson compared KEHP 2020 plan performance against their national book of business for public and private employers

Per Employee Per Year Cost

KEHP allowed PEPY cost is 4% lower than the overall public sector and 0.7% lower than the private sector. This is primarily because KEHP family size is lower than both private and public sectors

Member Age

The average KEHP member is 1/2 year older than the average public sector member and 2.5 years older than the average private sector member

Gender

KEHP's population is more heavily female than either the public or private sector averages

Risk Status

56% of KEHP members are either healthy or stable. However, KEHP has a higher percentage of members considered at risk, struggling, and in crisis than both the public and private sectors

Source: *KEHP Public Sector/Private Sector Benchmark Comparison by IBM Watson*

Board Recommendations for Plan Years 2020–2022

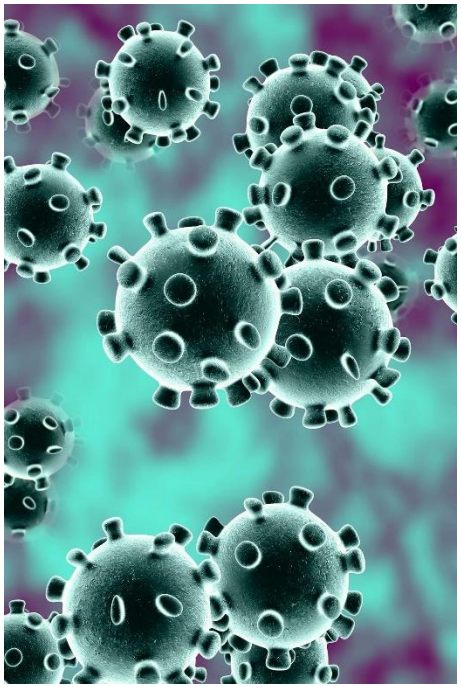
- Provide state-of-the-art benefits while maintaining reasonable premiums
- Offer benefits that meet the needs of a diverse workforce
- Improve employee health and wellbeing
- Provide the tools to manage chronic disease conditions
- Implement actuarial recommendation to establish plan reserves
- Increase member engagement in health and wellness programs
- Educate and drive members to high-quality, cost-effective care
- Help employees understand KEHP programs and tools available

Source: *KEHP Nineteenth Annual Report of the Kentucky Group Health Insurance Board*

KEHP Response to COVID-19

In response to Governor Beshear's Executive Order 2020-215 declaring a State of Emergency due to the 2019 Novel Coronavirus (COVID-19) and Orders issued under the State of Emergency, the KEHP expanded COVID-19 healthcare coverage for all members

- KEHP paid 100% for inpatient and outpatient treatment for COVID-19 treatment for in- and out-of-network providers
- No member cost share for all COVID-19 screening and testing
- Free access to telehealth medical and behavioral health services through LiveHealth Online and other providers through the end of 2020 plan year
- Automatic approvals for early refills on 30-day prescriptions for maintenance medications
- Extensions of pharmacy prior authorizations by 90 days for those set to expire before June 30, 2020
- Unlimited maximum carryover amount from Plan Year 2020 into Plan Year 2021
- Extended 2020 claims runout period to April 2021 for Flexible Spending Account (FSA) and Health Reimbursement Arrangement (HRA) expenditures
- Permitted midyear election changes during Plan Year 2020



What Benefits Do We Offer?

About Our Program

Overview of 2020–2021
plans, benefits, programs, and partners

Health Plans—2020

CDHP

KEHP offers two consumer-driven health plans (CDHP) that feature an embedded HRA to reduce deductibles and out-of-pocket maximums. CDHPs encourage engagement and consumerism to keep total costs to members low

Waiver HRA

KEHP offers two HRA plans to active employees of agencies that participate in KEHP's FSA/HRA program. Individuals who meet eligibility requirements and choose to waive health coverage may qualify for a $2,100 HRA for qualified medical and/or dental and vision expenses

High Deductible

KEHP began offering the LW Basic High Deductible Plan in 2019 for members who genuinely require only minimal coverage

PPO

KEHP offers one Preferred Provider Organization (PPO) plan that has higher premiums and no HRA but offers copayments for pharmacy benefits and certain services, rather than coinsurance

2020 Plan Changes

StayWell

StayWell, KEHP's new wellbeing program, provides members with a program proven to inspire healthier habits, minds and bodies. Participants can gain financial rewards for completion of a health assessment and fun, interactive challenges through the year

Pretax Dental and Vision

KEHP offers Anthem's dental and health insurance plans on a pretax basis, allowing participating members even greater value

Healthcare FSA

KEHP increased the allowable employee pretax withholding amount for Healthcare FSA plans to $2,700. The amount of unused funds that can be carried over between plan years was increased to $550

Medical Plans

$250 increase to deductibles and out-of-pocket maximums across all plans

2021 Plan Changes

LivingWell PPO

First changes to the LivingWell PPO since 2014: increase both prescription copay and specialist office visit copay

Two-Tier Value Formulary

KEHP now offers two-tier prescription value formulary for all plans, the approved drug coverage list is changing to the value formulary

Waiver HRA

The Waiver General Purpose HRA and the Waiver Limited Purpose HRA have a maximum rollover of $2,100 from 2021 to 2022

2020 KEHP Health Insurance Choices

	LivingWell CDHP	LivingWell PPO	LivingWell Basic CDHP	LivingWell Ltd High Deductible Plan
HRA Amount	Single $500 Family $1,000	Not Applicable	Single $250 Family $500	Not Applicable
Deductible	Single $1,500 Family $2,750	Single $1,000 Family $1,750	Single $2,000 Family $3,750	Single $4,250 Family $8,250
Maximum Out-of-Pocket	Single $3,000 Family $5,750	Single $3,000 Family $5,750	Single $4,000 Family $7,750	Single $5,250 Family $10,250
Coinsurance	Plan: 85% Member: 15%	Plan: 80% Member: 20%	Plan: 70% Member: 30%	Plan: 50% Member: 50%
Doctor's Office Visits	Deductible, then 15%	Copay: $25 PCP $45 Specialist	Deductible, then 30%	Deductible, then 50%
Emergency Room	Deductible, then 15%	Copay: $150, then 20%	Deductible, then 30%	Deductible, then 50%

Source: *2020 KEHP Benefits Selection Guide*

2020 Drug Benefits

	LivingWell CDHP	LivingWell PPO	LivingWell Basic CDHP	LivingWell Ltd High Deductible Plan
30-Day Supply Tier 1: Generic Tier 2: Formulary Tier 3: Nonformulary	Deductible, then 15%	 $10 $35 $55	Deductible, then 30% No Tier 3[1]	Deductible, then 50% No Tier 3[1]
90-Day Supply Tier 1: Generic Tier 2: Formulary Tier 3: Nonformulary	Deductible, then 15%	 $20 $70 $110	Deductible, then 30% No Tier 3[1]	Deductible, then 50% No Tier 3[1]

[1] LivingWell Basic CDHP and the LW High Deductible plans feature the value formulary. This formulary includes mostly generics with few brand-named medications.

Source: *2020 KEHP Benefits Selection Guide*

2021 KEHP Health Insurance Choices

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Source: *2021 KEHP Benefits Selection Guide*

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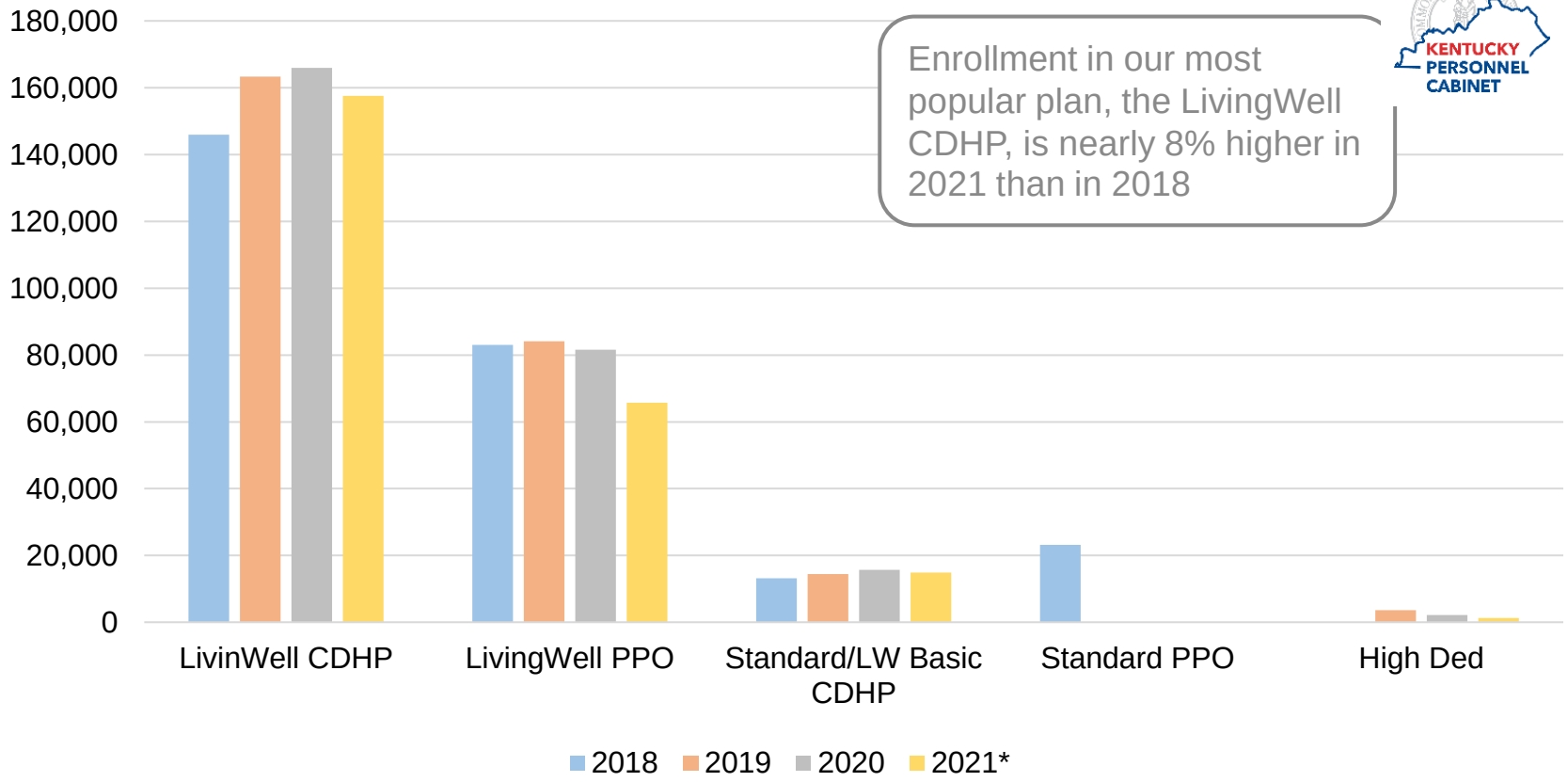
90-Day Supply Tier 1: Generic Tier 2: Formulary	Deductible, then 15%	 $30 $80	Deductible, then 30%	Deductible, then 50%

[1] LivingWell Basic CDHP and the LW High Deductible plans feature the value formulary. This formulary includes mostly generics with few brand-named medications.

Source: *2021 KEHP Benefits Selection Guide*

Enrollment by Plan



Enrollment in our most popular plan, the LivingWell CDHP, is nearly 8% higher in 2021 than in 2018

*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment in KHRIS*

Who Administers KEHP Benefits?

KEHP Vendor Partners

The KEHP is a self-insured plan with benefits designed in partnership with our multiple vendors to provide benefit administration and customer service. KEHP aims to provide our members with the best possible level of coverage, administration, and customer service

Anthem BlueCross BlueShield

CVS/caremark

WageWorks everyone benefits

SmartShopper

STAYWELL

KEHP Vendor Partners

- **Medical: Anthem Blue Cross Blue Shield (Anthem)** has operated in Kentucky for more than 75 years and is the largest insurance carrier in the Commonwealth. Anthem offers a large network of providers, excellent service and technology, and opportunities to help hold down costs
- **Pharmacy: CVS/caremark** network includes more than 67,000 pharmacies nationwide, including chain pharmacies and 20,000 independent pharmacies. KEHP members do not have to use a CVS pharmacy and can use their local in-network pharmacy
- **FSA/HRA: WageWorks** is a leader in administering FSAs and HRAs. WageWorks is solely dedicated to administering pretax spending accounts which empower employees to save money on taxes. They also provide COBRA administration services

KEHP Vendor Partners

- **Transparency: SmartShopper** allows our members to earn a cash reward for choosing a cost-effective option for their healthcare needs. It's easy and free to shop SmartShopper's list of services and lower out-of-pocket costs and earn rewards
- **Wellbeing: StayWell** is KEHP's new wellbeing and rewards program beginning in 2020. StayWell provides our members with an online platform and mobile app experience. StayWell's program is proven to inspire healthier habits, minds, and bodies

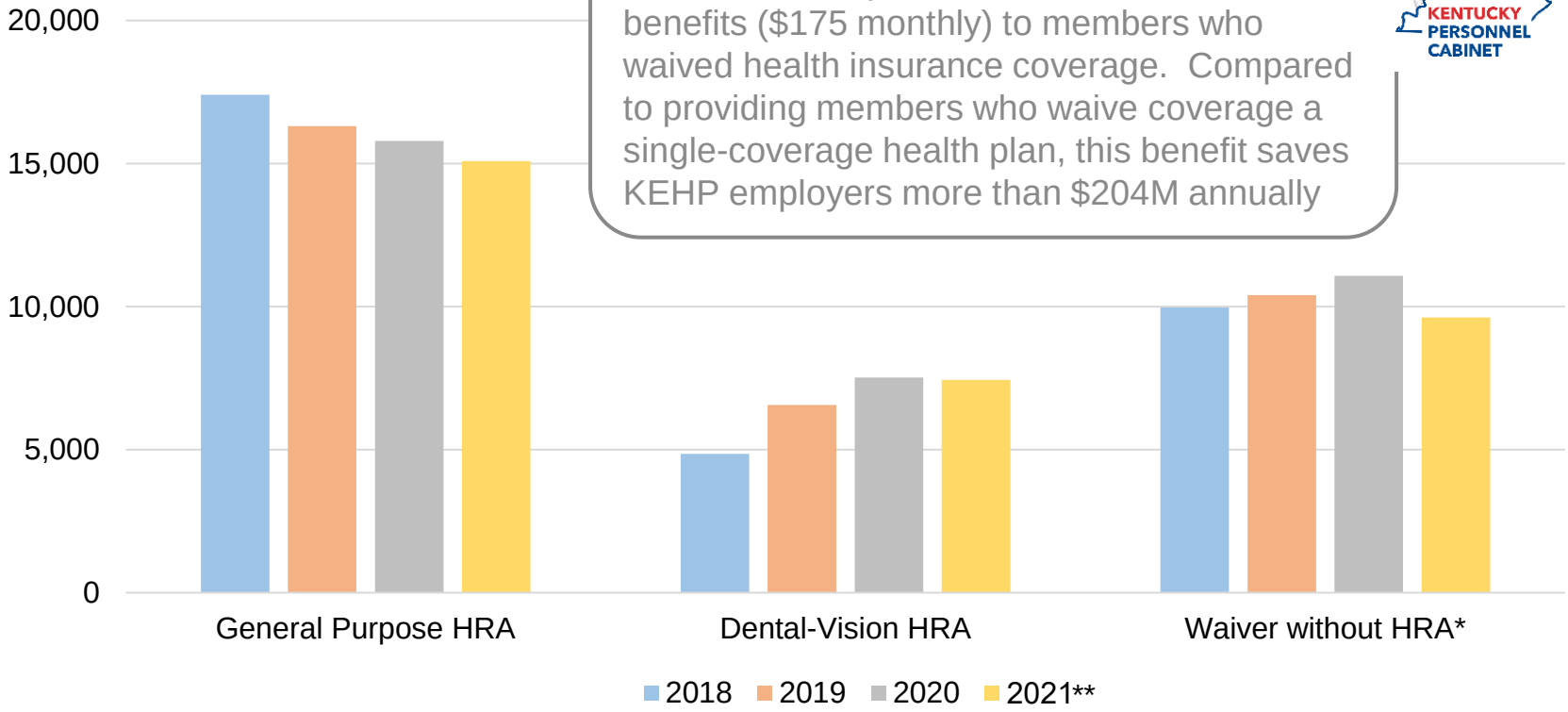
Additional Plan Benefits

KEHP also offers a variety of innovative benefits to support members

- LiveHealth Online Medical
- LiveHealth Online Psychology
- LiveHealth Online Psychiatry
- Diabetes Value Benefit
- COPD and Asthma Value Benefit
- Premise Health LivingWell Health Clinics
- 24/7 Nurse Line
- 24/7 Substance Use Disorder Telephone Support
- Rethink
- Incentivized Wellness Programs
- Diabetes Prevention Program
- DSMES Program
- Future Moms
- Health Risk Assessments
- Condition/Disease Management Programs
- Tobacco Cessation
- Why Weight Kentucky
- Pregnancy/Maternity Support
- Wellness Discounts

HRA Plans

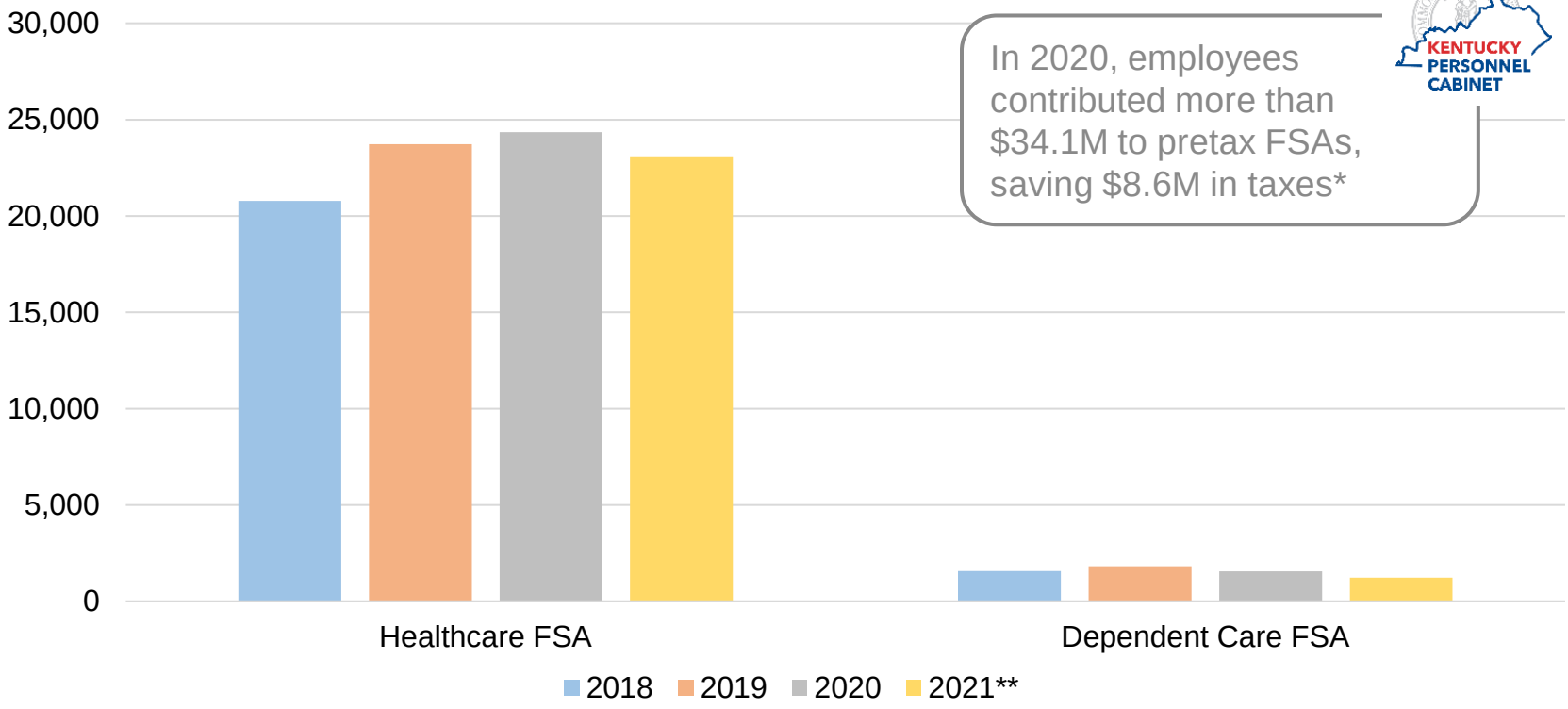
In 2020, KEHP provided more than $47M in benefits ($175 monthly) to members who waived health insurance coverage. Compared to providing members who waive coverage a single-coverage health plan, this benefit saves KEHP employers more than $204M annually



*Members not eligible for an HRA (retirees and members of agencies not participating in flex benefits).
**2021 data reflects January–June 2021 only.

Source: *KEHP enrollment in KHRIS and WageWorks Contributions Report*

FSA Plans



In 2020, employees contributed more than $34.1M to pretax FSAs, saving $8.6M in taxes*

*Assumes a combined tax rate of 25%.
**2021 data reflects January–June 2021 only.

Source: *KEHP enrollment in KHRIS and WageWorks Contributions Report*

Voluntary Benefits

- **Basic Life Insurance—**participating employers provide $20,000 of basic life insurance at no cost to the employee
- **Optional Life Insurance—**employees of these participating employers may also purchase additional life insurance for themselves and their eligible dependents
- **Dental Insurance—**introduced in 2019, active employees may choose optional, employer-sponsored dental insurance
- **Vision Insurance—**introduced in 2019, active employees may choose optional, employer-sponsored vision insurance

Optional Life Insurance

DEI offers 6 employee life insurance optional plans and 8 dependent life insurance options

Employee Life Insurance Options

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Coverage Amount	$5,000	$10,000	$25,000	$50,000	$100,000	$150,000

Dependent Life Insurance Options

Coverage Amounts	Plan A	Plan B	Plan C	Plan D	Plan E	Plan F	Plan G	Plan H
Spouse	$10,000	$5,000	$5,000	$10,000	—	$20,000	$20,000	
Child < 6 Months	$2,500	$1,500			$2,500	$2,500		$2,500
Child 6 Months to Age 18	$5,000	$3,000			$5,000	$10,000		$10,000

2020 Dental Insurance Plans

	Bronze	Silver	Gold
Annual Benefit Maximum	$750	$1,000	$1,500
Annual Deductible	$50	$50	$50
Orthodontia	Not Covered	Not Covered	$1,500
Diagnostic and Preventive Service	100%	100%	100%
Basic Services	50%	80%	80%
Oral Surgery	50%	80%	80%
Major Services (Including Implants)	Not Covered	50%	50%
Annual Maximum Carryover	Not Covered	Not Covered	Covered
No Waiting Period for Basic or Major Services			

2020 Vision Insurance Plans

	Bronze	Silver	Gold
Exam With Dilation as Necessary (once per calendar year)	$10 copay	$10 copay	$10 copay
Frames (20% off any balance after allowance)	$125 allowance once every 2 calendar years	$150 allowance once every 2 calendar years	$150 allowance once every calendar year
Eyeglass Lenses— single vision, bifocal, trifocal, lenticular* (once every calendar year)	$25 copay	$10 copay	$10 copay
Conventional Contact Lens* (once every calendar year)	$150 allowance plus 15% off balance over $150	$150 allowance plus 15% off balance over $150	$175 allowance plus 15% off balance over $175

*For coverage of other lens types and options, see https://personnel.ky.gov/Pages/Vision.aspx

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*For coverage of other lens types and options, see https://personnel.ky.gov/Pages/Vision.aspx

Whom Do We Serve?

About Our Members

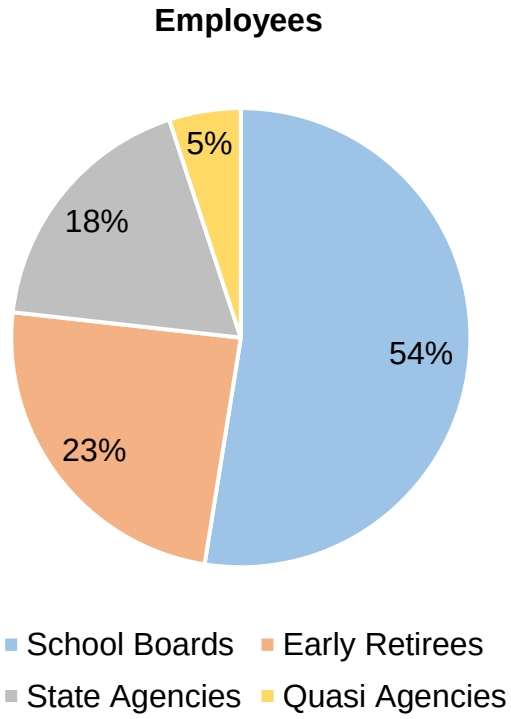
Overview of enrollments in Department of Employee Insurance plans and programs

Eligibility

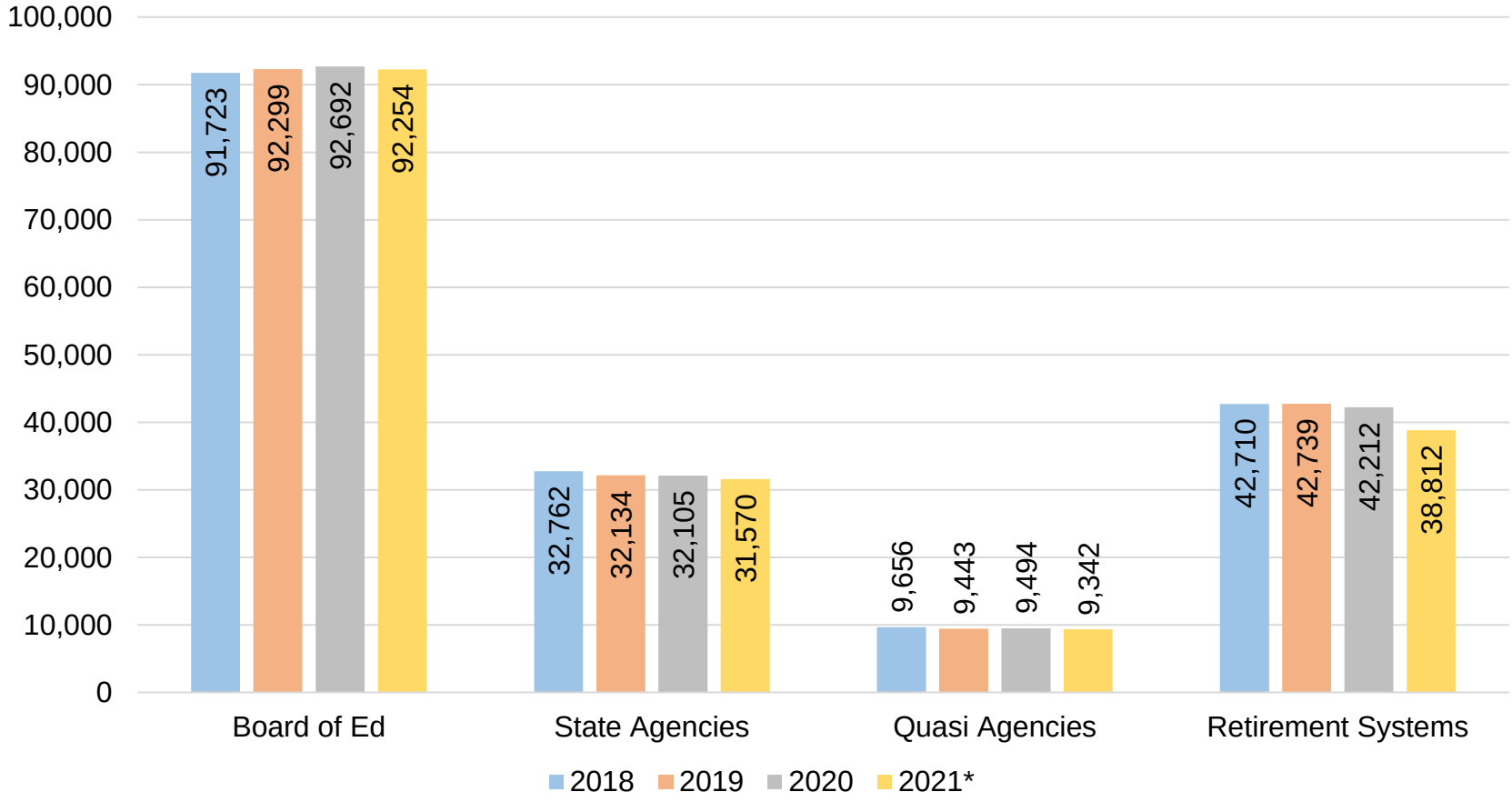
- KEHP is a self-funded plan that offers health insurance coverage to 295,000 public employees, retirees, and quasi governmental agencies and dependents. KEHP is run by public employees, for public employees, so members have a direct stake in the financial wellbeing of the plan
- The Department of Employee Insurance also administers optional life insurance, dental insurance, and vision insurance programs for eligible agencies

KENTUCKY PERSONNEL CABINET

KEHP covers 6.7% of the entire state population



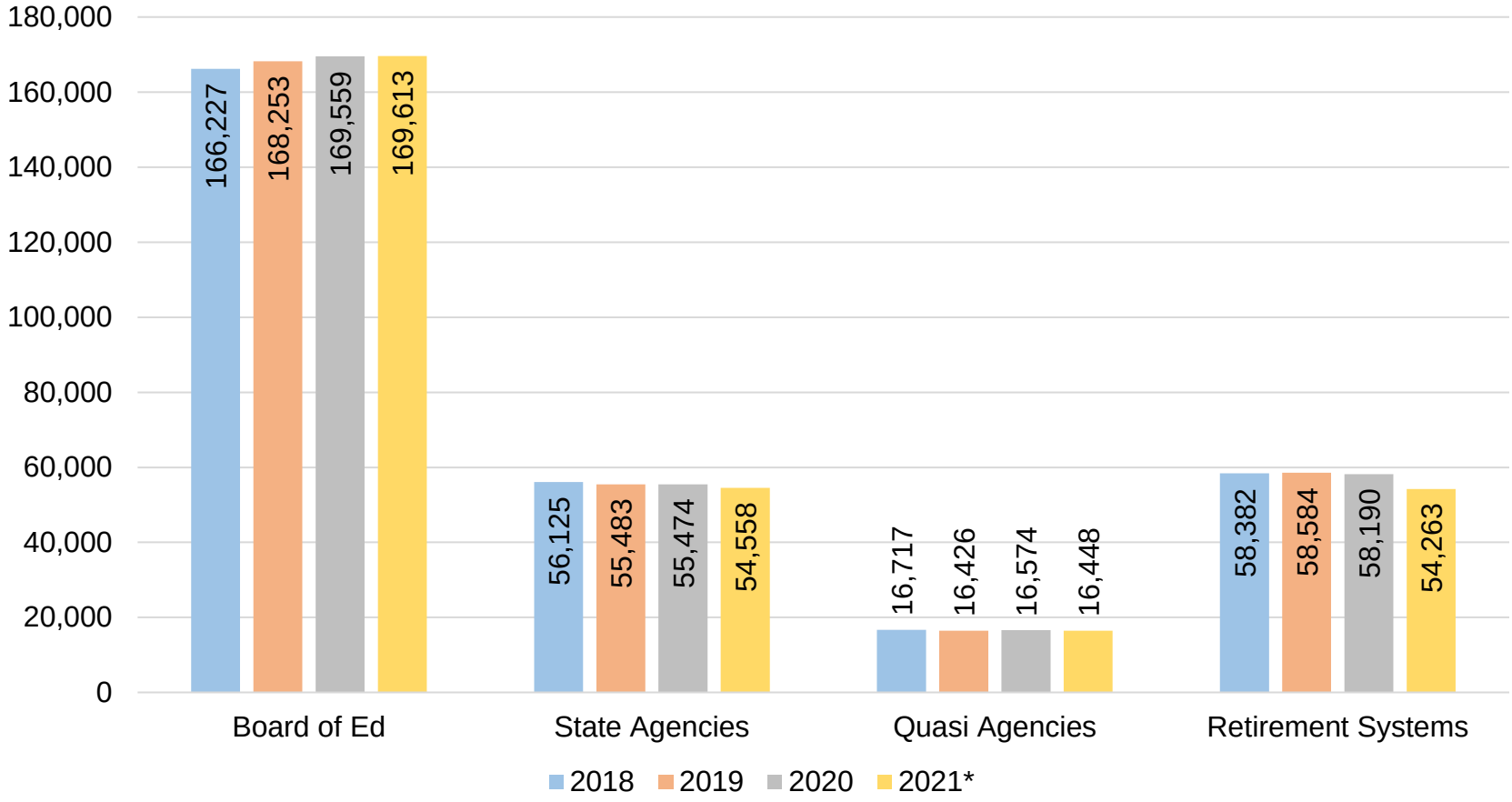
Employees by Group



*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment in KHRIS*

Members by Group



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Source: *KEHP enrollment in KHRIS*

Enrollment Demographics

	2018	2019	2020	2021*	2021 vs. 2020
Health Enrollment					
Employees	144,605	143,258	142,072	139,804	-2.3%
Members	263,285	263,774	264,446	261,715	-1.5%
Average Age					
Employees	48.4	48.4	48.4	48.4	0.2%
Members	36.8	36.7	36.6	36.6	0.0%
Demographic Splits					
Employee Percentage Male	33.9%	33.9%	34.1%	34.1%	0.2%
Member to Employee Ratio	1.82	1.84	1.86	1.87	0.7%
% of Covered Members who are:					
Adult Male	25.60%	25.49%	25.42%	25.41%	-0.1%
Adult Female	42.10%	41.81%	41.42%	41.22%	-0.7%
Children	32.30%	32.69%	33.16%	33.37%	1.0%

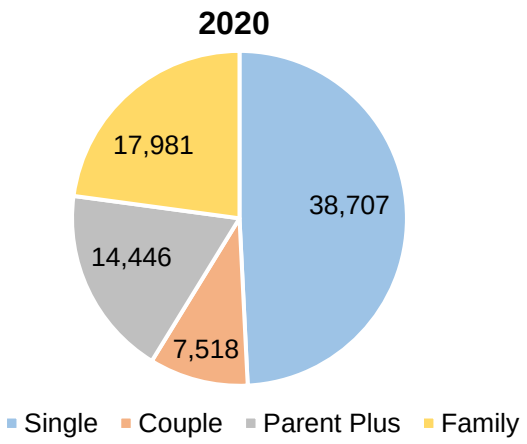
*2021 data reflects January–June 2021 only.

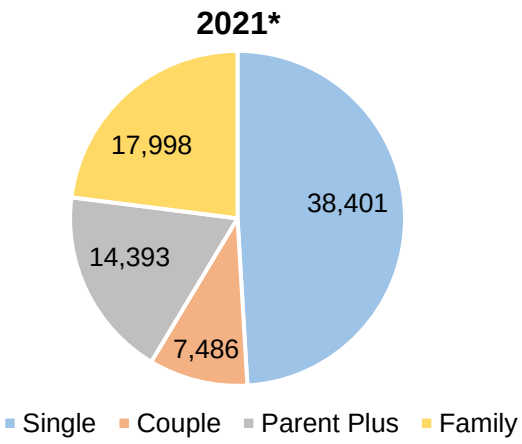
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

LivingWell CDHP Employee Demographics

LivingWell CDHP has the highest percentage of female employee enrollment of any plan

Dimension	2020	2021*
Employee Age	47.0	47.1
Employee % Male	32.5%	32.5%





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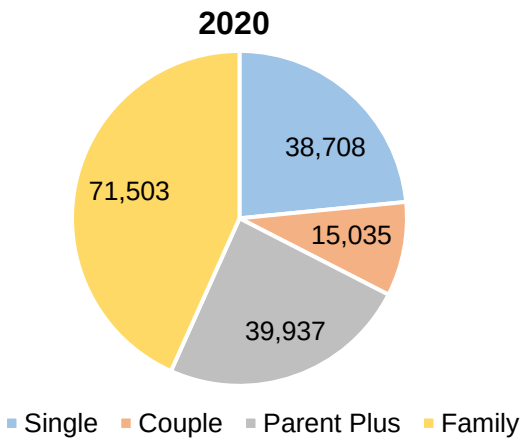
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

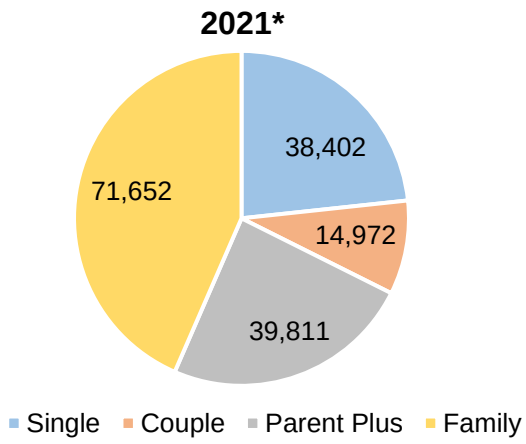
LivingWell CDHP Member Demographics

KENTUCKY PERSONNEL CABINET

LivingWell CDHP has the highest ratio of dependents to employees of any plan

Dimension	2020	2021*
Member Age	34.3	34.4
Member % Male	43.7%	43.6%
Member to EE Ratio	2.10	2.11





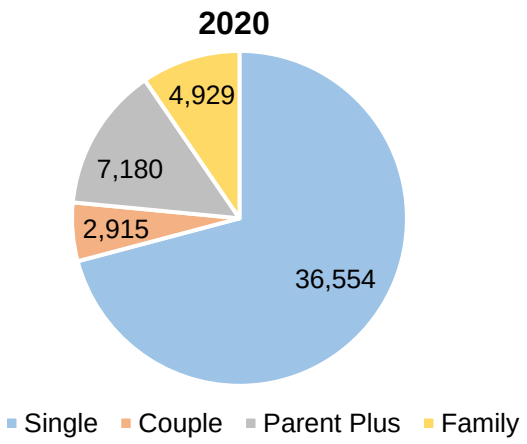
*2021 data reflects January–June 2021 only.

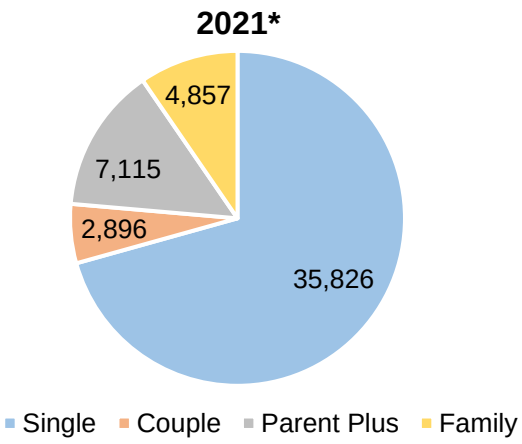
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

LivingWell PPO Employee Demographics

LivingWell PPO has the highest average employee age of any plan

Dimension	2020	2021*
Employee Age	51.8	51.6
Employee % Male	34.9%	35.2%





*2021 data reflects January–June 2021 only.

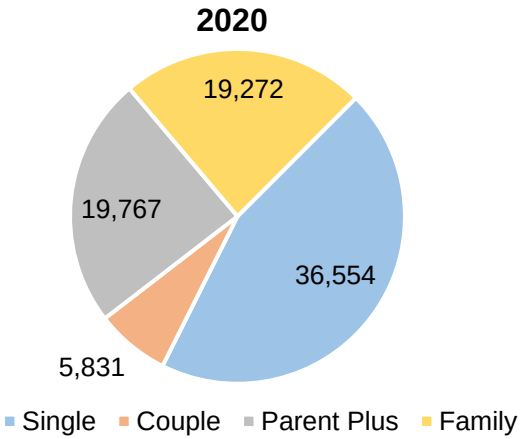
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

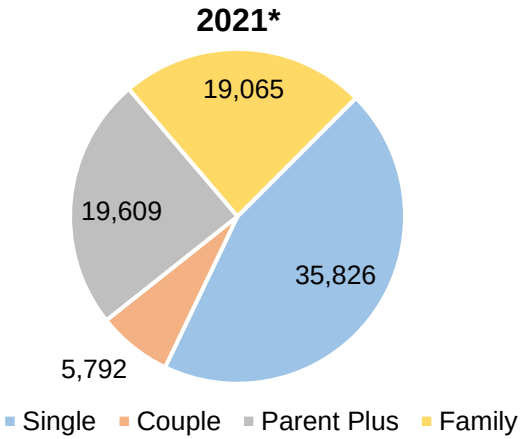
LivingWell PPO Member Demographics

KENTUCKY PERSONNEL CABINET

LivingWell PPO has the highest number of retirees of any plan

Dimension	2020	2021*
Member Age	41.4	41.3
Member % Male	39.6%	39.8%
Member to EE Ratio	1.58	1.58





*2021 data reflects January–June 2021 only.

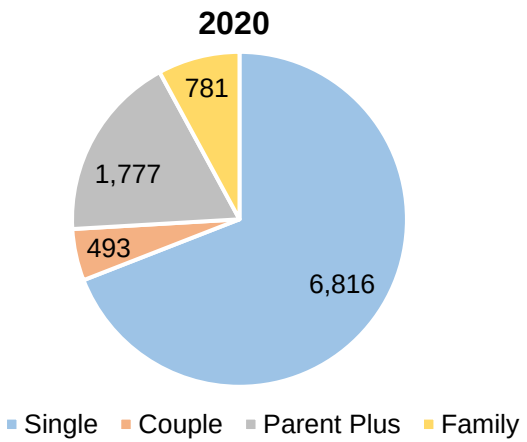
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

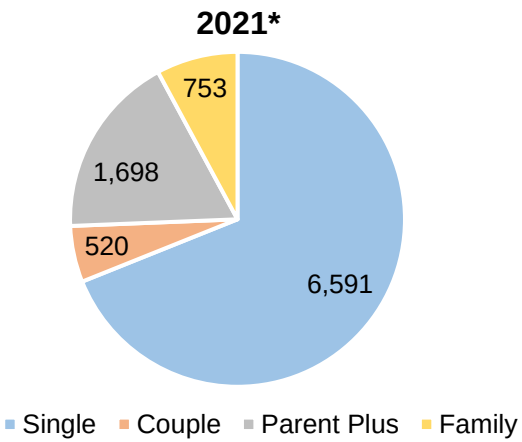
LivingWell Basic CDHP Employee Demographics

KENTUCKY PERSONNEL CABINET

LivingWell Basic CDHP has the lowest average employee age of any plan in 2020

Dimension	2020	2021*
Employee Age	42.4	42.2
Employee % Male	39.3%	38.9%





*2021 data reflects January–June 2021 only.

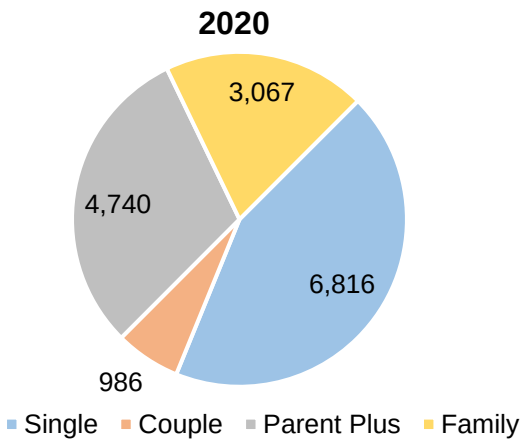
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

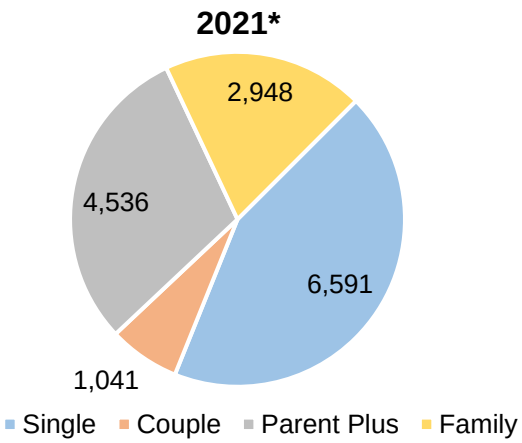
LivingWell Basic CDHP Member Demographics

KENTUCKY PERSONNEL CABINET

LivingWell Basic CDHP has the lowest average member age

Dimension	2020	2021*
Member Age	33.9	33.9
Member % Male	44.1%	44.2%
Member to EE Ratio	1.58	1.58





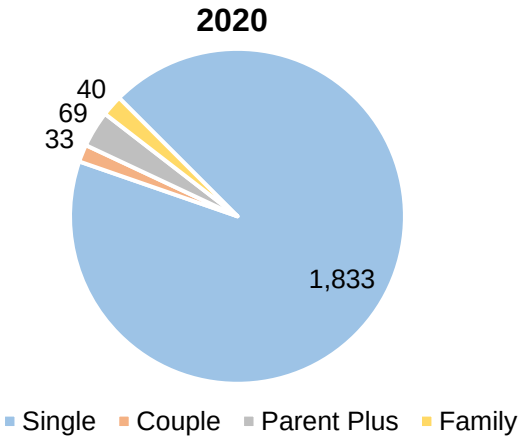
*2021 data reflects January–June 2021 only.

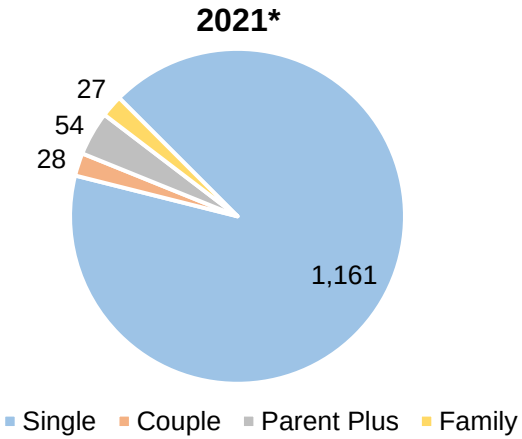
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

LivingWell High Deductible Employee Demographics

LivingWell High Deductible has the highest percentage of male employee enrollment and the lowest overall enrollment of any plan

Dimension	2020	2021*
Employee Age	46.9	49.4
Employee % Male	49.4%	57.6%





*2021 data reflects January–June 2021 only.

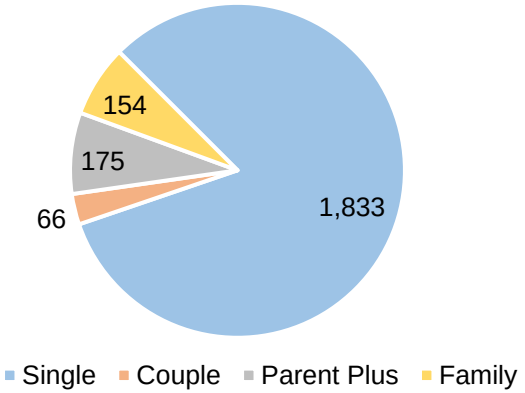
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

LivingWell High Deductible Member Demographics

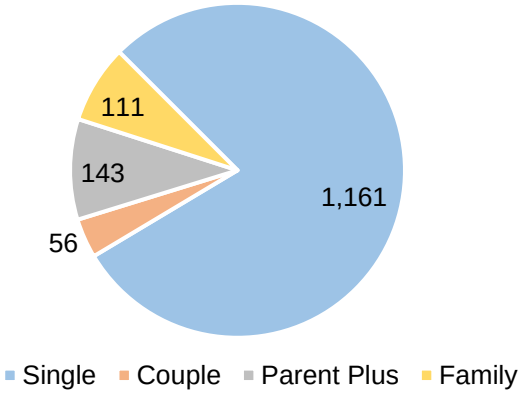
LivingWell High Deductible has the lowest ratio of dependents to employees—for every 100 employees, only 13 dependents are covered by this plan

Dimension	2020	2021*
Member Age	44.2	45.7
Member % Male	49.3%	56.5%
Member to EE Ratio	1.13	1.16

2020



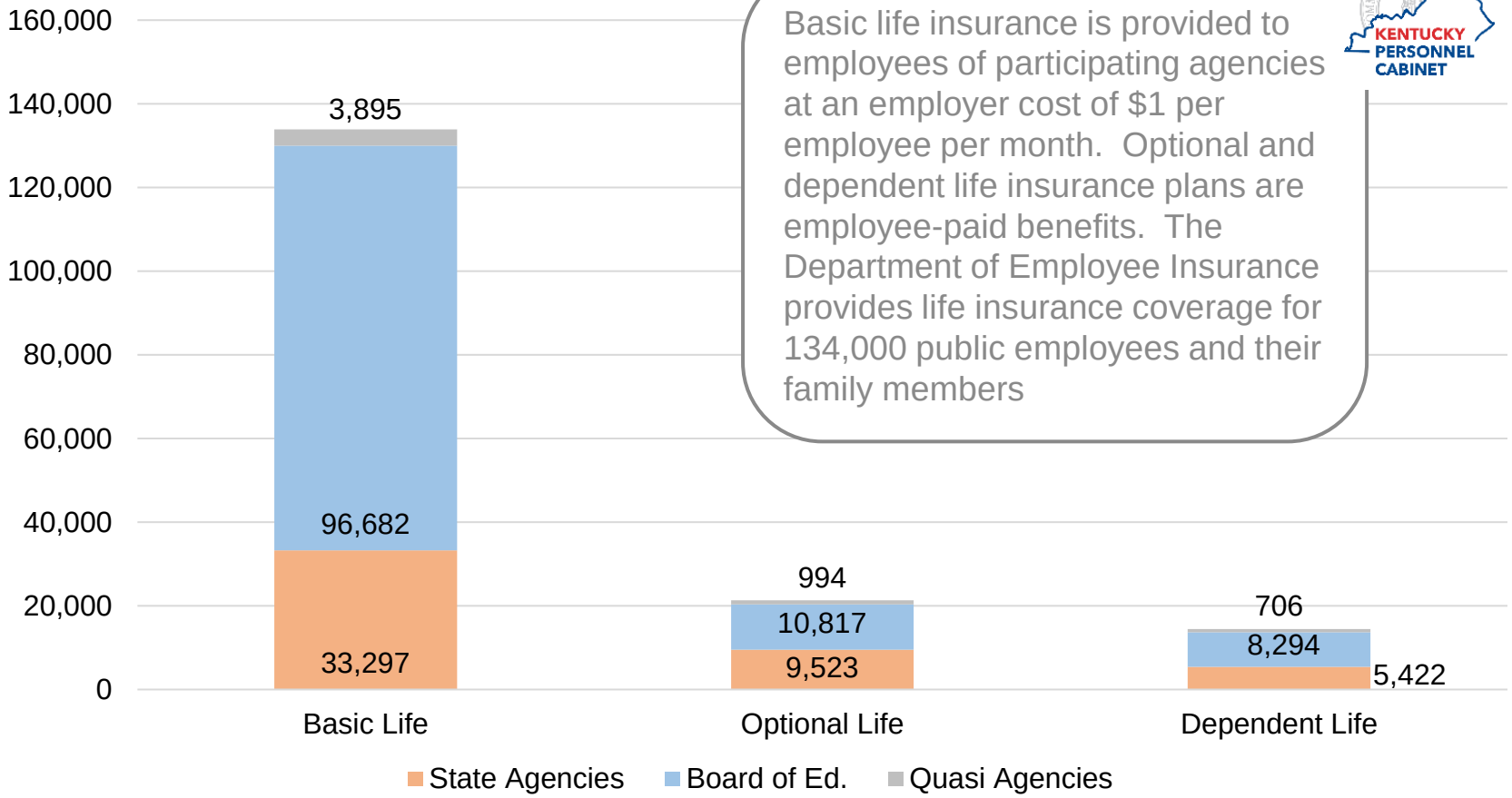
2021*



*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

2021* Life Insurance Enrollment

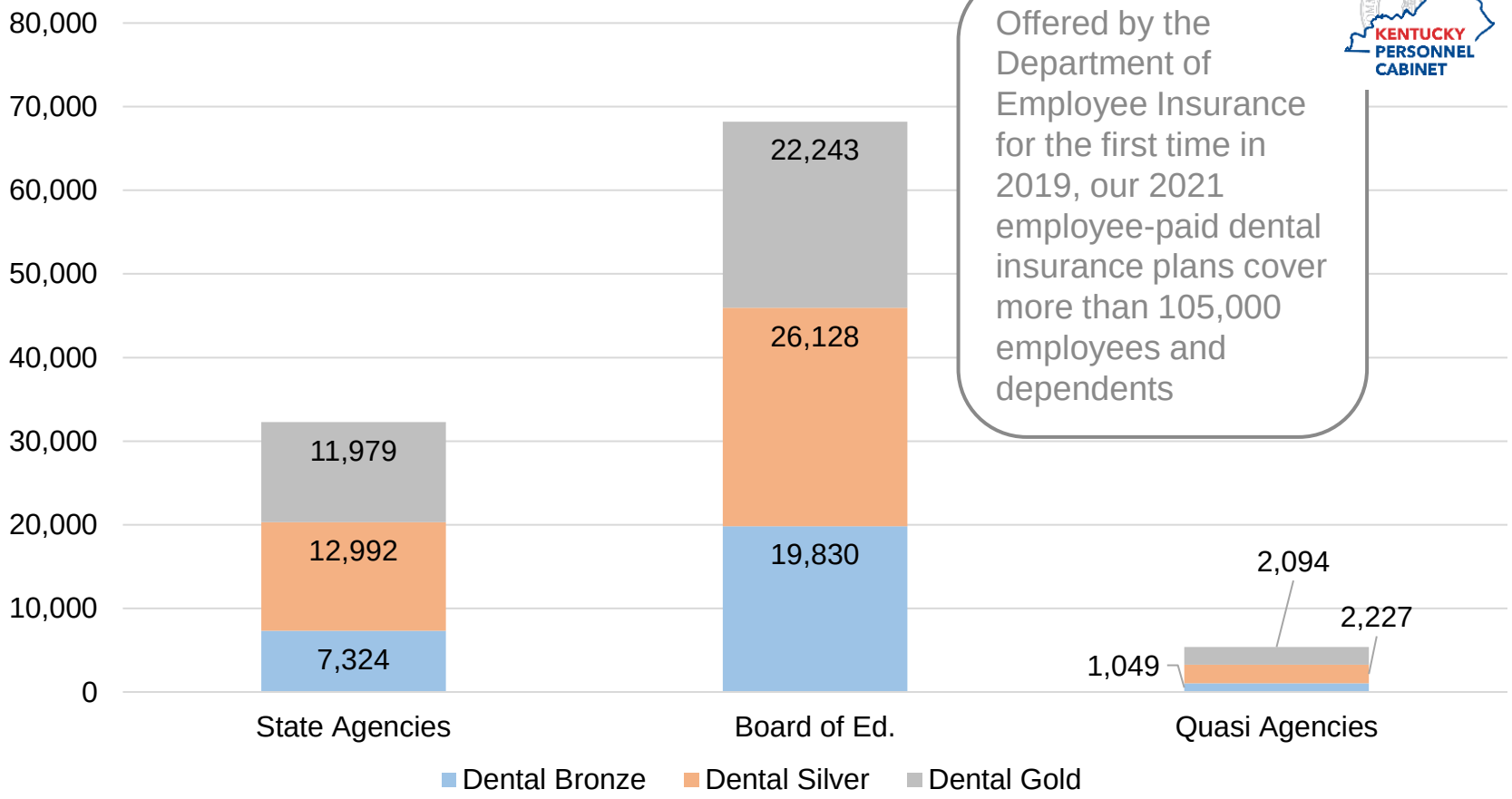


Basic life insurance is provided to employees of participating agencies at an employer cost of $1 per employee per month. Optional and dependent life insurance plans are employee-paid benefits. The Department of Employee Insurance provides life insurance coverage for 134,000 public employees and their family members

*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment in KHRIS*

2021* Dental Insurance Members

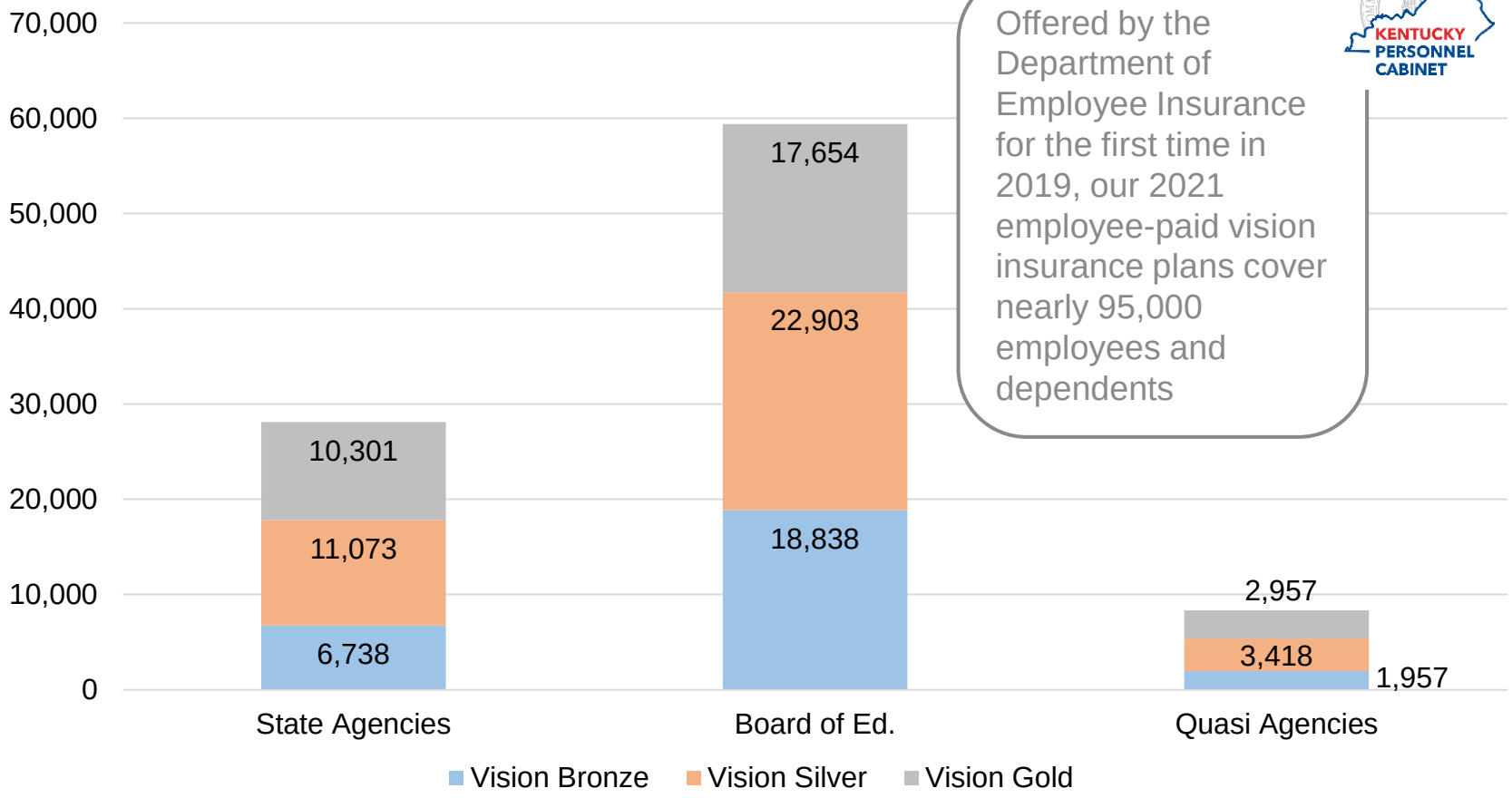


Offered by the Department of Employee Insurance for the first time in 2019, our 2021 employee-paid dental insurance plans cover more than 105,000 employees and dependents

*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment in KHRIS*

2021* Vision Insurance Members



Offered by the Department of Employee Insurance for the first time in 2019, our 2021 employee-paid vision insurance plans cover nearly 95,000 employees and dependents

*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment in KHRIS*

Cost and Utilization Trends

About Our Program Experience

Overview of 2018–2021 medical and pharmacy claims, plan trends, and program performance

KEHP Medical and Pharmacy Trends

- KEHP has enjoyed substantially lower than industry average allowed cost trends for several years
- Current KEHP allowed cost trends are near the industry average
- Employer contribution rate increases have lagged the rate of claims increases for a number of years

Claims Experience

	2018	2019	2020	2021*
Allowed Cost—Medical	$1,270,296,552	$1,360,722,184	$1,270,756,397	$660,472,992
Allowed Cost—Rx	$495,296,623	$547,191,318	$594,203,588	$296,572,637
Total Allowed Cost	$1,766,152,175	$1,907,913,502	$1,864,959,985	$957,045,628
Plan Paid—Medical	$1,046,736,440	$1,135,453,857	$1,060,562,427	$520,977,435
Plan Paid—Rx	$438,416,789	$489,051,511	$530,800,527	$260,542,759
Total Plan Paid	$1,485,153,229	$1,624,505,368	$1,591,362,954	$781,520,194

*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Claims Experience Per Member Per Month

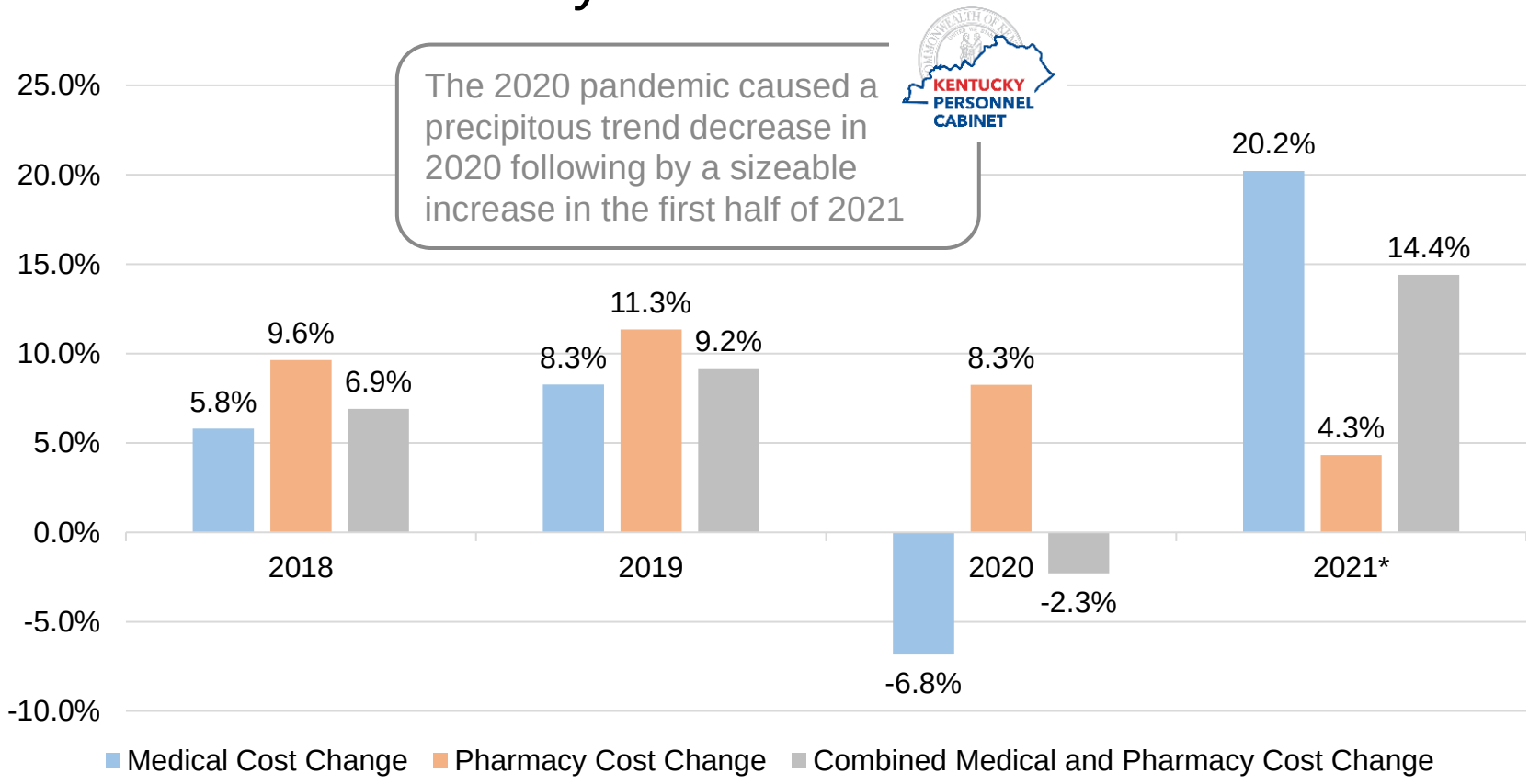
	2018	2019	2020	2021*
Allowed Cost—Medical	$402.07	$429.89	$400.45	$420.61
Allowed Cost—Rx	$156.95	$172.87	$187.25	$188.87
Total Allowed Cost	$559.01	$602.76	$587.69	$609.47
Plan Paid—Medical	$331.31	$358.72	$334.21	$331.77
Plan Paid—Rx	$138.77	$154.50	$167.27	$165.92
Total Plan Paid	$470.07	$513.23	$501.48	$497.69

The YTD 2021 paid medical claims are very close to 2018 levels, we expect them to continue to increase throughout 2021 due to seasonality of claims.

*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

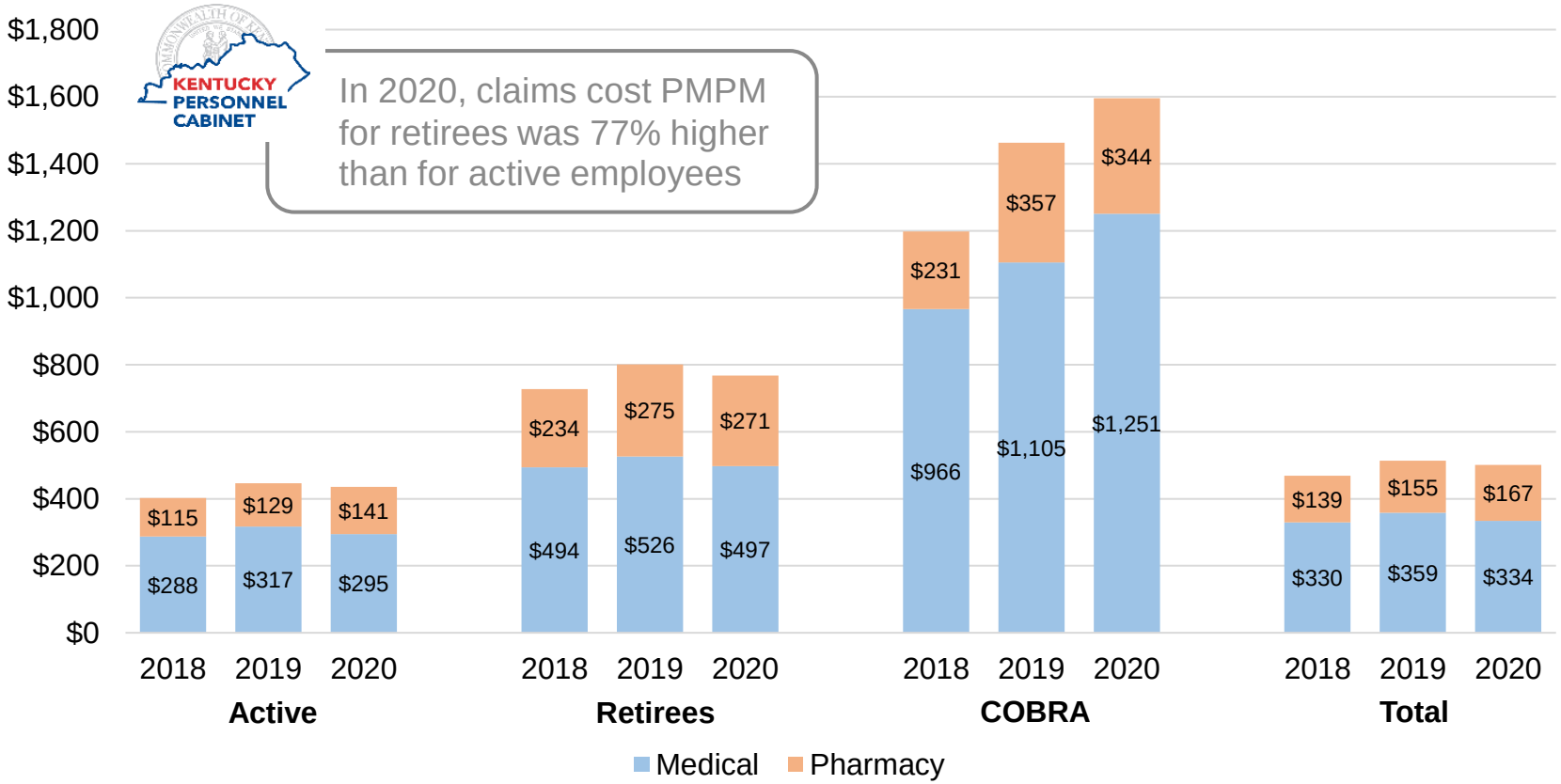
Medical and Pharmacy Trends



*2021 trend includes January–June 2021 compared to January–June 2020.

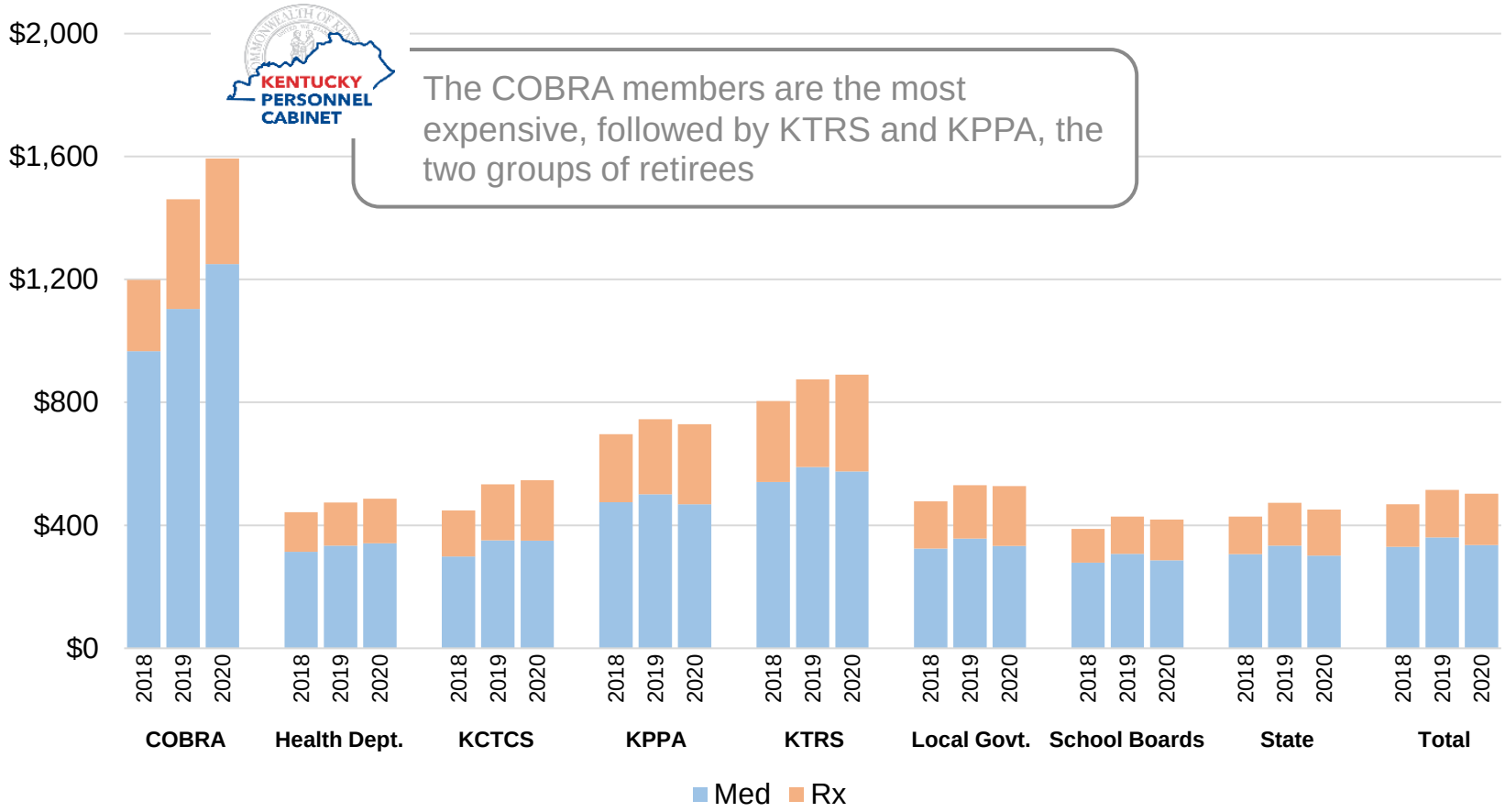
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Medical and Pharmacy Claims PMPM by Member Status



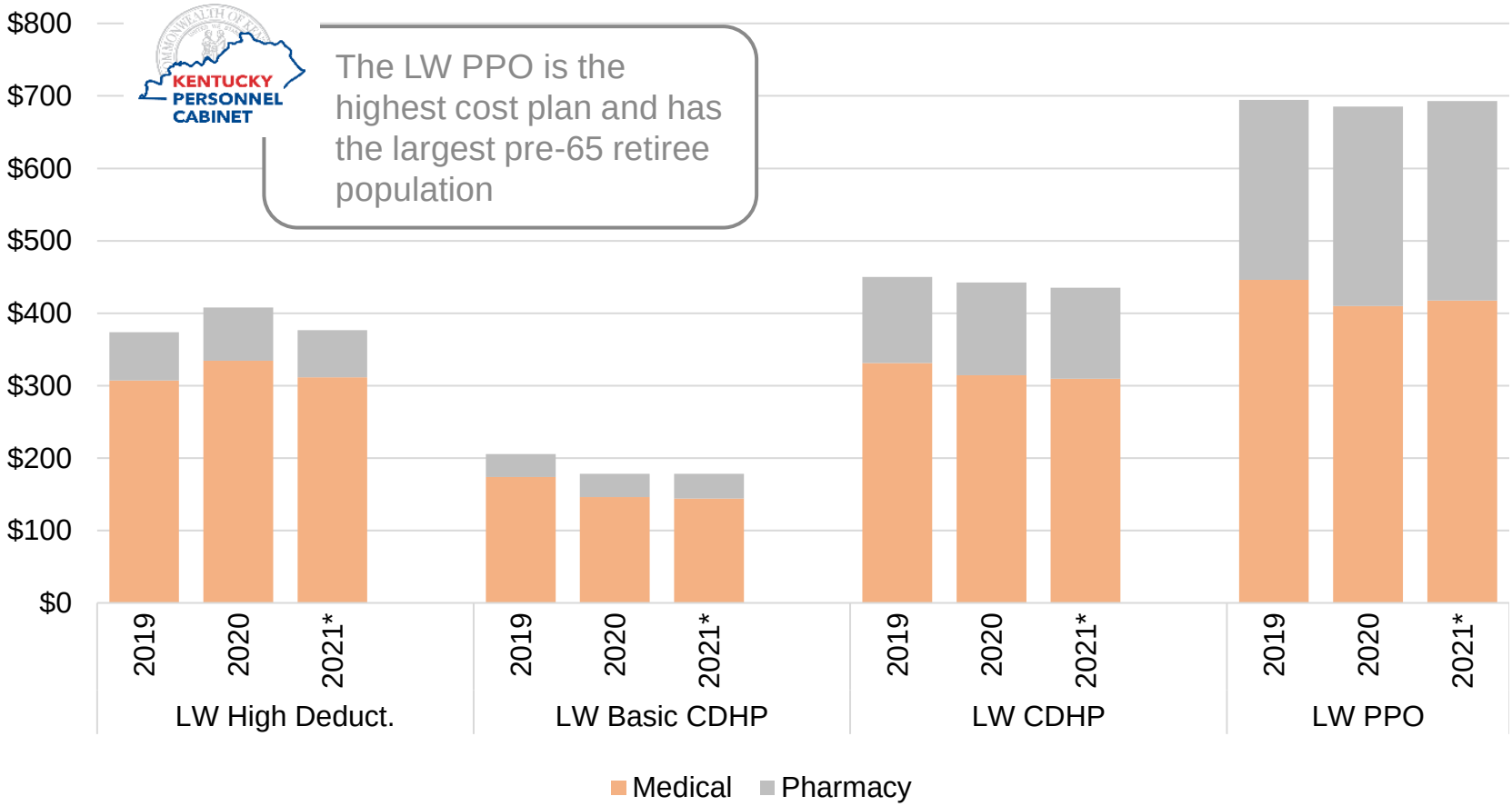
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Medical and Pharmacy Claims PMPM by Employee Group



Source: *KEHP enrollment and claims data aggregated by IBM Watson*

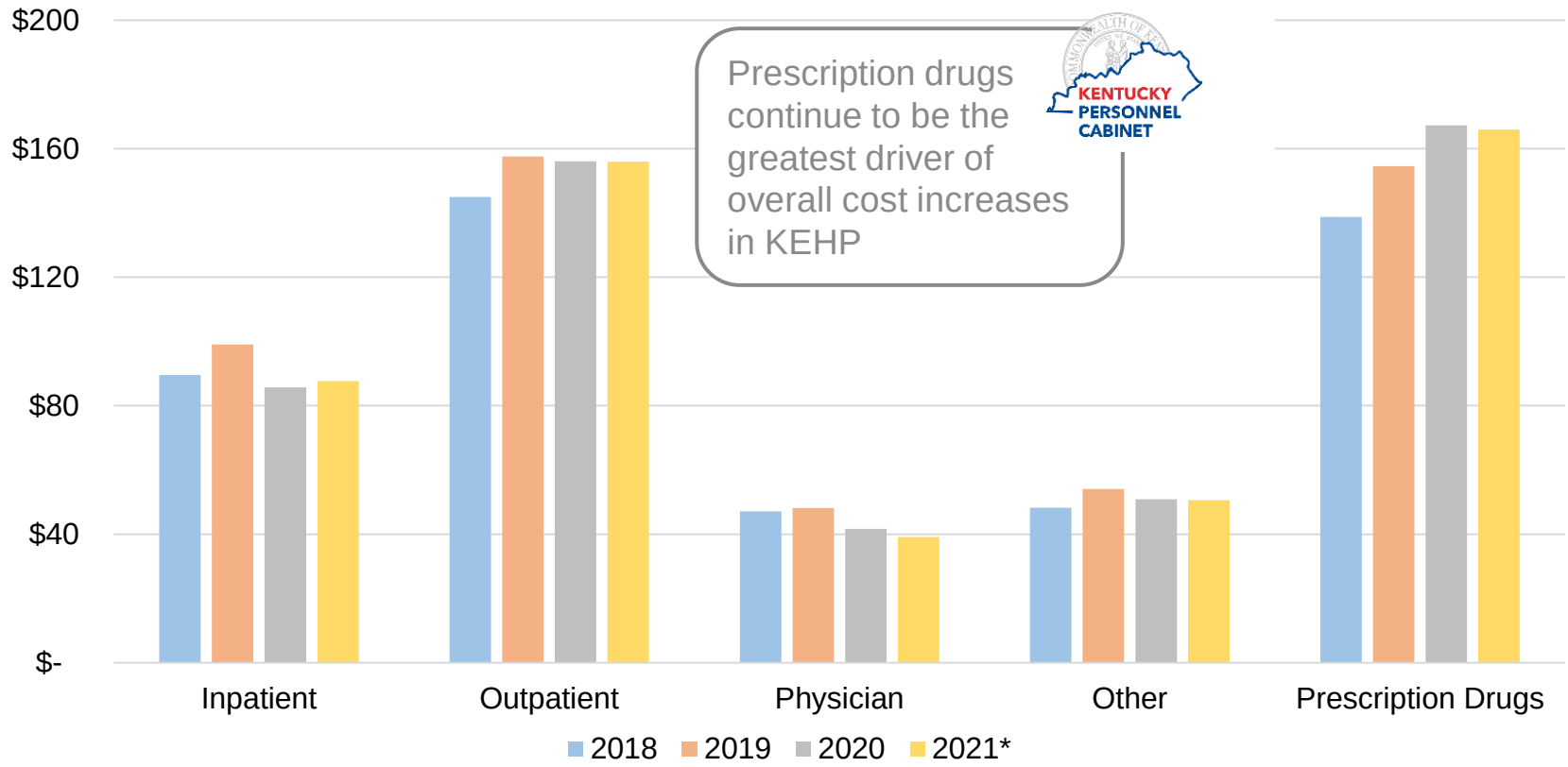
Medical and Pharmacy Claims PMPM by Plan



*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Medical and Pharmacy Paid Costs by Service Type



*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Paid Claims by Service Cost as a Percentage of Total Costs

	2018	2019	2020	2021*
Inpatient	19.1%	19.3%	17.1%	17.6%
Outpatient	30.9%	30.7%	31.1%	31.2%
Physician	10.1%	9.4%	8.3%	7.8%
Other	10.3%	10.5%	10.1%	10.1%
Prescription Drugs	29.6%	30.1%	33.4%	33.2%

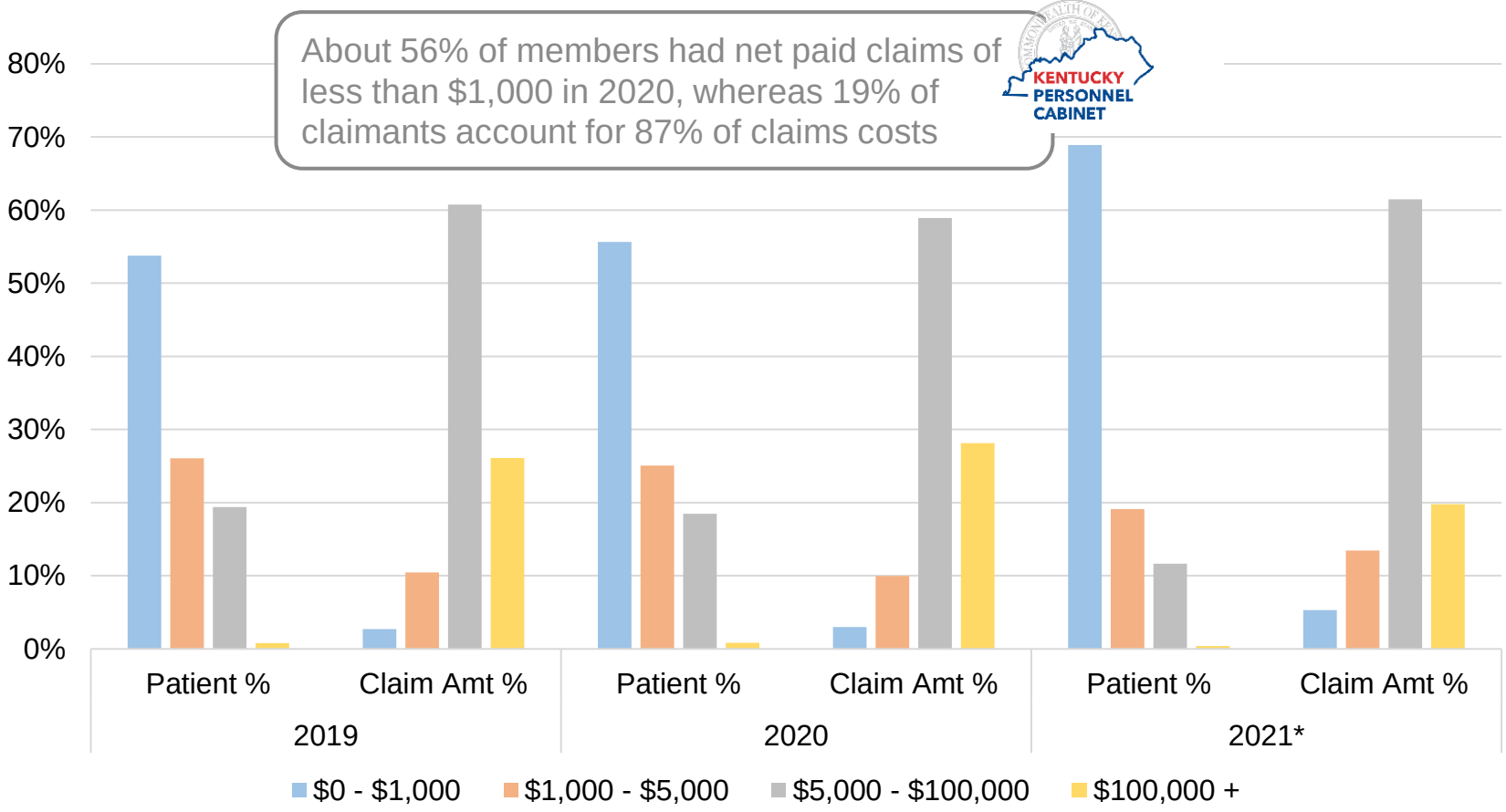
Prescription drug claims comprise the largest portion of the total claims

KENTUCKY PERSONNEL CABINET

*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Paid Claims Distribution by Amount



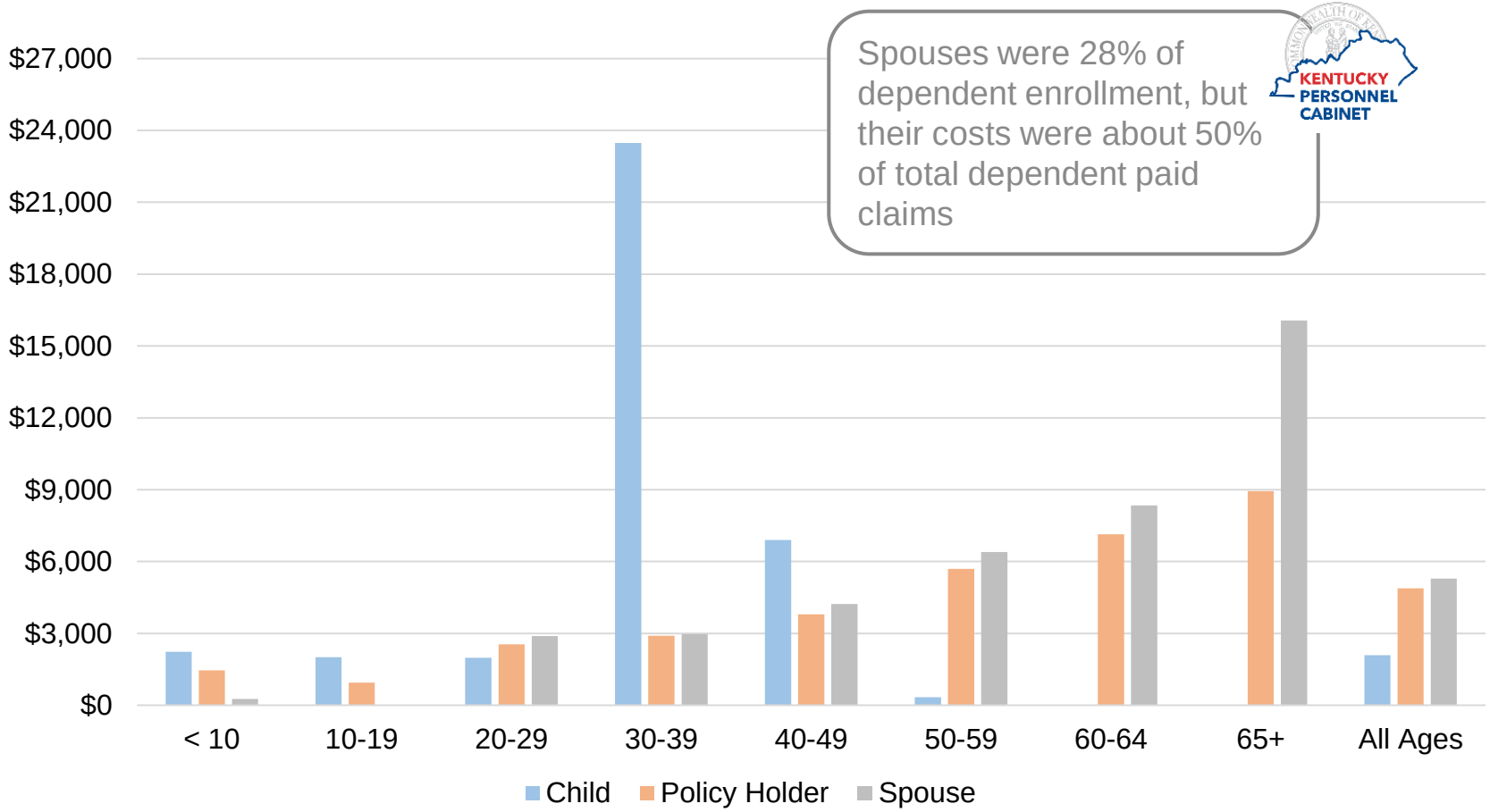
*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

KEHP Medical Benefits Detailed Experience

- Inpatient utilization has undergone a year-over-year decrease over the past several years, but the relative cost of those claims continue to increase because of price inflation
- Much of this utilization has shifted to lower cost sites of care (outpatient, office) but even these methods of delivery have become more expensive
- Retirees and spouses continue to be the most expensive constituent groups for which to provide benefits
- Because of the COVID-19 pandemic, medical utilization decreased significantly in 2020

2020 Employee and Dependent Claims PMPY by Age Band



Spouses were 28% of dependent enrollment, but their costs were about 50% of total dependent paid claims

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Inpatient Utilization

Inpatient Hospital Claim Utilization Statistics	2018	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Admits Per 1,000 Lives	62.2	60.3	51.4	-14.8%	49.3	51.9	5.2%
Days Per 1,000 Lives	267.1	275.0	237.6	-13.6%	213.2	250.0	17.3%
Average Length of Stay (Days)	4.3	4.56	4.62	1.4%	4.3	4.8	11.4%
Average Cost Per Admit	$19,711	$23,648	$23,897	1.1%	$22,361	$24,037	7.5%
Average Cost Per Day	$4,592	$5,187	$5,168	-0.4%	$5,174	$4,991	-3.5%
Allowed Charges PMPM	$109.6	$118.9	$102.3	-13.9%	$91.9	$104.0	13.1%

Both inpatient admissions and cost of inpatient care decreased from 2019 to 2020, due to COVID-19

KENTUCKY PERSONNEL CABINET

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Outpatient Utilization

Outpatient Hospital Claim Utilization Statistics	2018	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Visit Per 1,000 Lives	1,267.1	1,380.7	1,258.3	-8.9%	1,063.7	1,563.8	47.0%
Services Per 1,000 Lives	7,987.6	8,363.8	7,474.2	-10.6%	6,813.8	8,737.8	28.2%
Services Per Visit	6.3	6.1	5.9	-1.9%	6.4	5.6	-12.8%
Average Cost Per Visit	$1,526	$1,508	$1,619	7.4%	$1,667	$1,381	-17.2%
Average Cost Per Service	$240	$249	$273	9.5%	$260	$247	-5.1%
Allowed Charges PMPM	$161.1	$173.5	$169.8	-2.2%	$147.8	$179.9	21.7%

Both outpatient visits and cost decreased from 2019 to 2020, due to COVID-19. 2021 visits are back to normal and showed sharp increase from 2020

KENTUCKY PERSONNEL CABINET

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Professional Services Utilization

Professional Service Claim Utilization Statistics	2018	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Visit Per 1,000 Lives	8,133.0	8,464.6	7,849.6	-7.3%	7,020.5	8,237.8	17.3%
Services Per 1,000 Lives	16,799.7	17,134.6	15,248.5	-11.0%	13,585.2	15,225.8	12.1%
Services Per Visit	2.1	2.0	1.9	-4.0%	1.9	1.8	-4.5%
Average Cost Per Visit	$124	$125	$122	-1.8%	$122	$120	-1.6%
Average Cost Per Service	$60	$62	$63	2.3%	$63	$65	3.0%
Allowed Charges PMPM	$83.7	$87.9	$80.0	-8.9%	$71.6	$82.6	15.4%

Both professional visits and cost decreased from 2019 to 2020, due to COVID-19. 2021 visits are back to normal and showed sharp increase from 2020

KENTUCKY PERSONNEL CABINET

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Utilization by Major Diagnostic Category

Major Diagnostic Category	Total Plan Costs			Patients		
	2019	2020	2021*	2019	2020	2021*
Musculoskeletal	$196,353,984	$178,855,487	$85,885,413	98,356	90,385	65,962
Circulatory	$133,292,847	$109,612,728	$57,938,553	67,935	64,015	44,692
Health Status	$105,849,980	$107,637,535	$55,193,031	200,636	210,073	156,810
Myeloproliferative Diseases	$72,316,542	$89,290,245	$40,529,264	6,625	6,159	3,929
Digestive	$98,363,993	$84,898,148	$44,278,069	54,954	46,189	28,814
Nervous	$74,128,392	$71,298,491	$32,083,987	33,130	30,963	20,556
Respiratory	$47,366,469	$53,528,056	$29,868,294	61,435	56,083	27,903
Skin, Breast	$50,605,888	$50,260,538	$22,606,287	87,494	80,244	50,740
Kidney	$47,274,330	$41,113,501	$18,981,122	36,561	33,068	19,756
Metabolic	$40,919,969	$39,088,181	$19,556,791	75,512	71,573	53,929

More than 77% of claim costs are for treatment of the top 10 MDCs

KENTUCKY PERSONNEL CABINET

*2021 data reflects January–June 2021 only.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Plan Cost by Chronic Conditions

Clinical Condition	2019	2020	Jan–Jun 2020	Jan–Jun 2021
Cancer	$76,448,070	$73,411,360	$32,460,883	34,565,863
Osteoarthritis	$50,649,467	$45,930,639	$17,731,547	20,697,807
Chronic Back/Neck Pain	$48,686,683	$46,011,733	$16,565,108	21,236,507
Coronary Artery Disease	$33,314,502	$29,121,770	$13,168,076	16,994,028
Diabetes	$17,775,875	$17,606,090	$7,759,818	8,632,938
Hypertension, Essential	$14,164,645	$10,057,429	$4,500,835	4,722,471
Overweight/Obesity	$11,384,433	$10,921,597	$4,117,496	5,965,556
Asthma	$2,867,235	$2,832,408	$1,374,738	1,109,411
Chronic Obstructive Pulmonary Disease (COPD)	$2,593,235	$1,705,129	$916,333	638,101
Congestive Heart Failure	$2,241,061	$1,233,481	$426,777	712,412

In 2020, the total cost of chronic conditions represents 23% of total plan costs and decreased by 8.2% over 2019

KENTUCKY PERSONNEL CABINET

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Paid Claims by Member Type

Relationship	Medical Plan Cost					
	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Employees	$743,052,017	$698,857,282	-5.9%	$292,767,857	$345,912,024	18.2%
Spouse	$182,718,810	$181,416,882	-0.7%	$73,977,318	$88,377,910	19.5%
Child	$209,683,031	$180,288,263	-14.0%	$73,334,318	$86,687,501	18.2%

Relationship	Medical Plan Cost PMPM					
	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Employees	$432.23	$409.92	-5.2%	$341.13	$412.38	20.9%
Spouse	$444.23	$435.85	-1.9%	$352.99	$426.15	20.7%
Child	$202.62	$171.34	-15.4%	$139.19	$165.41	18.8%

Spouses remain the most expensive group to cover. Spouses are about 6% more expensive than employees/retirees on a per member per month basis.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Paid Claims by Member Type

Status	Medical Plan Cost					
	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Active Employees	$804,458,732	$752,918,917	-6.4%	$309,550,993	$377,137,176	21.8%
Retirees	$330,995,125	$307,643,510	-7.1%	$130,528,500	$143,840,259	10.2%

Relationship	Medical Plan Cost PMPM					
	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Active Employees	$317.23	$294.75	-7.1%	$240.70	$297.26	23.5%
Retirees	$525.92	$497.11	-5.5%	$422.94	$476.93	12.8%

Both retiree and active medical claims PMPM decreased from 2019 to 2020 due to COVID-19. Medical claims cost PMPM for retirees remains 69% higher than for active employees

KENTUCKY PERSONNEL CABINET

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

KEHP Pharmacy Benefits Detailed Experience

- Total allowed pharmacy PMPM cost increased by 8.3% in 2020 and 3.4% in the first six months of 2021—despite the decrease by 5.8% in number of scripts filled in 2020
- The main drivers of the cost increase were significant price inflation of all drug categories, a decline in the number of expiring drug patents, and a robust pipeline of new, expensive specialty drugs
- Maintaining a generic dispensing rate of more than 85% helps to slow price inflation

Aggregate Pharmacy Benefits Costs

	2018	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Total Eligible Members	263,285	263,774	264,446	0.3%	265,776	261,715	-1.5%
Total Number of Scripts	4,533,562	4,373,025	4,120,676	-5.8%	2,066,269	2,006,516	-2.9%
Scripts Per Member	17.22	16.58	15.58	-6.0%	7.77	7.67	-1.4%
Total Plan Paid	$438,358,470	$489,051,511	$530,800,527	8.5%	$253,615,299	$260,542,759	2.7%
Total Member Paid	$55,709,626	$56,459,371	$61,705,300	9.3%	$36,912,377	$36,029,877	-2.4%
Total Allowed Cost	**$495,786,812**	**$547,191,318**	**$594,203,588**	**8.6%**	**$291,301,896**	**$296,572,637**	**1.8%**
Plan Paid PMPM	$138.75	$154.50	$167.27	8.3%	$159.04	$165.92	4.3%
Member Paid PMPM	$17.63	$17.84	$19.44	9.0%	$23.15	$22.94	-0.9%
Total Allowed Cost PMPM	**$156.92**	**$172.87**	**$187.25**	**8.3%**	**$182.67**	**$188.87**	**3.4%**

The increase in pharmacy claims is driven by the cost per script, while the number of scripts has decreased.

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Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Aggregate Pharmacy Benefits Costs

	2018	2019	2020	2020 vs. 2019	Jan–Jun 2020	Jan–Jun 2021	2021 vs. 2020
Member Cost per Claim	**$12.29**	**$12.91**	**$14.97**	**16.0%**	**$17.86**	**$17.97**	**0.6%**
Retail Member Cost per Claim	$9.86	$9.66	$10.06	4.2%	$11.74	$11.33	-3.5%
Mail Member Cost per Claim	$14.46	$13.55	$14.15	4.4%	$16.33	$15.99	-2.1%
Specialty Member Cost per Claim	$169.65	$177.98	$206.40	16.0%	$268.87	$264.05	-1.8%
Total Member Cost Share	**11.3%**	**10.3%**	**10.4%**	**0.6%**	**12.7%**	**12.1%**	**-4.4%**
Retail Member Cost Share	16.0%	14.4%	14.0%	-2.5%	16.7%	16.8%	0.2%
Mail Member Cost Share	11.1%	9.9%	9.4%	-4.6%	10.9%	11.3%	3.7%
Specialty Member Cost Share	5.3%	5.8%	7.0%	20.3%	8.9%	8.5%	-5.0%
Generic Utilization							
Generic Dispensing Rate	84.5%	85.3%	84.9%	-0.5%	86.2%	83.8%	-2.8%
Generic Substitution Rate	96.8%	98.5%	98.1%	-0.4%	98.1%	98.4%	0.3%
Mail Order Utilization	1.8%	1.8%	1.8%	0.9%	1.8%	1.7%	-4.9%

Member cost increased from 2019 to 2020 due to large specialty drug cost increase, generic dispensing rate decreased below 85% after several years increase, mail order utilization remains flat

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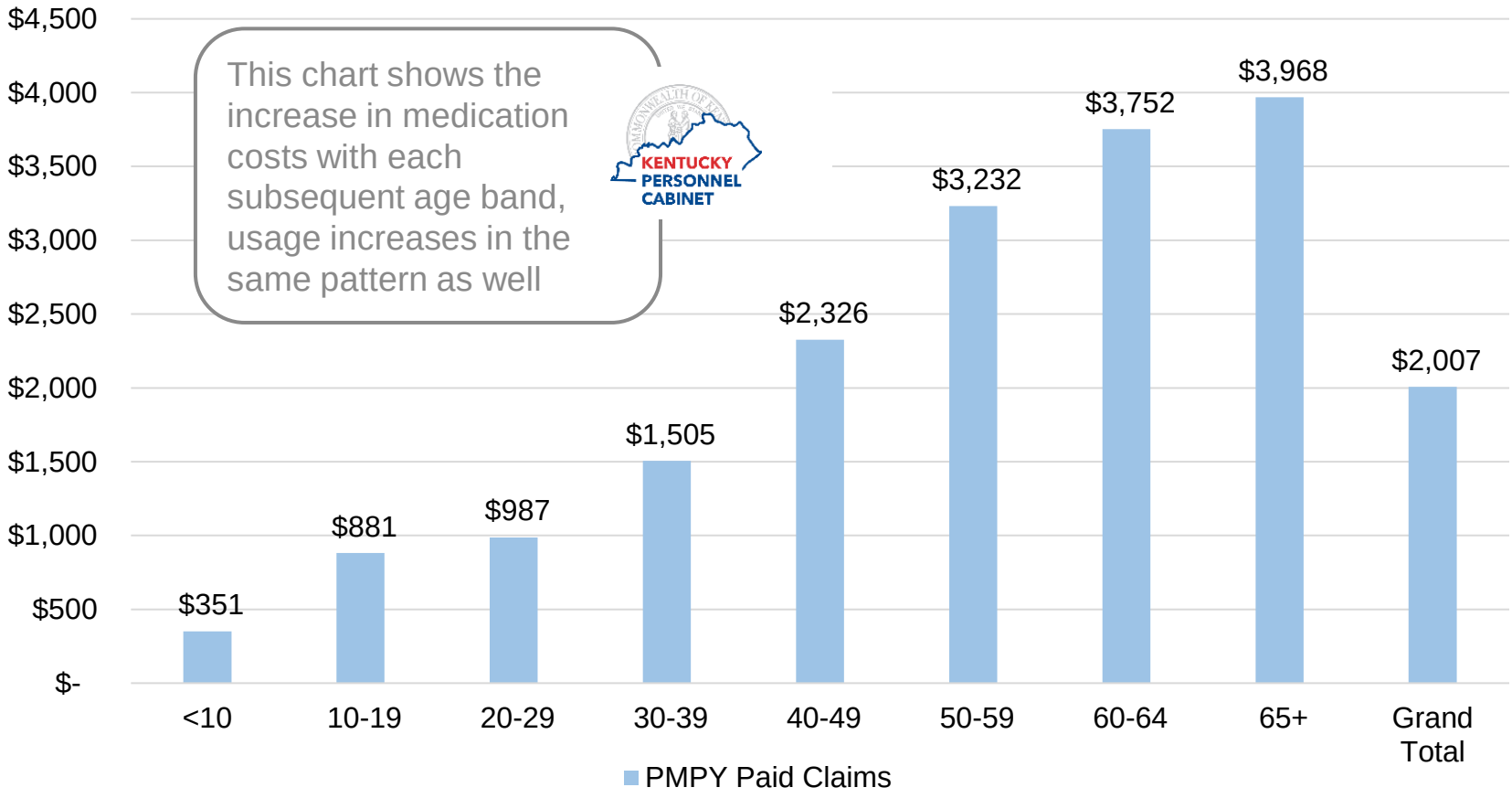
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

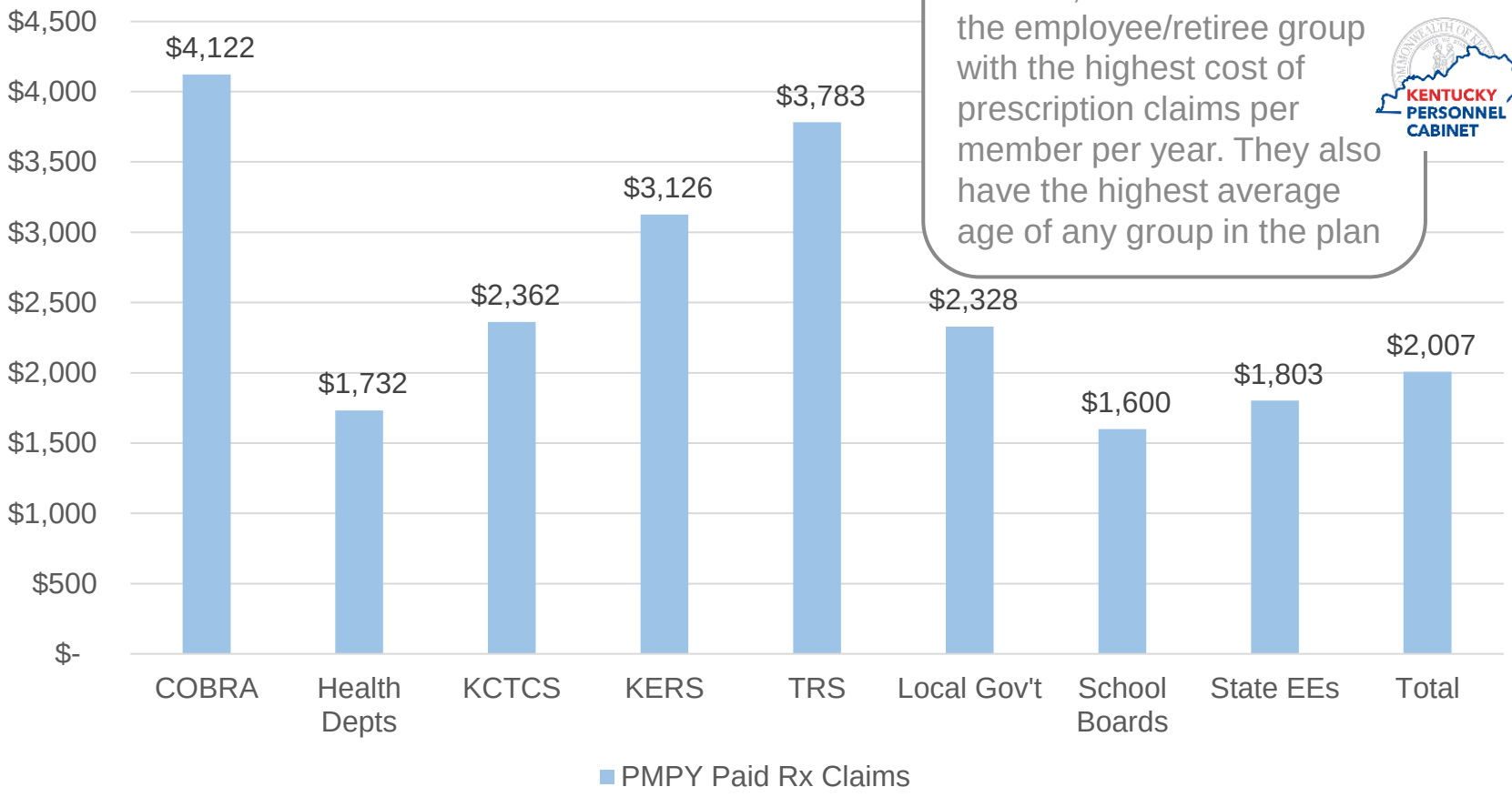
2020 Cost of Prescriptions by Age Band



Source: *KEHP enrollment and claims data aggregated by IBM Watson*

2020 Cost of Prescriptions by Group

In 2020, TRS retirees were the employee/retiree group with the highest cost of prescription claims per member per year. They also have the highest average age of any group in the plan



Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Top 10 Drugs for KEHP (2020)

Drug	2020 Rank	2019 Rank	Total Plan Cost				Number of Scripts			
			2018	2019	2020	Jan–Jun 2021	2018	2019	2020	Jan–Jun 2021
Humira	1	1	$33,470,655	$35,612,118	$38,974,844	$20,734,794	4,517	4,754	5,076	2,514
Stelara	2	2	$10,891,933	$13,613,900	$17,306,867	$10,758,866	682	798	942	545
Trulicity	3	4	$8,568,033	$10,117,323	$12,035,954	$6,973,530	10,657	11,717	12,993	7020
Enbrel	4	3	$13,348,587	$11,408,170	$10,858,863	$5,231,858	1,804	1,564	1,331	628
Saxenda	5	8	$5,914,303	$8,222,072	$10,460,632	$6,023,344	5,214	7,018	8,429	4,806
Januvia	6	5	$7,951,951	$9,572,690	$9,958,775	$4,610,593	14,648	15,530	14,906	6,573
Farxiga	7	6	$9,240,235	$9,519,448	$9,757,902	$4,980,138	16,095	14,111	13,563	6,651
Tresiba Flextouch Pen	8	7	$7,215,528	$8,403,869	$8,943,864	$456,065	8,713	9,195	9,774	442
Novolog	9	9	$7,049,841	$7,587,187	$8,080,953	$4,000,494	6,930	7,171	7,377	3,566
Jardiance	10	17	$1,192,228	$4,933,403	$7,493,555	$4,756,874	2,205	7,737	10,531	6,263

In 2020, the total cost of the top 10 drugs represents 25.2% of total plan drug costs and the cost of these top 10 drugs increased by 12.5% over 2019

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Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Top 10 Therapeutic Classes

Therapeutic Class	2021 Rank	2020 Rank	2021 Scripts	2021 Patients	2021 Gross Costs	2021 Generic Fill Rate	2021 Gross Cost PMPM
Antidiabetics	1	1	116,677	21,848	$55,597,213	47.70%	$35.17
Analgesics—Anti-Inflammatory	2	2	68,410	31,883	$40,999,575	92.80%	$25.94
Dermatologicals	3	3	45,379	26,005	$32,171,310	89.30%	$20.35
Antineoplastics	4	6	8,878	2,943	$14,562,893	89.10%	$9.21
ADHD/Anti-Narcolepsy/Anti-Obesity/Anorexiants	5	7	41,254	10,556	$13,607,212	47.20%	$8.61
Antiasthmatic and Bronchodilator Agents	6	5	84,029	25,989	$13,279,913	73.10%	$8.40
Psychotherapeutic and Neurological Agents—Misc.	7	4	4,305	1,700	$12,427,172	46.70%	$7.86
Antihyperlipidemics	8	8	117,767	40,557	$8,826,321	97.30%	$5.58
Endocrine And Metabolic Agents—Misc.	9	11	5,888	2,260	$7,030,779	87.90%	$4.45
Respiratory Agents—Misc.	10	12	369	50	$6,448,269	0.00%	$4.08

In 2021, the total cost of drugs in the top 10 therapeutic classes represents 69.1% of total gross cost

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*2021 data reflects January–June 2021 only.

Source: *CVS Rx Insights, 2021 Plan Review*

Pharmacy Benchmarked Utilization Statistics

Key Statistic	KEHP				State Gov't
	2019	2020	Jan–Jun 2020	Jan–Jun 2021	Jan–Jun 2021
Member Cost Percentage	10.6%	10.7%	12.9%	12.2%	8.6%
Generic Fill Rate	86.8%	86.4%	87.9%	85.4%	84.9%
Generic Substitution Rate	99.0%	98.3%	98.4%	98.4%	98.2%
Mail Subscription Rate	1.8%	1.8%	1.8%	1.7%	5.9%
Specialty Percentage of Allowed Cost	37.6%	40.1%	40.7%	43.6%	46.3%
Specialty Plan Allowed Cost PMPM	$64.7	$74.7	$74.1	$81.8	$83.4

In 2021, KEHP's member cost share is over 3% higher than CVS/caremark's benchmark. KEHP's generic fill rate and mail subscription rate were lower than the benchmark. KEHP's specialty percentage of allowed cost and specialty allowed cost PMPM were significantly better than the benchmark

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Source: *CVS Rx Insights, 2020 Plan Review, CVS 2021 Mid-Year Review*

Drugs Losing Patent Protection (2021)

Drug	Utilizers	Total Scripts	Projected Savings			
			2021	2022	2023	Total
Chantix	1,410	2,392	$541,080	$983,526	$1,043,029	$2,567,635
Absorica	974	2,595	$517,089	$940,181	$1,007,122	$2,464,391
Vascepa	402	1,248	$196,310	$630,626	$672,184	$1,499,119
Amitiza	292	981	$218,998	$355,226	$384,213	$958,437
Bystolic	62	320	$20,058	$210,576	$265,326	$495,959
All other	17	70	$41,494	$263,262	$304,885	$609,641

Projected savings for drugs coming off of patent protection in 2021 is expected to exceed $8.6M

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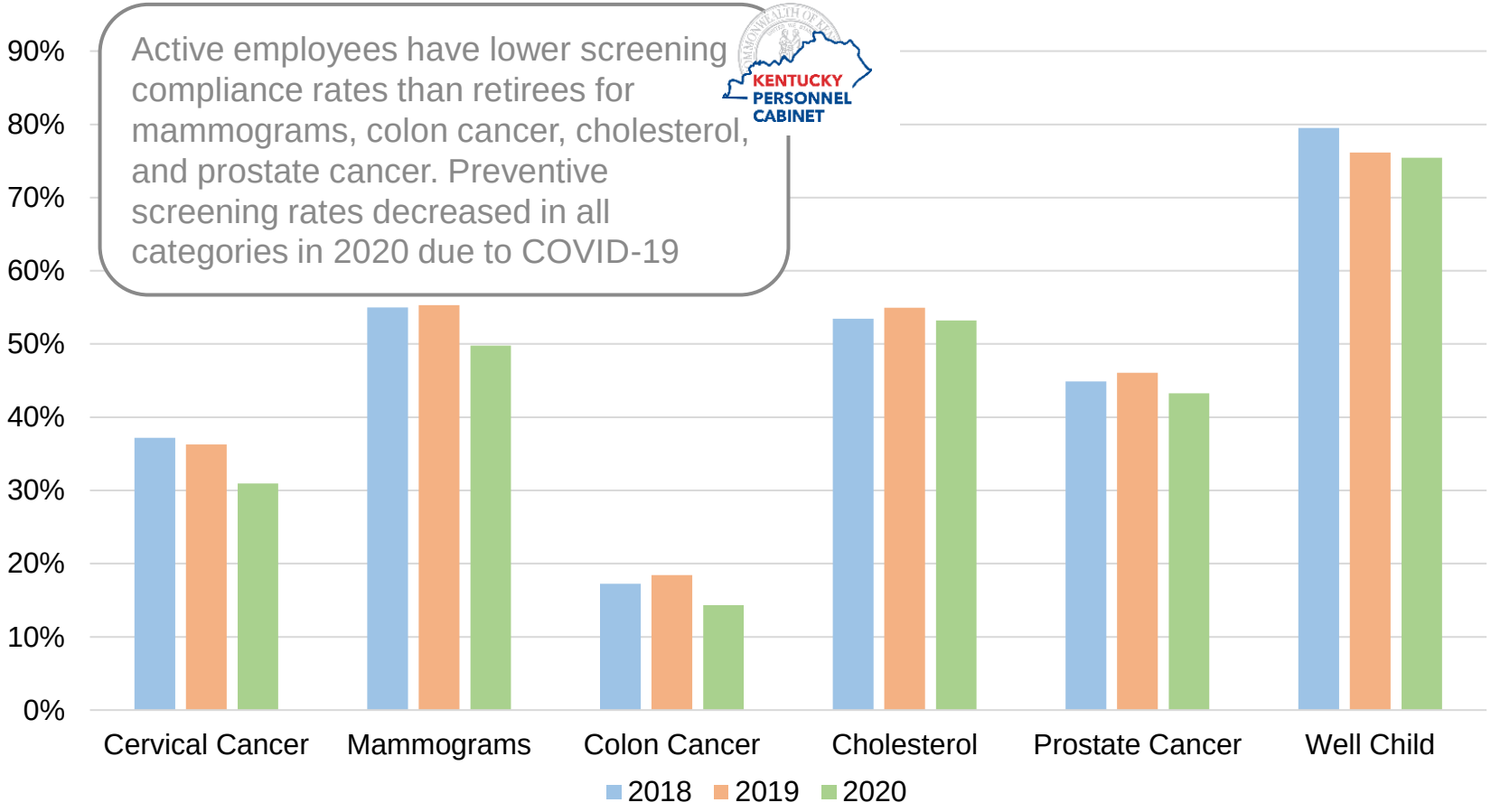
Source: *CVS Rx Insights, 2021 Plan Review*

Population Health Issues

- KEHP makes a wide variety of health screenings available to members, but they are not being utilized as often as recommended
- The Kaiser Family Foundation Survey, as has been the case in previous years, shows that Commonwealth of Kentucky residents tend to have less healthy behaviors and outcomes as compared both to the U.S. as a whole and other states in the South Region

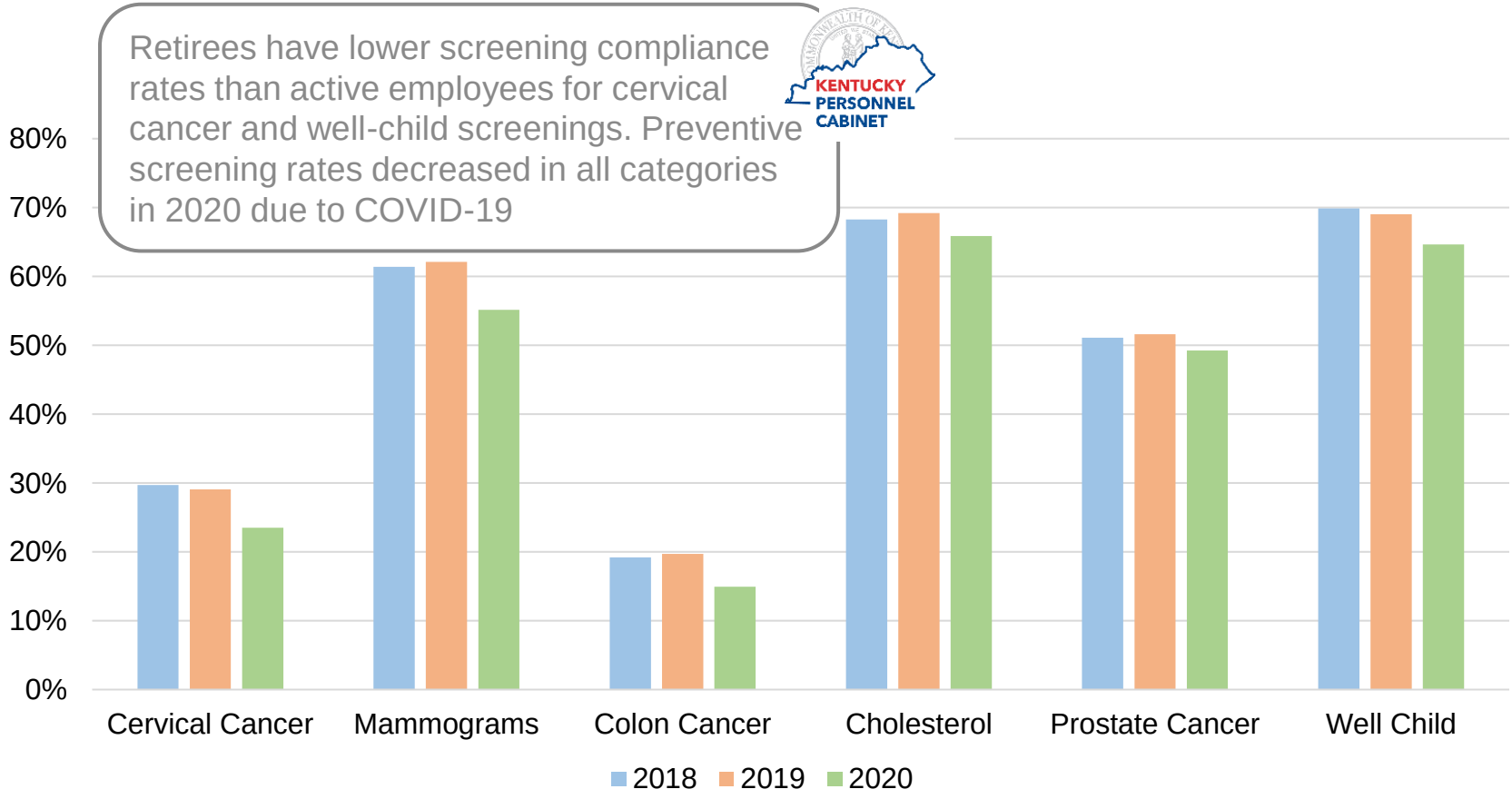
Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Preventive Care Screening Utilization—Active Employees



Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Preventive Care Screening Utilization—Early Retirees



Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Engagement in Special Outreach Programs

Anthem	2019			2020			Jan–Jun 2021		
	Referral	Engaged	Rate	Referral	Engaged	Rate	Referral	Engaged	Rate
Case Management	84,015	12,558	15%	59,817	9,833	16%	33,363	5,138	15%
Behavioral Health	1,259	306	24%	1,132	501	44%	585	211	36%
Future Moms	147	89	61%	134	86	64%	53	39	74%

Case management referrals decreased substantially in 2020, but engagement rate increased and large increase in behavioral health engagement rate. Future Moms engagement rate continues to increase every year

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Clinical Indicators

Cluster	Clinical Indicator	Measured Population	2018	2019	2020
Overall Wellness	Percentage of adults with no gaps in care	All KEHP members	40%	31%	34%
Vascular Conditions	Use of beta-blockers after heart attack	187	82%	85%	74%
Diabetes	HbA1c testing rate	19,283	81%	77%	78%
	Lipid test percentage	3,240	70%	70%	69%
	Eye exam rate	8,047	38%	35%	33%

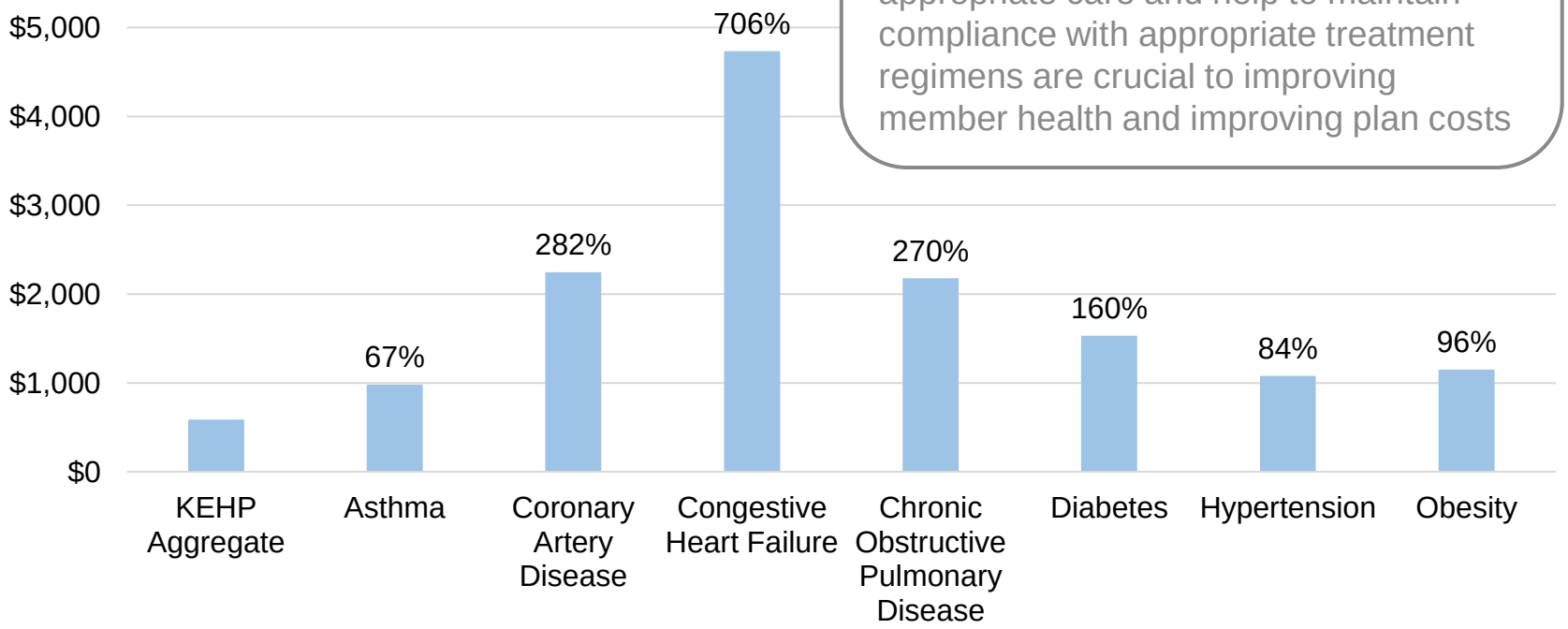
Several indicators improved in 2020 despite of the pandemic but clinical indicator for vascular conditions decreased sharply

*Measurements for these indicators are only available for a full year of experience.

Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Chronic Disease States PMPM

Members with congestive heart failure are nearly 7 times more expensive than the average member—this is why programs that assist with accessing appropriate care and help to maintain compliance with appropriate treatment regimens are crucial to improving member health and improving plan costs



Source: *KEHP enrollment and claims data aggregated by IBM Watson*

Comparison of Selected Population Health Statistics for the Commonwealth

	KY (Prior Survey)	KY (Current)*	South Region	US Total
Life expectancy at birth	75.9	**75.3**	76.7	78.7
Percentage of adults who are overweight or obese	69%	**74%**	69%	63%
Percentage of children (10–17) who are overweight or obese	40%	**38%**	34%	31%
Percentage of adults who participate in any physical activities	68%	**70%**	74%	77%
Percentage of adults who smoke	23%	**20%**	16%	13%
Percentage of smokers who attempt to quit smoking	55%	**47%**	55%	54%
Percentage of adults who have ever been told by a doctor that they have diabetes	14%	**15%**	14%	12%
Adult self-reported current asthma prevalence percentage	12%	**12%**	9%	9%
Percentage of adults reporting poor mental health	39%	**23%**	20%	20%
Number of cancer deaths (per 100,000)	182	**176**	158	146
Number of deaths due to diseases of the heart (per 100,000)	198	**196**	185	162
Age-adjusted invasive cancer incidence rate (per 100,000)	510	**524**	463	453

The population statistics suggest that Kentucky residents, on average, have a less healthy lifestyle than both the South Region and the U.S. as a whole and can expect both a higher prevalence of health issues and a lower life expectancy

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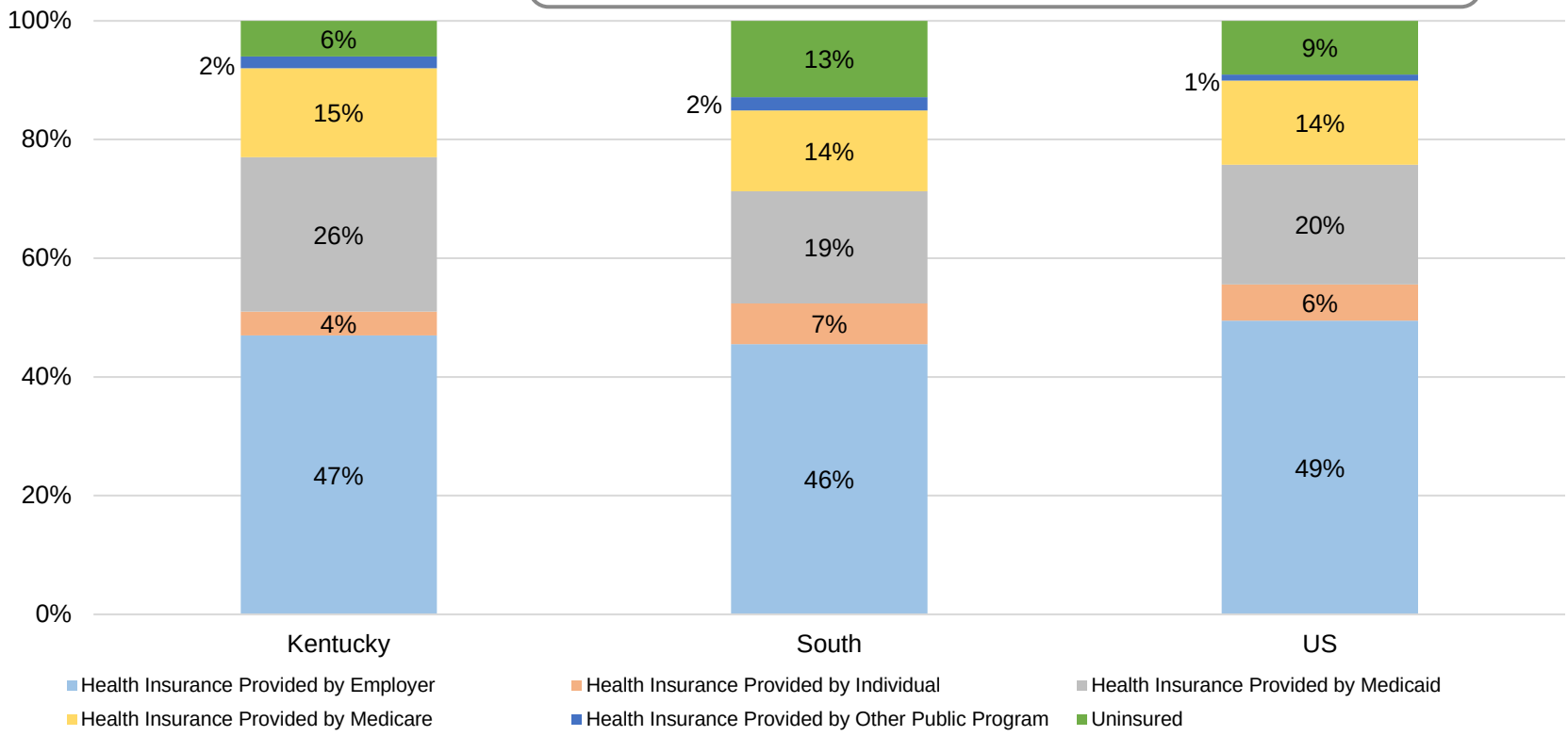
*Red shading = KY experience is poorer than both the U.S. and the South Region.

Source: *Kaiser Family Foundation, www.statehealthfacts.org*

Source of Insurance Coverage

A much lower percentage of Kentuckians are uninsured than either the South Region or U.S. as a whole



Source: *Kaiser Family Foundation, www.statehealthfacts.org*

KEHP Benchmarked Results

- KEHP is more heavily female and older than the public and private sectors
- KEHP's cost PEPY compares favorably to the public and private sectors
- KEHP has a higher prevalence of chronic illness, a higher rate of admissions, and higher risk scores than the benchmarks
- Across all inpatient quality metrics, KEHP lags the public and private sectors

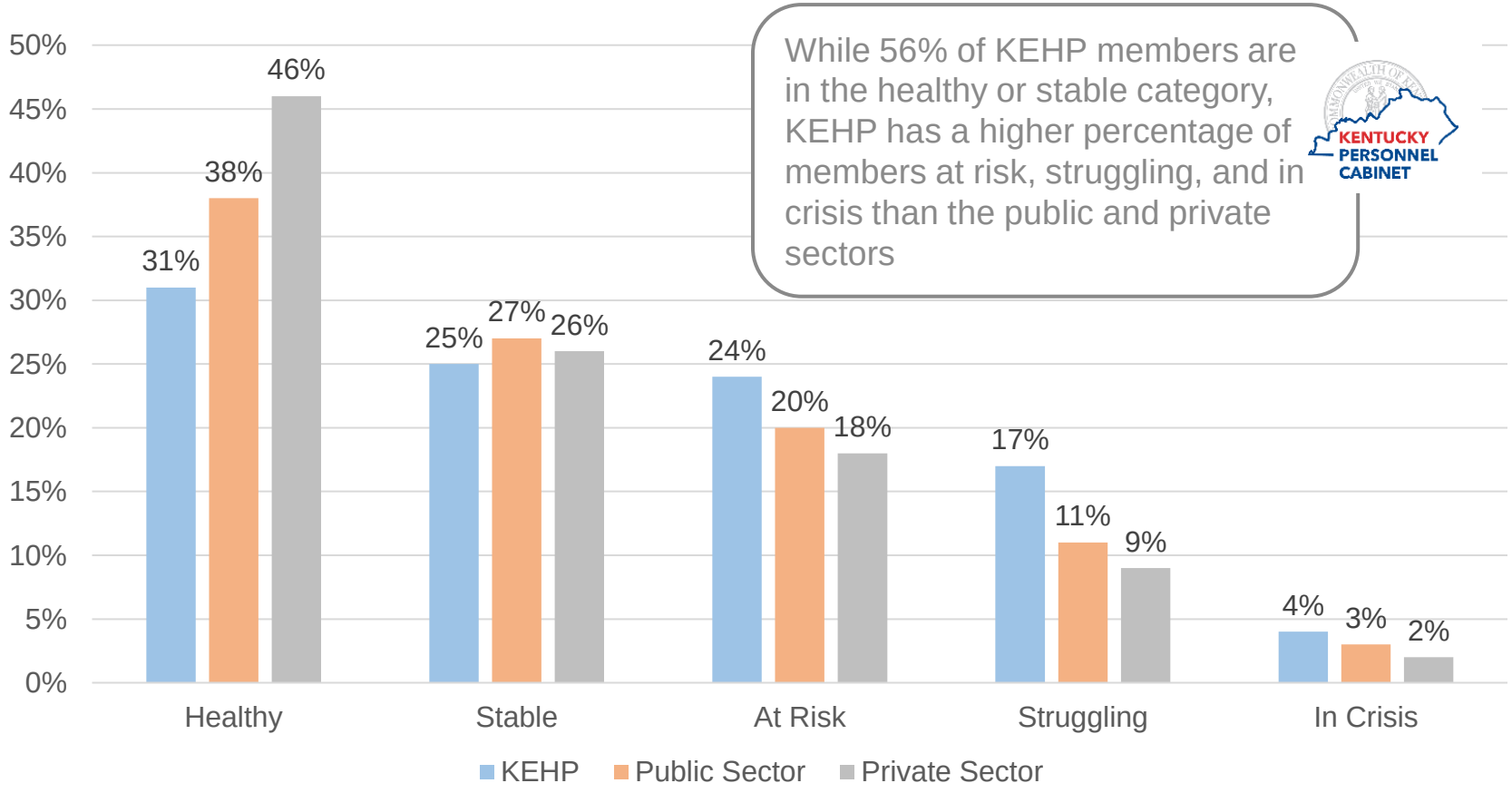
Key Demographic Benchmarks

	KEHP	Public Sector	Private Sector
Average Member Age	36.1	35.6	33.5
Member to Employee Ratio	1.9	2.1	2.1
Employee % Male	42%	44%	49%
Risk Score	163	111	93

KEHP's population is older and the percentage of female employees is higher than either the public or private sector norms. Of concern, the KEHP population has a much higher risk score than either group

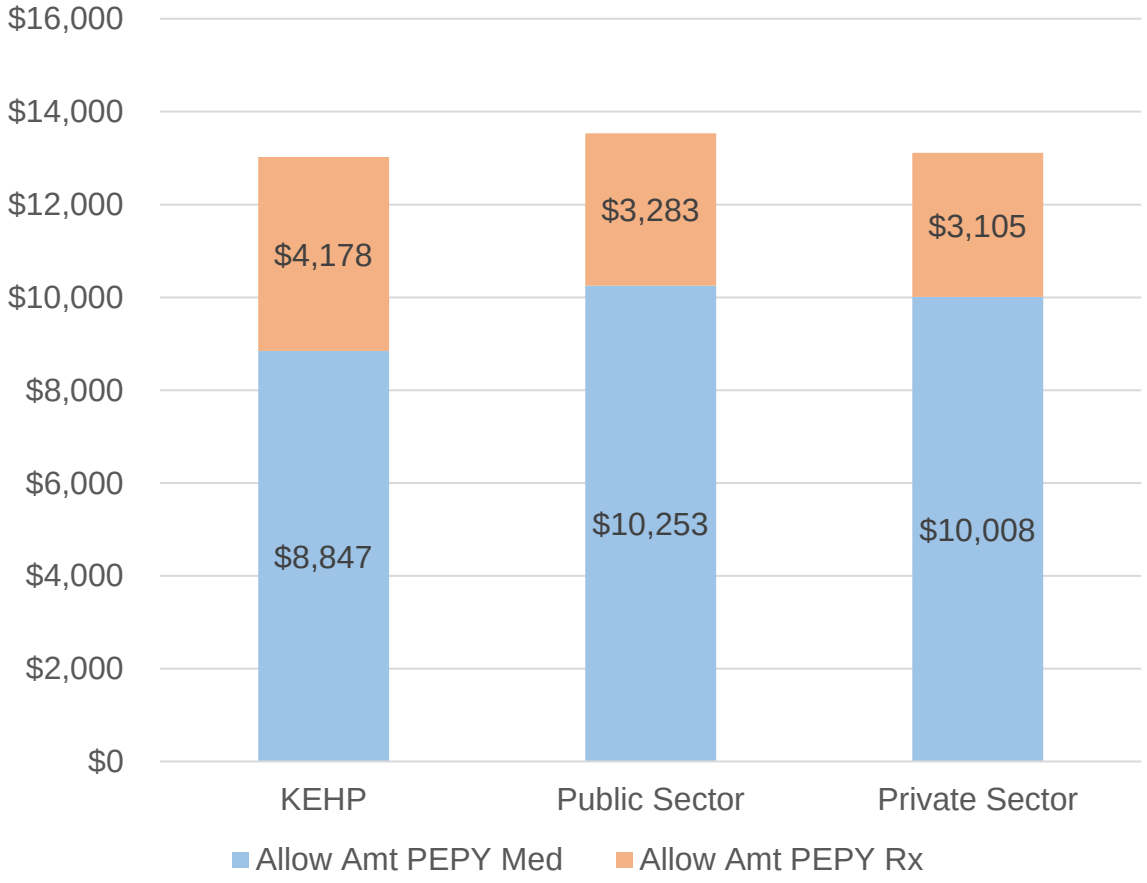
Source: *IBM Watson Benchmark Report*

Health Risk by Category



Source: *IBM Watson Benchmark Report*

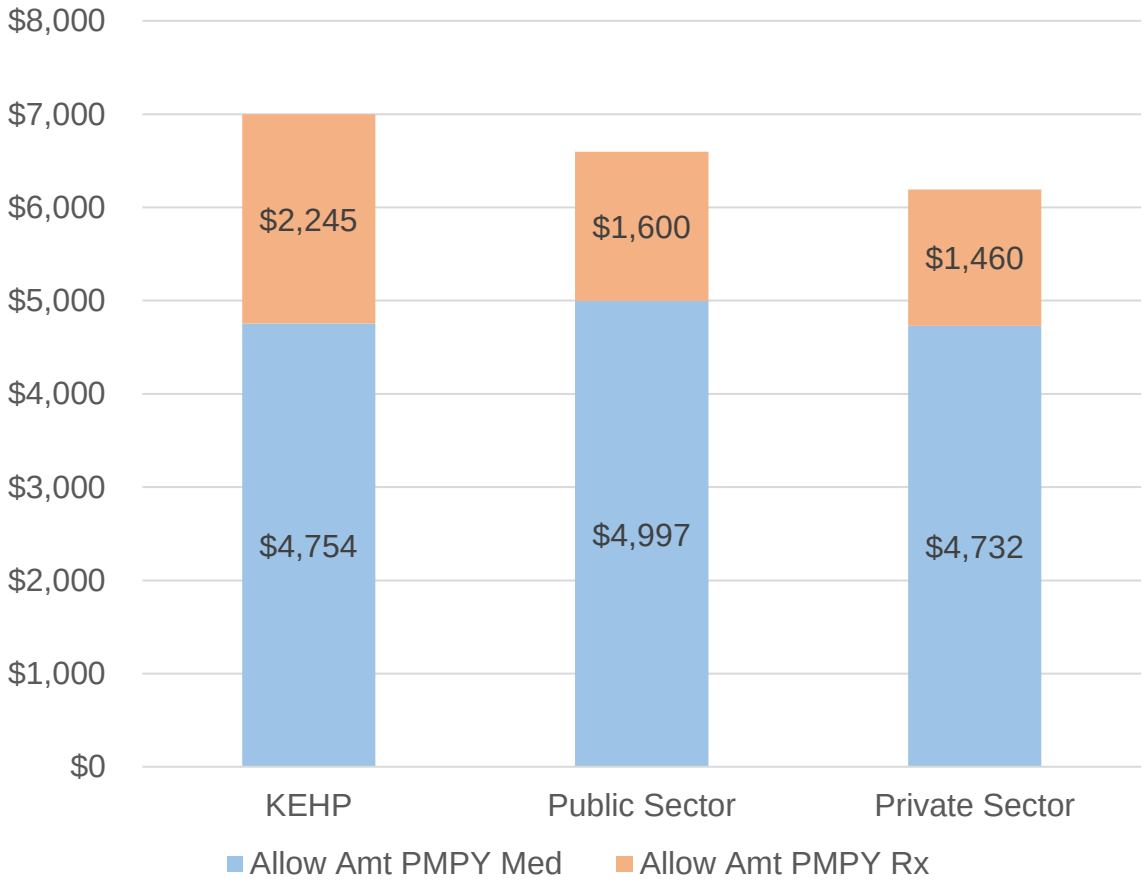
KEHP Cost PEPY Compared to Public and Private Sectors



KEHP's total cost PEPY compares favorably to both the public and private sectors. However, KEHP's Rx allowed amount PEPY is higher than the other sectors

Source: *IBM Watson Benchmark Report*

KEHP Cost PMPY Compared to Public and Private Sectors



When dependents are added, KEHP is 6% more expensive than the public sector on a PMPY basis for combined medical and drug costs and 54% more expensive for drug costs than the private sector

Source: *IBM Watson Benchmark Report*

2020 Disease Prevalence for Active Employees

Disease Prevalence (% of Patients)	KEHP	Public Sector Employees	Difference (Pct Points)	Private Sector Employees	Difference (Pct Points)
Asthma	2.33%	1.83%	0.5	2.08%	0.25
Coronary Artery Disorder	2.04%	1.38%	0.66	1.67%	0.37
Chronic Obstructive Pulmonary Disease	0.94%	0.52%	0.41	0.67%	0.27
Congestive Heart Failure	0.39%	0.29%	0.11	0.40%	0
Diabetes	11.71%	7.37%	4.34	9.58%	2.13
Depression	6.39%	5.46%	0.93	6.68%	-0.29
Hypertension	18.42%	10.93%	7.49	15.17%	3.24
Low Back Disorder	12.23%	8.25%	3.98	10.41%	1.82
Obesity	2.32%	2.25%	0.07	2.28%	0.04
Osteoarthritis	7.05%	4.68%	2.37	6.16%	0.89
Anxiety Disorder	8.29%	5.58%	2.71	4.33%	3.96
Bipolar Disorder	0.75%	0.76%	-0.01	0.63%	0.12
HIV Infection	0.11%	0.22%	-0.11	0.23%	-0.12
Rheumatoid Arthritis	0.88%	0.81%	0.07	0.67%	0.21

KEHP members have higher incidences in almost all major disease categories than the benchmarks

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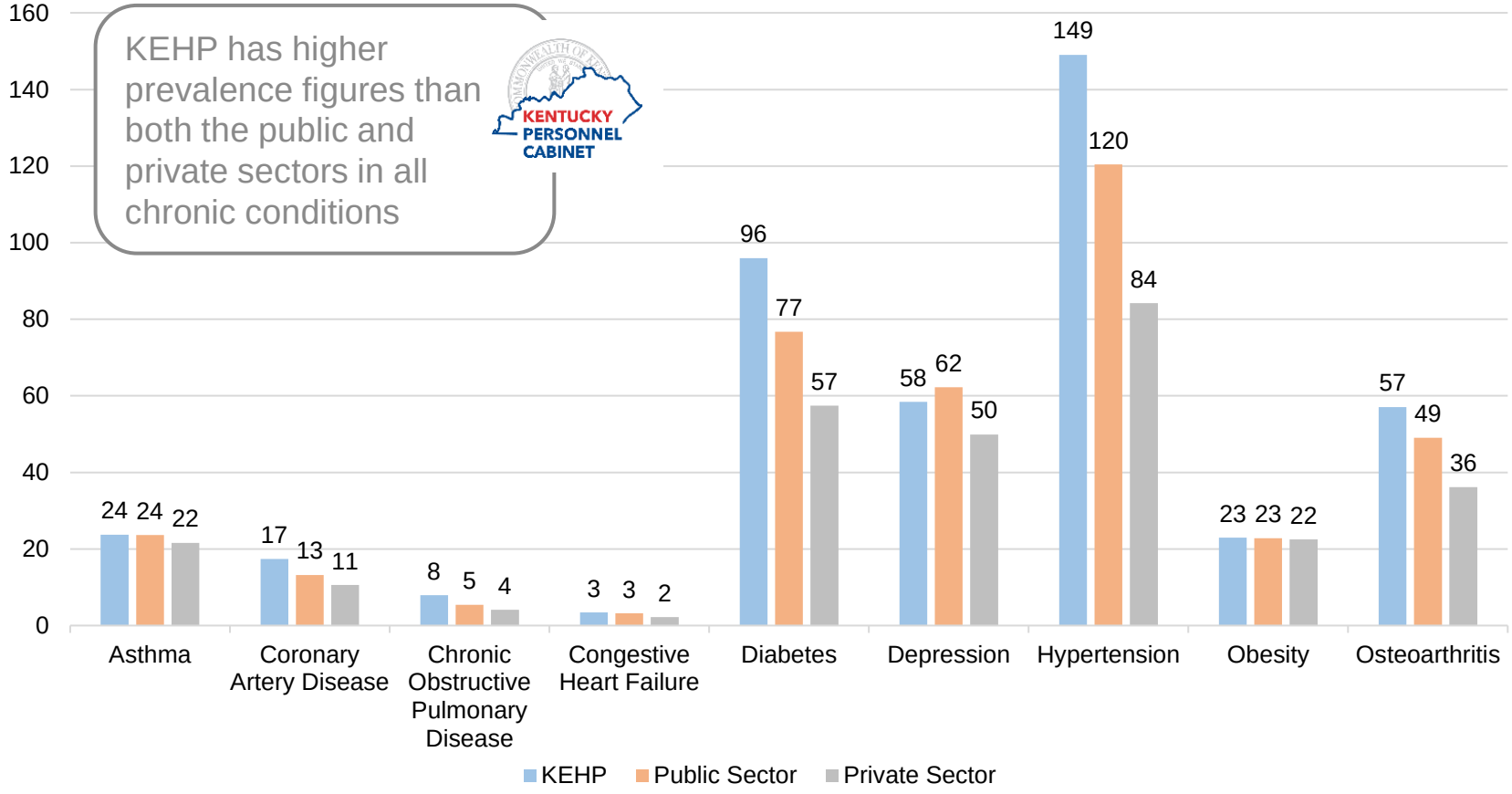
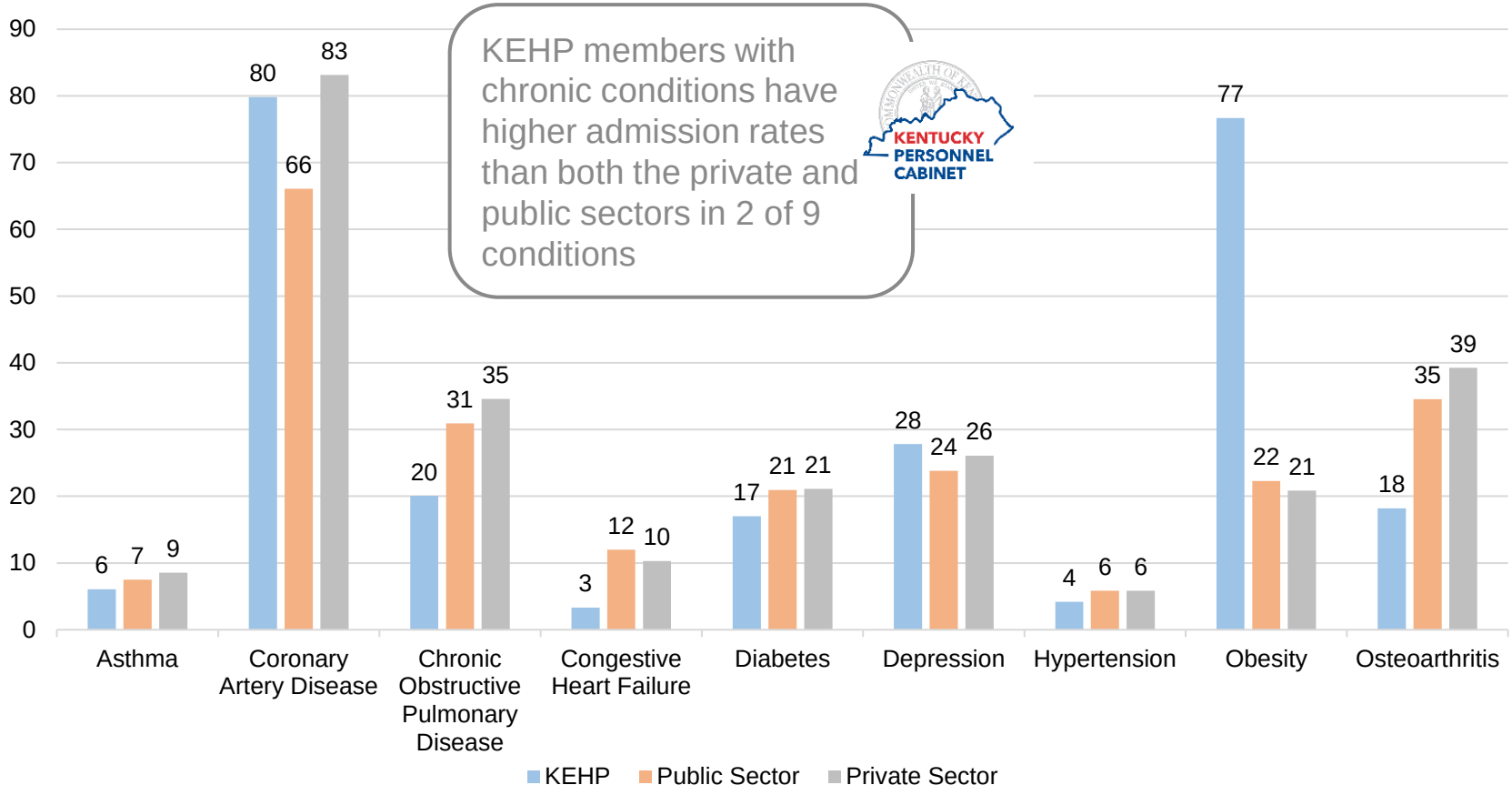
*Red shading = KY experience is poorer the State & Local Government and/or Private Sector employer groups.

Chronic Condition Prevalence Per 1,000 Members



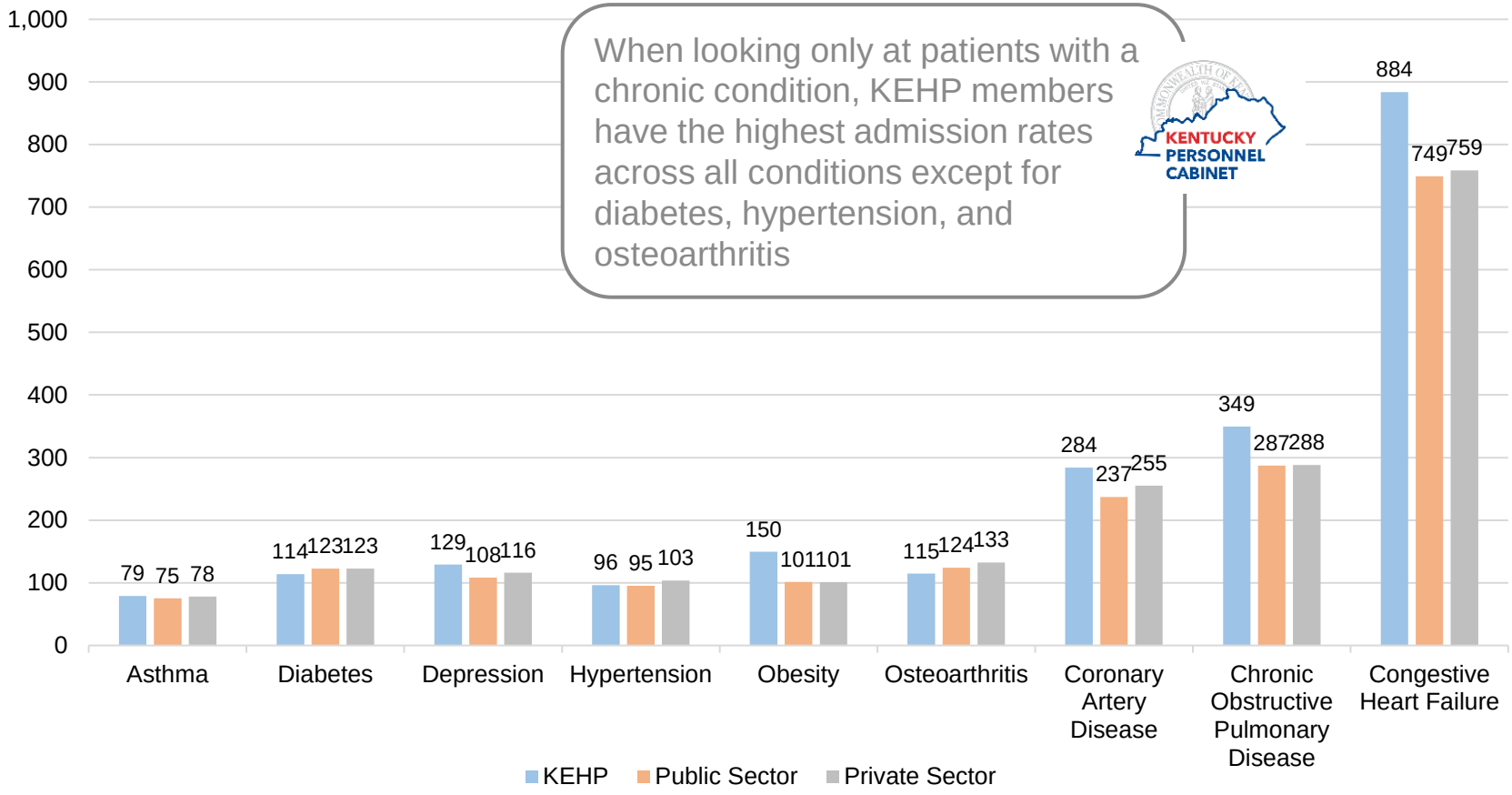
Source: *IBM Watson Benchmark Report*

Admissions for Chronic Condition Per 1,000 Members



Source: *IBM Watson Benchmark Report*

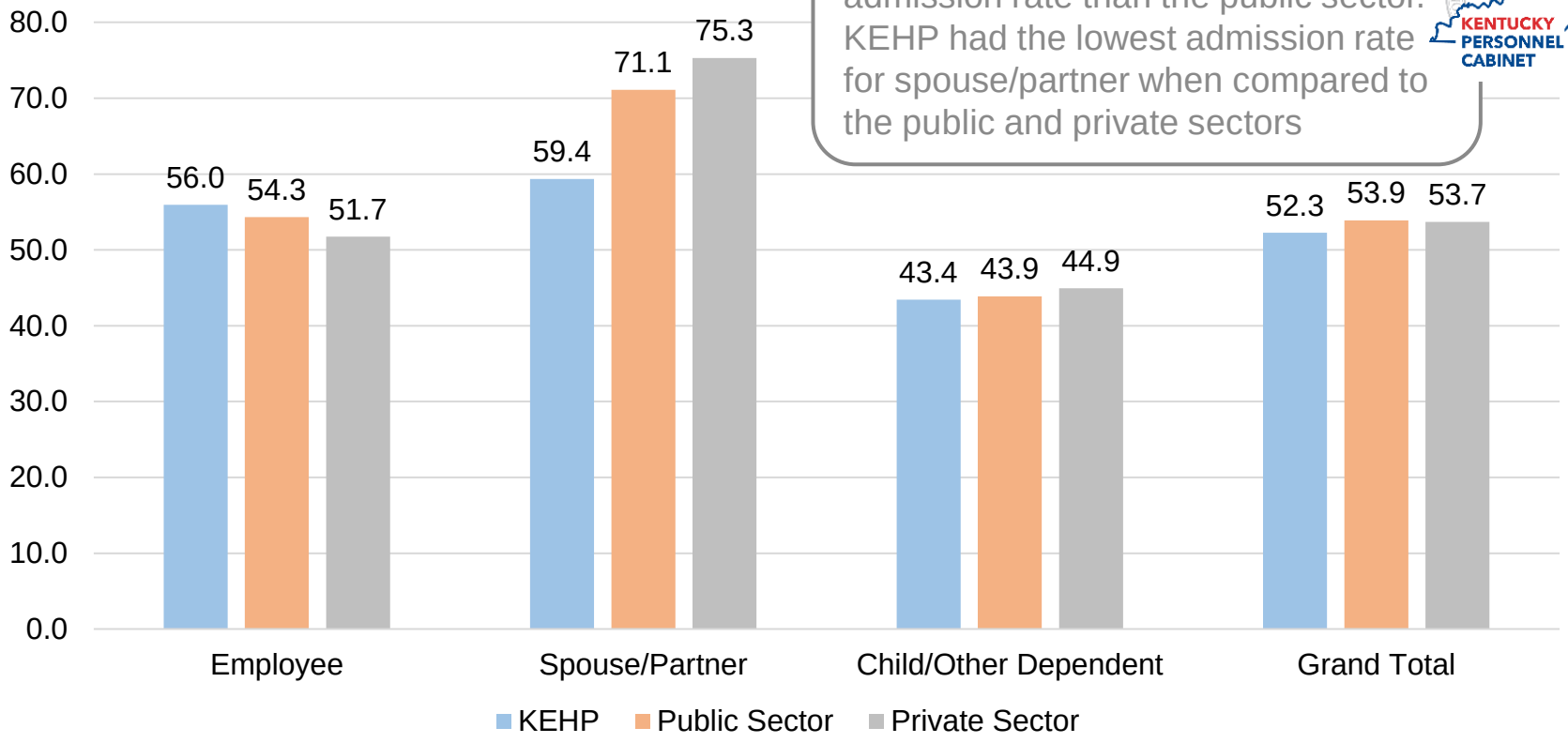
Admissions for Chronic Condition Patients Per 1,000 Members With Condition



Source: *IBM Watson Benchmark Report*

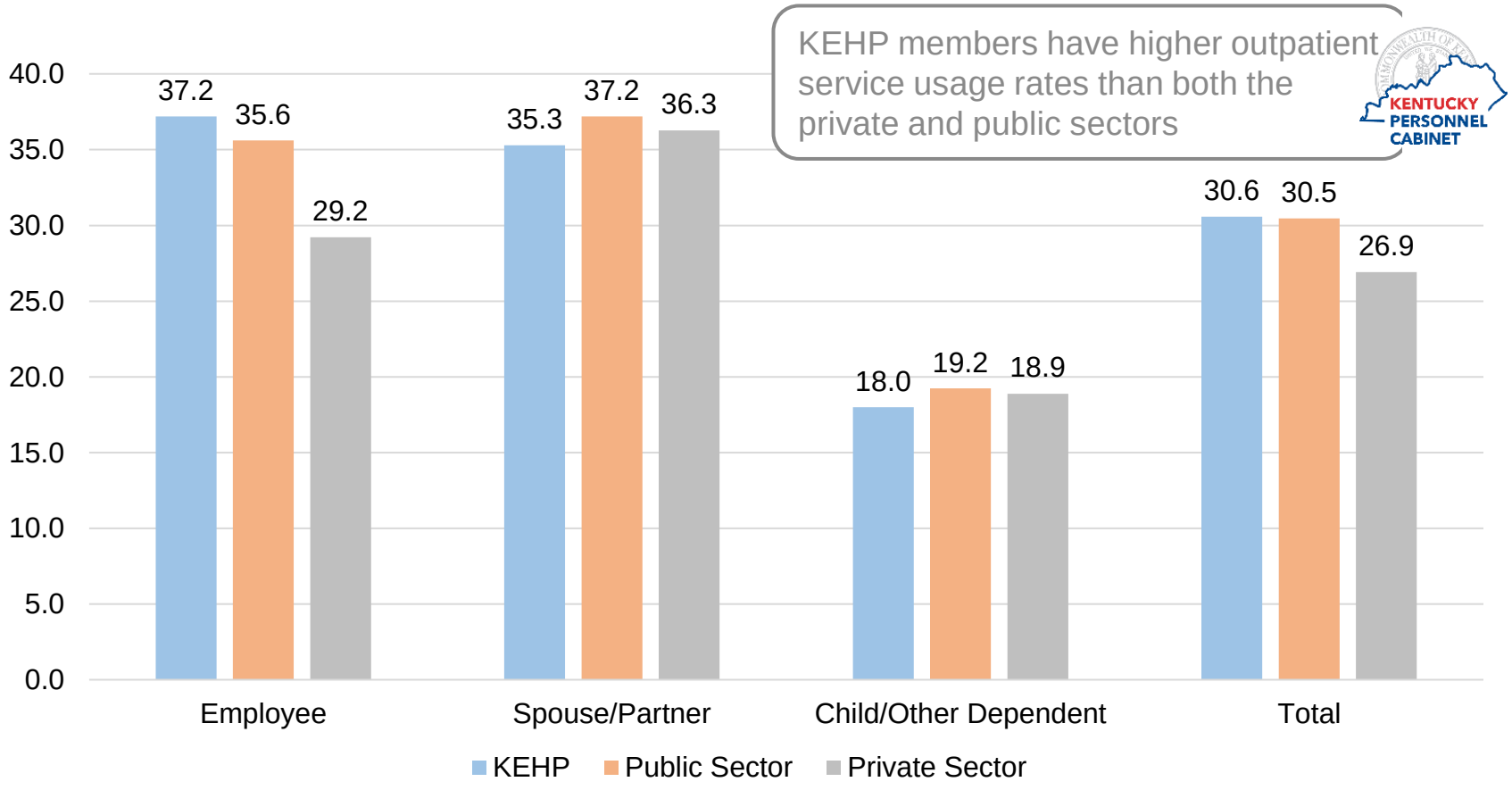
Admissions Per 1,000 Members by Relationship

KEHP employees had a 3% higher admission rate than the public sector. KEHP had the lowest admission rate for spouse/partner when compared to the public and private sectors



Source: *IBM Watson Benchmark Report*

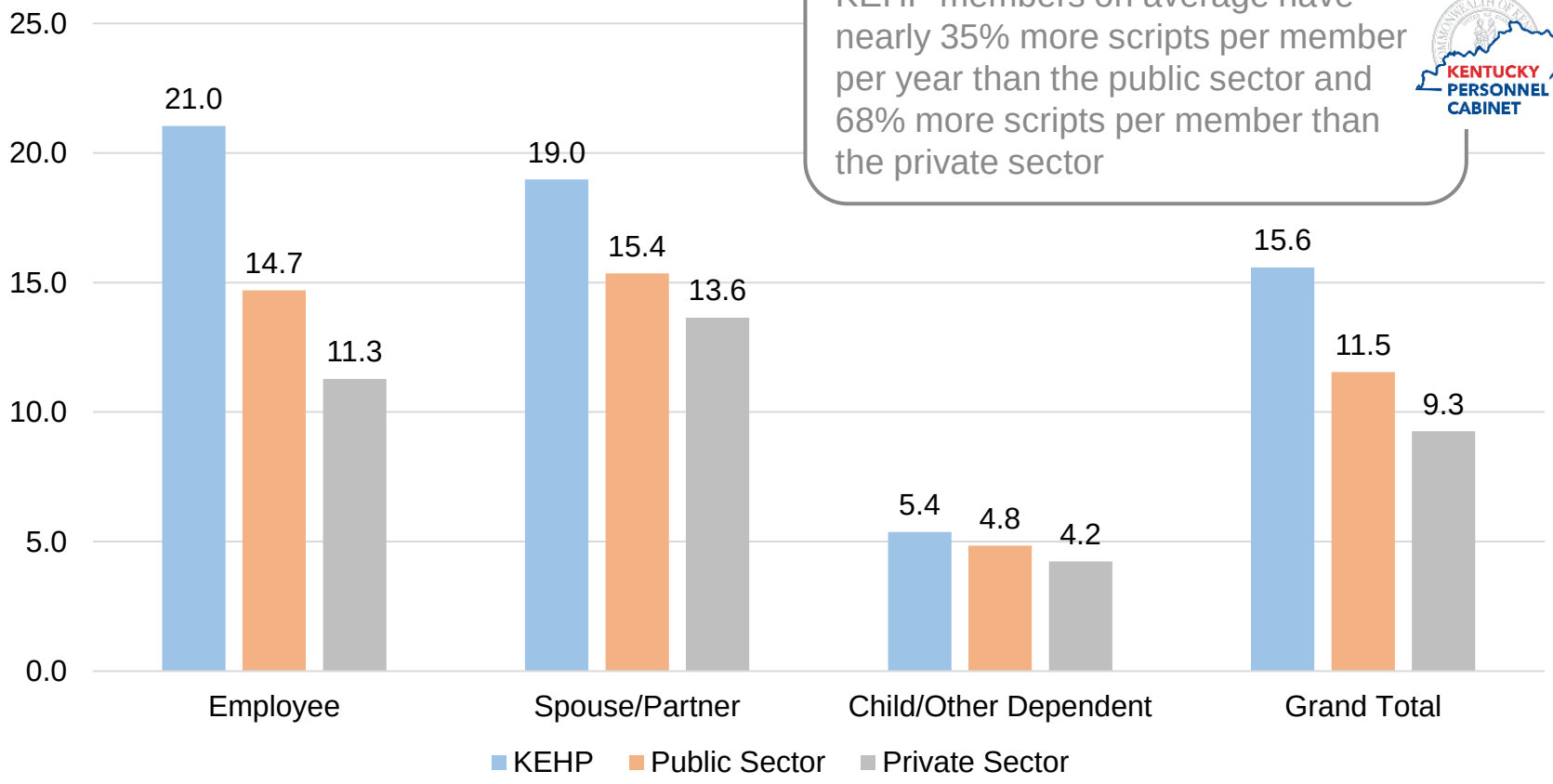
Outpatient Services Per Member by Relationship



Source: *IBM Watson Benchmark Report*

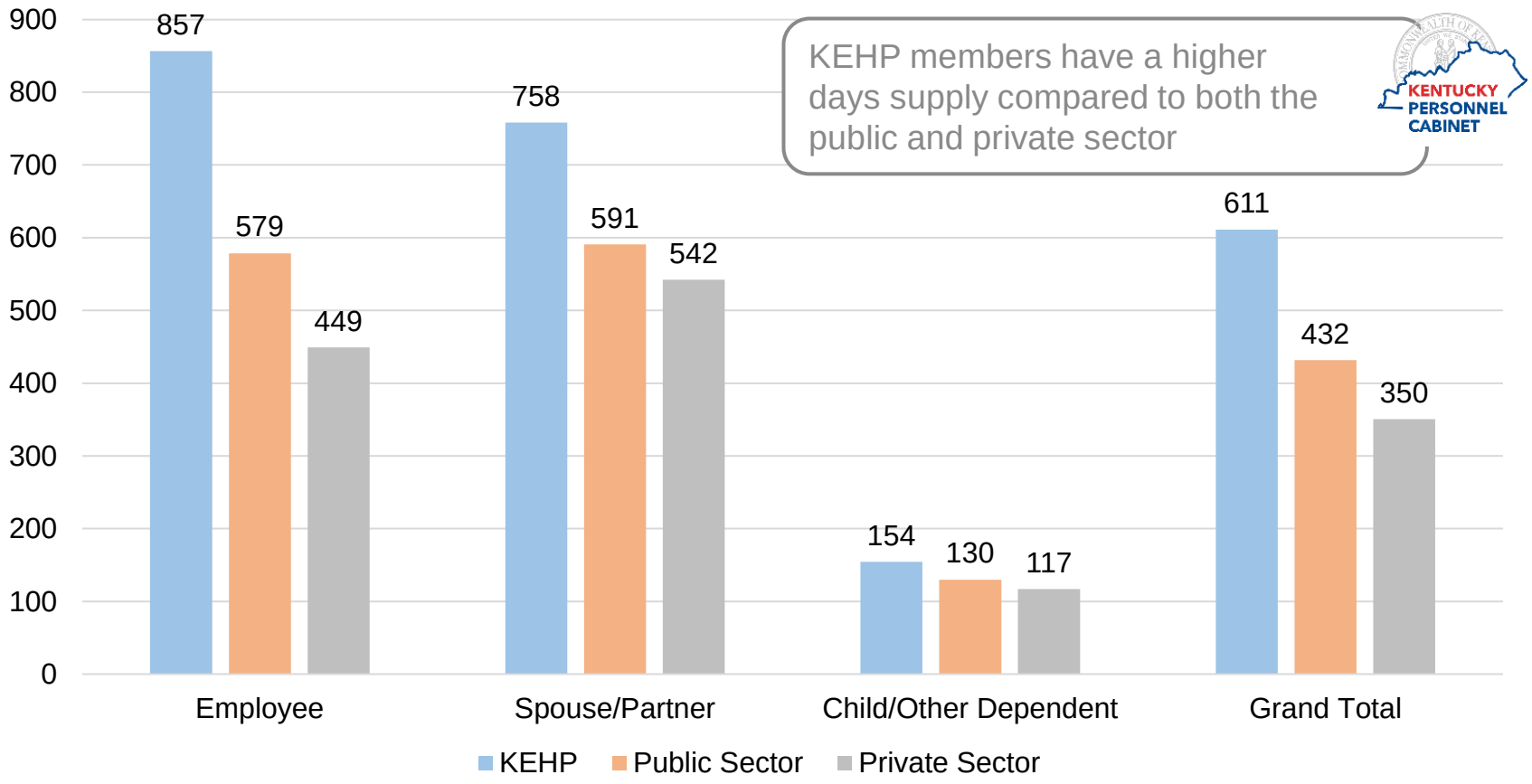
Scripts Per Member by Relationship

KEHP members on average have nearly 35% more scripts per member per year than the public sector and 68% more scripts per member than the private sector



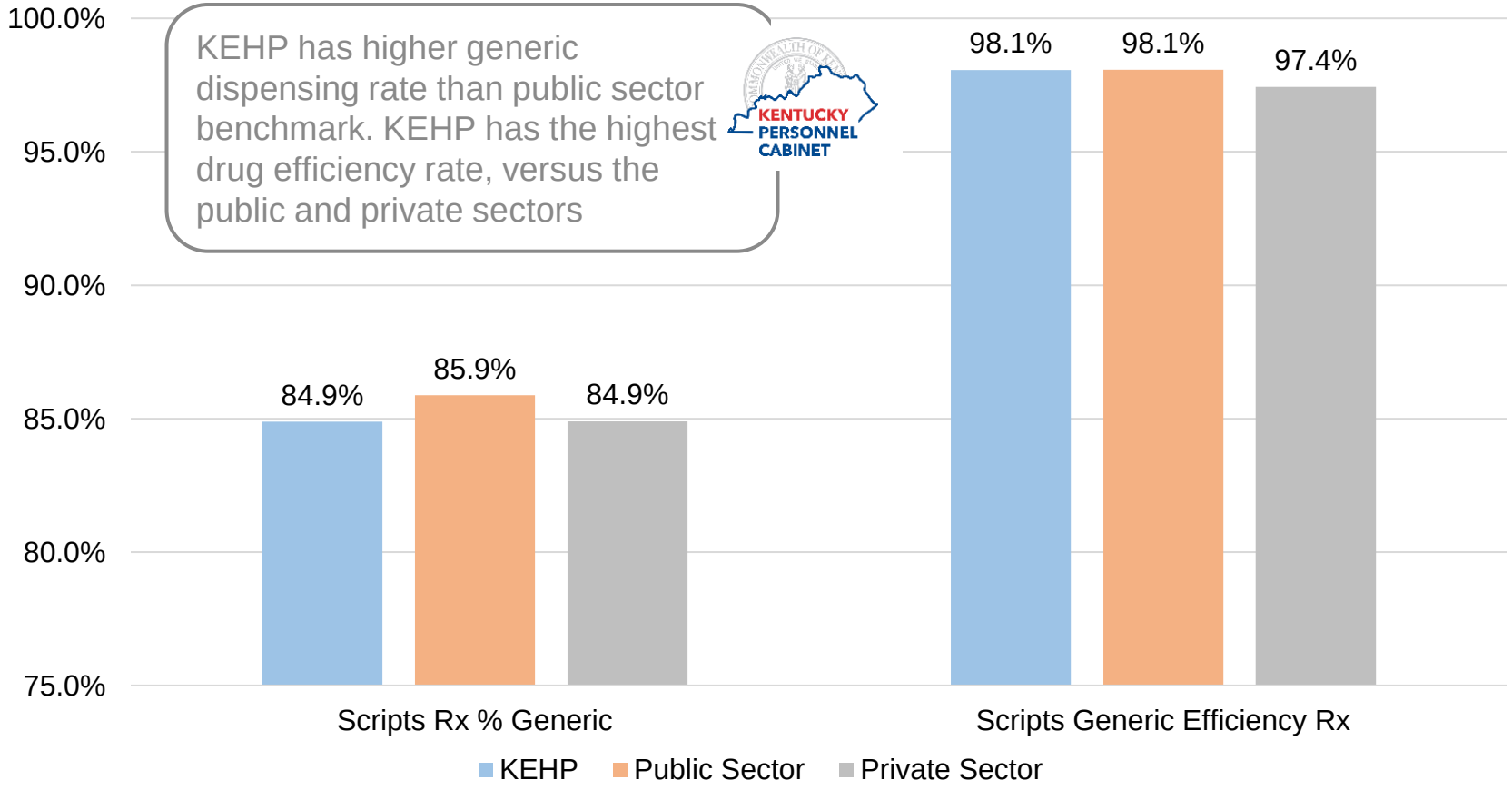
Source: *IBM Watson Benchmark Report*

Days Supply PMPY by Relationship



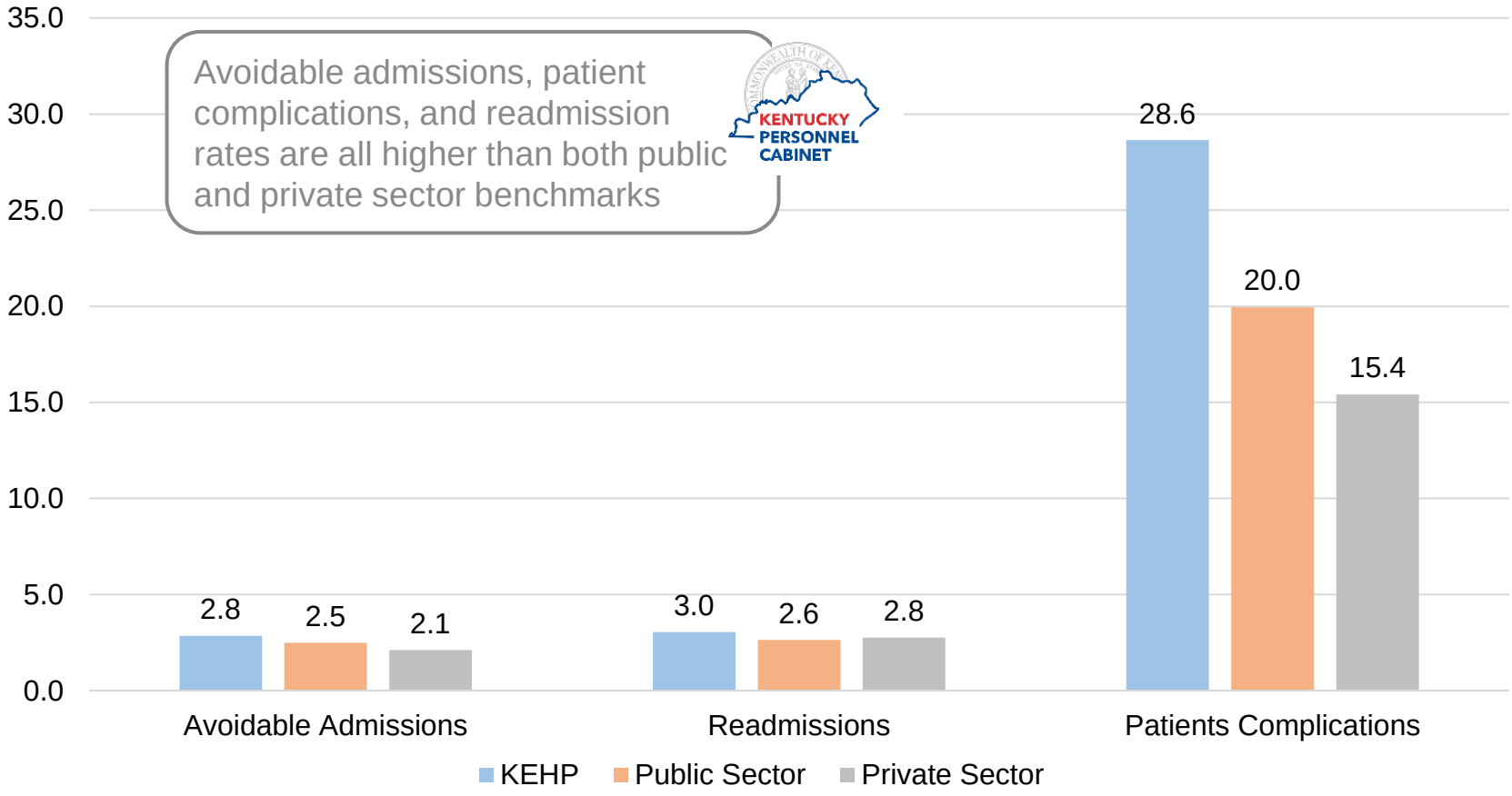
Source: *IBM Watson Benchmark Report*

Generic Versus Brand Scripts



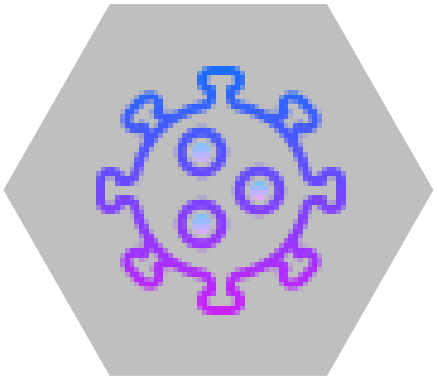
Source: *IBM Watson Benchmark Report*

Inpatient Quality Metrics by Sector Per 1,000 Patients



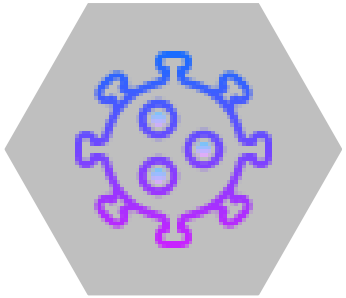
Source: *IBM Watson Benchmark Report*

KEHP’s COVID-19 Response



Governor Andy Beshear signed Executive Order 2020-215 on March 6, 2020, declaring a State of Emergency in response to the COVID-19 health crisis. KEHP took specific, deliberate steps to protect the health of KEHP members

KEHP's COVID-19 Response

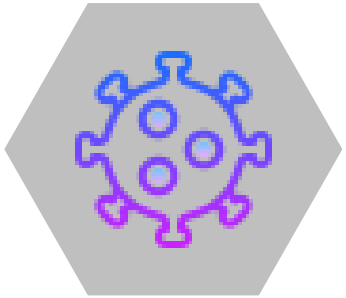


W – Wash Your Hands
H – Healthy at Home
E – Equipment
R – Rumor Control
E – Example

Operational Changes

- KEHP implemented Healthy At Home on March 16, 2020, where all employees who could work at home did work from home
- KEHP ensured that workers who could work from home but needed additional computer equipment in order to do so received the equipment and technical support that they needed
- For employees who needed to occasionally work from the office, the Personnel Cabinet established handwashing and temperature stations, and mandated the wearing of masks
- KEHP provided educational materials and call center support throughout the pandemic period
  - Insurance Coordinator and Human Resource Generalist Virtual Training
  - Open Enrollment Virtual Benefit Fairs
  - Virtual Open Enrollment

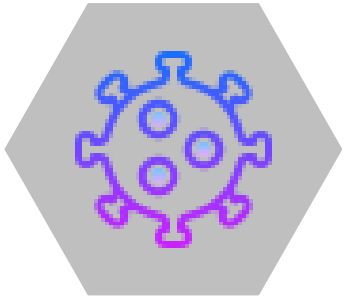
KEHP’s COVID-19 Response



Medical Policy Changes

- No member cost share for all COVID-19 screening and testing
- No member cost share for COVID-19 inpatient and outpatient services in 2020
- Free access to telehealth medical and behavioral health services through LiveHealth Online
  - No member cost share for other online telehealth providers through September 30

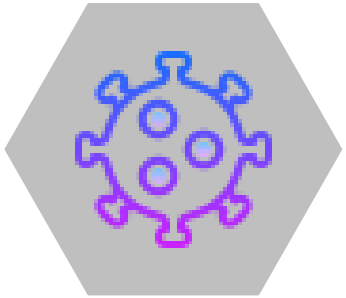
KEHP’s COVID-19 Response



Pharmacy Policy Changes

- Automatic approvals for early refills on 30-day prescriptions for maintenance medications
- Extensions of pharmacy prior authorizations by 90 days for those set to expire before June 30, 2020

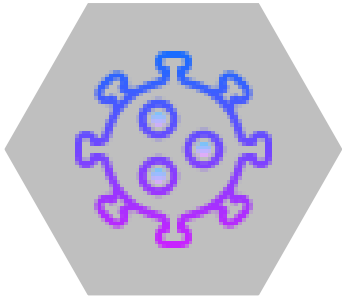
KEHP’s COVID-19 Response



FSA Policy Changes

- **Unlimited maximum** carryover **amount from Plan Year 2020 into Plan Year 2021**
- Extended **2020** claims runout period to April **2021** for FSA and HRA expenditures
- Permitted midyear election changes without a qualifying event during 2020 plan year

KEHP's COVID-19 Response



Emergency Support Results

- Paid **$71.9M** in COVID-19 claims through third quarter **2021**
  - **$35.5M** inpatient
  - **$12.5M** outpatient and ER
  - **$23.9M** professional
- **12.4% members with confirmed cases**

Source: *Department of Employee Insurance 2020 Life Insurance Claims*

Board Recommendations

Kentucky Group Health Insurance Board Recommendations

- The KGHIB was created in 2000 by SB 200 and its mission is described in KRS 18A.226
- The Board's overall mandate is to provide quality, affordable health insurance coverage so that the Commonwealth can attract and retain able and dedicated public employees
- The board seeks to facilitate comprehensive and efficient planning, implementation, and administration of a state employee health insurance program
- KEHP's success in meeting the KGHIB's recommendations are highlighted in the section that follows

Board Recommendations for Plan Years 2020–2022

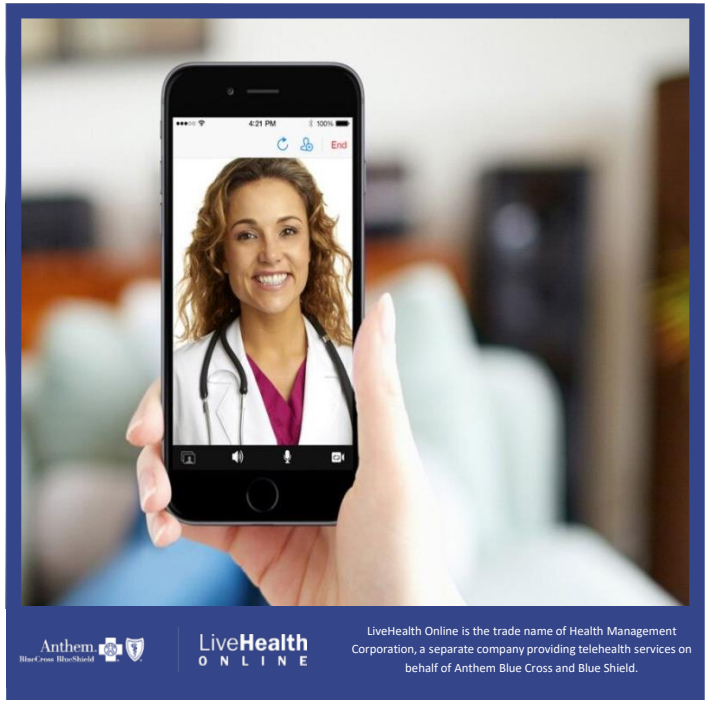
- Provide state-of-the-art benefits while maintaining reasonable premiums
- Offer benefits that meet the needs of a diverse workforce
- Improve employee health and wellbeing
- Provide the tools to manage chronic disease conditions
- Implement actuarial recommendation to establish plan reserves
- Increase member engagement in health and wellness programs
- Educate and drive members to high-quality, cost-effective care
- Help employees understand KEHP programs and tools available

Source: *KEHP Nineteenth Annual Report of the Kentucky Group Health Insurance Board*

Provide State-of-the-Art Benefits While Maintaining Reasonable Premiums

- KEHP provides telehealth services to our members in order to provide:
  - More appropriate site of care
  - Convenience
  - Enhanced access to care
  - Reduced member and plan costs
- The program expanded its range of telehealth services to include behavioral health as well

Provide State-of-the-Art Benefits While Maintaining Reasonable Premiums



LiveHealth Online

Doctor's care at the speed of life.

MEDICAL

LiveHealth Online

BEHAVIORAL HEALTH

Provide State-of-the-Art Benefits While Maintaining Reasonable Premiums

LiveHealth Online Medical

COST

Free to Kentucky Employees' Health Plan members

QUALITY

Choice of board-certified network doctors

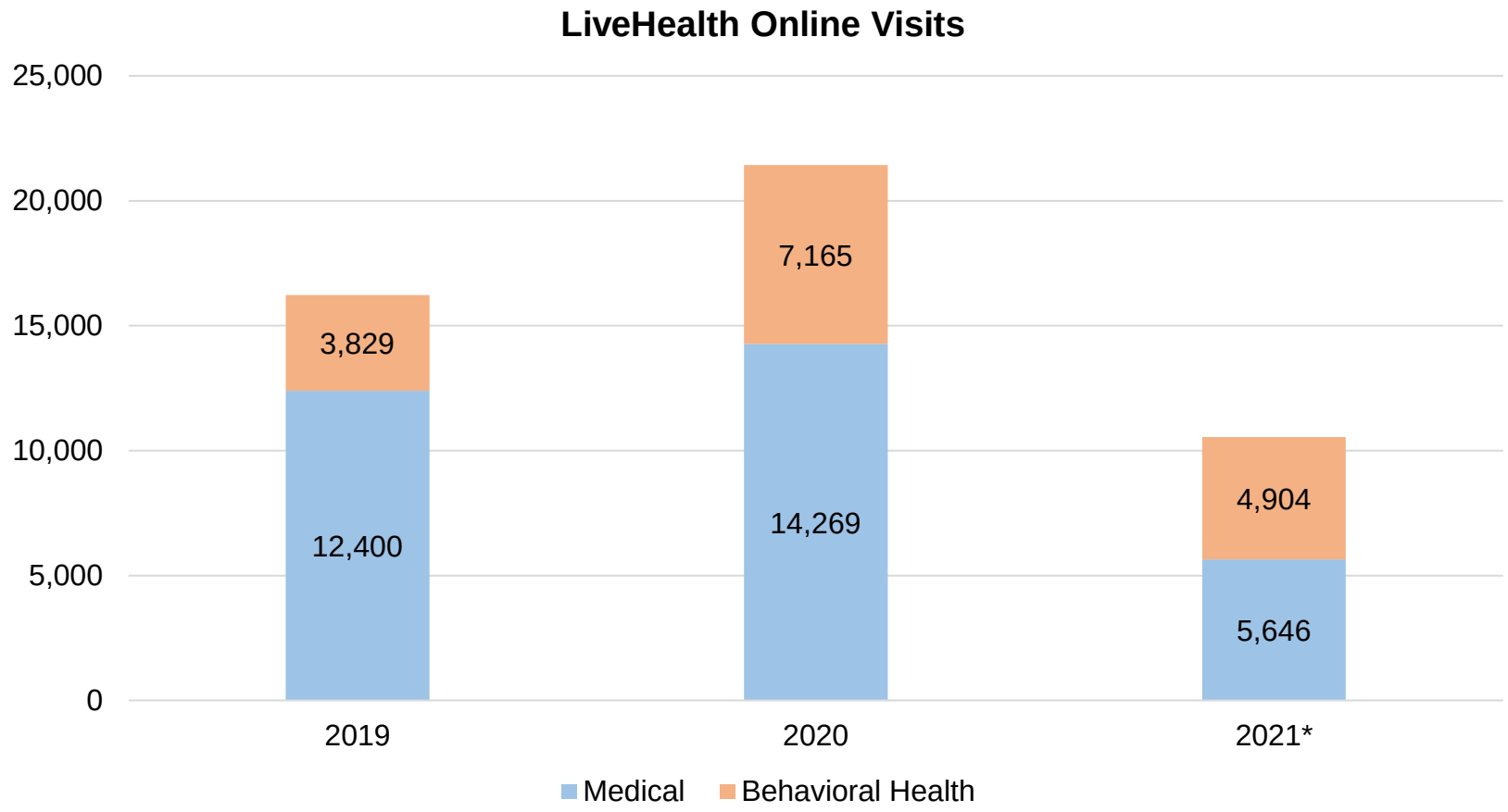
SECURITY

Secure and private, HIPAA compliant video visit

CONVENIENCE

E-prescribing to member's pharmacy of choice

Provide State-of-the-Art Benefits While Maintaining Reasonable Premiums



*2021 data reflects January–June 2021 only.

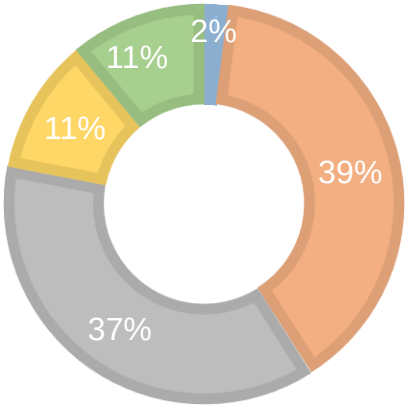
Source: *Anthem 2021 LHO Utilization Report to KEHP*

Provide State-of-the-Art Benefits While Maintaining Reasonable Premiums

Measurable Cost Savings

Patients reported they would have used the following, if not for LiveHealth Online:

2%	Emergency Room
39%	Urgent Care
37%	Physicians Office
11%	Retail Clinic
11%	Done Nothing



Since its adoption in June of 2015, 40,620 KEHP Members registered with LiveHealth Online, resulting in more than $8.8M in total cost of care savings

KENTUCKY PERSONNEL CABINET

Source: *Anthem 2021 LHO Utilization Report to KEHP*

Provide State-of-the-Art Benefits While Maintaining Reasonable Premiums

LiveHealth Online Behavioral Health

COST

Free to Kentucky Employees' Health Plan members

QUALITY

Video visits with in-network licensed psychologists, therapists, and board-certified psychiatrists

CONTINUTITY

Continuity of care practices allow doctors and therapists to refer members if additional support is needed

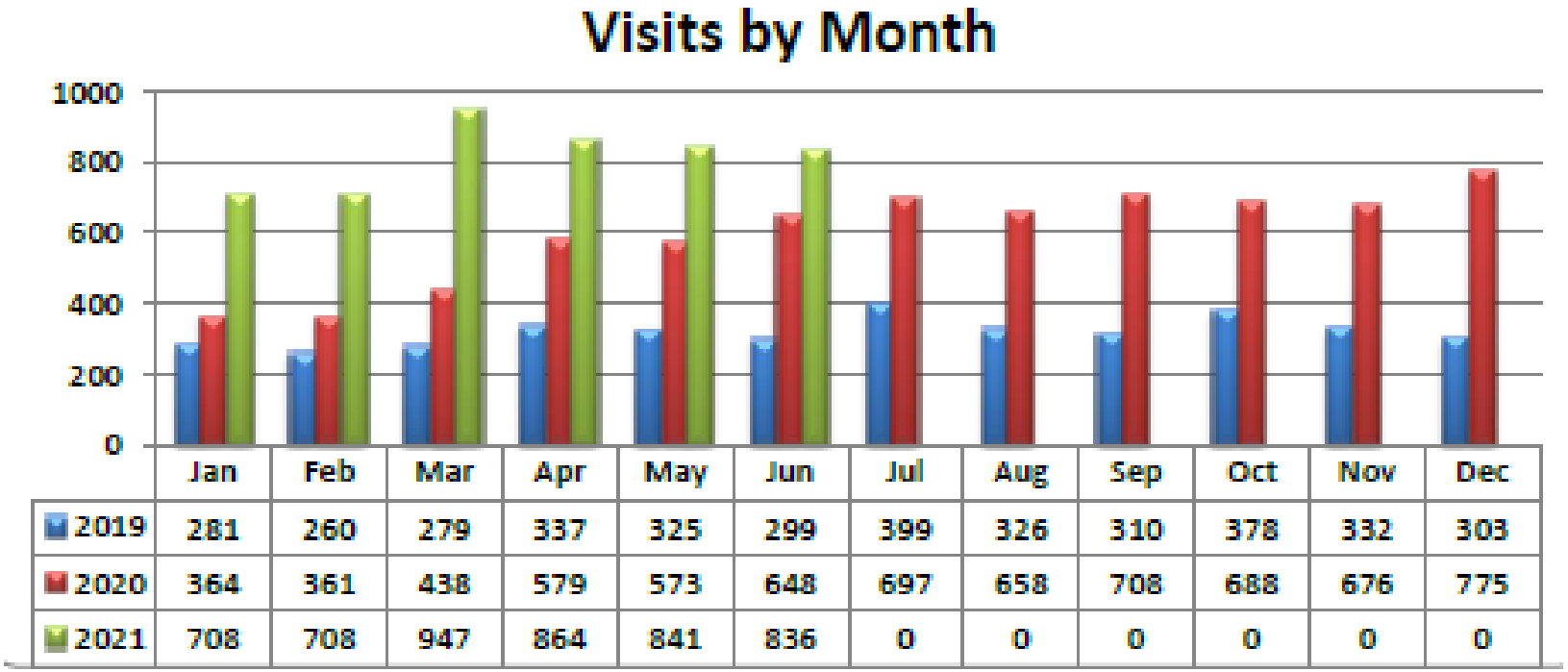
PRIVACY

Private and easy to access

CONVENIENCE

Self-scheduled appointments, 7 days a week

Provide State-of-the-Art Benefits While Maintaining Reasonable Premiums



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	281	260	279	337	325	299	399	326	310	378	332	303
2020	364	361	438	579	573	648	697	658	708	688	676	775
2021	708	708	947	864	841	836	0	0	0	0	0	0

Source: *Anthem 2021 LHO Utilization Report to KEHP*

Provide State-of-the-Art Benefits While Maintaining Reasonable Premiums

Rethink Behavioral Health

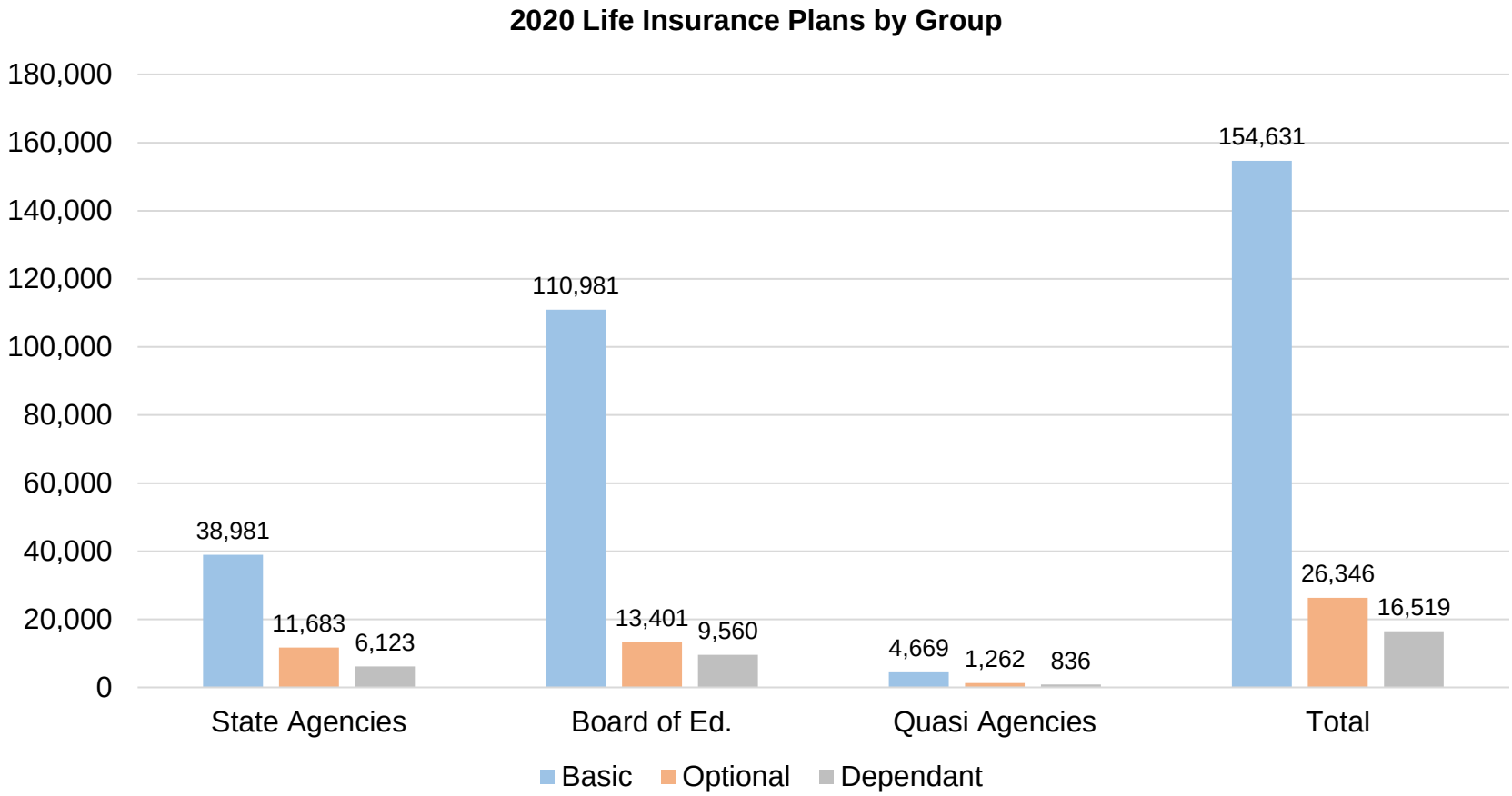
- Rethink is a **free** benefit to support those caring for children and teenagers with learning or behavioral challenges, including autism
- Rethink's clinical tools provide instant on-demand access to the largest video library of best practices available, helping professionals engage with their clients
- Offers free 24/7 phone or video chat with behavior expert
- Helps parents collaborate with school and other caregivers

"I was struggling to help my son adjust to a new school environment. I felt like I was failing him as a parent. Rethink empowered me with a new approach to my son's issues."

Offer Benefits That Meet the Needs of a Diverse Workforce

- Benefits offered to a modern workforce cannot be one size fits all
- KEHP and the Personnel Cabinet have tried to reach out to employees and retirees where they are in their life's journey
- By offering programs such as Future Moms, Tobacco Cessation, and a Substance Abuse Disorder Support Line, we work to provide valuable benefits to the Commonwealth's public employees and retirees
- The Personnel Cabinet has also expanded the range of optional benefits offered by including dental and vision insurance plans in 2019

Offer Benefits That Meet the Needs of a Diverse Workforce



Source: *KHRIS*

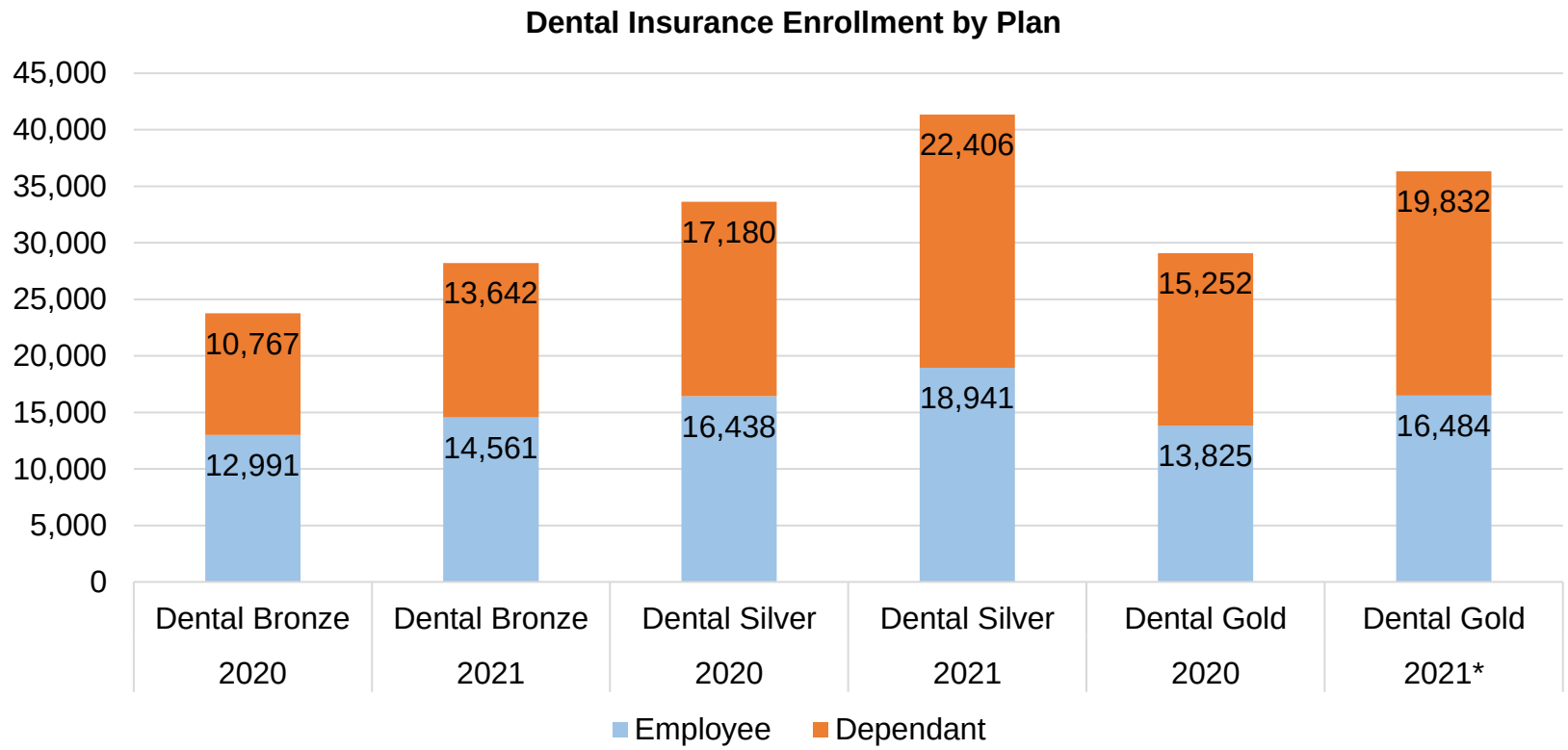
Offer Benefits That Meet the Needs of a Diverse Workforce

Life Insurance Paid Claims 2020

Life Plan	Covered Claims	Covered Amount	Paid Claims	Paid Amount
Basic	202	$4,040,000	164	$3,280,000
Basic AD&D	19	$380,000	11	$236,000
Optional Life	35	$1,515,000	26	$1,065,000
Optional AD&D	2	$35,000	1	$10,000
Dependent Life—SP	82	$1,105,000	69	$920,000
Dependent Life—DD	1	$5,000	1	$5,000
Dependent Life—CH	3	$20,000	3	$20,000
Total	**344**	**$7,100,000**	**275**	**$5,536,000**

Offer Benefits That Meet the Needs of a Diverse Workforce

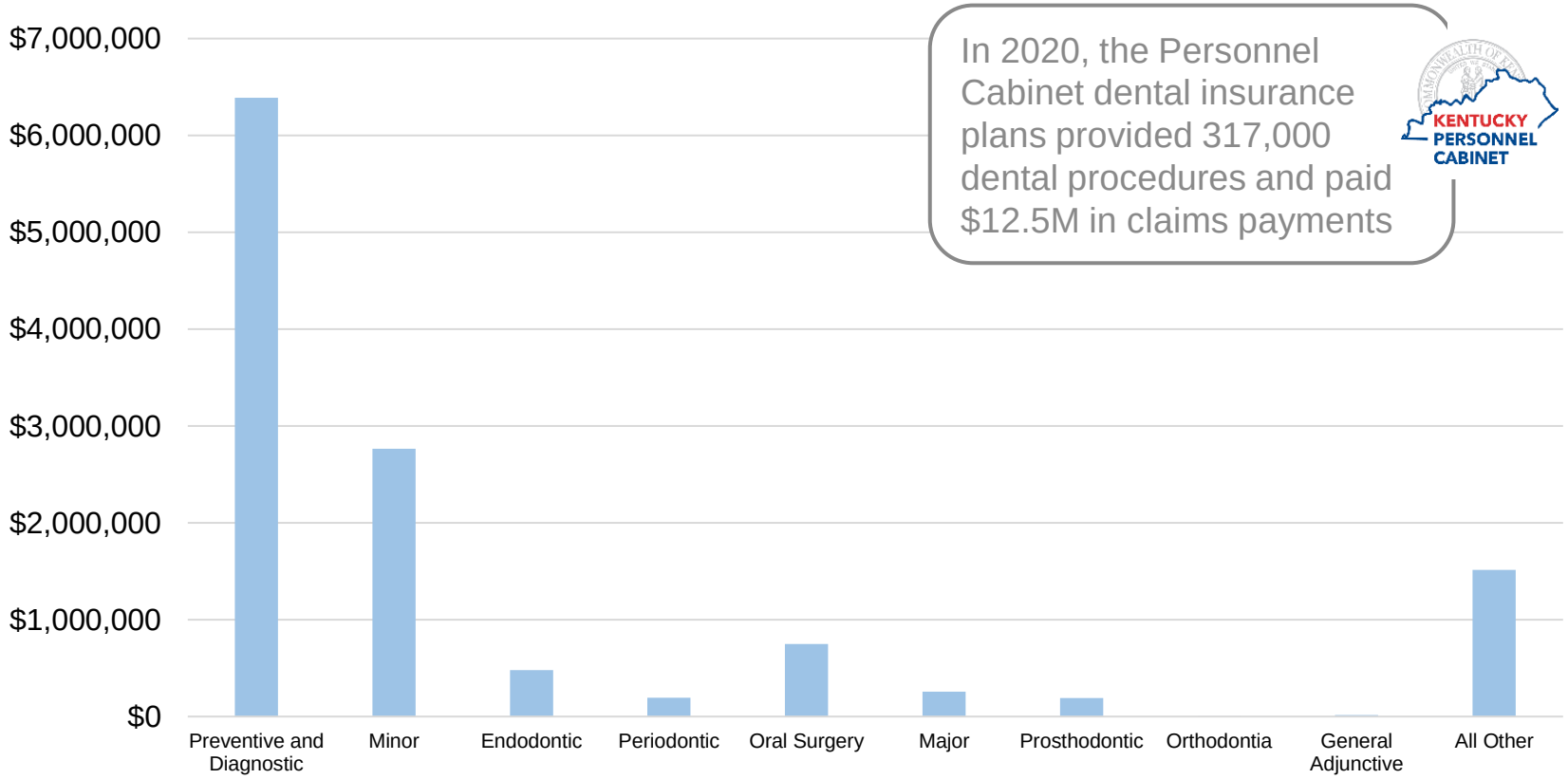
In 2021, the number of members covered by the Personnel Cabinet dental insurance increased by 23% over 2020



*2021 data reflects January–June 2021 only.

Source: *KHRIS*

Offer Benefits That Meet the Needs of a Diverse Workforce



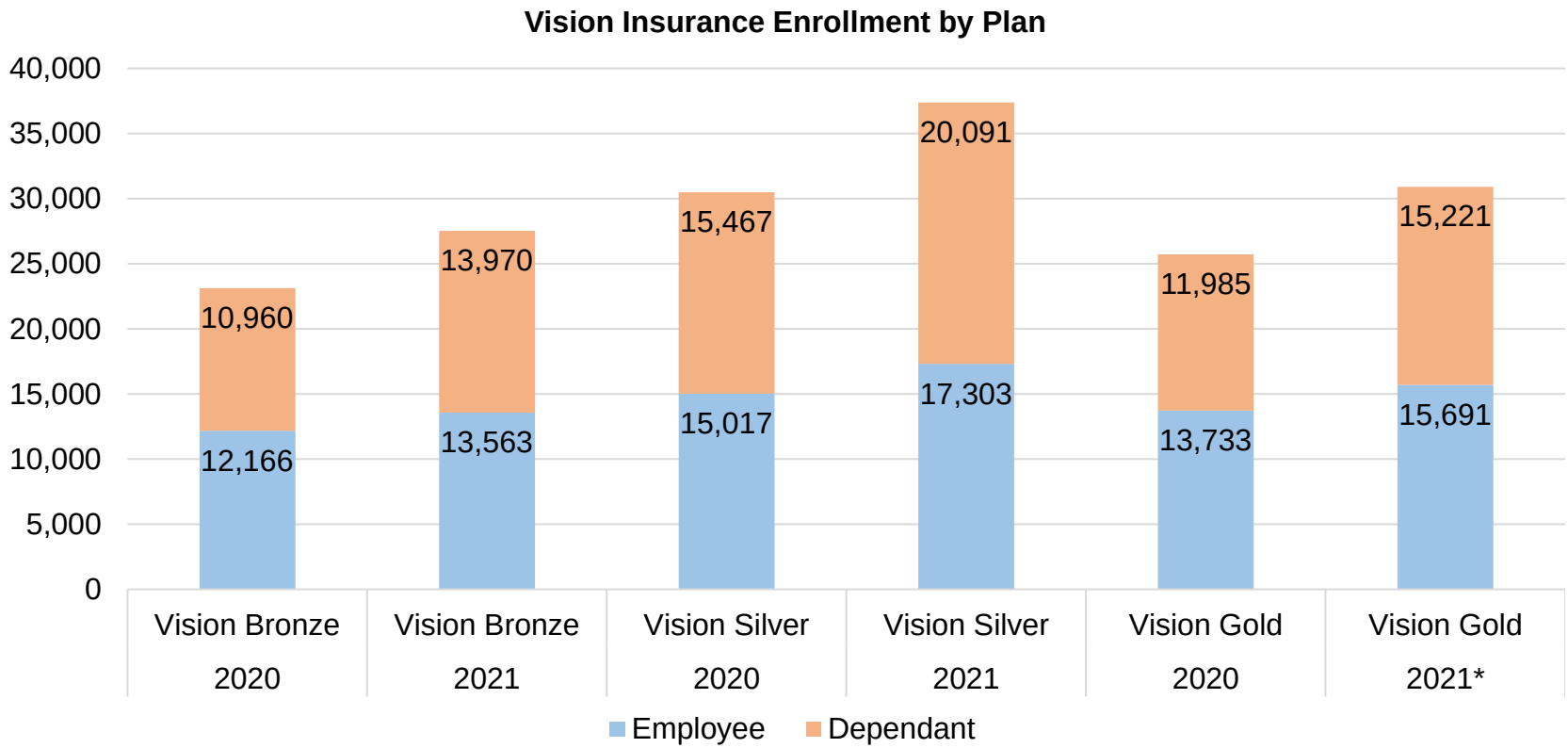
In 2020, the Personnel Cabinet dental insurance plans provided 317,000 dental procedures and paid $12.5M in claims payments

KENTUCKY PERSONNEL CABINET

Source: *KEHP-Anthem Partnership Meeting Report, December 2020*

Offer Benefits That Meet the Needs of a Diverse Workforce

In 2021, the number of members covered by the Personnel Cabinet vision insurance increased by 20% over 2020



*2021 data reflects January–June 2021 only.

Source: *KHRIS*

Offer Benefits That Meet the Needs of a Diverse Workforce

Vision Insurance Claims Paid 2020

Reporting Period	Exams	Paid Amount Exams	Eyewear	Paid Amount Eyewear	Contact Lenses	Paid Amount Contacts	Total Paid Amt
Jan-20	3,170	$113,574	2,882	$255,935	923	$137,456	$506,965
Feb-20	2,706	$105,301	1,864	$213,348	774	$127,708	$446,357
Mar-20	3,090	$125,518	1,887	$226,825	991	$155,796	$508,139
Apr-20	305	$11,095	280	$28,584	283	$41,172	$80,851
May-20	874	$32,306	536	$46,704	389	$59,029	$138,039
Jun-20	2,637	$107,116	1,619	$192,086	723	$112,564	$411,766
Jul-20	2,510	$102,155	1,390	$163,275	681	$105,434	$370,864
Aug-20	3,444	$140,086	1,880	$223,421	902	$143,714	$507,221
Sep-20	1,568	$62,715	959	$108,895	449	$65,676	$237,286
Oct-20	2,451	$99,385	1,421	$165,130	665	$101,823	$366,338
Nov-20	2,951	$118,525	1,669	$197,203	728	$118,296	$434,024
Dec-20	2,163	$87,503	1,258	$150,022	604	$91,875	$329,400
Total	**27,869**	**$1,105,279**	**17,645**	**$1,971,428**	**8,112**	**$1,260,543**	**$4,337,250**

Source: *KEHP-Anthem Partnership Meeting Report, December 2020*

Offer Benefits That Meet the Needs of a Diverse Workforce

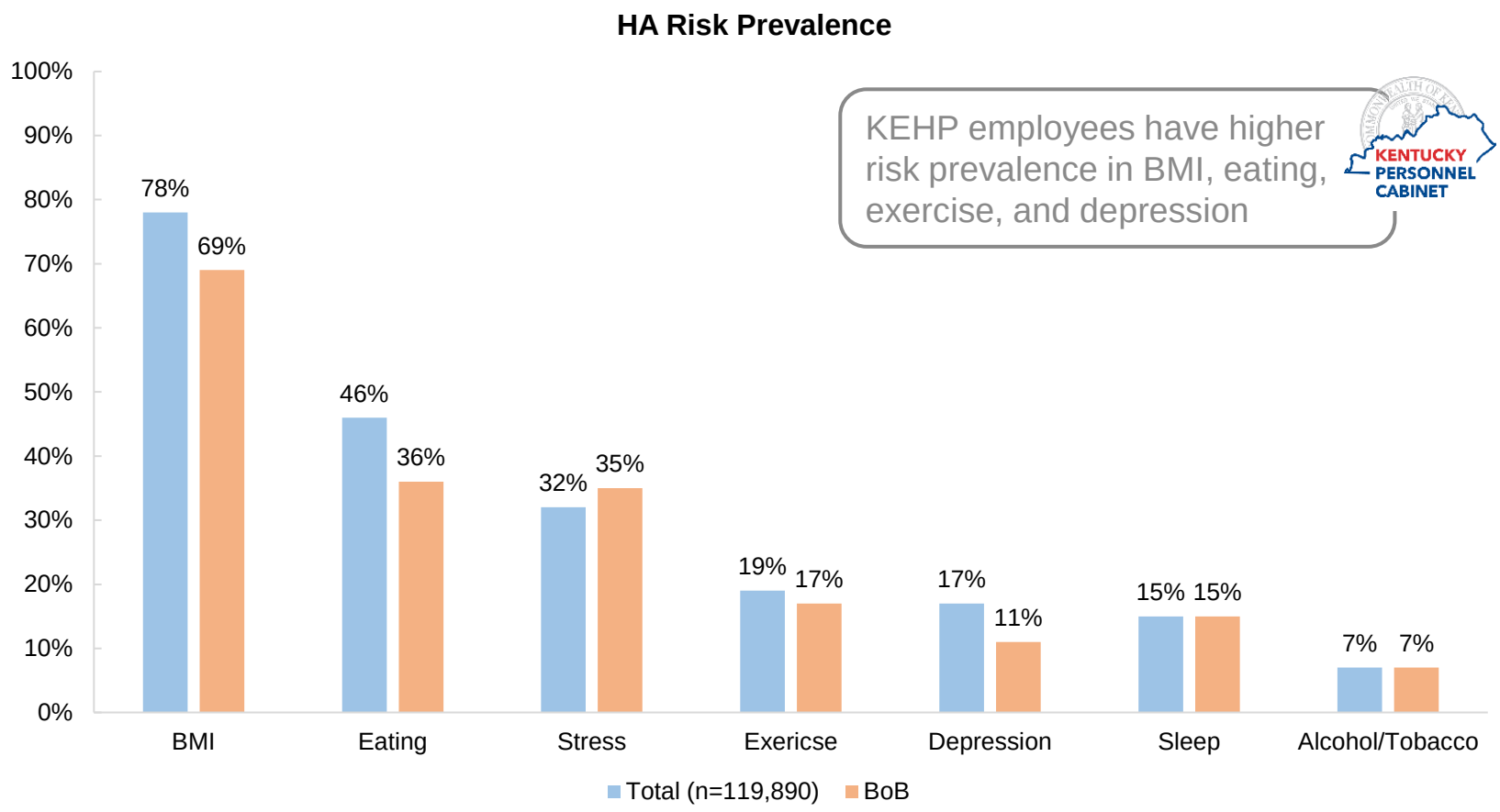
Additional Free Plan Benefits

- 24/7 NurseLine
  - The NurseLine provides accurate health information anytime of the day or night. Members receive one-on-one counseling with experienced nurses via a convenient toll-free number
- Substance Abuse Disorder Telephone Support
  - Members can talk with experts confidentially about treatment options, health or behavioral issues, finding doctors or treatment centers in your health plan, and online and mobile tools that can help during and after treatment
- Tobacco Cessation
  - KEHP has many resources available, including nicotine replacement therapies
- Future Moms
  - Offers a guided course of care and treatment, leading to overall healthier outcomes for mothers and their newborns. Future Moms helps all expectant mothers focus on early prenatal interventions, risk assessments, and education

Improve Employee Health and Wellbeing

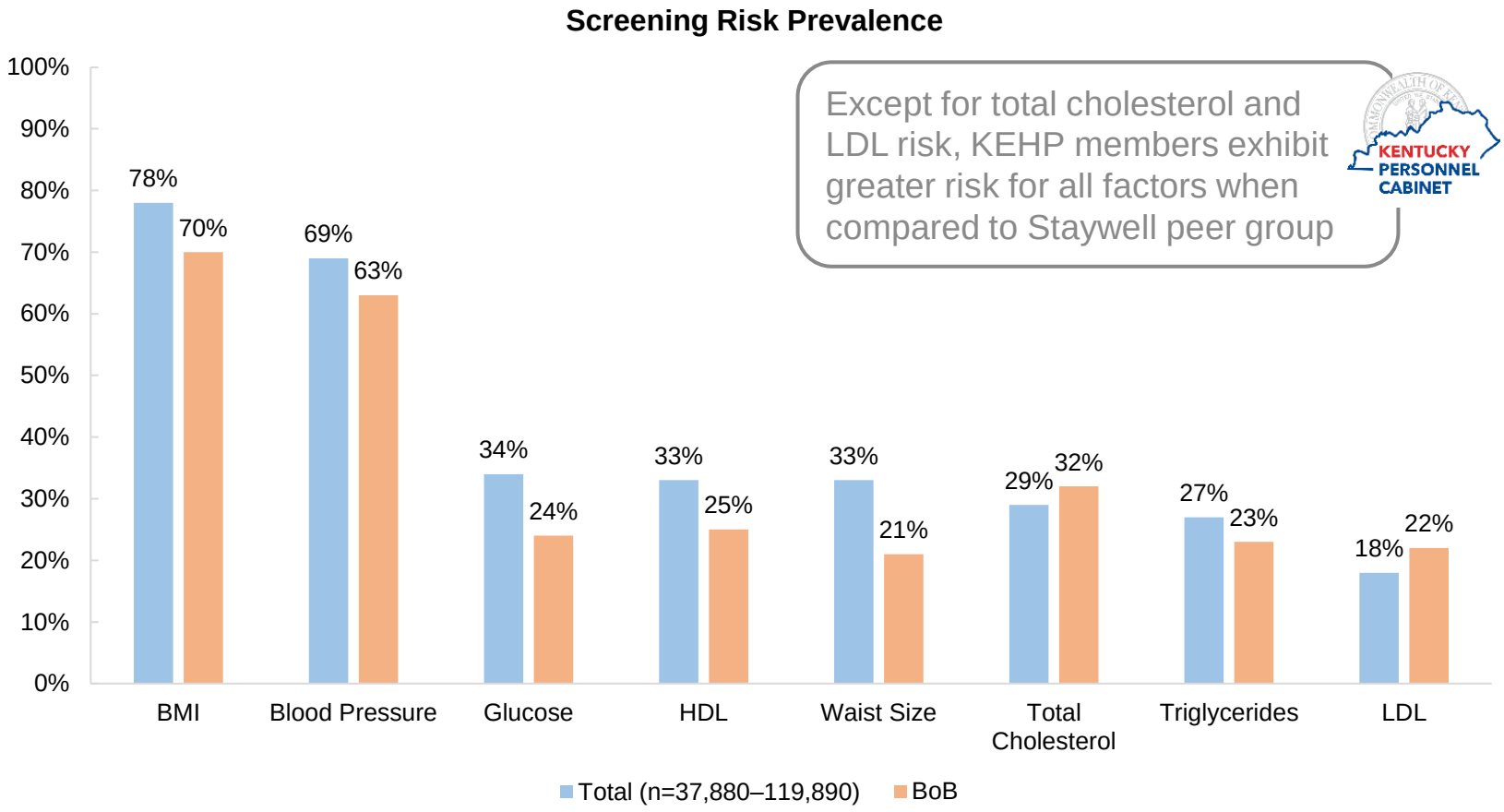
- LivingWell Promise—KEHP encourages employees to take charge of their personal journey to wellness by partaking in an annual health assessment and/or biometric screening
- Employees are provided invaluable information regarding their health status and health risks associated with their personal health situation and lifestyle

Overall Health Assessment



Source: *Staywell 2020 Report*

Overall Biometric Screening Risks



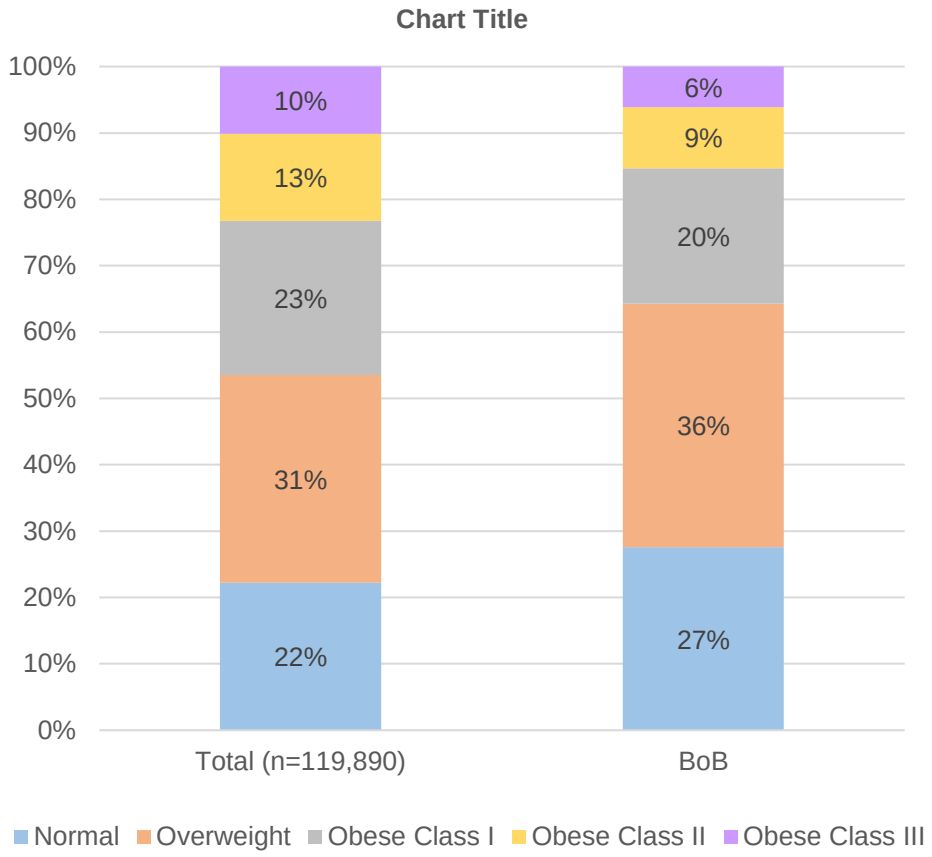
Except for total cholesterol and LDL risk, KEHP members exhibit greater risk for all factors when compared to Staywell peer group

Source: *Staywell 2020 Report*

Weight Management: Risk Stratification

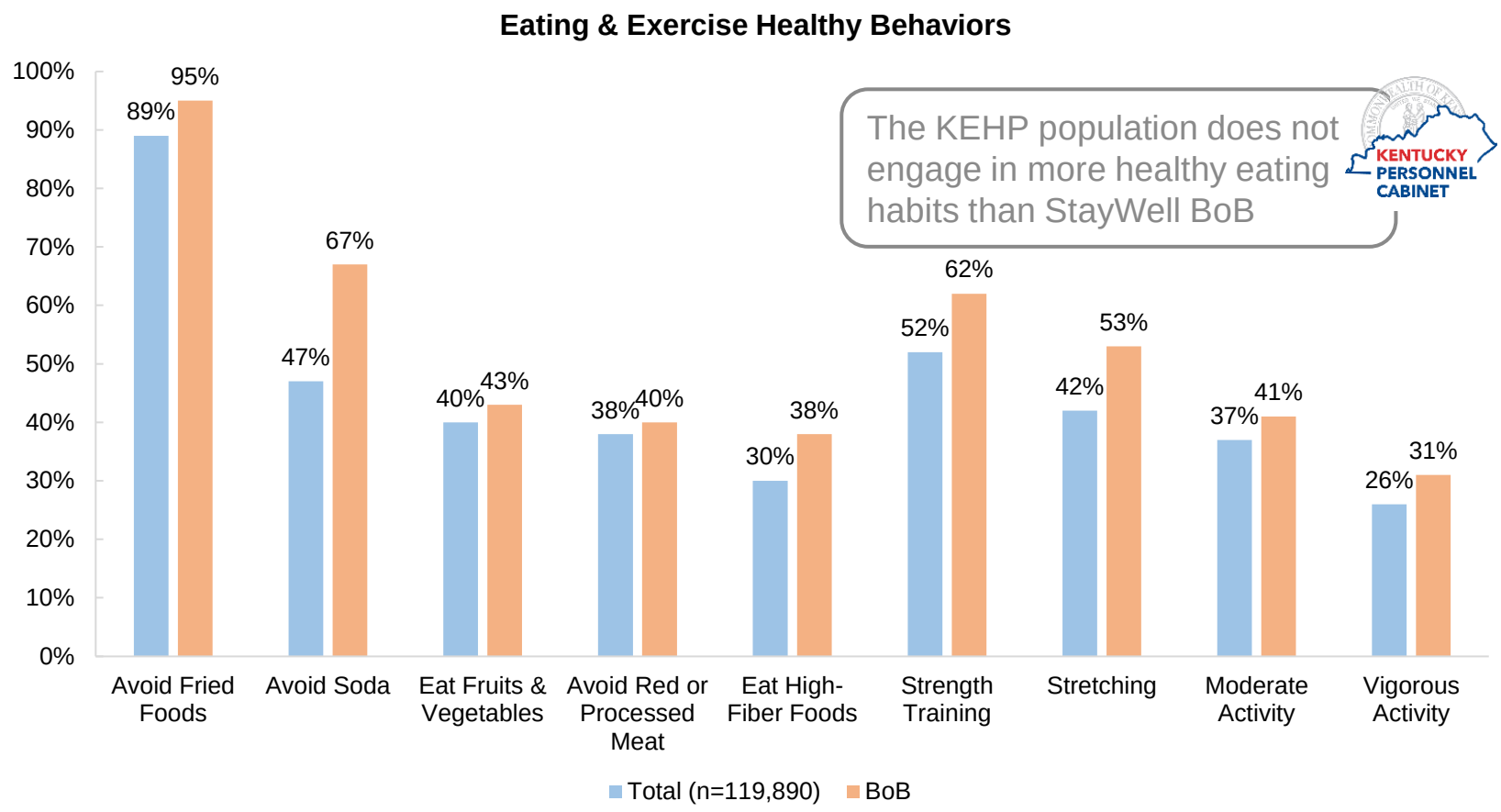
U.S. adult obesity rate is ~42%* and StayWell BoB is 35%, KEHP's is higher at 46%

BMI Class	BMI	KY	BoB
Normal	18.5–24.9	22%	27%
Overweight	25.0–29.9	31%	36%
Obese Class I	30.0–34.9	**23%**	20%
Obese Class II	35.0–39.9	**13%**	9%
Obese Class III	>=40.0	**10%**	6%



Source: *Staywell 2020 Report*

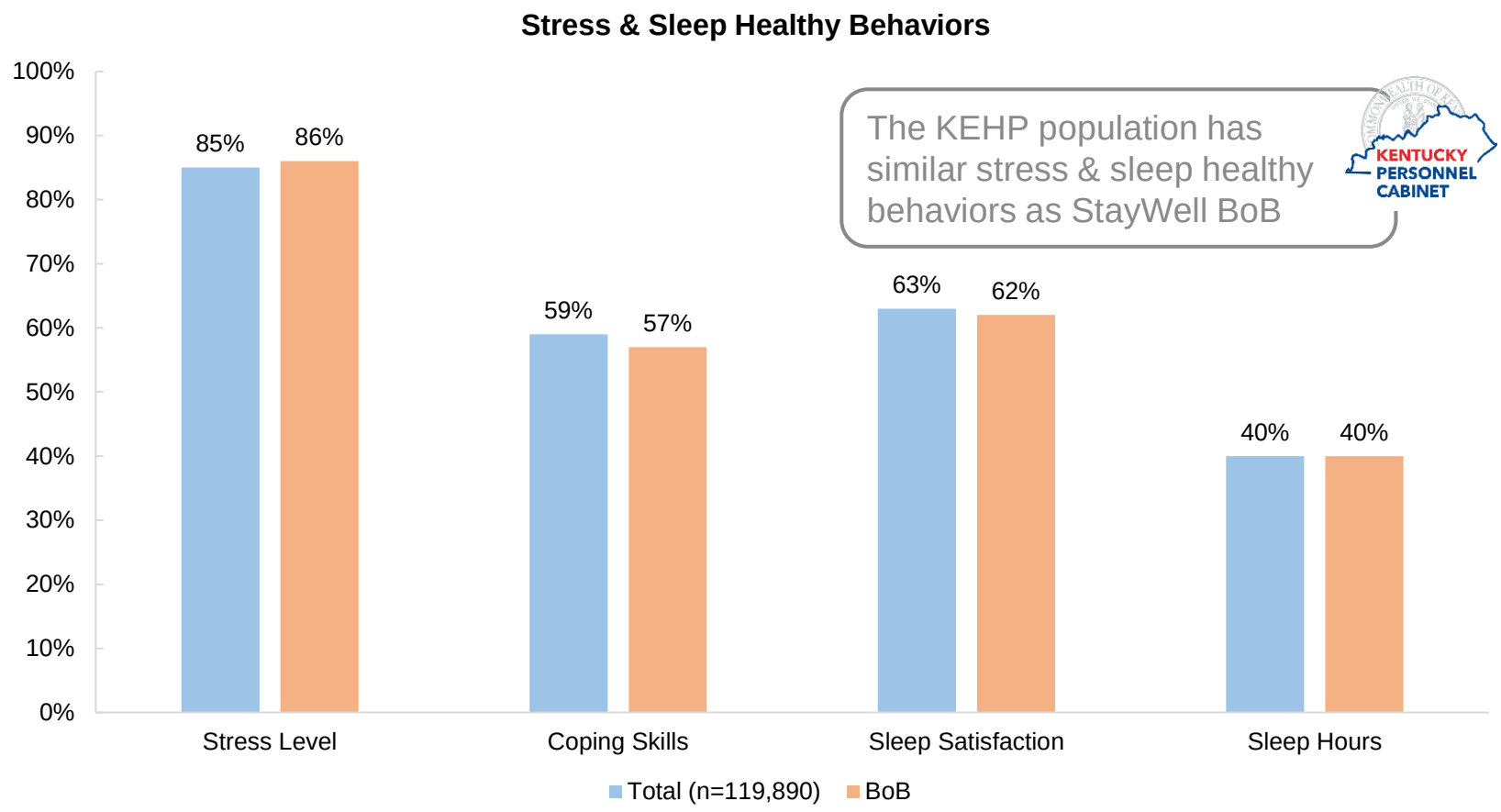
Healthy Eating Behavior



The KEHP population does not engage in more healthy eating habits than StayWell BoB

Source: *Staywell 2020 Report*

Stress & Sleep Healthy Behaviors



The KEHP population has similar stress & sleep healthy behaviors as StayWell BoB

Source: *Staywell 2020 Report*

Provide the Tools to Manage Chronic Disease Conditions

- KEHP has developed a number of programs and tools to assist members in managing a variety of chronic diseases and disorders
- In 2016, KEHP implemented a Diabetes Value Benefit that provided diabetes drugs and supplies at a reduced copay and coinsurance with no deductibles. For 2019, KEHP introduced a similar program for COPD/asthma
- KEHP also offers weight management programs, a diabetes prevention program, and behavioral health programs

Provide the Tools to Manage Chronic Disease Conditions

Value Benefits for Diabetes, COPD, and Asthma

Prescriptions	Supplies
Bypasses deductibles	Test strips
$0 Tier 1 generic drugs	Infusion pumps
Reduced coinsurance and copays for Tier 2 and Tier 3 drugs	Blood pressure and cardiac monitoring devices
	Durable medical equipment

Provide the Tools to Manage Chronic Disease Conditions

Why Weight Kentucky

- Pairs members with an Anthem clinician to help members reach their weight-loss goals
- Participants receive access to the tools and one-on-one support needed to lose weight safely and improve their health and quality of life
- The program also provides coverage for several prescription weight-loss medicines

Implement Actuarial Recommendation to Establish Plan Reserves

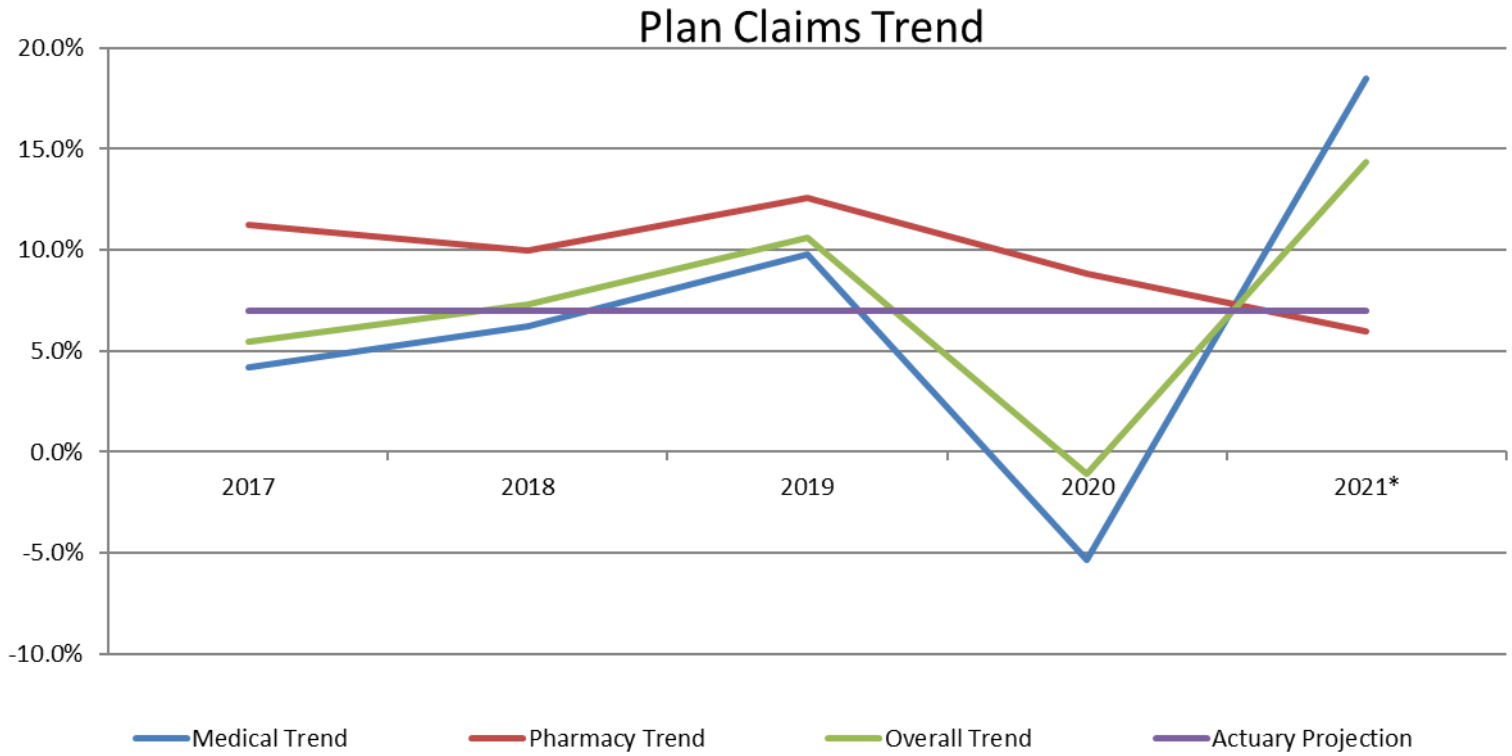
- Through judicious contracting, plan design, budgeting, and claims control practices, KEHP has enjoyed tremendous financial success
- This has permitted the plan to maintain premium increases for employees and employers far below claims inflation rates. Claims trend has been creeping steadily higher, however
- As of June 30, 2021, $1 billion has been transferred from the KEHP Trust Fund to the Commonwealth General Fund or Retirement Fund
- Per statute, each plan year must stand on its own. This requires KEHP to engage in conservative budgeting practices rather than strategic healthcare benefit planning
- Because of the combined effects of the above, the KGHIB Board Members seek to implement the actuary's recommendation of establishing a reserve fund within the KEHP Trust to equal 10% of anticipated claims

Implement Actuarial Recommendation to Establish Plan Reserves

Cost Savings Measures

Plan Year Implemented	Benefit Design Changes	Savings
2020	Increased deductibles and out-of-pocket maximums	$30M
2020	Increased employee premiums	$8M
2020	Cancelled Anthem's Enhanced Personal Healthcare Model	$6M
2020	Lowered cap for Waiver HRAs to $5,000	$2M
2020	CVS market check	$24M
2019	Increased employee premiums for LW CDHP couple and family levels	$2M
2019	Implemented two-tier formulary: generic and brand for LW Basic and Limited HD Plan	$0.6M
2019	Lowered cap for Waiver HRAs to $6,000	$2M

Implement Actuarial Recommendation to Establish Plan Reserves



ER Premium Increase	0%	1%	0%	0%	3%
EE Premium Increase	0%	3%	0%	3%	3%

*2021 data reflects January–June 2021 only.

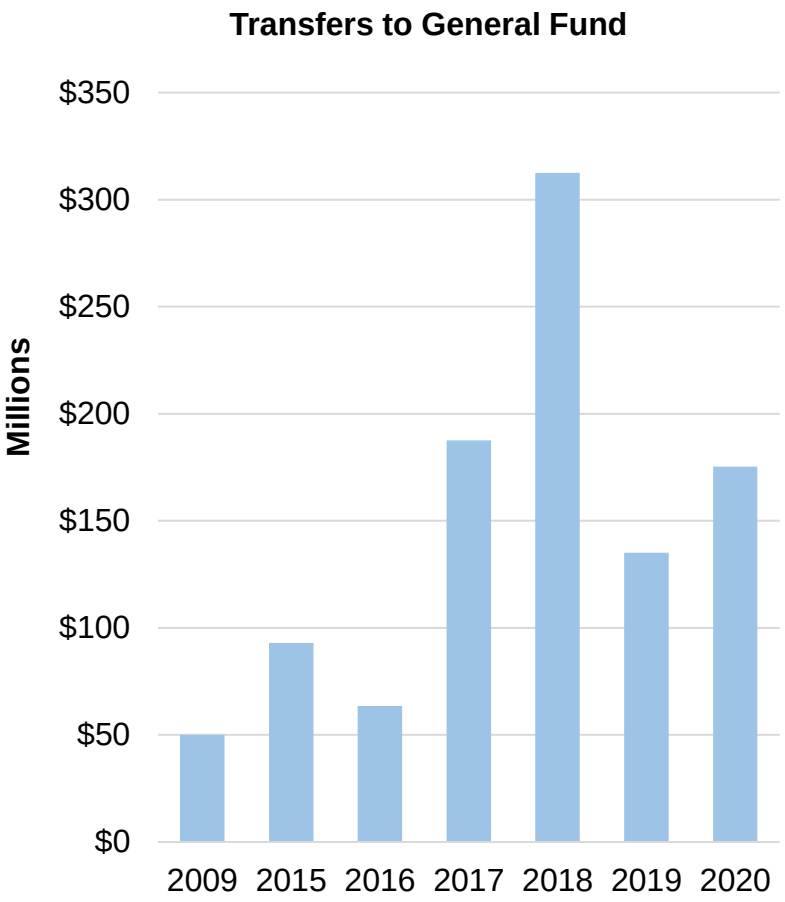
Source: *Aon Q2 2020 Financial Projection, August 2020*

Implement Actuarial Recommendation to Establish Plan Reserves

- Each plan year for KEHP must, by statute, stand on its own financially

KENTUCKY PERSONNEL CABINET

Since 2009, the legislature has mandated the transfer of more than $1 billion from the KEHP Trust Fund to the Commonwealth General Fund or Retirement Fund



Source: *Commonwealth Accounting System, eMars*

Educate and Drive Members to High-Quality, Cost-Effective Care

- KEHP has a variety of tools to help members select appropriate, cost-effective care, site of service, and health plans
- LiveHealth Online, highlighted in a previous section, and the SmartShopper transparency program point members to a more appropriate site and method of care
- The Benefits Analyzer tool assists our members in finding the most cost appropriate insurance coverage based on their historic level of claims

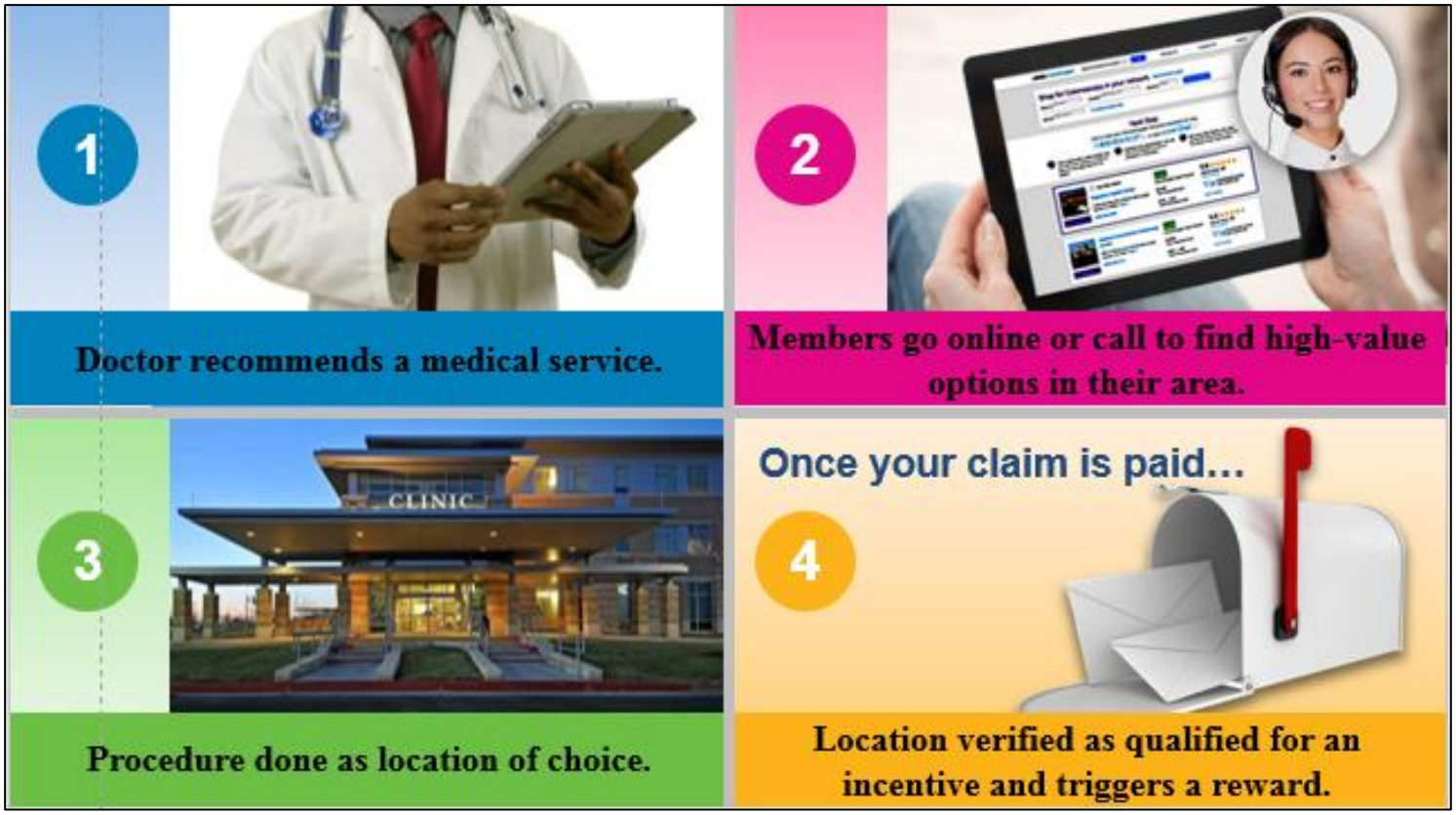
Educate and Drive Members to High-Quality, Cost-Effective Care

- SmartShopper is a program that helps KEHP members be savvy medical consumers by offering choices when it comes to healthcare services
- SmartShopper tells our members how much that test or procedure costs at different in-network facilities in their area
- When our members choose a cost-effective option, they can qualify for a cash reward and KEHP also reaps the benefit of providing lower-cost, high-quality services
- SmartShopper does not offer medical advice and is not a substitute for medical care from a doctor, but helps our members optimize their healthcare by making them aware of their options

SmartShopper®

Educate and Drive Members to High-Quality, Cost-Effective Care

How SmartShopper Works



Educate and Drive Members to High-Quality, Cost-Effective Care

SmartShopper Savings*

$15.0M
Total claims savings

$2.7M
Incentives sent to members

$542
Average claim savings per incentive

17%
Activation rate

80%
Activated shopping rate

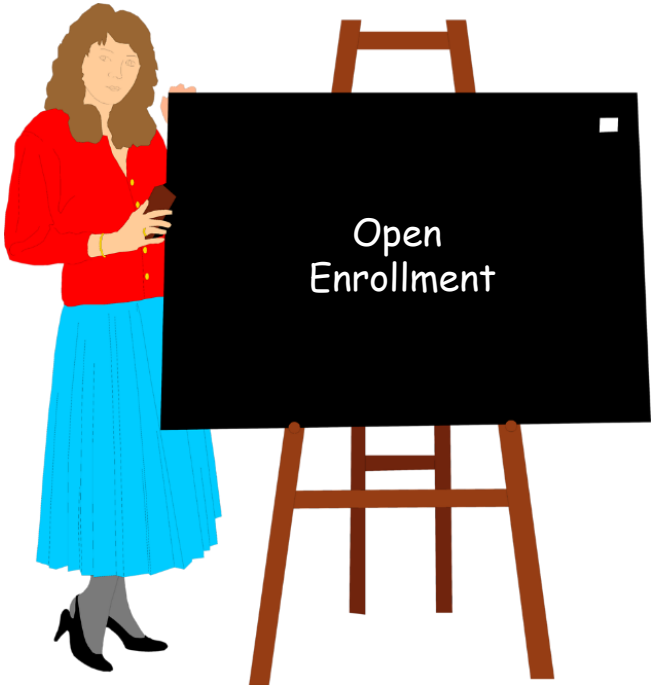
57%
Shop conversion rate

*Program inception through December 2020.

Source: *SmartShopper Performance Report, December 2020*

Help Employees Understand KEHP Programs and Tools Available

- KEHP uses multiple methods of delivery of training and content to help our members learn and understand the benefits and programs that they have available
- KEHP conducts events and training around the state and uses its network of more than a thousand insurance coordinators and wellness champions to deliver the KEHP message to our members



Help Employees Understand KEHP Programs and Tools Available

2020 Training Events

Event Type	Attendees	Number of Events	Number of Attendees
IC/HRG Training	Insurance Coordinators/HR Generalists	5	756
WageWorks Webinar	Members	2	446
StayWell/WebMD Webinar	Members	2	332
Anthem Webinar	Members	2	500
Open Enrollment Webinar	Members	7	1,200
SmartShopper Webinar	Members	2	388
Benefits Webinar	TRS Retiree Members	2	266
CVS Webinar	Members	2	198
Password Training	Anthem Associates	1	16

Help Employees Understand KEHP Programs and Tools Available

2020 Educational Email Outreach

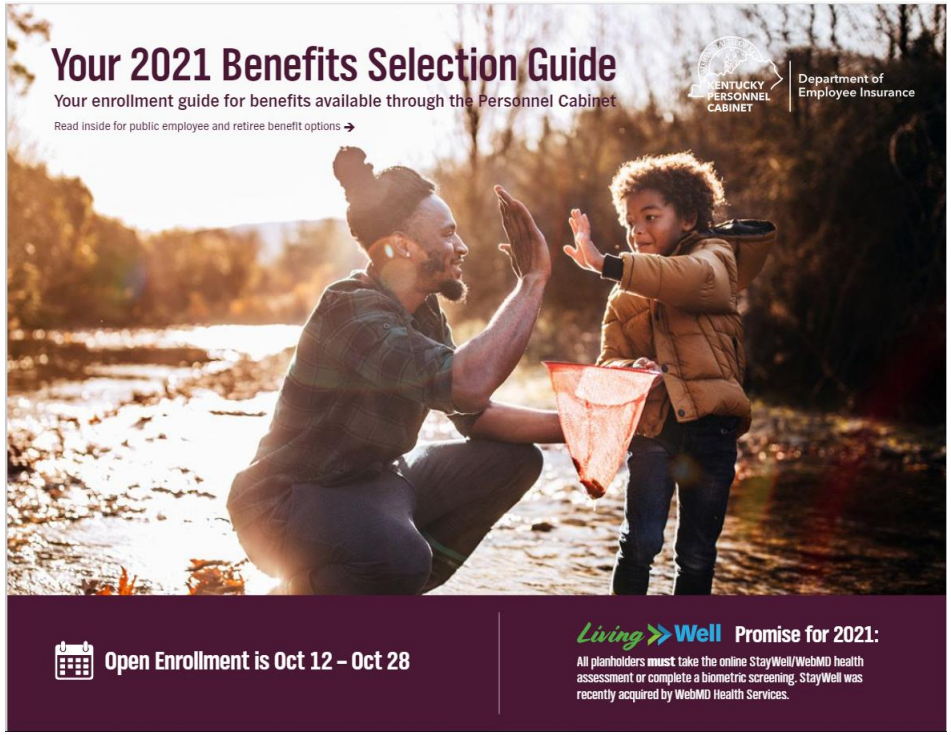
Event Type	Audience	Number of Emails
Open Enrollment	All KEHP Members	319,394
LivingWell Promise	Applicable KEHP Members	357,319
COVID-19 Benefits With KEHP	All KEHP Members	380,840
Acupuncture Pilot Program	All Health Insurance Members	253,545
Wellbeing Benefits	All KEHP Members	154,756
SmartShopper	All Health Insurance Members	127,665
Rethink Benefits	All KEHP Members	582,910
Premise Health On Site Clinics	Applicable KEHP Members	71,643

In 2020, the Department of Employee Insurance sent more than 2.2M educational emails to our members in addition to member communications from our vendor partners

KENTUCKY PERSONNEL CABINET

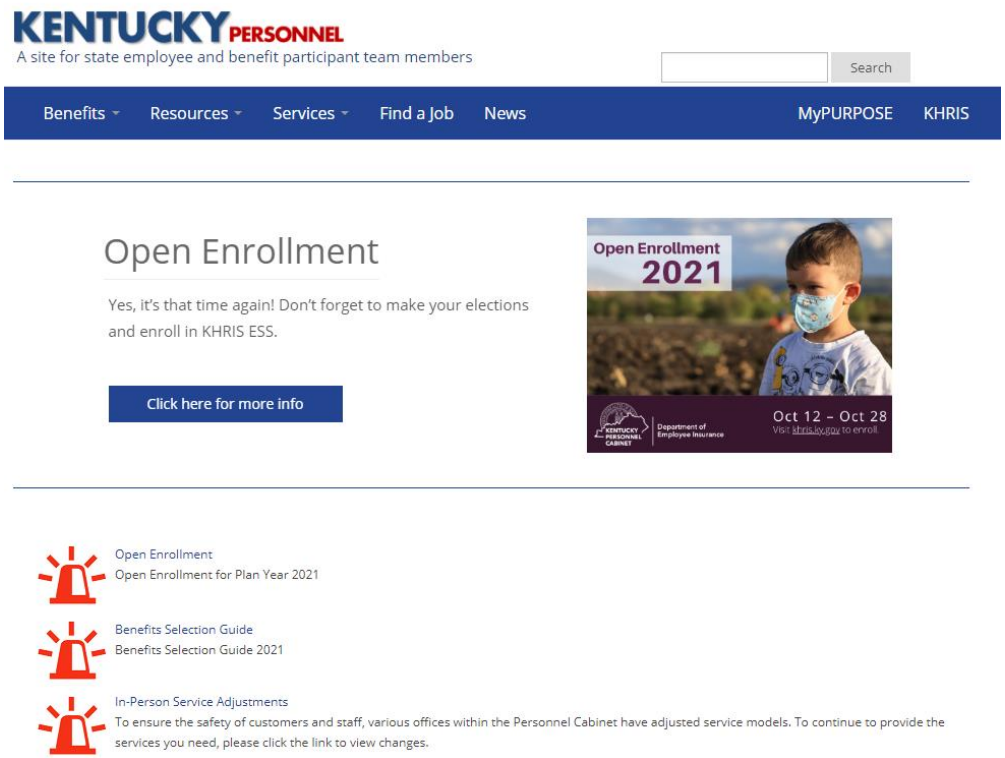
Help Employees Understand KEHP Programs and Tools Available

- The Benefits Selection Guide (BSG) was created in partnership with Anthem and the Personnel Cabinet
- The BSG contains plan, program, and benefits information for KEHP members and insurance coordinators



Help Employees Understand KEHP Programs and Tools Available

- KEHP has a comprehensive web presence that provides information and educational content for KEHP members and insurance coordinators
- The KEHP website contains plan, program, and benefits information
- Members can obtain forms, Summary Plan Descriptions, and information on each of the insurance program's vendors



Glossary

- **Accountable Care Organization (ACO):** A provider organization that accepts responsibility for meeting the health needs of a specific population, including the cost and quality of care and effectiveness of services. ACO members share in the savings that result from their cooperation and coordination.
- **Allowed Amount:** The amount of submitted charges eligible for payment for all claims. It is the amount eligible after applying pricing guidelines, but before deducting third party, copayment, coinsurance, or deductible amounts.
- **Avoidable Admits:** The average number of acute admissions for conditions that generally would not result in an inpatient admission if appropriate prior treatment occurred. The conditions included are angina without procedure, asthma, bacterial pneumonia, CHF, COPD, dehydration, diabetes, hypertension, low birth weight, pediatric gastroenteritis, perforated appendix, and urinary tract infection.
- **Biometric Screening:** A biometric screening provides a clinical assessment of key health measures. These results may be used to identify certain health conditions, such as diabetes and heart disease, or to indicate an increased risk for these conditions.
- **Brand Name Drug:** A trademarked drug for which the manufacturer holds the patent or has purchased the rights to manufacture from the patent holder. Brand name drugs are generally more expensive than generics. A single-source brand name drug is a drug that is only produced by one manufacturer and for which a generic equivalent is not available. Multi-source brand name drugs are drugs produced by more than one manufacturer, as generic equivalents are available.
- **Capitation:** A set amount of money paid to a provider of service based on membership demographics rather than payment based on services provided.
- **CDHP (Consumer-Directed Health Plans):** Health insurance plans that typically come with a higher deductible and maximum out-of-pocket amount and feature an embedded HRA designed to offset some of these expenses.

Glossary

- **CHF:** Congestive heart failure.
- **COBRA Beneficiaries:** Individuals who no longer meet the eligibility requirements for healthcare coverage through a group health plan, but by federal statute, are eligible to continue their healthcare coverage for a period of time under the employer's healthcare program by paying 102% of the total premium rate.
- **Coinsurance:** A percentage of the cost of covered healthcare services, supplies, or prescription drugs that a health plan member must pay out of pocket.
- **Consumer-Driven Health Plan (CDHP):** Health insurance plans that allow members to use HSAs, HRAs, or similar medical payment products to pay routine healthcare expenses directly, but a high-deductible health plan (HDHP) protects them from catastrophic medical expenses. High-deductible policies cost less, but the member pays medical claims using a prefunded spending account.
- **Copayment:** A stipulated dollar amount that a health plan member must pay out of pocket when healthcare services, supplies, or prescription drugs are received.
- **COPD:** Chronic obstructive pulmonary disease.
- **Coverage Tier (also referred to as Coverage Level):** The choices available to employees with respect to the individuals they wish to cover under an employer's health insurance program. Under the Commonwealth's PEHI program, the following tiers (or levels) apply:
  - Single: coverage for only the employee or retiree
  - Couple: coverage for the employee or retiree and his/her spouse
  - Parent Plus: coverage for the employee or retiree and all eligible children
  - Family: coverage for the employee or retiree, his/her spouse, and all eligible children

Glossary

- **Deductible:** The claim amount for which an employee is responsible before health insurance begins paying claims.
- **Dependent Subsidy:** When an employer specifically pays a portion, or all, of the dependent premium for an employee, this is an explicit dependent subsidy. When the differential between single and dependent healthcare premium rates is less than the differential between employee/retiree healthcare claims and dependents' healthcare claims, an implicit dependent subsidy exists.
- **Drug Efficiency Rate:** The rate that drugs which are available as generic are filled as generic.
- **Employee:** Represents an individual eligible to participate in KEHP as a retiree, or by being employed by one of the agencies that participate with KEHP (example: state employee, school board, quasi agency, etc.). Employee may also be referred to as "planholder" or "contracts."
- **Formulary:** A preferred list of medications developed by a health plan or PBM to guide physician prescribing and pharmacy dispensing. This list is periodically updated by the PBM to add or remove drugs.
- **Flexible Spending Account (FSA):** An FSA or reimbursement account is funded by employee salary reductions, employer contributions, or both. Amounts placed in these accounts are used to provide reimbursement for eligible expenses incurred by the employee or eligible beneficiaries for specified benefits during a plan year.
- **Fully Insured (also referred to as Insured or Fully Funded):** When a health plan assumes the financial risk associated with medical expenses for an employer group in exchange for the premiums paid by the group.
- **Generic Drug:** A drug whose therapeutic ingredients are the same as a brand name drug, but which is sold under a name that is not trademarked. Generic drugs are usually less expensive than their brand name counterpart.
- **Generic Drug Prescription Rate:** The percentage of scripts that are filled as generic.
- **Group:** The classification of agencies by type. Groups include Boards of Education, State Agencies, Retirement Systems and Quasi Governmental Agencies.
- **Healthcare Reimbursement Arrangement (HRA):** Spending account used for offsetting healthcare expenses, including deductibles, copays, coinsurance and maximum out-of-pocket expenses.

Glossary

- **Health Risk Assessment (HA):** A health questionnaire, used to provide individuals with an evaluation of their health risks and quality of life.
- **KEHP:** Kentucky Employees' Health Plan.
- **Maximum Out-of-Pocket:** The maximum amount that an employee is expected to pay; any amount above this amount is paid for entirely by insurance.
- **Member:** Includes all employees plus any dependents that are covered through the KEHP. Members may also be referred to as "covered lives."
- **Metabolic:** Refers to metabolism, the set of life-sustaining chemical reactions in organisms.
- **Myeloproliferative Diseases:** A group of diseases of the bone marrow in which excess cells are produced. They are related to, and may evolve into, myelodysplastic syndrome and acute myeloid leukemia.
- **Patients Complications:** The unique count of members who received facility or professional services provided under medical coverage that were reported on a claim with a principal or secondary diagnosis denoting a complication of care resulting from a healthcare intervention. Complications of previous treatment are based on ICD-9 complication of surgical and medical care diagnosis codes.
- **PEPY:** A measure of costs expressed as total costs per year divided by total number of employees.
- **PEPM:** A measure of costs expressed as total costs per month divided by total number of employees.
- **Pharmacy Benefit Manager (PBM):** An organization that functions as a third-party administrator for a health plan's pharmacy claims, contracts, and management.
- **Planholders:** Employees and retirees who are subscribers to a KEHP plan. May also be referred to as employees.
- **PMPM:** A measure of costs as expressed as total costs per month divided by total number of covered lives (employees, spouses, and dependent children).

Glossary

- **PMPY:** A measure of costs as expressed as total costs per year divided by total number of covered lives (employees, spouses, and dependent children).
- **PPO (Preferred Provider Organization) Plans:** Plans that provide a wide array of service providers, typically with lower deductibles and maximum out-of-pocket costs, but with copays for services. PPO plans do not feature embedded HRA accounts.
- **Pre-Existing Condition**: A medical condition developed prior to an individual obtaining insurance, which may result in the limitation in the contract on coverage or benefits.
- **Premium:** The monetary amount paid by an employee or the employer for health insurance benefits. It is routinely paid on a monthly basis. In an insured program, the amount paid to an insurance company in exchange for its payment of all healthcare costs covered under the terms of the health plan and for administrative services. For large groups, like the PEHI program, premiums are determined based on the healthcare services consumed by the plan's members in the past and the prices charged by healthcare providers. If the premiums charged by the insurer are less than the actual healthcare costs incurred by the plan's members and the insurer's operating costs, the insurer loses money. The premium includes both the employer's subsidy and the employees' contributions for health insurance.
- **Premium Equivalent:** Analogous to "premiums," premium equivalents reflect the expected actuarial costs for a plan option and coverage tier under a self-insured arrangement.
- **Primary Care Physician (PCP):** For purposes of applying the Commonwealth's qualifying network requirements, a PCP includes: family practice physicians, general practice physicians, pediatricians, and internists.
- **Provider Network:** A list of contracted healthcare providers, unique to a health plan, from which an insured can obtain services that are covered at a preferred benefit level under a PPO.
- **Quasi Agency:** Includes local governments such as a city, county, urban-county, charter county, consolidated local government, special district, or a body authorized by the Kentucky Revised Statutes or a local ordinance.

Glossary

- **Readmissions:** The average number of acute admissions that occurred within 15 days of a previous acute care admission for the same patient, regardless of the diagnosis.
- **Rx:** Refers to drug claims
- **Self-Insured (also referred to as Self-Funded):** A health plan whose medical claims' financial risk is assumed by the employer and not by the health plan.
- **Specialist Physician:** For purposes of applying the Commonwealth's qualifying network requirements, a specialist physician includes all physicians other than: family practice physicians, general practice physicians, pediatricians, and internists.
- **Third-Party Administrator (TPA):** An organization that performs health insurance administrative functions (e.g., claims processing) for a plan or an employer. The TPA may also provide the healthcare provider network.
- **Waiver:** An eligible employee or retiree who declines healthcare coverage through his/her employer for a plan year. Often the employee obtains healthcare coverage through another means, typically a spouse's employer or an individual.