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September 1, 2010

The Honorable Jeffrey M. Schoenberg
Assistant Senate Majority Leader
820 Davis Street, Suite 102
Springfield, IL 60201

Re: Group Insurance Inquiry

Dear Senator Schoenberg:

Thank you for your interest in the State Employees Group Insurance Program. Per your letter dated August 13, 2010, I am providing you with the information that you have requested. If you have any further questions or would like to further discuss the information provided herein, please do not hesitate to contact me at your convenience at 217/782-7755.

Sincerely,



Julie Hamos
Director

Enclosures

1. How many retirees are covered for healthcare by each of the pension funds?

As of June 30, 2010, there were approximately 84,100 retirees (and survivors) eligible for healthcare coverage through the State Employees Group Insurance Program. Following is a break out by retirement system.

- General Assembly Retirement System – 300
- Judges' Retirement System – 1,000
- State Employees' Retirement System – 50,700
- Teachers' Retirement System – 1,100
- State Universities' Retirement System – 30,700
- University of Illinois (Federal Pensioners) System – 300

2. Do all retirees pay premiums? If not, how many?

Not all retirees pay a premium for healthcare coverage. Those who retired prior to January 1, 1998 receive premium-free healthcare coverage. Those who retired on or after January 1, 1998 receive a 5% credit toward the cost of healthcare coverage for each year of creditable service. Those with 20 or more years of service receive a 100% credit and do not make a premium contribution. In August of 2010, there were approximately 7,500 retirees (and survivors) who retired after January 1, 1998 with less than 20 years of service and who were required to pay a premium for healthcare.

3. What is the average monthly amount that retirees pay in premiums? How much in total?

For healthcare coverage, retirees (and survivors) paid an average of \$10.22 per month for their own healthcare coverage in FY 2010. In FY 2010, retirees paid a total of approximately \$9.8M in healthcare premiums.

4. Are dependents of retirees covered? If so, how many?

Yes, dependents of retirees are covered. As of June 30, 2010, there were approximately 31,800 dependents of retirees covered under the State Employees Group Insurance Program.

5. Do retirees pay premiums for dependents? If so, how much?

Retirees pay premiums for dependents. The amount depends on the healthcare enrollment choice made by the member and the number and type of dependents covered. Please see the attachment for the individual amounts of dependent premiums for FY 2010.

6. What are the average monthly healthcare costs for retirees? For dependents?

See the attachment for the average monthly healthcare costs for retirees and dependents.

7. What is the total healthcare cost to Illinois of all early retirees? For Medicare-eligible retirees?

In FY 2010, Illinois total healthcare liability for retirees was approximately \$282.6M. For Medicare-eligible retirees, the total liability was approximately \$205.6M.

8. How many are early retirees? How many retirees are also covered by Medicare?

Of the approximately 84,100 retirees indicated in the response to question 1, approximately 27,200 are early retirees, and 53,600 are covered by Medicare.

9. How many select HMO? How many QCHP?

Of the 80,800 retirees (and survivors) participating in the healthcare program, approximately 26,300 are enrolled in a managed care plan. The remaining 54,500 are enrolled in QCHP.

10. What is the cost differential between the two plans?

Please see the response to question 6 in the attachment.

11. What is the average family income for early retirees?

In conjunction with the Department of Revenue, DHFS staff recently finished a study of tax filings by retirees participating in the State Employees Group Insurance Program. Based upon this study (of approximately 52,000 State of Illinois tax returns), it was found that, for the 2009 tax year, the average household income for this group of people was approximately \$77,900.

12. What is the average pension for retirees?

Another recent study done by DHFS staff found that the average annuity for retirees (and survivors) participating in the healthcare program was approximately \$30,900.

13. How many early retirees live in and out of the State of Illinois? How many Medicare-eligible retirees live in and out of state?

Of the early retirees, approximately 24,200 live in Illinois, while 3,200 live out of state. Of the Medicare-eligible retirees, approximately 43,900 live in Illinois, while 9,500 live out of state.

14. Does the State have a proposal to change cost sharing with retirees?

Over the course of the last two years, the State has put forth several proposals for changing the cost sharing arrangement between the State and the retirees. The FY 2010 budget address included a proposal that would limit the State's subsidy to equal the amount provided to Medicare-eligible retirees. The FY 2011 proposal was similar that the FY 2010 proposal. However, the subsidy was to be limited to \$300 per month. Since that time, DHFS has continued to study cost sharing. DHFS is considering other cost sharing arrangements, including basing retiree premiums on a percentage of cost (with a minimum amount paid), premiums as a percent of the retiree's annuity, etc. I would be happy to further discuss these scenarios with you if you would like.

15. Does the State have any other potential cost savings ideas?

DHFS, as the State's primary purchaser of healthcare, continually endeavors to provide quality healthcare coverage for employees and retirees participating in its programs at the best value to the taxpayers of the State of Illinois. DHFS is currently issuing RFPs for both the dental and managed care programs that are designed to achieve best in class rates or renewal for the State. DHFS is studying the potential savings that could be generated by moving to a pay for performance model that would reward providers for the most cost effective and quality outcomes. Additionally, the Department continues to work with the Joint Labor Management Committee on Wellness, which is charged with identifying savings. Brand to Alternate Generic Substitution and Preferred Drug Step Therapy are just two of the prescription savings ideas being worked on at the moment. Of course, the Department would always appreciate any possible savings ideas or suggestions from you or your colleagues in the General Assembly.

State Employees Group Insurance Program

Dependent Premiums for FY 2010

	One Non-Medicare Dependent	Two or More Non-Medicare Dependents	One Medicare Dependent	Two or More Medicare Dependents
HMO Illinois	\$83	\$116	\$79	\$116
PersonalCare	\$92	\$130	\$88	\$130
Humana Benefit Plan of Illinois (formerly OSF HealthPlans)	\$92	\$130	\$89	\$130
Health Alliance HMO	\$94	\$133	\$89	\$133
Health Alliance Illinois	\$103	\$145	\$100	\$145
Healthlink OAP	\$105	\$149	\$102	\$149
Humana Benefit Plan of Winnebago(formerly OSF Winnebago)	\$107	\$152	\$104	\$152
Quality Care Health Plan	\$196	\$226	\$142	\$203

Average Monthly Healthcare Costs

	Managed Care	Quality Care Health Plan
Medicare Retiree	\$294.55	\$332.47
Non-Medicare Retiree	\$791.08	\$964.10
One Non-Medicare Dependent	\$450.16	\$722.39
Two or More Dependents	\$773.85	\$978.19
One Medicare Dependent	\$299.35	\$344.52