



STATE GROUP INSURANCE PLAN

Local Education Agency Fiscal Directors

Benefits Administration Insurance Update

Laurie Lee, Executive Director, Benefits Administration
Kendra Gipson, Director Vendor Services and Contracts

Agenda

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Local Education Plan
Overview

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Healthcare industry, our
members and our plan

3

2026 benefits design,
spotlight on wellness and
premium changes

Plan Overview

Benefits Administration Mission

**Deliver comprehensive,
affordable, dependable
and sustainable benefits**

BA administers the state of Tennessee-sponsored insurance benefits for approximately 302,000 state, higher education, local education and local government employees, dependents and retirees.



Plan Management - The SGIP is self-funded

Of the annual plan expenses, **95%** pay providers for health care delivery and **5%** pay administrative costs



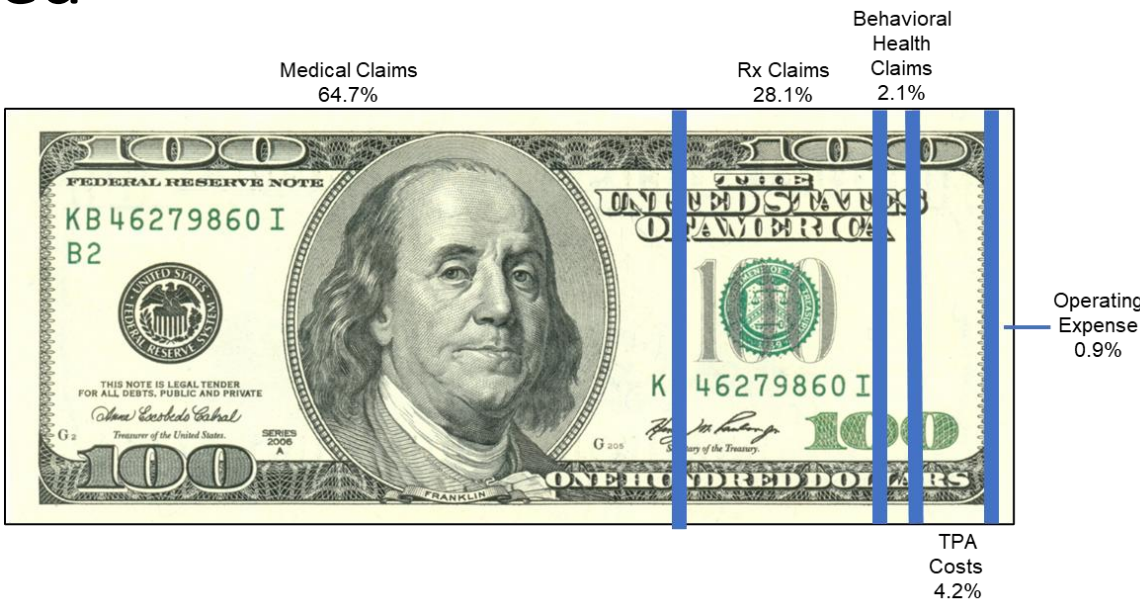
The State is the insurer, collecting premiums to pay providers



Premiums stay in the state funds and are not paid to insurance companies



Insurance companies and other contractors provide administrative services on a per employee per month fee



- ✓ SGIP doesn't pay for insurer's profit, reserves or marketing
- ✓ If claims are less than forecasted, SGIP retains the surplus to reduce future premium increases to members
- ✓ State retains flexibility in benefit design
- ✓ Medical claims are paid out as they occur instead of a fixed premium to a third party

Choice of 4 Products and Price Points

The Local Education Plan offers all four options: with all plans members won't pay anything for in-network preventive care

1. Premier PPO – Higher premiums, but lower up front, out-of-pocket costs
2. Standard PPO – Lower premiums than the Premium PPO, but more out-of-pocket costs
3. Limited PPO – Lower premiums than the other PPOs, but more out-of-pocket costs
4. Local CDHP/HSA – Lowest premiums, but must pay deductible before plan pays for most services; member pays coinsurance, not copay; HSA available as pre-tax option to help cover member costs and as tax-free savings for future health care expenses

Four Network Options

- Cigna LocalPlus and BCBST S
 - Provide quality care at a lower negotiated rate and include most (but not all) providers and hospitals
 - Lower negotiated rates mean the plan pays less for claims, members pay lower provider bills, and premiums can stay low
- Cigna Open Access Plus (OAP) and BCBST P
 - Include more hospitals and providers
 - Higher contracted rates which means the plan and members pay more for claims
 - Members pay higher premiums
- **Agencies are expected to charge members the premium differential, or surcharge, to encourage members' value-based purchasing decisions for themselves and the plan**
- 2026 network differential has not yet been decided



LocalPlus
Open Access
Plus*



Network S
Network P*

Current:

- * \$75 more for employee only
- * \$85 more for employee + child(ren) tiers
- * \$150 more for employee + spouse and employee + spouse + child(ren) tiers

Voluntary Options

Dental Benefits



Prepaid Plan (Dental Health Maintenance Organization)

- Services have fixed copay amounts that will be paid by the member
- Services can only be provided by a Cigna participating dentist



Current



Dental Preferred Provider Organization (DPPO)

- Services use coinsurance paid by the member
- Services can be used with any dentist; you pay less with in-network providers
- Waiting periods apply for some services

Vision Benefits



Basic Plan

- \$10 annual eye exam copay
- Allowance for frames and contacts
- Frames available once every two calendar years

Expanded Plan

- Free eye exam annually
- Greater allowances than the Basic Plan
- Frames available once every calendar year

Local Education Plan Enrollments

Product Enrollments

Product	2024 Total Members	2024 % of Total	2025 Total Members	2025 % of Total
Premier PPO	78,485	62.0%	79,281	61.6%
Standard PPO	25,726	20.3%	27,378	21.3%
Limited PPO	14,490	11.4%	14,514	11.3%
CDHP	7,863	6.2%	7,471	5.8%
Total	126,564		128,644	

Network Enrollments

Networks	2024 Total Members	2024 % of Total	2025 Total Members	2025 % of Total
Local Plus, Network S	109,761	86.7%	111,641	86.8%
OAP, Network P	16,803	13.3%	17,003	13.2%
Total	126,564		128,644	

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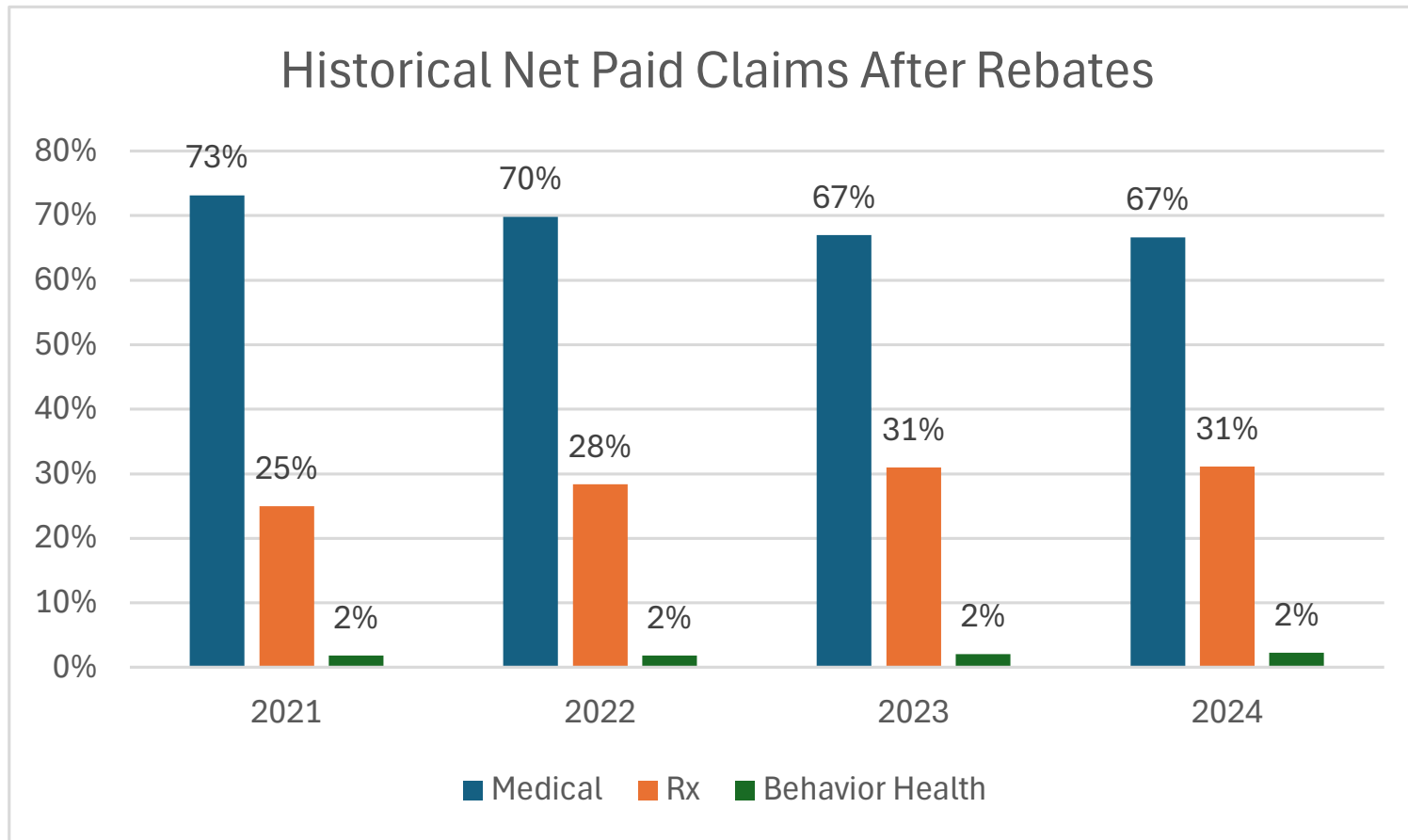
Turbulent times – some old, and some new challenges

- Pharmaceutical costs—especially specialty medications and GLP1s
- Price variation across site of care
- Health care labor shortage
- Inflation
- Supply chain disruption
- Economic volatility



SGIP Plan Costs are Shifting

Over the last four years, pharmacy costs increased 6 points as a percent of total expenditures and continue to drive plan costs



Local Education Plan 2024 Top Ten List of Prescription Drugs

The top ten drugs combined represented **39%** of total pharmacy spend in 2024

2024 Local Education Drugs by Net Payment before Rebates

Product/Drug Name	Use	% of Total Net Payment
WEGOVY	Weight Management	14%
MOUNJARO	Diabetes	6%
OZEMPIC	Diabetes	5%
ZEPBOUND	Weight Management	3%
STELARA	Plaque psoriasis and psoriatic arthritis	3%
DUPIXENT	Eczema, eosinophilic or oral-corticosteroid-dependent asthma, chronic rhinosinusitis with nasal polyps	2%
SKYRIZI PEN	Plaque psoriasis and psoriatic arthritis	2%
JARDIANCE	Diabetes	2%
ENBREL SURECLICK	Rheumatoid arthritis	2%
TRIKAFTA	Cystic fibrosis (CF)	2%



The Headlines

Weight loss drugs fuel large employers' healthcare cost concerns for 2025, survey finds

More than half of employers in the Business Group on Health's annual survey said GLP-1 drugs were impacting costs to a "very great" or "great" extent.

Weight-loss drugs didn't curb health costs within two years

By Chad Terhune

October 24, 2024 10:53 AM CDT · Updated 3 hours ago



Boom in weight-loss drugs to drive up US employers' medical costs in 2024 - Mercer

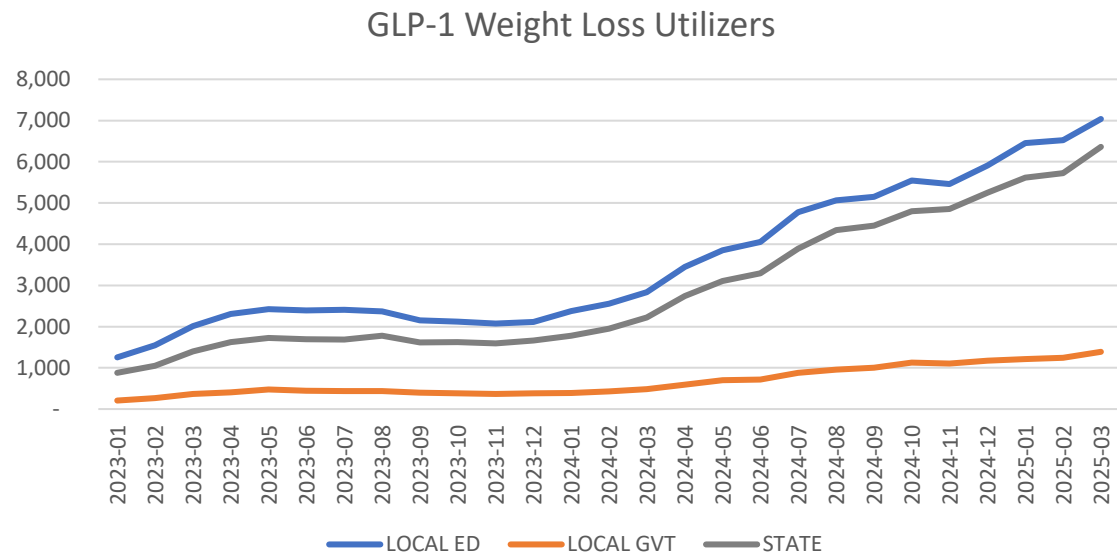
Ozempic Is Raising Your Health Premiums Even If You're Not Taking It

Health insurance cost increases driven by inflation, weight-loss drugs, expensive treatments

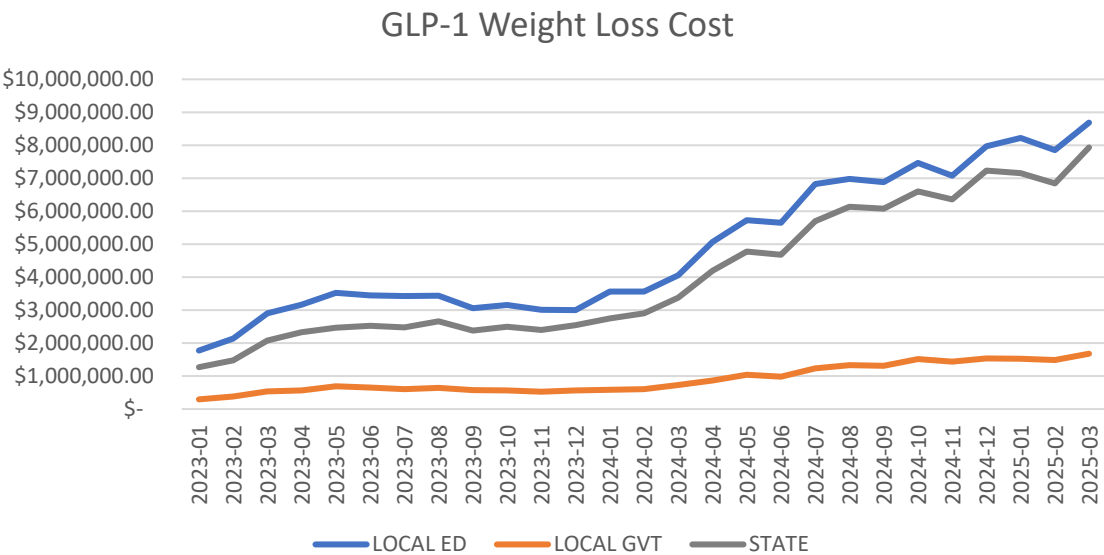
Annual Family Premiums for Employer Coverage Rise 7% to Average \$25,572 in 2024, Benchmark Survey Finds, After Also Rising 7% Last Year

GLP-1s for Weight Loss

- GLP-1 medications are driving pharmacy trend due to high price point and increasing demand
- Puts significant pressure on plan budgets. For every 1% increase in the pharmacy trend, the projected premium rate must be elevated by an additional 0.5%.



Monthly LE utilizers of GLP-1s for weight loss increased **461%** from January 2023 to March 2025



Monthly LE plan cost for weight loss GLP-1s increased **389%** from January 2023 to March 2025

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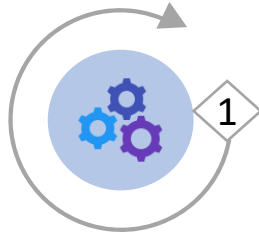
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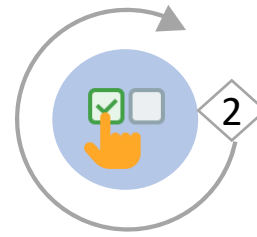
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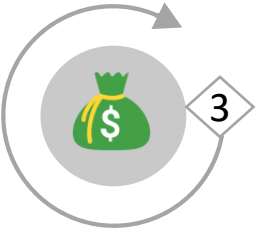
Plan Design Guiding Principles



Alignment
Competitive
benefits; Market
comparable



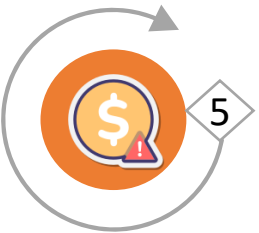
Choice
Options with a
meaningful price
spread



Budget
Use reserves, when
needed



High Value
Incent use of high
value care



Affordability
Offer affordable
products for
members



Compliance
Comply with all state
and Federal
regulations

Focus on High Value Care - Centers of Excellence (COE)

- What is a COE?
 - Providers and facilities designated as such based-on **cost and quality metrics**
 - Specialize in selected services; perform a lot of the same service or procedure
 - Typically offer comprehensive care/supports for members
- COEs follow evidence-based care standards and typically have **better patient outcomes and demonstrated cost savings**
- Currently Required COEs - transplants & bariatric surgery
- Rolling out this summer
 - Member costs waived
 - Travel benefit in some cases
 - Be on the lookout for communications!

SOLUTION

A plug-and-play prospective bundled payment solution

We connect members to the top 10% of providers across the country, ensuring they get the highest quality and most appropriate care that is less expensive and easier for everyone.



Focus on High Value Care – Drug Savings Review program

- Solution helps improve member health and reduce pharmacy spend
- Outreach to prescribers before next refill to optimize medications without member disruption at point of sale



Spotlight on Partners for Health Wellness Program



Health Coaching & Support



Weight Management



Intensive Diabetes Management



Stress and Anxiety Management



Wellness Challenges

Lifestyle Management

- Healthy Eating
- Exercise
- Stress Management
- Hypertension
- Tobacco Cessation

Chronic Condition Management

- Asthma
- Coronary Artery Disease
- Chronic Pulmonary Obstructive Disease
- Diabetes
- Congestive Heart Failure
- Chronic Kidney Disease (for members with Diabetes and/or Hypertension)

Program Overview

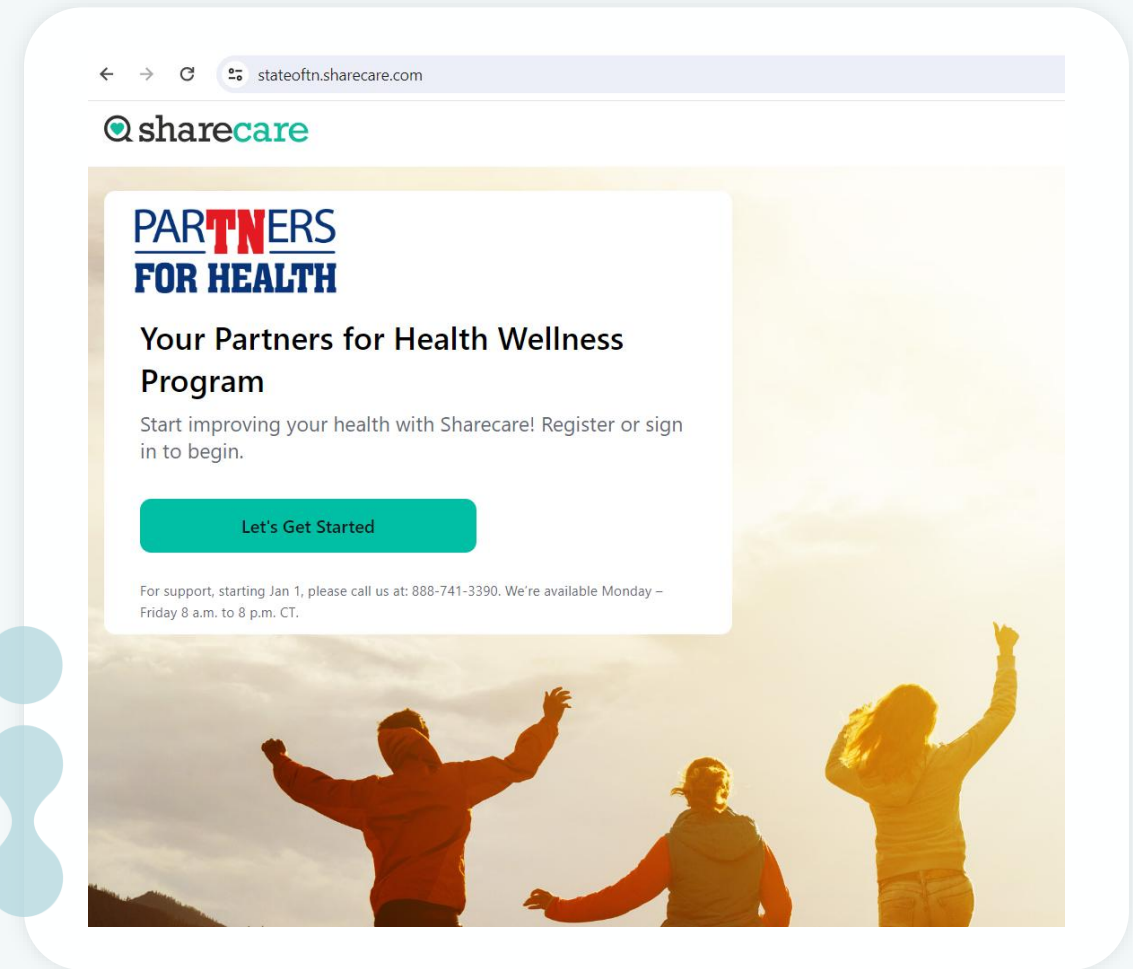
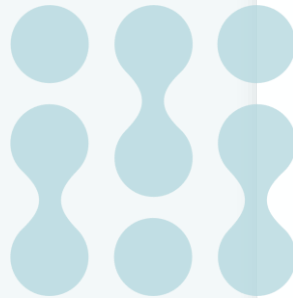


Starting in 2026, Sharecare is pleased to offer local education and local government agencies the option to offer incentives to members participating in the Partners for Health Wellness Program.

How it Works

Agencies may offer an incentive program to their members powered by the wellness activities in the Sharecare platform.

Members of participating agencies will see a 'rewards' center in their wellness platform that displays incentivized wellness activities.

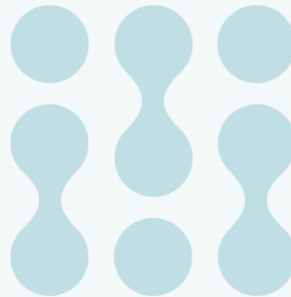


How It Works

Participating agencies will tailor the program to meet their goals and budget. They will choose the wellness activities to incentivize and determine the cash (or other) incentive.

Examples of rewardable activities include:

- Coaching & guided programs
- Biometric screenings
- Quarterly challenges
- Annual wellness exams & preventive screenings



PARTNERS **FOR HEALTH**

Partners for Health Wellness Program

[About This Program](#)



Available activities



RealAge Test/Health Assessment

Available • 261 days left



Biometric Screening

50 Dollars

Available • 230 days left



Biometrics Screening Blood Pressure

25 Dollars

Available • 230 days left

0 of 2 activities completed



Biometrics Screening Lab Values

125 Dollars

Available • 230 days left

0 of 3 activities completed



Annual Physical/Well Woman Exam

25 Dollars

Available • 230 days left



Preventive Screenings

Available • 230 days left

How Much Does It Cost?



- Cash incentives will be based on the agency's available budget and will be paid directly to their employees by the agency
- Amounts paid to employees are treated the same as wages for income tax purposes
- The state will not fund the incentive program for LEA/LG agencies
- In addition, each participating agency is responsible for funding the admin fees associated with the incentive program

Opting In

Agencies who would like to opt-in to offering incentives in the next program year should complete the form by scanning the QR code.

Deadlines:

- Opt-in deadline: **September 1, 2025**
- Incentive plan details deadline: **October 1, 2025**



Medical Benefit Premium Setting Process

Claims Underwriting Overview

Net Claims

Utilize the most recent credible 12-month claims experience periods adjusted for historical plan design, network and demographic changes

Market Trend Factors

Trend from experience period to projection period

Future Adjustments

Plan design, network contracts and legislation

Fixed Expenses

Add in administrative fees related to the health plan

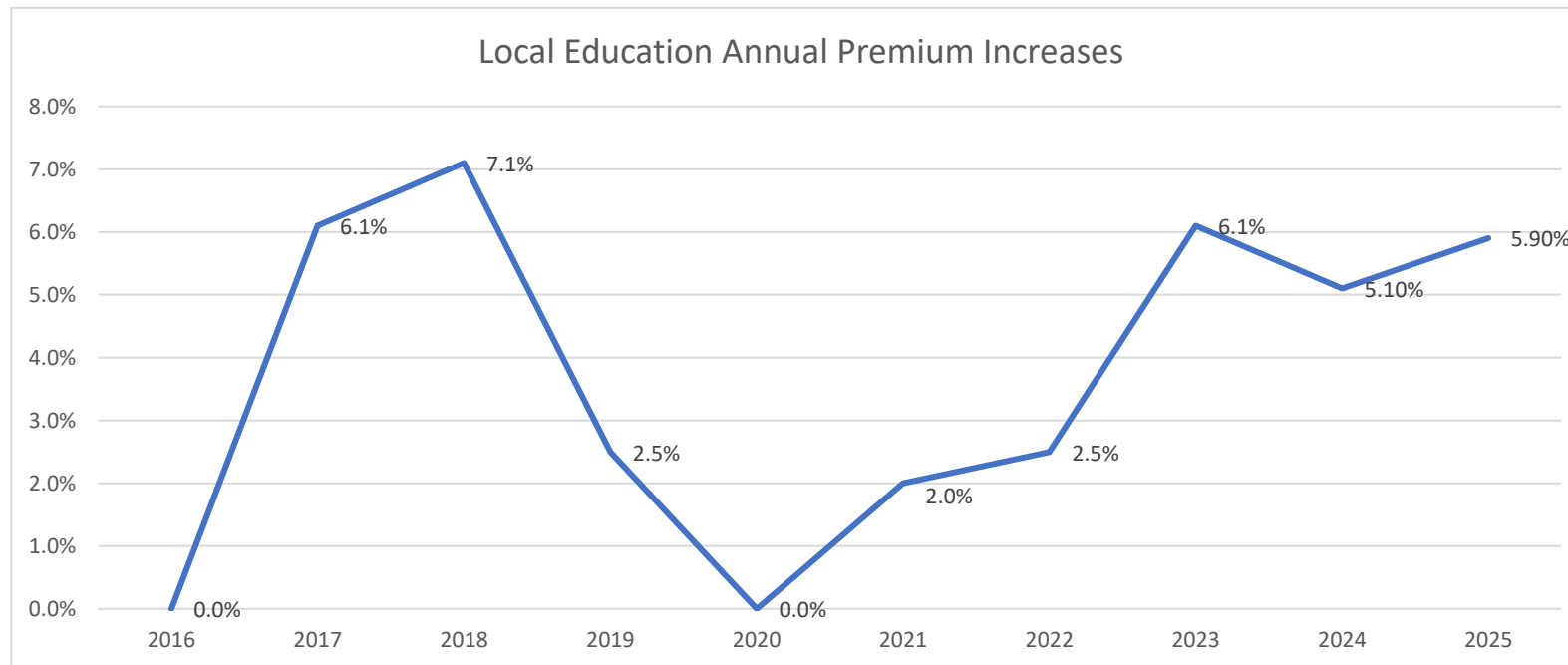
Total Projected Premium

Premium Considerations and Assumptions for 2026 Rates

- Price the plan option in accordance with its actuarial value; the richest plan options having the highest premiums
- Consider historical performance of each plan, forecasted medical trend in each plan, and impact of general inflation
- Spend down of excess reserves over a three-year period to avoid large fluctuations in premium increases
- Create aggregate rate increases for all plan offerings
- Review network costs and associated surcharges

Local Education Plan Premiums

- 5.9% - Aggregate Local Education Plan 2025 premium increase
- 3.7% - Local Education Plan premium increase average over the last ten years



2026 Local Education Plan Premiums

- Benefits Administration is incorporating the latest claims experience to determine 2026 benefit design and premium increase recommendation
- Local Education Insurance Committee will vote on 2026 benefit design and premium increases at the May 22nd meeting
- Aggregate Local Education plan 2025 premium increase was 5.9%
- Anticipate the Local Education Plan premium increase for 2026 to be higher than the 2025 premium increase

2026 Cigna DHMO – Prepaid Provider Dental Rates

- Contracted rates will remain the same for 2026

Active Employees	2026
Employee	\$14.69
Employee + Spouse	\$26.03
Employee + Child(ren)	\$30.50
Employee + Spouse + Child(ren)	\$35.79

Retirees	2026
Retiree	\$16.32
Retiree + Spouse	\$28.93
Retiree + Child(ren)	\$33.88
Retiree + Spouse + Child(ren)	\$39.74

2026 MetLife DPPO Rates

Active Employees	2025	2026	% Change
Employee	\$20.32	\$20.32	0%
Employee + Spouse	\$39.96	\$39.96	0%
Employee + Child(ren)	\$54.03	\$67.54	25.00%
Employee + Spouse + Child(ren)	\$82.75	\$99.47	20.21%
*Average change across all active tiers: + 11.30%			

Retirees	2025	2026	% Change
Retiree	\$27.27	\$28.91	6.01%
Retiree + Spouse	\$53.76	\$56.99	6.01%
Retiree + Child(ren)	\$61.60	\$65.30	6.01%
Retiree + Spouse + Child(ren)	\$97.34	\$103.18	6.00%
*Average change across all retiree tiers: + 6.01%			

2026 EyeMed Vision Rates

- Contracted rates will remain the same for 2026

Basic Program	2026
Employee/Retiree	\$3.18
Employee/Retiree + Spouse	\$6.03
Employee/Retiree + Child(ren)	\$6.35
Employee/Retiree + Spouse + Child(ren)	\$9.33

Expanded Program	2026
Employee/Retiree	\$6.30
Employee/Retiree + Spouse	\$11.98
Employee/Retiree + Child(ren)	\$12.60
Employee/Retiree + Spouse + Child(ren)	\$18.54



THANK YOU!

Questions? benefits.administration@tn.gov