

Everett School Employees Benefit Trust
Monday, September 19, 2011
Minutes

Attendance

Mike Gunn
David Jones
Susan Lindsey
John Morrill
Molly Ringo
Betsy Selders

Absent

Also Attending

Rene Boswell
Gail Buquicchio
Melanie Curtice
Kim Mead
Randi Seaberg
Darla Vanduren
Arlene Vollema-Rich
Sean White

Recorder

Kellee Newcomb

Call to Order

The meeting was called to order by David Jones at 5:34 p.m.

Adoption of Agenda

A motion was made by Betsy Selders and seconded by Mike Gunn to approve the agenda as written. The motion passed unanimously.

Approval of Minutes

Darla asked for clarification in the draft minutes of the September 15, 2011 Trust meeting relating to the Trust Audit Update. The Trustees requested that Randi also review the report, specifically the research portion. Darla wanted to clarify that the intent of the Trustees' request was that Randi review the medical claims audit report from Moss Adams and not the audit report from Toyer, Dietrich and Associates. The Trustees clarified that their intent was for Randi to review the research portion of the Toyer, Dietrich and Associates audit report. Darla thanked the Trustees for the clarification and stated no revisions to the minutes regarding Trust Audit Update were needed. Sean requested that the wording in the Consultant Report relating to the two scenarios be corrected. The incorrect wording was IBNP reserve. The correct wording is adverse selection reserve.

A motion was made by Mike Gunn and seconded by John Morrill to approve the minutes from the September 15, 2011 meeting with the aforementioned corrections. The motion passed unanimously.

Financials – Darla Vanduren

The Trust financials were not ready at this time.

Trust Audit – Darla Vanduren

Darla asked if the Trustees had a chance to review the draft Trust audit that she provided at the September 15, 2011 meeting. She stated the only revisions to the report would be a correction of the numbers on page 3 which were rounded rather than exact. She will work with Toyer, Dietrich and Associates to revise the rounded numbers to exact numbers. A motion was made by Betsy Selders and seconded by John Morrill to approve the audit with the changes to the rounded numbers. Molly questioned whether the Trustees should approve the draft report or wait for the final report. It was agreed that the motion to approve the Trust audit will be held on the final report and not the draft report. However, the Trustees agreed that Darla could proceed with the process for the end of the year financials.

Darla provided an update regarding the audit from the Office of Financial Management (OFM). The OFM generally audits the Trust every other year on odd numbered years. However, their last audit of the Trust was during the 2007-2008 school year. This delay may be the result of state budget cuts. Darla commented that the Trust's regulatory fees are being paid and all state required paperwork is being filed as appropriate.

Consultant Report – Sean White

David reviewed with the group the framing of their work since the meeting on September 15, 2011. He stated a goal of the Trust has been to make decisions regarding upcoming fiscal year plans and rates by September 15th of each year so benefits staff will have adequate time to prepare and distribute information to employees regarding benefit options during open enrollment. Another timeline issue to consider is the potential deadline of the end of September to withdraw from existing benefit plans if the Trust chooses that course of action. David commented that John Morrill had done a nice job of providing the Trustees with an analysis of the WEA benefit plans. John commented on why he felt the Trust should move to the WEA benefit plans. He did not feel it made sense to continue with the current plans for one more year as the WEA benefit plans offered better options with less employee contributions. He also felt the baseline would be better now with the WEA benefit plans rather than waiting another year.

Sean provided the Trustees with information on how much money would be saved by rolling back benefit options that have been added over the years. He said it was not a recommendation but was good information to have. Even with all of the roll backs the Trust would still be short of their target. The Trustees reviewed a comparison of proposed Trust PPO plans (Scenario 4) vs. the national benchmarks. The information compared the high and low PPO plans with school boards and other institutions with over 500 employees. The comparison indicated that if the Trust pursued this option for 2012, the plans offered and contribution requirements would generally be in line with what is happening in the market.

The group reviewed Scenario 3 which was the revised WEA benefit plans scenario. Sean stated the only change from the previously provided WEA benefit plans scenario was the commission that Mercer would receive. Eliminating PacifiCare would reduce Mercer's commissions, which offset the fees charged in providing services to the Trust. Additionally, under the WEA scenario, the scope of services that Mercer provides would be reduced since the Trust would no longer offer self-insured plans. A line item was added to the budget to account for these changes which had the effect of increasing projected 2012 costs under this scenario. To still arrive at the reserve target equal to three months of expenses, employee contributions would be increased slightly to account for that additional expense.

The group reviewed Scenario 5 which replaces the current PPO plans with high deductible PPO plans. Sean explained how the rates were derived and the expectations for some migration from the higher cost plans to the lower cost plans including the HMOs. The expected migration level on this scenario was 10%. David asked for any questions or comments on the information that had been provided by John regarding the WEA benefit plans and/or the additional scenarios from Sean.

Mike commented that he appreciated receiving the written information from John regarding the WEA benefit plans and shared his thoughts on the options for either Scenario 4 or the WEA benefit plans. He stated there are unknowns with either plan but what resonated for him was that the Trust would maintain more flexibility in the future with Scenario 4. The differences between the plans were in the out of pocket expenses with deductibles and co pays for the current PPO plans that would be higher this year. He commented that for the past 10 years or so he felt the Trust has been holding employee contribution rates artificially low. The proposed rates provided in Scenario 4 are more in line with other organizations similar to the size of Everett Public Schools.

John stated he felt just because the employees may be better off than the market is not a reason to go too far or worse than the market. He doesn't like the market comparison particularly because the Trust had the revenue to provide the best benefit plans they could. The out of pocket costs for employees on the PPO plans is considerable and those costs will affect the people who need the insurance coverage the most. Scenario 5 is better in terms of the rates but will still have employees paying significantly more. When considering all the deductibles, the WEA benefit plans would be better. John said he still has a hard time with the idea of moving to the WEA benefit plans but said it makes sense to him at this point and time.

Betsy commented regarding information provided at last week's meeting. The co pay for office visits under Scenario 4 would be going up 70%. An employee would be paying 20% more for their plan, as well as paying a higher deductible. That would hit people even harder and that is an important fact to consider.

Susan commented that employee contributions are approximately in line with school boards in general but the benefits are extremely less and the deductibles are higher. Susan talked about possible confusion regarding the WEA reserves. She suggested that Kim Mead could address this confusion as she sits on the Board of WEA. Kim commented that the WEA has a rate stabilization fund that fluctuates, as it is designed to do. She said the WEA recently completed an audit that will illustrate the status of the reserves. Savings will be provided out of the box from the WEA's agreeing to have the audit. It is possible the WEA will have to dip into the stabilization fund in the future but that is what it is built for and that is why it has been successful.

With John's longitudinal history with the Trust, David asked his opinion regarding revenues being the same and differences now vs. past years. John said his assumption is that in the early days the Trust was very successful and able to provide employees with great benefits at low costs. However, over the last 5-10 years that has changed and he would be hard pressed to say that the Trust had been successful overall in terms of employee contributions and plan designs. One big thing that the Trust has is control and he does not deny that. He thinks it's unfortunate that the Trust has to make this move now, but feels if they don't it would be at the expense of the employees. Sean said in his experience with the Trust, the WEA benefit plans have always been there at a fairly high level. Comparing benefits and costs historically, the Trust has always been able to deliver. The fact is that over the last several years the experience has gone up and the rates are higher than what the WEA is experiencing. The Trust cannot make that same claim.

Molly said there is a need for a conversation regarding benefits in the high deductible and low deductible contribution rates. She said there is some merit in looking at the higher deductibles and felt that the Trust needed to have a deep conversation regarding where it was going in the long term. She commented regarding employees who use benefits at a lower rate subsidizing employees who use benefits at a higher rate. She asked Sean if he thought there was an element of that in the plan usage. Sean indicated there would be some inappropriate utilization by employees and if deductibles were higher it would put the responsibility on the user and may increase the use of preventative care and/or generic drugs. He commented that all plan sponsors will be going to something similar to this approach in the next two or three years as a viable strategy to control costs.

Betsy commented that over the years the Trust has looked at point of service costs and deliberately raised the fees for certain things and reduced any unnecessary usage. In deference to the WEA benefit plans, one has an extremely high deductible but lower costs every month. That would cater to the healthier younger employees. She said Scenario 5 feels as though employees would be getting less but have more expensive choices. The WEA benefit plans offer more.

Susan commented that she felt the Trust has done a great job of providing good plans at reasonable prices, but the Trust is no longer receiving district funds and state funds are frozen. She feels the Trust has given all that it can, but it can't compete with the WEA benefit plans. Susan shared that she had been asking her co workers about their benefit plans and why they chose them. She said most indicated they were on PPO plans and were willing to talk about what they wanted in their benefit options, how they felt about the possible increase in rates and what they would want to switch to. The majority were not happy that costs would go up which is why Susan thinks that providing plans with lots of choices is the best option and she does not feel that Scenario 5 provides better options. With Scenario 5, current PPO users would have to switch to one of the HMOs to have a lower deductible plan. With the WEA benefit plans they won't have to do that.

David asked Randi what benefit staff have been hearing from employees regarding benefit plan changes and possible increased costs. She said benefit staff interact daily with employees regarding their benefits. Their concerns can run the gamut from fatal diseases to pregnancies. She said the Trustees should know that employees contact the benefit staff frequently asking for assistance with regard to their benefits. Benefit staff are able to personalize the assistance provided to employees and employees have come to depend on that personalized service. She said she has been impressed with René and Arlene and how they assist employees with challenging issues and navigating through the process. She doesn't know what that personalized assistance would look like with the WEA benefit plans.

Arlene commented that she is wearing two hats. From the standpoint of a President of a bargaining unit, she doesn't know what the lower FTE employees will do if rates and deductibles are increased. She has also talked with some people regarding benefit plans and the majority indicated they would like to have more plan choices. She also felt employees are used to a certain level of service that the benefit staff currently provide and is not sure that would continue with a move to the WEA benefit plans.

Rene also commented regarding the personalization of service to employees and with a move to the WEA benefit plans, for all intents and purposes, that would go away. They would have to tell employees that they would not be involved at the level employees have become accustomed to. She also commented on the amount of work involved during open enrollment which would be increased with the changes that might be coming.

Molly asked Sean if it was reasonable for the Trust to begin looking deeper into benefit options earlier in the year to have a more critical analysis before making an irreversible decision such as moving to the WEA benefit plans. Sean indicated that this is a significant decision and he felt it would be reasonable to begin the process earlier if that is what the Trust chooses. Molly said if the Trust waited until next year they would have a better sense of what the WEA benefit plan rates would be as they will be released in June.

Kim asked if she could address the concerns regarding customer service. She said the WEA customer service would be similar to what is currently provided by the district. She commented that some employee groups are not highly paid causing some to live pay check to pay check. These employees will not be able to afford the higher deductible plans the Trust is considering. She understands that this is a hard decision for the Trust, but does not feel that going to the WEA benefit plans will be giving up control. Employees need to be able to afford to pay for their benefits and the WEA benefit plans are fabulous. They also offer a health and wellness program. She expressed concern that if the Trustees chose to go with the higher deductible plans the Trust may become a target.

David commented regarding the permanence of moving to the WEA benefit plans. The Trust has advantages but the WEA benefit plans are more affordable and he wonders if it really is the right thing to make a decision to continue with the current programs for one more year. When the Trustees first were presented with this year's plan options, Mike was initially interested in the WEA benefit plans. David asked Mike for his perspective now. Mike stated he has done a lot of thinking about these options. When the first scenarios were presented it was a shock to him. He has thought a lot about the role of the Trust and stated it is a big job for the Trustees to represent the majority of employees and try to provide affordable medical plan options to accommodate a large number of people. It was eye opening for him when he realized how much the Trust subsidized benefit costs to employees and he feels that it is now time to face the hard facts. He struggles with doing the right thing vs. doing the easy thing. A simple solution would be to go with the WEA benefit plans but he is not sure in the long term that that is the right thing to do. He said if the Trust went with one of the scenarios provided by Sean they would be doing what they have been warning employees about. He feels the WEA benefit plan is not bad but he would rather support the idea to continue with the PPO plans for another year. Also he feels the Trust hasn't had a good way of getting input from the broader constituency. He also feels that moving to the WEA benefit plans would be a big step toward not having a Trust any more.

David asked Molly her thoughts. She said Rene's comments resonated with her. She feels there are potential forks in the road next year with the HCA and the Legislature that wouldn't be open to them if they move to the WEA benefit plans and that troubles her. The Trust has worked very hard for a long time and made good decisions. She is reluctant to close the door on a long term vs. short term fix. Even with higher deductibles the current structure is familiar to employees and too many changes are confusing for some employees.

She felt Scenario 2 merited another look in order to keep the current plans with the same structure. The group reviewed and discussed this option, and the challenges of communicating changes to employees.

David referred to Melanie to remind the Trustees what would happen in the event of a deadlock vote. She explained what would happen but said the Trust could vote on items separately (i.e., plan design and/or rates). A discussion could be prioritized after a motion fails. The group discussed next steps including status quo options and the budget.

Sean calculated that to balance the budget, it would take an additional \$184 per employee per month on top of the already discussed increases. He reviewed the projections with the group and stated there would still be projected deficits similar to those that were outlined in Scenario 1. He recalculated the numbers with the \$184 per employee per month increase (Scenario 6) and provided copies to the group. He reviewed the target and the starting point figures. This scenario assumes all current plan designs. The group reviewed the information and provided feedback.

A motion was made by Mike Gunn and seconded by Molly Ringo to adopt Scenario 6 for 2012 with the stipulation that the Trust would begin decision-making and deliberation regarding the long term future of rates, plan design and renewal discussions by April 2012. Mike welcomed amendments to the motion as he said this option was not ideal. However, he thought it would offer the Trust more time to review plans and to solicit input from benefit eligible employees. This option would also preserve the Trust's ability to make decisions in the next renewal cycle which would not be an option with a move to the WEA benefit plans. John, Betsy and Susan spoke in opposition of the motion. David called for a vote on the motion. Molly, Mike and David voted in favor of the motion. John, Betsy and Susan voted against the motion. The motion fails.

A motion was made by John Morrill and seconded by Susan Lindsey that the Trust move to the WEA benefit plans adopting the rate structure that Sean provided today. The Trustees discussed the proposed motion. David called for a vote on the motion. John, Betsy, Susan and David voted in favor of the motion. Molly and Mike voted against the motion. The motion passes.

The Trustees discussed with Sean next steps in notifying the current vendors of the Trust's decision to move to the WEA benefit plans. Termination would become effective on January 1, 2012. The group discussed a potential communications plan. David indicated he would draft a communication to employees regarding the upcoming changes in benefit plans and provide it to the Trustees for their feedback. Melanie advised the Trust to communicate with employees as soon as possible. It was decided the message would be emailed to employees through the benefits office. Questions were raised regarding working with the new vendors to provide data over time to inform employee decisions regarding wellness. Sean said the WEA looks at data as a pool and not individually; however, he would make the request on behalf of the Trust.

Begin Stop-Loss Insurance review

Sean will provide the Trustees with a plan for Stop-Loss insurance at a future meeting.

Everett School Employees Benefit Trust
September 19, 2011
Minutes – continued

Approval of Annual Budget

This item will be discussed at the October meeting.

Review of Annual Calendar & Meeting Calendar

No discussion.

Adjournment

A motion was made by Molly Ringo and seconded by Betsy Selders to adjourn the meeting.
The meeting was adjourned at 8:56 p.m.

Sincerely,

John Morrill
Secretary

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