

HEALTH WEALTH CAREER

2019 STRATEGY AND PLANNING

EVERETT SCHOOL
EMPLOYEE BENEFIT TRUST

APRIL 18, 2018



MAKE TOMORROW, TODAY



AGENDA

01

Compliance update

02

Benchmarking

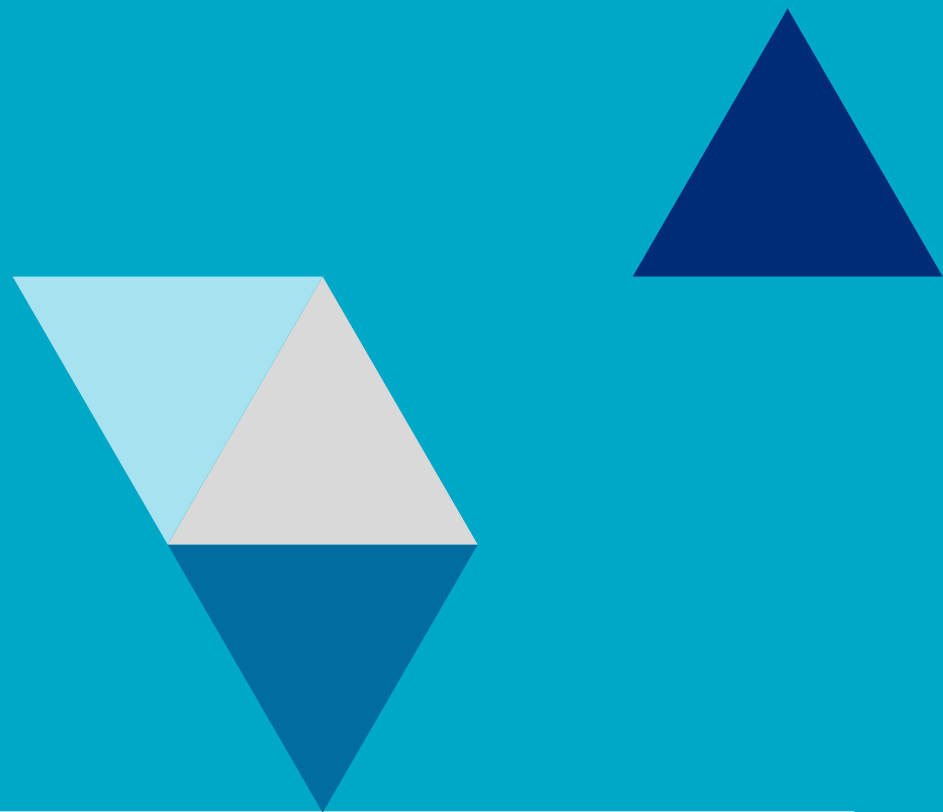
03

2017 and 2018 vendor renewals

04

Renewal calendar and next steps

COMPLIANCE/SEBB UPDATE



NEW TAX LAW AFFECTS TAXATION OF SOME EMPLOYER-PROVIDED FRINGE BENEFITS

- Corporate tax rate cut from 35% to 21% starting in 2018
- ACA individual mandate penalty repealed starting in 2019
- Law makes changes to fringe benefits programs:
 - Ends employer deduction for qualified parking, mass transit and vanpool benefits
 - Eliminates exclusion of qualified bicycle commuting benefits from employee income between 2018 and 2025
 - Suspends exclusion for qualified moving expenses for 2018 – 2025
 - Changes/clarifies terms of deductible employee achievement awards
- Trial program offering tax credit for paid family leave
- Indexing of certain health care and fringe benefit limits will be based on inflation measured by the “chained CPI,” likely resulting in smaller annual indexing increases over time.



HEALTH CARE ITEMS ON CONGRESSIONAL AGENDA



INDIVIDUAL MARKET STABILIZATION



HSA CHANGES PUSHED BY BUSINESS GROUPS



ACA EMPLOYER MANDATE RELIEF, SIMPLIFIED REPORTING?

- Appropriations for cost-sharing reduction subsidies
- Federal money to help states with reinsurance programs
- Additional state flexibility under ACA Section 1332 waivers

- Increase in annual contribution limits
- Greater flexibility to offer first-dollar coverage
- Fix “adult child” glitch in definition of dependents

- Retroactive relief from ACA employer mandate, full repeal of mandate
- Reports of planned employer lawsuit challenging IRS penalties
- Bills aimed at letting employers certify terms of coverage before each year

EMPLOYER SHARED RESPONSIBILITY REPORTING

- 1 Complete 2017 reporting
 - Deadline extended to **March 2** for providing individual statements (Forms 1095 B/C)
 - File 1094/1095s with IRS by **Feb 28** (by paper) or **April 2** (electronically)
 - Good faith standard extended for 2017 reporting
- 2 Respond to any 2015 assessment letters (Letter 226J)
- 3 Continue gathering data for 2018 reporting due in 2019
 - Probably won't have good faith standard for 2018 reporting

SEBB UPDATE

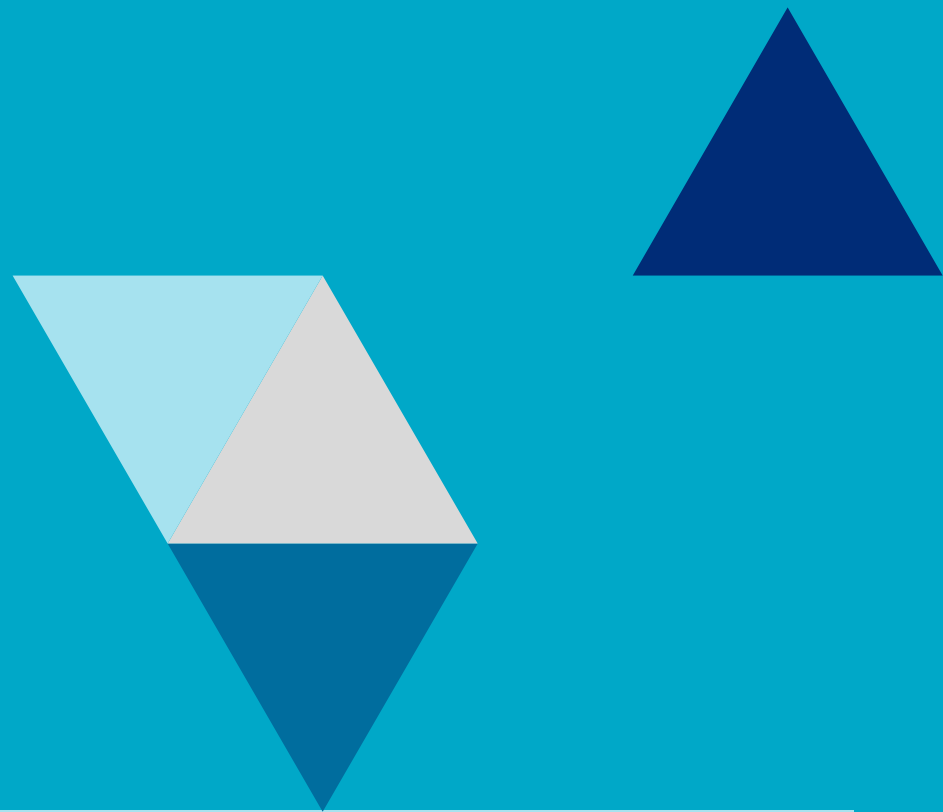
- Effective 1/1/2020, all School Districts will be required to purchase benefits through SEBB
- Currently there is a SEBB committee formed
- There are two key decisions that the SEBB needs to make by no later than the end of January 2018:
 - Self-funded plan
 - Use the current third party administrator (TPA) that the PEBB uses
- If the SEBB decides to be a self-funded plan and use the existing TPA, they will be able to have their own benefit plan design, so that the benefit plan design is not that critical

SEBB UPDATE

- A number of SEBB-related bills have been introduced
- The Senate Ways and Means Committee heard public testimony on the four bills in the table below on 1/24/2018
 - Testifying in favor of the opt-out provisions were the Operating Engineers Local 609, CFO for Nine Mile Falls School District, the WEA, WAHU, the Partners Group, and Premera
 - Testifying against the opt-out provisions were the Washington School Directors Association and PSE of Washington

SB 6241/HB 2438	SB 6286/HB 2655	SB 6288/HB 2657	SB 6461/HB 2755
<ul style="list-style-type: none"> • Concerning the January 1, 2020, implementation of the school employees' benefits board program • Majority of the bill is adding clarifying language to the original bill creating the SEBB • Also adds language noting that the 3 to 1 employee contribution requirement will apply to SEBB plans • Scheduled for Senate Ways and Means Executive Session on 1/31/2018 	<ul style="list-style-type: none"> • Adding members to the school employees' benefits board • Would add one additional SEBB board member nominated by the Washington State School Directors Association and one by the Washington Association of School Administrators 	<ul style="list-style-type: none"> • Regarding the school employees' benefits board • Introduces an opt-out provision for school districts offering benefits through an employee benefit trust, so long as the benefits provided comply with the minimum requirements • Establishes "general equivalency" for actuarial value and employee contributions, defined as "within ten percent" 	<ul style="list-style-type: none"> • Addressing employee benefits provided by the school employees' benefits board • Introduces an opt-out provision for school districts with more than 1,000 employee or is purchasing benefits through a trust, interlocal, or association plan with greater than ten thousand subscribers • Establishes "general equivalency" for actuarial value and employee contributions, defined as "within ten percent"

BENCHMARKING



BENCHMARKING ANALYSIS

PPO

	Core	Standard	Traditional	Classic	School Boards, Other Institutions 500+	Washington 500+	National 500+
Individual Deductible (IN/OON)	\$1,000 / \$2,000 ●	\$300 / Shared ●	\$200 / Shared ●	\$200 / \$350 ●	\$500 / \$1,000	\$500 / \$1,000	\$650 / \$1,250
Family Deductible (IN/OON)	\$3,000 / \$6,000 ●	\$900 / Shared ●	\$600 / Shared ●	\$600 / Unlimited ●	\$1,200 / \$2,625	\$1,500 / \$2,850	\$1,500 / \$3,000
Individual OOPM (IN/OON)	\$4,000 / Unlimited ●	\$2,750 / Shared ●	\$1,500 / Shared ●	\$500 / Unlimited ●	\$3,000 / \$5,400	\$3,000 / \$4,675	\$3,000 / \$6,000
Family OOPM (IN/OON)	\$12,000 / Unlimited ●	\$8,250 / Shared ●	\$4,500 / Shared ●	\$1,500 / Unlimited ●	\$5,000 / \$10,000	\$6,000 / \$10,000	\$6,850 / \$12,000
Hospital (IN/OON)	Ded. 20% / Ded. 50% ●	Ded. \$300, 20% / Ded. 40% ●	\$150, 20% / Ded. 40% ●	Ded. \$200, 10% / Ded. 30% ●	20% / 40%	20% / 40%	20% / 40%
PCP (IN/OON)	\$15 / Ded. 50% ●	\$30 / \$40 ●	\$25 / \$30 ●	\$15 / Ded. 30% ●	\$25 / 40%	\$25 / 40%	\$25 / 40%
Specialist (IN/OON)	\$15 / Ded. 50% ●	\$30 / \$40 ●	\$25 / \$30 ●	\$15 / Ded. 30% ●	\$40 / 40%	\$35 / 40%	\$40 / 40%
ER Copay	Ded. \$100 ●	\$100 ●	Ded. \$75 ●	Ded. \$50. ●	\$100	\$150	\$150
ER Coinsurance	20% ●	20% ●	20% ●	10% ●	20%	20%	20%

● Favorable to benchmark

● Similar to benchmarks

● Lower than benchmarks

BENCHMARKING ANALYSIS

HEALTH MAINTENANCE ORGANIZATION (HMO)

	Kaiser Permanente		School Boards, Other Institutions 500+	Washington 500+	National 500+
% Employers Offering	Yes	●	27%	51%	29%
Individual/Family Deductible	\$0	●	\$1,500 / \$3,500	\$300 / \$700	\$500 / \$1,000
Individual/Family Out Of Pocket Max	\$2,000 / \$4,000		n/a	n/a	n/a
PCP / SPC Copay	\$20 / \$20	●	\$25 / \$45	\$20 / \$20	\$20 / \$40
ER Copay	\$150	●	\$150	\$100	\$100
Inpatient Hospital	\$100 per day, up to 3 days	●	\$375 + 20%	\$250 + 15%	\$250 + 20%

- Favorable to benchmark
- Similar to benchmarks
- Lower than benchmarks

BENCHMARKING ANALYSIS

HDHP WITH HSA

	QHDHP		School Boards, Other Institutions 500+	Washington 500+	National 500+
Median Individual Account Contribution	n/a	●	\$1,000	\$775	\$500
Median Family Account Contribution	n/a	●	\$1,500	\$1,250	\$1,000
Individual Deductible (IN/OON)	\$1,500 / \$3,000	●	\$2,600 / \$4,000	\$1,500 / \$2,550	\$1,750 / \$3,000
Family Deductible (IN/OON)	\$3,000 / \$6,000	●	\$4,800 / \$8,000	\$3,000 / \$5,000	\$3,600 / \$6,000
Individual OOPM (IN/OON)	\$4,000 / Unlimited	●	\$3,500 / \$6,000	\$3,425 / \$6,000	\$3,500 / \$6,350
Family OOPM (IN/OON)	\$8,000 / Unlimited	●	\$6,850 / \$13,000	\$6,850 / \$12,000	\$7,000 / \$13,000
Coinsurance (IN/OON)	20% / 50%	●	20% / 30%	20% / 50%	20% / 40%

- Favorable to benchmark
- Similar to benchmarks
- Lower than benchmarks

BENCHMARKING ANALYSIS

PRESCRIPTION DRUG

	Kaiser Permanente HMO		Aetna Core		Aetna Standard		Aetna Traditional		Aetna Classic		HSA + Saver		School Boards, Other Institutions 500+	Washington 500+	National 500+
Deductible (Ind./Fam.)	N/A		\$500 / \$1,000	<div></div>	N/A		N/A		N/A		N/A		ID	ID	ID
	RETAIL COST SHARE											RETAIL COST SHARE			
Generic	\$10	<div></div>	\$0	<div></div>	\$15	<div></div>	\$10	<div></div>	\$10	<div></div>	Deductible, 20% Coinsurance	<div></div>	\$11	\$10	\$11
Brand-name Formulary	\$20	<div></div>	Ded. 30%	<div></div>	\$25	<div></div>	\$20	<div></div>	\$15	<div></div>		<div></div>	\$30	\$31	\$33
Brand-name Non-formulary	N/A		Ded. 30%	<div></div>	\$40	<div></div>	\$35	<div></div>	\$30	<div></div>		<div></div>	\$49	\$55	\$56
	MAIL COST SHARE											MAIL COST SHARE			
Generic	\$20	<div></div>	\$0	<div></div>	\$15	<div></div>	\$10	<div></div>	\$10	<div></div>	Deductible, Coinsurance	<div></div>	\$22	\$20	\$22
Brand-name Formulary	\$40	<div></div>	Ded. 25%	<div></div>	\$25	<div></div>	\$20	<div></div>	\$30	<div></div>		<div></div>	\$65	\$67	\$68
Brand-name Non-formulary	N/A		Ded. 25%	<div></div>	\$40	<div></div>	\$35	<div></div>	\$60	<div></div>		<div></div>	\$105	\$115	\$117

● Favorable to benchmark

● Similar to benchmarks

● Lower than benchmarks

BENCHMARKING ANALYSIS

VOLUNTARY

	ESEBT		School Boards, Other Institutions 500+	National 500+	Washington 500+
Accident	No	●	61%	70%	61%
Cancer / critical illness	No	●	61%	33%	51%
Disability	No	●	58%	55%	42%
Whole / universal life	No	●	56%	21%	41%
Hospital indemnity	No	●	40%	9%	20%
Long-term care	Yes	●	35%	21%	24%
Auto / homeowners	No	●	11%	15%	21%
% offering health care FSA	Yes	●	87%	89%	85%
Average employee participation	N/A		14%	19%	20%
Average annual contribution	N/A		\$1,295	\$1,259	\$1,338
% offering dependent care FSA	Yes	●	82%	89%	84%

● Favorable to benchmark

● Similar to benchmarks

● Lower than benchmarks

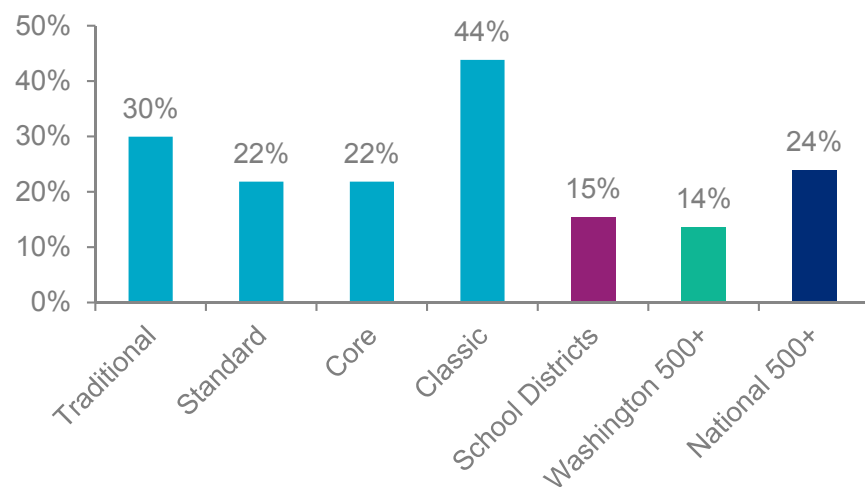
BENCHMARKING ANALYSIS

CONTRIBUTIONS — PPO

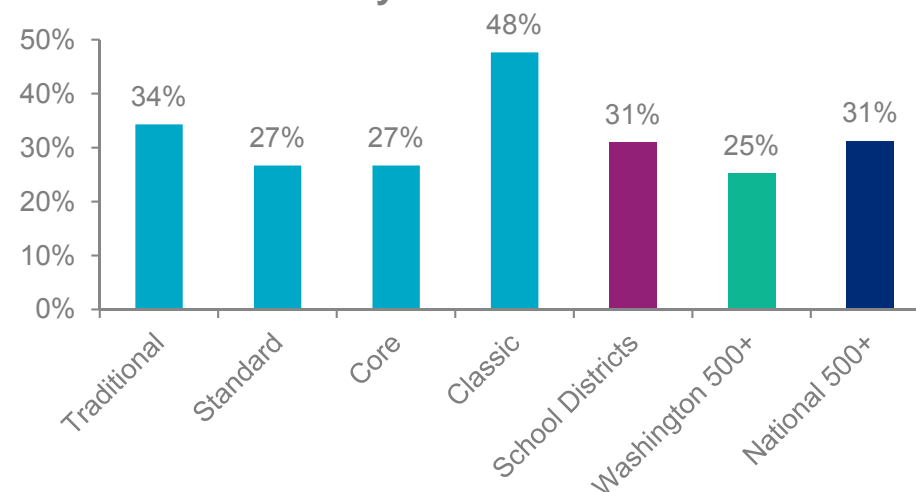
Individual	Plan	Traditional	Standard	Core	Classic	School Districts	Washington 500+	National 500+
	PPO	\$325 ▲	\$212 ▲	\$150 ▲	\$571 ▲	\$140	\$88	\$140

Family	Plan	Traditional	Standard	Core	Classic	School Districts	Washington 500+	National 500+
	PPO	\$816 ▲	\$568 ▲	\$403 ▼	\$1,362 ▲	\$585	\$362	\$470

Individual Contribution %



Family Contribution %

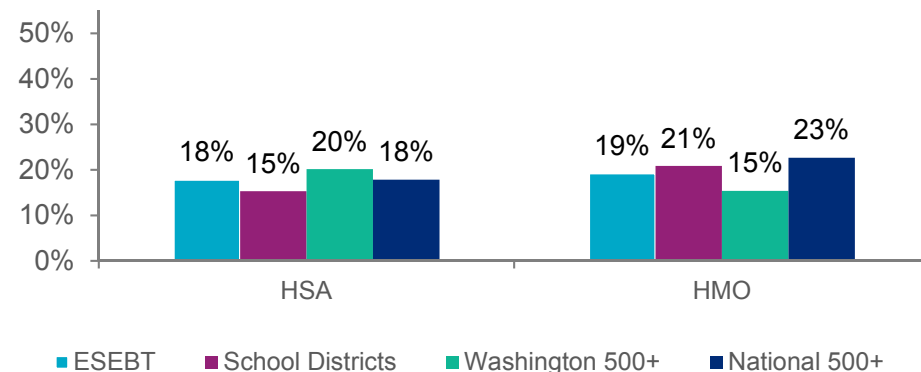


BENCHMARKING ANALYSIS

CONTRIBUTIONS — HSA AND HMO

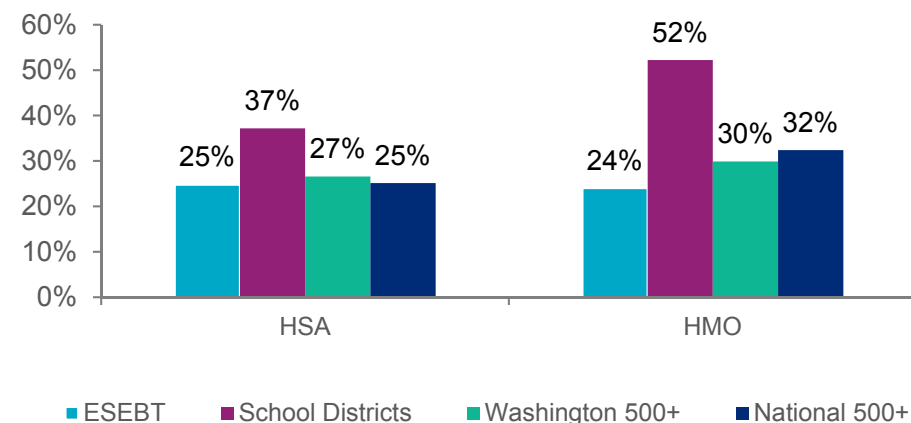
Individual \$

Plan	ESEBT		School Districts	Washington 500+	National 500+
HSA	\$96	▲	\$79	\$51	\$83
HMO	\$164	▲	\$133	\$93	\$128

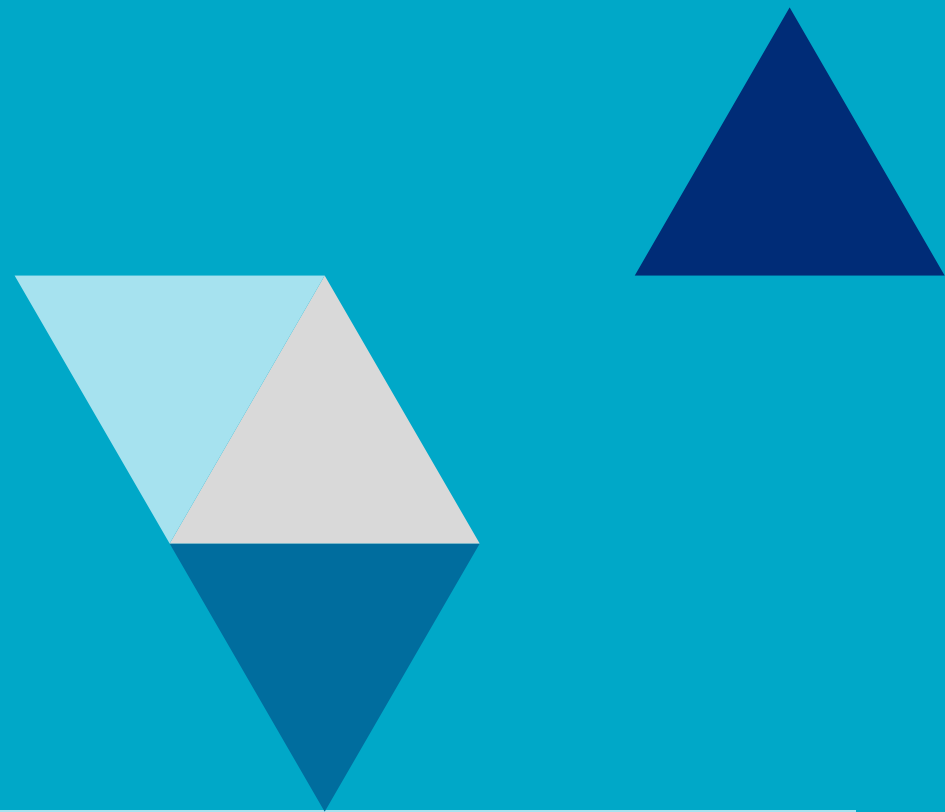


Family \$

Plan	ESEBT		School Districts	Washington 500+	National 500+
HSA	\$293	▼	\$422	\$274	\$318
HMO	\$462	▼	\$732	\$453	\$484



2019 VENDOR RENEWALS



2018 RENEWAL RECAP AND 2019 PLANNING

The following table summarizes the 2018 rate adjustments and renewal decisions:

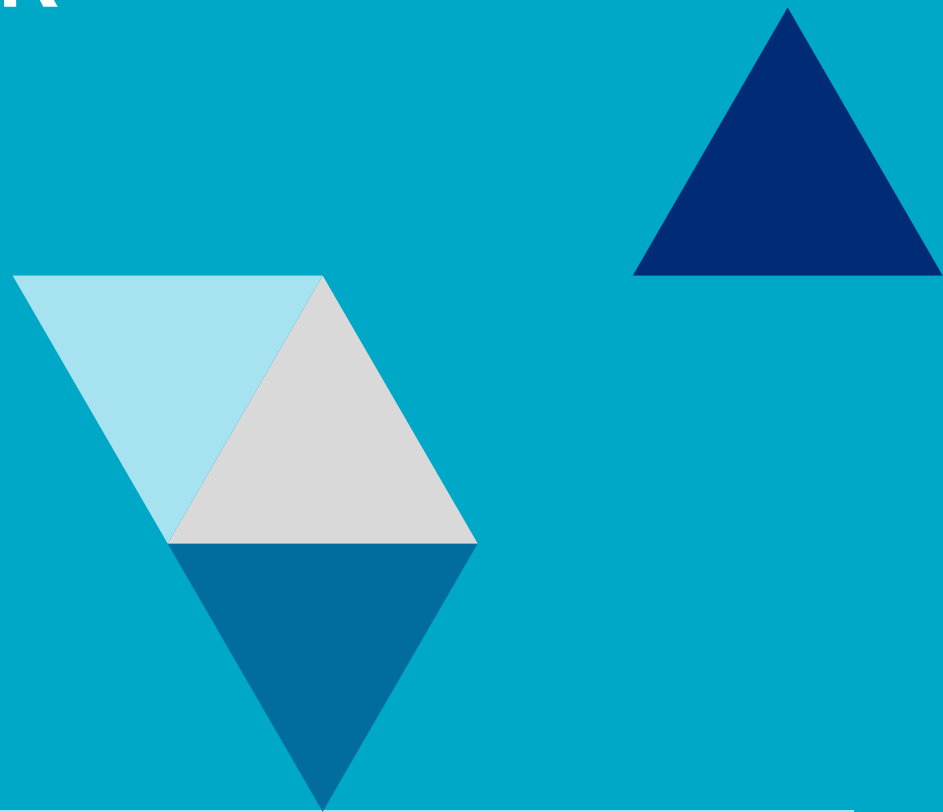
Coverage	Funding	2018 Renewal	Comments
Aetna Medical	Fully-Insured	15% renewal increase	Renew
Dental	Fully-Insured	WEA Delta Dental -2% WEA Willamette:1% Renewal Increase	Plan year with WEA ends 11/1
Vision	Fully-Insured	MetLife 0%	Renewal on 1/1/2019
HMO Medical	Fully-Insured	Kaiser Permanente -0.3%	Slight changes to benefits as the previous plan is no longer offered
Basic Life and AD&D	Fully-Insured	MetLife +12.7%	22.6% guaranteed renewal for 2019
Optional/Dependent Life	Fully-Insured	MetLife +0%	Rate is guaranteed through 12/31/2019
Long-Term Disability	Fully-Insured	MetLife +30%	14% guaranteed renewal for 2019
Voluntary Short-Term Disability	Fully-Insured	MetLife -10%	Rate is guaranteed through 12/31/2019
EAP	Service Contract	Magellan -9%	Three year rate guarantee until 12/31/2020
Voluntary Long Term Care	Fully-Insured	UNUM +20%	
Health Programs	Service Contract	Formerly Alere, now Optum +0%	
Health Programs	Service Contract	Simple Steps (Aetna)	Simple Steps wellness included with Aetna
Health Programs	Service Contract	Aetna Navigator	Aetna Navigator included with Aetna
Health Programs	Service Contract	Informed Health Line (Aetna)	Informed Health Line included with Aetna
Health Programs	Service Contract	Metabolic Report (Aetna)	Metabolic Report included with Aetna

2019 ALTERNATIVE OPTIONS

We have asked Aetna to provide the additional options below for the 2019 renewals:

- Option to remove Classic
- Option to add ACO plan
- Option to add a narrow network

RENEWAL CALENDAR AND NEXT STEPS



2018 RENEWAL CALENDAR

January 2018	February 2018	March 2018	April 2018
		<ul style="list-style-type: none"> • Renewal planning and strategy kickoff meeting on 3/21 • Request employee census data from district 	
May 2018	June 2018	July 2018	August 2018
<ul style="list-style-type: none"> • Issue renewal requests to carriers • Receive vendor renewal offers by end of the month 	<ul style="list-style-type: none"> • Review and negotiate vendor renewals 	<ul style="list-style-type: none"> • Develop budget projections 	<ul style="list-style-type: none"> • Renewal review meeting including budget projections • Finalize renewal decisions and issue renewal confirmation letters
September 2018	October 2018	November 2018	December 2018
<ul style="list-style-type: none"> • Deliver final projections, employee contributions, and rate sheets • Begin development of open enrollment communications 	<ul style="list-style-type: none"> • District holds open enrollment 	<ul style="list-style-type: none"> • District holds open enrollment 	<ul style="list-style-type: none"> • Renewal effective date on 1/1/2019

NEXT STEPS

- 1 Confirm programs/vendors to explore for 2019
- 2 Request and negotiate renewals from vendors
- 3 Continue to monitor SEBB and provide updates to the trustees



MERCER

MAKE TOMORROW, TODAY