

Everett School Employees Benefit Trust
Wednesday, August 29, 2012
Minutes

Attendance

Mike Gunn
David Jones
Jared Kink
Susan Lindsey
John Morrill
Molly Ringo

Absent

Randi Seaberg

Also Attending

Liz Abersold
Rene Boswell
Gail Buquicchio
Howard Bye-Torre
Aanya Lee
Darla Vanduren
Sean White

Recorder

Kellee Newcomb

Call to Order

The meeting was called to order by Susan Lindsey at 8:04 a.m.

Adoption of Agenda

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

Approval of Minutes

A motion was made by Mike Gunn and seconded by David Jones to approve the minutes from the June 18, 2012 meeting as written. The motion passed unanimously.

Health Care Reform Update

Howard Bye-Torre of Stoel Rives presented information to the Trustees on the medical loss ratio refund and the Trusts' responsibilities based on Health Care Reform (HCR) requirements. Employees enrolled in United Health Care (UHC) insurance in 2011 received a letter from UHC announcing they were issuing a rebate check to the Trust as required by federal health care reform legislation, known as the Affordable Care Act. Health Care Reform requires insurance companies to spend at least 85% of premiums collected on health care or activities to improve health care quality. If an insurance company does not spend at least 85%, it must refund the difference to its policyholders, like the Trust. During 2011, UHC only spent 84% of the premiums collected on health care or activities to improve health care quality. Therefore, they must refund 1% of the premiums collected during 2011 to policy holders in July 2012.

Regulations for non-federal governmental plans require the Trust to distribute part of the refund to subscribers including employees and COBRA participants. The required refund is a percentage based on the percentage of UHC premiums paid by subscribers in 2011. Federal regulations require distribution to be made to 2012 subscribers, even though the "excess" premiums were paid during 2011. The Trust must provide the refund to all 2012 subscribers in all plan options. Distribution will be less than \$3 per subscriber. Stoel Rives' recommendation is to reduce premiums in 2012 because this is easier and less costly from an administrative standpoint. The recommendation is for this to take place in November.

Howard prepared a draft letter with frequently asked questions regarding the rebate and the website where staff can look at the law. He reviewed the letter with the group. This is the first year rebates have to be made. Howard recommended the letter be sent out as soon as possible. Darla commented that we don't know how many people are insured because of new employees.

She suggested waiting until September to verify exact numbers of enrolled employees and those on COBRA. Howard suggested adjusting the language in the letter to not list an exact dollar amount and send it out now. The group discussed the options. A motion was made by David Jones and seconded by Mike Gunn to take Howard's suggestion to rebate a percentage of the refund to go back to enrolled employees and any one on COBRA in November. The motion passed unanimously.

Susan introduced new Trustee Jared Kink to the group and said new Trustee Jennifer Greene will attend later. Retiring Trustee John Morrill will stay with the Trust through September.

Financials

Monthly Financials

Darla reported the June financials were previously provided. The annual audit is currently being performed and as a result, the July financials are not yet available.

Annual Audit Update

Darla spoke with Bruce Dietrich regarding the annual audit and they are on track to provide a draft summary next week. Everything is going well. There have been some questions but the data is being provided and any issues or concerns thus far have been resolved. Bruce would like to meet with Susan as the incoming Trust chair. Darla will coordinate a meeting with Susan and Bruce and provide the draft audit summary at the next meeting.

Fiduciary Insurance – Fidelity Bond

Darla explained that the Trust's fiduciary insurance was due to be renewed. This bond is renewed every three years and costs \$450 for a \$500,000 bond. It protects against fiduciary needs and loss of funds. It has been in place for a number of years and, if the Trustees want to continue it, needs approval to continue beginning October 2012 through 2015. A motion was made by Molly Ringo and seconded by David Jones that the Trust continue the Fiduciary Insurance Fidelity Bond for the next three years. The motion passed unanimously.

Consultant Report – Sean White

Proposed plan renewals and rates for upcoming fiscal year

Sean introduced Mercer staff members Aanya Lee, Associate Consultant and Liz Abersold, Financial Analyst to the Trustees. Sean reviewed the 2013 renewal report with the group.

The WEA PPO Plan 1 will be eliminated effective October 1, 2012. Because the Trust's benefit year runs January to December and the WEA's benefit year runs October to September the Trust can keep Plan 1 for currently enrolled employees until January with a 15% increase on employees only and 12.3% increase for all other tiers. Premera will also allow employees to change plans October 1.

Washington Dental Services decreased its rates 4% with no plan changes and Willamette Dental Plan decreased its rates 2.5% with no plan changes. Premera vision plans increased 2.8% with no plan changes. Group Health increased their rates 8.68% overall. Rate increases for individual employee and employee + spouse are higher than that for employee + child(ren) or employee + family. The group talked about the increase for individual and individual and spouse subsidizing the family rates.

Alere Health Programs' Quit For Life smoking cessation program has a Text2Quit messaging service now available at no additional fee for participants. This option allows participants to receive supportive text messages on their mobile phone. There are no rate changes on the smoking cessation program through December 31, 2013. The Mind and Body weight management program will be rebranded effective October 1, 2012. Participation in the program is dwindling with only three enrollments for the year through July 2012 compared to 114 enrollments for the same period in 2011. Molly asked Gail if she is receiving feedback from program participants. Gail reported Alere provided her with a recap of the program and they were boasting success; however, Gail was not impressed with their data. The participants that she has heard from did not like the program all that much, and did not have as much success as participants in the Weight Watchers program.

Sean provided an update on ESSB 5940 and some of its primary requirements, the current status for the plans offered by the Trust and potential next steps.

Requirement: offer a plan with a high deductible and a health savings account (HSA). The WEA is making a qualified plan available. The question is how will the Trust handle the HSA administration. The WEA is asserting that their Easy Choice plan meets the standards but Sean does not think it does in all areas.

Requirement: offer a plan with full time premiums the same as that for state employees. The WEA Plan 3 and Easy Choice plans are currently at about 13% below the state average of 15%. Next steps for the Trust would be to consider this requirement when making Trust subsidy decisions and consult with counsel on interpretation of how to apply it.

Requirement: must make progress toward more affordable full family insurance coverage with a 3 to 1 ratio. All current plans except Group Health are within the acceptable range. Next steps would be to make progress on the Group Health plan.

Requirement: each K-12 public school employee pays a minimum premium charge. All plans require a contribution. Next steps for the Trust would be to determine whether current contributions are an appropriate "minimum contribution".

Requirement: employee premiums are structured to ensure that employees who select richer benefit plans pay the higher premium. The current contribution structure is in compliance and the Trust should maintain this compliance.

Requirement: follow responsible contracting standards and open competitive bidding. The move to the WEA plans improved affordability; however, further guidance on frequency and plans to be included is needed.

Requirement: promote health care innovation and cost savings and significantly reduce administrative expense. The Wellness program can provide progress toward this requirement but will require further guidance. Sean said he thinks at some point districts will be rank ordered by the state for their promotion of health care innovations and Everett Public Schools will probably be at the top thanks to Gail's efforts.

Scenarios

Sean provided a status quo scenario with a 2.1 month reserve and four scenarios with reserves ranging from 2.5 months to 3.0 months. He reviewed them with the group. He said the Trustees need to determine what level of reserves they feel comfortable with. Mike asked what the Trust's policies say about reserves. The group reviewed Trust procedure 250P which stated in order to retain a stable financial base and comply with regulatory solvency requirements, the Trust would establish reserves in an amount equal to the sum of eight weeks of (i) claim costs for all benefits funded directly by the Trust, (ii) costs, and (iii) expenses. Sean said the eight weeks in the current procedure was in compliance when insurance programs were self-insured. There is no longer liability for claims run out. There may be some level of reserves that are appropriate but the risk position today is much different than it was a year ago. Sean suggested the Trustees could revise the procedure language since the trust is no longer self-insured. Howard said he would talk with Melanie Curtice about policy/procedure revisions and report back. Darla said the Trust is also no longer reporting to the risk manager because it is not self-insured. That policy may also need revisions.

John asked if there was a possibility in the future that would force the Trust to disband and change what they do. Sean said something significant would have to happen with the subsidies to maintain the current reserves. In the absence of doing something at some point, without an increase in the state allocation the Trust will be forced to do something dramatic. School districts are scrambling with this issue and there are significant changes happening throughout the state. Howard said in 2014 a large part of Health Care Reform will kick in including federal fees, and he thinks that will result in a large increase in costs to cover the mandate. Health Care Exchanges will open and the bulk of Health Care Reform will go into effect. Higher rates are projected at that time.

Sean reviewed benchmarking data with the group. He noted what the district is charging for insurance plans is well below the market average. Most plan sponsors have separate selections for dental and vision but the WEA does not allow that. Sean recommended that the Trustees give thought to what they feel are appropriate reserves. Molly said if the Trust depletes its reserves, it does not allow for possible options with changes from the state. So far the Trust has been able to weather the storm for employees with its reserves. However, just like a home budget you have to cut back in order to live within your means. Darla noted over the last two years the fund balance has been intentionally decreased by \$6 million.

The group discussed needing more time to read and analyze the information that Sean provided. The Trust has been strategic about purposely spending down its reserves, but now a decision needs to be made about what the reserves need to be for the future. The group reviewed Trust policy 220 with language about three months of reserves. David said a three month reserve was more responsible and would not radically increase employee contributions each year. Mike agreed that the three month reserve scenario was prudent. Susan thought the group needed to see how to lower the amounts. She was concerned with the large increases in employee contributions in Plans 3 and 4. It would be significant for those employees that will be affected right now. David said the more we spend down now will make a difference for next year and the year after. Gail reminded the Trustees about the Wellness program and how staff can earn money toward their premiums which could offset costs for people willing to participate. The group discussed the possibility of trying to meet prior to the scheduled September 19 meeting to accommodate some Wellness programs that could not move forward until the budget was approved. Unfortunately an additional meeting could not be arranged.

The group agreed to take time to review the scenarios for a decision at the September meeting. The Trustees thanked Sean for providing the renewal rate information which was very helpful.

The group discussed a scenario that included a health savings account. Sean suggested talking with a manager of an FSA to get a quote on what they would charge to manage it. Darla clarified that there is also a tax issue involved and that she could follow up with Randi about this. Howard said the district would have to decide between an HSA and a FSA because they cannot be in both. Accommodations would need to be made for some people and communications provided. A decision would also have to be made whether the employer puts any money into the HSA. Most private employees would put money into an FSA. The high deductible plan would cost the Trust a lot less and would help to put money into an HSA account. Because the Trust doesn't have choices with the WEA plans, they will need to offer all of them. Rene commented that this also is a timing issue. A lot of communication will need to be provided to employees prior to implementation. The Trust would have to pay the increased rates by October 1 if they chose to subsidize the three months. Open enrollment opens October 20. Howard gave background on how the HSA works. Sean and Howard can help with the materials and communications for employees. The Trust will have to offer HSA at the next renewal and decide if they are going to adopt it. David suggested the Trustees table this discussion for now and move on. This will be a big job for payroll to get ready as the best tax vehicle for this option is a payroll deduction.

Update regarding Elimination of WEA Plan 1

A letter is being prepared to send out to affected employees. An interim three month replacement plan will be offered. The group discussed how to proceed. Premera communicated that Spokane school district passed the increase on to their employees. The group discussed the options: stay where they are; pay the difference; or choose a new plan. David offered an additional option of communicating to affected employees that they have a choice to pay the additional cost. A motion was made by David Jones and seconded by Mike Gunn that in order to address elimination of the WEA PPO Plan 1, affected employees could choose to stay with the WEA PPO Plan 1 through December 31, 2012 and pay the increased differential or choose a new plan now that is currently being offered. The motion passed unanimously.

Review of Annual Calendar & Meeting Calendar

The group reviewed the planned September meeting topics.

Adjournment

The meeting was adjourned by Susan Lindsey at 10:20 a.m.

Sincerely,

Molly Ringo
Secretary

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