

Everett School Employees Benefit Trust
Thursday, September 15, 2011
Minutes

Attendance

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

Absent

Also Attending

Rene Boswell
Gail Buquicchio
Melanie Curtice
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 4:06 p.m. David welcomed audience member Matt Edgerton representing the SEIU.

Adoption of Agenda

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

Approval of Minutes

A motion was made by Mike Gunn and seconded by Susan Lindsey to approve the minutes from the August 29, 2011 meeting as written. The motion passed unanimously. David suggested that the minutes from the September 12, 2011 special meeting be reviewed during the debrief portion on the agenda. The Trustees agreed.

Introduction of Bruce Dietrich of Toyer, Dietrich and Associates

Darla introduced Bruce Dietrich, CPA, President and new owner of Toyer, Dietrich and Associates. David welcomed Mr. Dietrich and said the Trust has had a long standing business relationship with Toyer and Associates, and the Trust was eager to establish the same relationship with the new owner. Mr. Dietrich stated he appreciated the opportunity to meet the Trustees in person. He explained that the reputation of Toyer and Associates was a large factor in his purchase of the business. He and Mr. Toyer have a great working relationship and Mr. Toyer continues to work at the business. Mr. Dietrich provided the Trust with information on his schooling and professional background. The Trustees thanked Mr. Dietrich for taking the time to come to the meeting.

Trust Audit Update

Darla provided the group with a 9-year informational history of the Trust. The information included an overview of rates and expenditures from 2003 to 2011. Mike explained that he had requested the information to demonstrate that the Trust has highly subsidized employee contribution rates over the years by using its reserves. The group reviewed the data provided.

Darla provided the final Medical Claims Review of Claims Paid and Incurred January 1, 2010 through December 31, 2010 report from Moss Adams. A draft portion of this report was provided to the Trustees at a previous meeting. Moss Adams did not identify any exceptions or findings at the completion of the medical and prescription claims review.

Darla provided rough draft copies of the audit from Toyer, Dietrich and Associates. She asked the Trustees to review the report and to contact her with any questions or changes. In order to meet the deadline for the District's end-of-the-year financial report, Darla would need the Trust's approval of the draft audit at the September 19, 2011 meeting. The Trustees requested that Randi also review the report, specifically the research portion.

Debrief of September 12, 2011 Special Meeting with the Health Care Authority

David asked the Trustees to review the draft minutes from the September 12, 2011 special meeting with the Health Care Authority and provided an overview of the meeting. He stated that John Williams of the HCA was very friendly and open to hearing about the Trust. Mr. Williams encouraged the Trust to stay in close contact with him during this process. He talked frankly about the possibilities for the Trust if the state chooses to go to a consolidated K-12 health benefits program.

During the meeting Mr. Williams talked about PEBB and that he does not see how PEBB would be of service to K-12 employees as it does not provide benefits for employees who are .5 or lower FTE. Public school employees often hold positions that are .5 FTE or lower. The committee is looking at the history of Oregon's K-12 public school employee health benefits plan as a model. Mr. Williams indicated that any recommended provision would include an opt-out alternative. David said another interesting piece of information learned from the meeting was that in addition to a freeze on funding of state benefit allocations for K-12 public school employees, PEBB funding has also been frozen for the past 3 years.

Mr. Williams discussed the interest of legislators having a proposal that was cost neutral. He said the political interest seemed to be more toward addressing inequities in the K-12 systems and in negotiated benefit amounts in different districts with different employee groups. He said legislators are hearing a lot about inequities especially from classified employees. David informed Mr. Williams that the Trust does not face these issues as benefits are provided equally to all groups. Mr. Williams commented that he liked the Trust's model.

Other issues that the state is hearing about are large gaps in individual coverage costs. When an individual changes their coverage to include a spouse or other family member, the amount they pay increases considerably. Legislators have been hearing a lot of complaints in this area state wide. David commented that the Trust has tried to share state allocations equally, not only with the employee but also their family members. He stated the Trust should expect a public records request from the HCA soon for historic data. They plan to request this information from every school district across the state. The information will be compiled in October to be included in the final report due in December.

Melanie commented that she felt Mr. Williams was very interested in the report and in learning about the Trust and that he had no hidden agenda. She thought the meeting went very well and that it was a good exchange. She stated the Trust may ultimately still have the ability to make decisions about benefits for Everett School Employees. Mr. Williams also seemed pleased with the representation of the Trustees.

Molly commented that she was also pleased with Mr. William's openness and willingness to travel to Everett to meet with them. He welcomed everyone to attend the committee meetings and Molly thought it would be good to have a physical presence at the meetings if possible. She shared with Mr. Williams the age factor data that was provided at the last Trust meeting. Other factors discussed included the timeline implications and the unknown funding challenges that may occur with the change in the governorship.

David asked for Sean's perspective on his meeting with Mr. Williams. Sean commented that they met yesterday and that they talked in detail about an opt-out alternative. He stated Mr. Williams has not yet been able to talk with the Tacoma School District about their Trust. Sean said they talked about wanting to set up a subcommittee to review potential opt-out alternatives. The Trust may want to participate in this subcommittee. Melanie's experience working with Oregon might also be beneficial in this area.

Mike asked about the state's preconception of FTE. At the meeting Mr. Williams did not indicate what target FTE the state would be looking for. Melanie said this will be a big issue. The state will have to pass a completely different law to include lower FTE employees. Sean stated Mr. Williams felt the eligibility definition would be the most difficult issue to address. Another issue to consider in this plan will be the federal expectation for health care exchanges that will come into play in 2014. Mr. Williams commented that it might not make sense for the state to create a consolidated plan now and then have to change it when the exchanges are implemented.

A motion was made by Molly Ringo and seconded by David Jones to approve the minutes from the September 12, 2011 special meeting as written. Because the other Trust members were not able to attend the September 12, 2011 meeting, the only approvals were from Molly and David.

Consultant Report – Sean White

Sean provided the group with an additional scenario (Scenario 4) with high deductible PPO plans. He reviewed the side-by-side benefit comparisons with the group. The group reviewed the provided information and asked for clarification. Sean explained that the costs included anticipation of some migration out of the PPOs into the HMOs which would be a benefit to the Trust. It is a cost effective option and in the short term for 2012 will help the Trust financially. An assumption of potential moves of employees from PPOs to HMOs is accounting for adverse selection which Sean indicated would be impossible to exactly predict. Because of that he presented two versions of the scenario. The first established the adverse selection reserve adjustment at 20% and the second established the adverse selection reserve adjustment at 50%. The estimate was based on the experience of other groups and claims data tables.

The group discussed the proposed plan options. Also discussed were concerns about continuing with the current benefit plans or moving to the WEA health plans, the loss of freedom in moving to the WEA health plans, the potential move to a consolidated K-12 employees benefit program, the issues that will come into play with the introduction of health care exchanges in 2014, potential changes to the Wellness program with a move to the WEA health plans and the concern that employees would feel forced out of the PPOs and into the HMOs.

Betsy asked for a status update on the most recent mailing of a letter from the Trust to employees. The letter was taken to the post office on Wednesday, September 14, 2011. Betsy said she felt that more choice in benefit plans is better and that the WEA health plans offer a lot of options to explore. She said that once the exchanges are in place the Trust may not be viable. Melanie clarified that businesses would not be eliminating benefit coverage for their employees, and that the Trust's rates and plans might be better than the exchanges. Sean explained that for an individual who is eligible for the tax credits the exchange may be tempting. However, the vast majority of people are not eligible for the tax credits and the exchange could cost 50% more than what the Trust would be able to provide. The eligibility for the exchanges is based on income and the average individual would probably not qualify.

The Trustees continued to discuss the importance of this decision in the long-term and keeping all employees in mind, as well as keeping a focus on the Wellness program in any long-term strategies and keeping options open now to have flexibility down the road. Concerns were expressed regarding employees loyal to the PPO plans and not wanting the Trust to force anyone to move to the HMOs to have good benefits. The WEA health plan comparisons offered employees much more than scenarios 1, 2 or 3. Although scenario 4 is more in line, the feeling of some would be that the Trust would be forcing people to go to the HMOs.

David asked Melanie what the outcome would be if there was a split decision between the Trustees. She stated if there is a deadlock decision, no action would be taken. If that happened the current plan would be maintained for 2012. The group discussed the current plan and that it was not sustainable as year end reserves would not meet the 3 month reserve policy.

After hearing from all of the Trustees, David asked if there was a motion. A motion was made by John Morrill and seconded by Susan Lindsey that the Trust move to the WEA health benefit programs. After additional comments David called for a vote to the motion. Yes: John Morrill, Susan Lindsay and Betsy Selders. No: Mike Gunn, Molly Ringo and David Jones. The motion failed to pass.

Betsy asked Melanie for clarification regarding the Trustee chair not voting except in a tie. Melanie explained that there is no deadlock provision. If the vote is a deadlock, no action is taken. Because this is not a common situation for this group Melanie read the entire provision for clarification.

David asked if there was another motion. A motion was made by Mike Gunn and seconded by Molly Ringo that the Trust adopt scenario 4 using the 20% migration assumption illustrated in Exhibit A. No: John Morrill, Susan Lindsay and Betsy Selders. Yes: Mike Gunn, Molly Ringo and David Jones. The motion failed to pass.

The group continued to discuss the benefit option scenario provided by Sean, if the assumptions were conservative, and if there was any room for re-analysis of these models based on risk. Sean said the assumptions were scaled conservatively and he explained the built in trend assumptions. He stated that if the group decided they wanted to take a different stance he could remove the trend. It would be a risk management decision on the Trust's part. He said the 20% assumption for people moving to the HMOs is much harder to predict.

The group discussed the timeframe for terminating existing programs if the Trust were to move to the WEA health benefits programs. Sean reviewed the timeline and stated some notices would need to be sent by the end of September. The group discussed the value in looking at reducing some of the options that have been added to the PPO plans over the years. Sean stated the reduction would have to be drastic to get a high percentage back. He said this option is possible but the level of savings would not be very large.

A motion was made by Molly Ringo and seconded by John Morrill to continue deliberating the 2012 benefit plan options at the next Trust meeting. The motion passed unanimously.

Review of Annual Calendar & Meeting Calendar

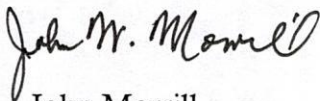
A request was made by Kim Mead, President of the EEA/UTE to revise the Trust's current meeting schedule. The reason for this request was that the Trust's meetings conflicted with the recently moved EEA/UTE Executive Board and Rep council meetings that Susan Lindsey, newly elected EEA/UTE treasurer would need to attend. A proposed revised Trust meeting schedule was provided for the Trustee's review. The Trustees agreed to begin the regularly scheduled Trust meeting on Monday, September 19, 2011 at 5:30 p.m. to accommodate Susan's attendance at the EEA/UTE meeting on the same day.

A motion was made by Molly Ringo and seconded by John Morrill to approve the revised 2011-2012 Trust meeting calendar as proposed with the exception of September 19, 2011. The motion passed unanimously.

Adjournment

A motion was made by Molly Ringo and seconded by Betsy Selders to adjourn the meeting. The meeting was adjourned at 6:33 p.m.

Sincerely,



John Morrill
Secretary

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