EVERETT SCHOOL EMPLOYEE BENEFIT TRUST

2018 FINAL RENEWAL REPORT

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2018 RENEWAL SUMMARY AND DECISIONS



2018 RENEWAL SUMMARY

COVERAGE	FUNDING	VENDOR	2018 RENEWAL	GUARANTEE PERIOD	FINAL?	
Medical	Fully-Insured	Aetna	+15.0%	January 1, 2018 – December 31, 2018	\checkmark	
Dental	Fully-Insured	WEA • Delta Dental WA • Willamette Dental	PPO: 2.0% HMO: Rate Pass	November 1, 2018 – October 31, 2018	\checkmark	
Vision	Fully-Insured	MetLife	+0%	January 1, 2018 – December 31, 2018	\checkmark	
HMO Medical	Fully-Insured	Kaiser WA	-0.3%	January 1, 2018 – December 31, 2018	\checkmark	
Basic Life and AD&D	Fully-Insured	MetLife	+25.4%	January 1, 2018 – December 31, 2020	Mercer negotiating	
Supplemental Life	Fully-Insured	MetLife	+0%			
Long-Term Disability	Fully-Insured	MetLife	+38.5%	January 1, 2018 – December 31, 2018	Mercer negotiating	
Voluntary Short- Term Disability	Fully-Insured	MetLife	-10.0%	January 1, 2018 – December 31, 2018	Mercer negotiating	
EAP	Service Contract	Magellan	-9.1%	January 1, 2018 – December 31, 2020	\checkmark	
Voluntary Long Term Care	Fully-Insured	Unum	+20.0%	January 1, 2018 – December 31, 2018	\checkmark	
Health Programs	Service Contract	Alere	+0%	January 1, 2018 – December 31, 2018	\checkmark	

RENEWAL SUMMARY AND DECISIONS

Medical

- Move forward with the proposed renewal from Aetna and Kaiser Permanente
- Retain Classic Plan to avoid cost increase
- Proposed contribution change
 - Aetna: +15%
 - Kaiser Permanente: rate pass
- Projected Reserve is 1.3 instead of 2.0
 - Lowering the reserve to avoid complications caused by HB2422

Dental

Due to HB2422, Trust decided to stay with WEA to avoid disruption

LAD

- Mercer still undergoing negotiations with MetLife
- MetLife is hesitant to reduce renewal due to SEBB
- MetLife provided three renewal options

RENEWALS — METLIFE BASIC LIFE AND AD&D

- Rate action: 25.42%
 - MetLife's proposal includes a three-year rate guarantee through December 31, 2020
 - MetLife has provided three options, although none includes significant reduction in the renewal
 - Current renewal and option 3 equal in cost at the end of 2019, but option 3 delays
 \$17K of payment to 2019

COVERAGE	2017 RATES	2018 RATES	% INCREASE OVER CURRENT	RATE GUARANTEE	2018 COST	2018-2019 TOTAL COST
Current Renewal	\$5.90 PEPM	\$7.40 PEPM	25.42%	Two-year guarantee	\$ 171,890.62	\$ 343,781.24
Option 2	\$5.90 PEPM	\$6.65 PEPM	12.70%	One year guarantee, renewal will be re-underwritten in 2018	\$ 154,457.60	Uncertain – renewal unlikely to be lower than option 3
Option 3	\$5.90 PEPM	\$6.65 PEPM for 2018 \$8.15 for 2019	12.70% for 2018 22.6% for 2019	One year guarantee, renewal will be re-underwritten with the intention to match increase from Option 1 over the two years	\$ 154,457.60	\$ 343,781.24

¹ 2017 annual cost based on actual trust premium expenses through July; 2018 costs based on renewal increase and 2017 premiums

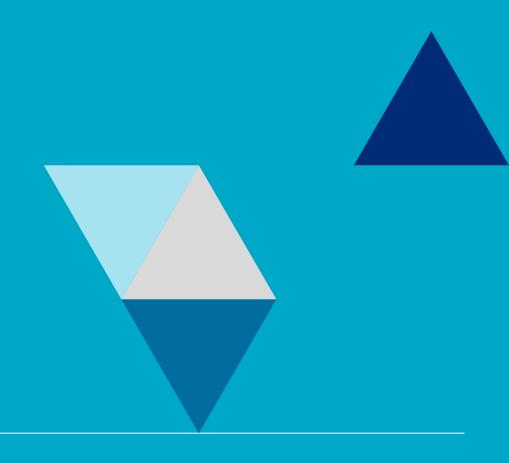
RENEWALS — METLIFE LONG TERM DISABILITY

- Original Renewal: 38.5%
- Current renewal and option 3 equal in cost at the end of 2019, but option 3 delay \$44K of payment to 2019

PER EMPLOYEE \$50,000	2017 RATES	2018 RATES	% INCREASE OVER CURRENT	RATE GUARANTEE	2018 COST	2018-2019 TOTAL COST
Current Renewal	\$ 20.72 PEPM	\$ 28.69 PEPM	38.5%	One year guarantee	\$ 711,213	\$ 1,422,425
Option 2	\$ 20.72 PEPM	\$ 26.94 PEPM	30.0%	One year guarantee, renewal will be re- underwritten in 2018	\$ 667,564	Uncertain – renewal unlikely to be lower than option 3
Option 3	\$ 20.72 PEPM	\$ 26.94 PEPM	30.0% - 14% increase LTD for year two	One year guarantee, renewal will be re-underwritten with the intention to match increase from Option 1 over the two years	\$ 667,564	\$ 1,422,425

¹ 2017 annual cost based on actual trust premium expenses through July; 2018 costs based on renewal increase and 2017 premiums

AFFORDABILITY ANALYSIS



EMPLOYER SHARED RESPONSIBILITY HOW THE PAYMENT WORKS IN 2018

You will not be subject to a shared 1. Did you average 50 or more full-time and full-time equivalent employees in responsibility payment 2017? (Aggregate related members) Yes You will not be 2. Do you offer minimum essential 3. Does MEC offered to FTEs satisfy 4. Do vou coverage (MEC) to substantially all standards for both: subject to a have any (95%) full-time employees (FTEs) and (1) affordability (employee-only FTEs to shared responsibility their dependent children (not contribution for plan $\leq 9.56\%^2$ of an whom you spouses/domestic partners)? employer affordability safe harbor or do not offer payment employee's household income), and a health (2) minimum value (60%)? plan? No • No Yes Annually, you will pay the lesser of: Annually, you will pay: \$2,320 x (total # FTEs – first **30** FTEs¹) \$3,480 x FTEs receiving governmentsubsidized benefits for public exchange Applies if at least one FTE receives coverage government-subsidized benefits for public exchange coverage \$2,320 x (total # FTEs – first **30** FTEs¹) Notes Allocate the 30 FTEs across aggregated $$3,480^3$ $$2,320^3$ related members ² For noncalendar year plans, use 9.69% until first day of plan year in 2018 Offering Employer Payment Non-offering Employer Payment ³ Mercer projected 2018 assessment amounts

INDEXING OF ESR AMOUNTS

PENALTIES	2015	2016	2017	2018 ¹ (PROJECTED)
"Non-Offering" \$2,00 Penalty	\$2,080/year \$173/month	\$2,160/year \$180/month	\$2,260/year \$183/month	\$2,320/year \$193/month
"Offering" \$3,000 Penalty	\$3,120/year \$260/month	\$3,240/year \$270/month	\$3,390/year \$282/month	\$3,480/year \$290/month
ESR SAFE-HARBOR	2015	2016	2017	2018
W-2	9.56%	9.66%	9.69%	9.56%
Rate of Pay	9.56%	9.66%	9.69%	9.56%
Federal Poverty Level	9.56% \$92.97/month ² (for calendar-year plans)	9.66% \$94.74/month ³ (for calendar-year plans)	9.69% \$95.93/month ⁴ (for calendar-year plans)	9.56% \$96.07/month ⁵ (for calendar-year plans)
			\$97.38/month ⁴ (for non-calendar year plans)	

¹ Indexed assessments for 2018 and beyond will be posted on IRS website ² (\$11,670 X 9.56%) / 12 ³ (\$11,770 x 9.66%) / 12 ⁴ (\$11,880 x 9.69%) / 12; (\$12,060 x 9.69%) / 12 ⁵ (\$12,060 x 9.56%) / 12

AFFORDABILITY ANALYSIS

 The current contribution level is failing to meet the Federal Poverty Level Safe Harbor for Affordability under the Employer Shared Responsibility provisions of the Affordable Care Act

Analysis

- Mercer analyzed census data provided on July 10th
- The analysis focused on full time employees as indicated by FTE status

- Maintain current Structure
- Adjust Contribution to be affordable for all full time employees
- Introduce a new minimum plan that is affordable for all full time employees

Options

Issue

MAINTAIN CURRENT STRUCTURE

To determine affordability, the EE-only employee contribution amount on the HDHP is reviewed to determine if greater than 9.56% of employee's annual salary



2

The number of employees waiving coverage is also calculated, since assessments would not apply for any employees actually enrolling in coverage



3

This figure could be overstated, based on the following assumptions

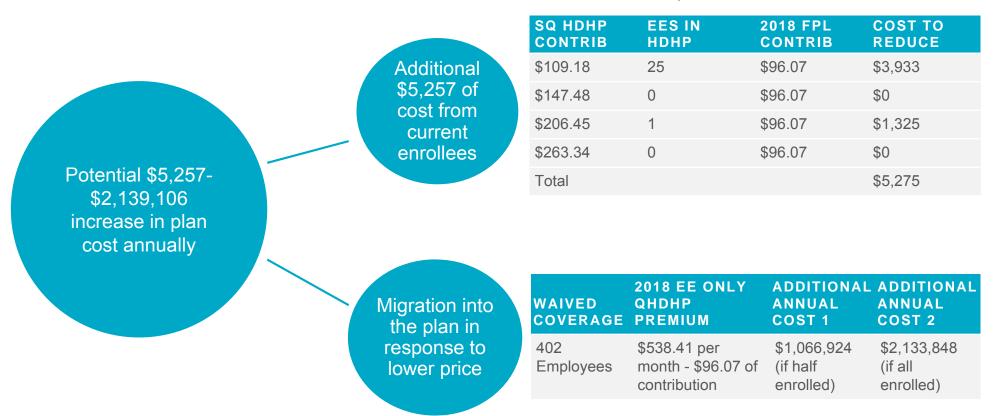
- All employees waiving coverage enroll on the public health exchange
- All employees do not have additional household income through another source of employment or a spouse

METHODOLOGY	CALCULATIONS
Liability per employee if ACA affordability requirements are not fulfilled	\$3,480
Total count of those for whom QHDHP is unaffordable with FTE status between 0.75 and 1.00	136 Employees
Assessment if all went to exchange and got subsidies for all 12 months of the year Includes 80 employees who currently have waived coverage	136 EE * \$3,480 =\$473,280

ADJUST CONTRIBUTION TO FPL SAFE HARBOR AMOUNT

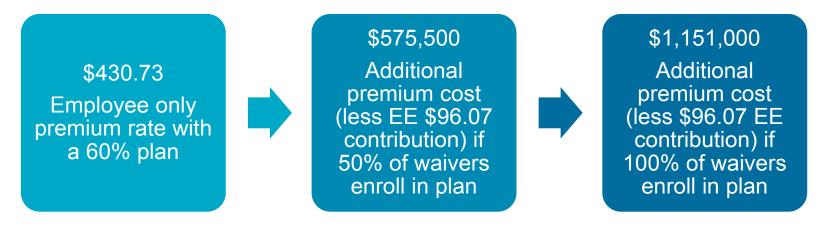
A potential solution is to set HDHP EE only coverage at the 2018 FPL contribution level

Plan cost increase will come from current enrollees and potential new enrollees



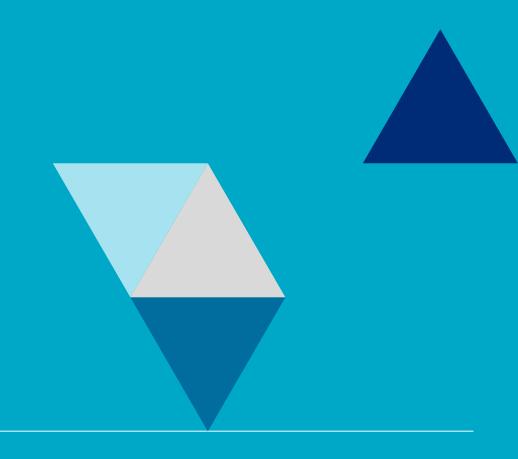
ADD A NEW LOW VALUE AFFORDABLE PLAN

 Aetna quoted a minimum value (60% AV) plan that Everett could offer as an affordable plan to employees only



PLAN DESIGN	IN-NETWORK	OUT-OF-NETWORK
Deductible	\$5,500 Individual \$11,000 Family	\$5,500 Individual \$11,000 Family
Out-of-pocket	\$6,350 Individual \$12,700 Family	\$6,350 Individual \$12,700 Family
Coinsurance	10%	50%

CAVEATS



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