

HEALTH WEALTH CAREER

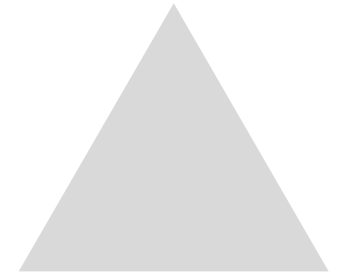
EVERETT SCHOOL EMPLOYEE BENEFIT TRUST

2018 FINAL RENEWAL REPORT

SEPTEMBER 13, 2017

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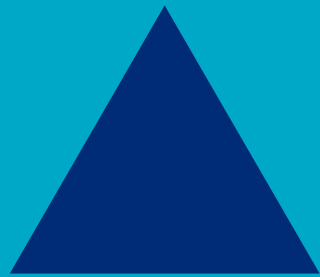
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2018 RENEWAL SUMMARY AND DECISIONS



2018 RENEWAL SUMMARY

COVERAGE	FUNDING	VENDOR	2018 RENEWAL	GUARANTEE PERIOD	FINAL?
Medical	Fully-Insured	Aetna	+15.0%	January 1, 2018 – December 31, 2018	✓
Dental	Fully-Insured	WEA • Delta Dental WA • Willamette Dental	PPO: 2.0% HMO: Rate Pass	November 1, 2018 – October 31, 2018	✓
Vision	Fully-Insured	MetLife	+0%	January 1, 2018 – December 31, 2018	✓
HMO Medical	Fully-Insured	Kaiser WA	-0.3%	January 1, 2018 – December 31, 2018	✓
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	✓
Voluntary Long Term Care	Fully-Insured	Unum	+20.0%	January 1, 2018 – December 31, 2018	✓
Health Programs	Service Contract	Alere	+0%	January 1, 2018 – December 31, 2018	✓

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

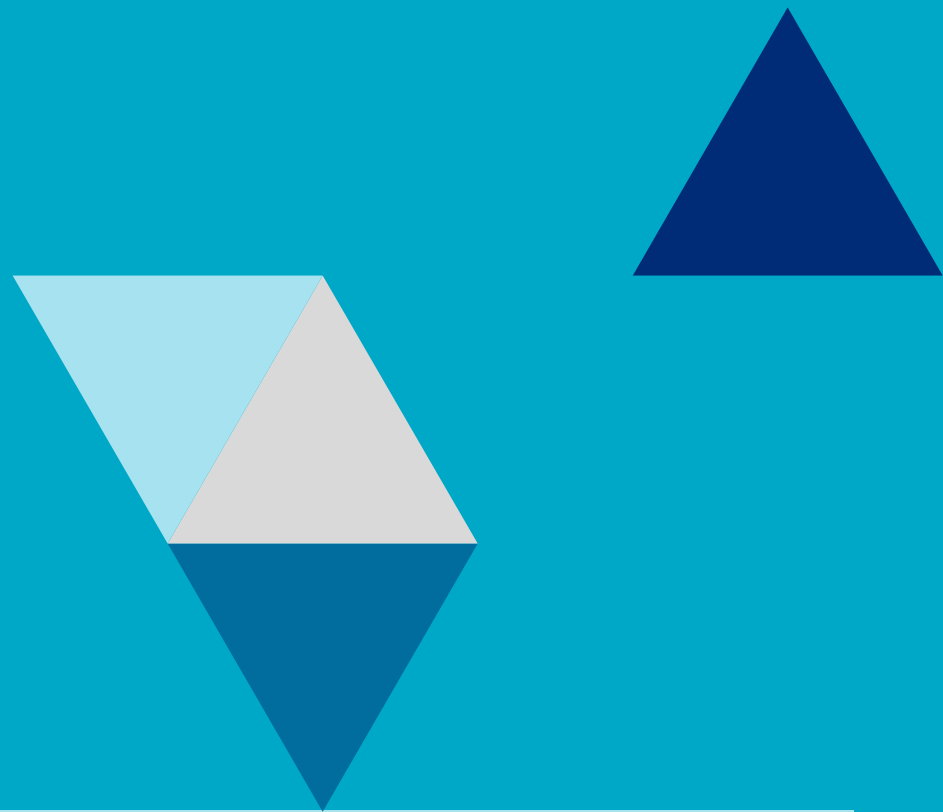
LONG TERM DISABILITY

- 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

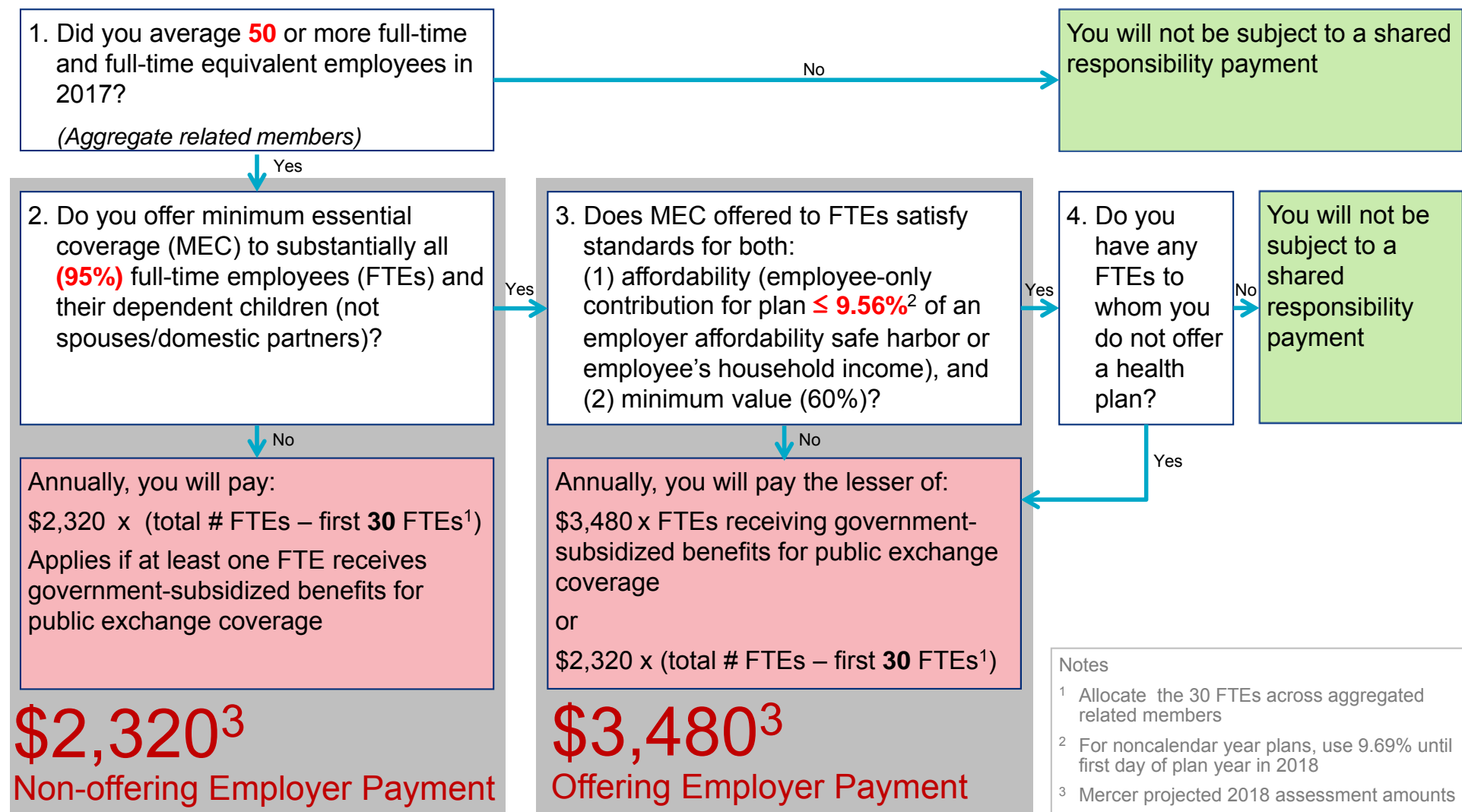
¹ 2017 annual cost based on actual trust premium expenses through July; 2018 costs based on renewal increase and 2017 premiums

AFFORDABILITY ANALYSIS



EMPLOYER SHARED RESPONSIBILITY

HOW THE PAYMENT WORKS IN 2018



INDEXING OF ESR AMOUNTS

PENALTIES	2015	2016	2017	2018 ¹ (PROJECTED)
“Non-Offering” \$2,000 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) \$97.38/month ⁴ (for non-calendar year plans)	9.56% \$96.07/month ⁵ (for calendar-year plans)

¹ Indexed assessments for 2018 and beyond will be posted on IRS website

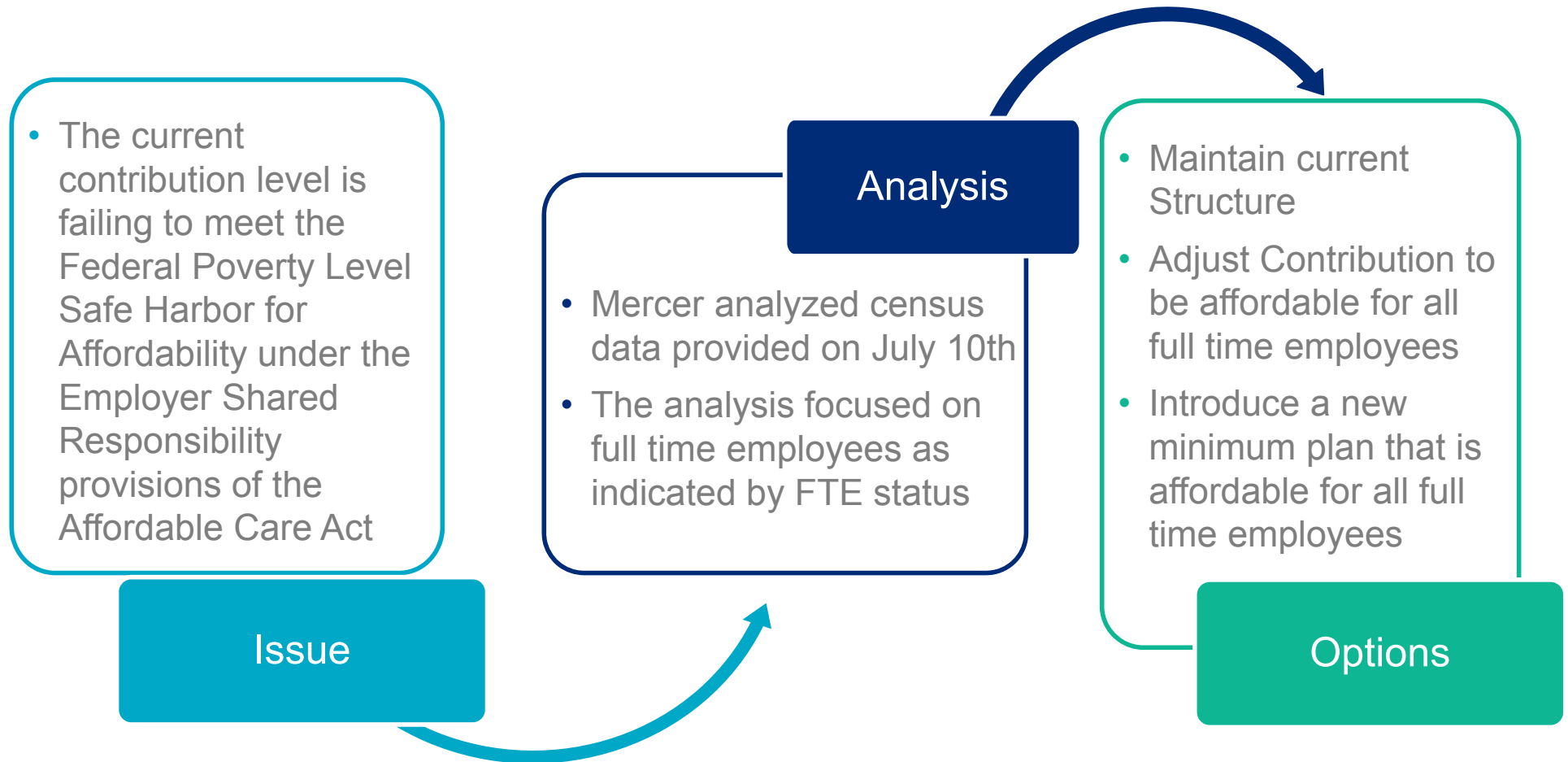
² (\$11,670 X 9.56%) / 12

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



MAINTAIN CURRENT STRUCTURE

1

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

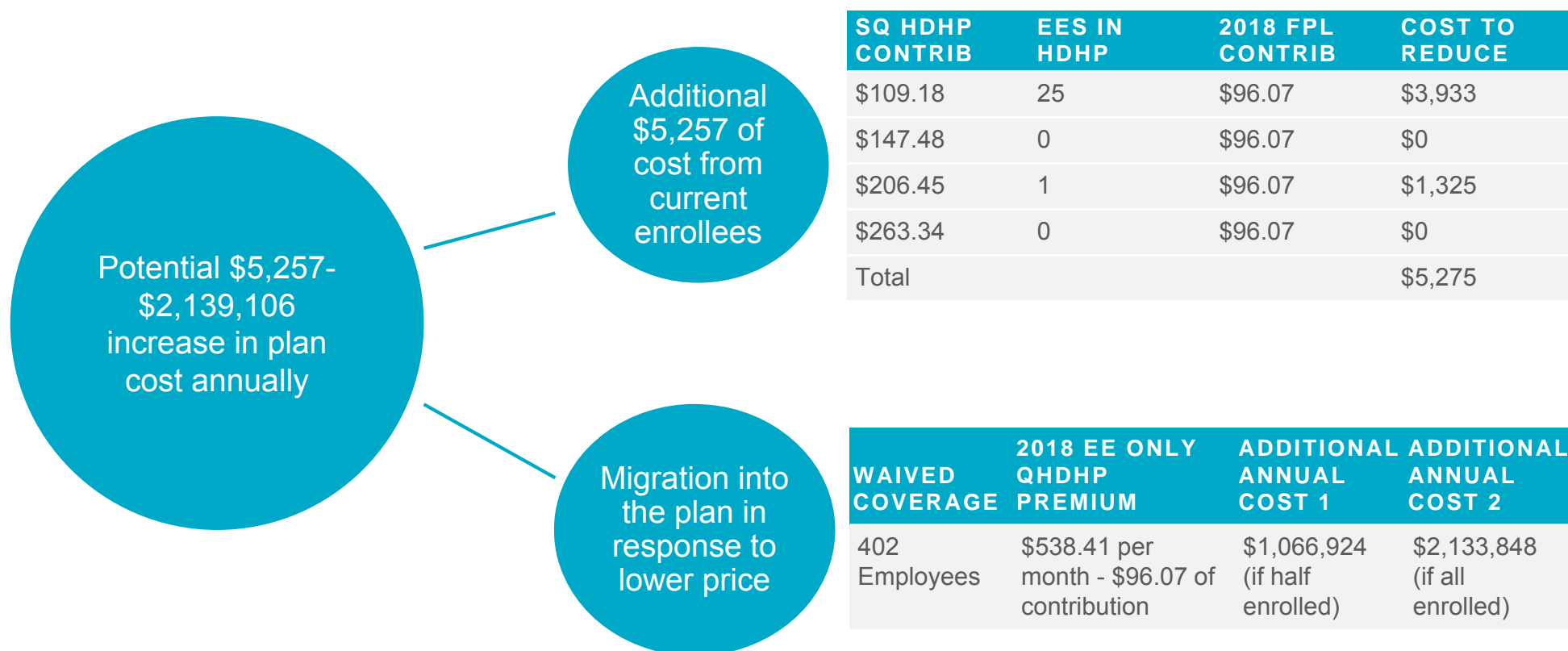
136 EE * \$3,480 = \$473,280

- Includes 80 employees who currently have waived coverage

ADJUST CONTRIBUTION TO FPL SAFE HARBOR AMOUNT

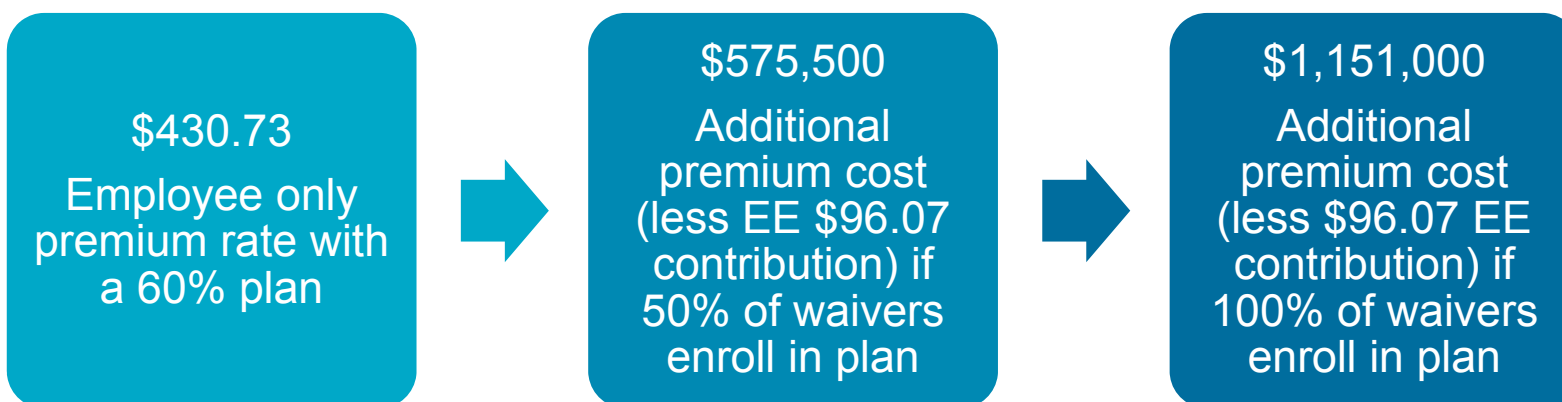
A potential solution is to set HDHP EE only coverage at the 2018 FPL contribution level

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



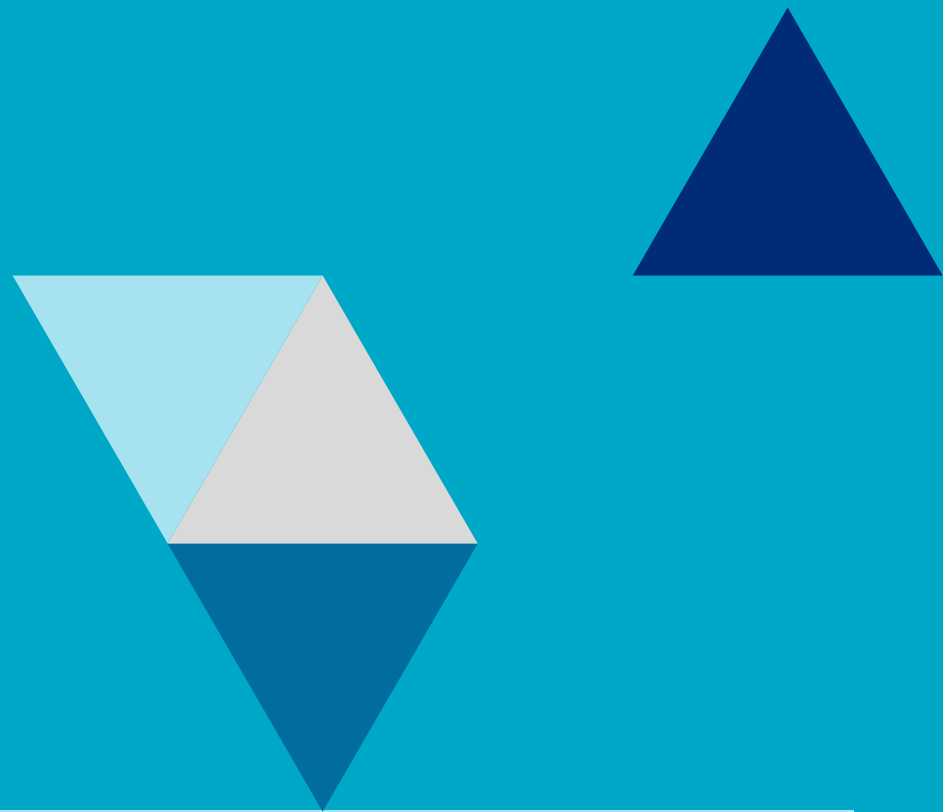
ADD A NEW LOW VALUE AFFORDABLE PLAN

- 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



ESEBT understands that Mercer is not engaged in the practice of law and this report, which may include commenting on legal issues or regulations, does not constitute and is not a substitute for legal advice. Accordingly, Mercer recommends that ESEBT secures the advice of competent legal counsel with respect to any legal matters related to this report or otherwise.

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