

Everett School Employees Benefit Trust
Monday, August 29, 2011
Minutes

Attendance

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

Absent

Also Attending

Rene Boswell
Gail Buquicchio
Tom Pursley
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 4:03 p.m.

Adoption of Agenda

Darla requested that an item be added to the agenda. A motion was made by Betsy Selders and seconded by John Morrill to approve the addition to the agenda. With no further requests for additions, a motion was made by John Morrill and seconded by Susan Lindsey to approve the revised agenda. The motion passed unanimously.

Approval of Minutes

The minutes of the August 22, 2011 meeting were presented for approval. A motion was made by Molly Ringo and seconded by Betsy Selders to approve the minutes as written. The motion passed unanimously.

New Auditor Owner Bio

Darla reported she had received the bio information from the new owner of Toyer, Dietrich and Associates. She shared the details of the bio with the group. The Trustees had additional questions regarding information that was not provided in the bio. Darla will contact Bruce Dietrich to request further information as directed by the Trustees. Once the information is received, Darla will provide it to the Trustees electronically.

Consultant Report – Sean White

Sean and the Trustees continued to discuss proposed plan renewals and rates for the upcoming fiscal year. Sean provided and reviewed with the Trustees an Age Sex Analysis with data from 2007 to 2011. He stated the data relates to the three PPO plans. The HMOs do not provide the same data; however, Sean stated he would be surprised if the HMO numbers were not similar. The group discussed the drivers of costs in normal years and the demographics of neighboring school districts. They will keep this data in mind when creating a communications plan.

Sean provided the Trustees with deficit reduction scenarios adjusted to focus more of the contribution subsidy reductions on the PPO plans, as well as including vision benefits on the WEA benefit plans. Sean reviewed the information with the group. He explained that the vision benefit was added as a line item and that contributions were adjusted to maintain reserves. The Trustees discussed other vision options.

In anticipation of a possible move to the WEA plans, Sean provided the Trustees with a summary of termination provisions that would need to be implemented. He reviewed the information with the group and discussed the potential deadlines. Sean also provided a Summary of 2012 renewal decisions that the Trustees would need to act on.

The group reviewed the scenarios and asked how the health care reform would affect any decisions they made today. Sean stated that the Trust's grandfathered status would be lost which would have a slight cost impact. However, the bigger change would come from coverage of employee's children to age 26. There would be no restrictions even if an employee's child had other health care options. With the 2018 excise tax taking effect, current WEA rates would be above the threshold for Cadillac plans, as would the current Trust PPO plans. Sean explained to the group how this tax would work. PEBB plans would also be above the threshold; if not in the first year, shortly thereafter.

Molly asked if Sean had found out any information about the state's health care committee. He stated that John Williams of the HCA is heading up the committee and that he has accepted Sean's offer to sit on the advisory board. Sean will be involved in that process representing the interests of Tacoma Public Schools and Everett Public Schools. Sean stated the committee will be meeting over the next couple of weeks to assemble a group. This will be a complex analysis with a deadline of December 15th for their report to be provided to the legislature. Sean will keep the Trustees informed as more is learned. He stated the idea of the committee's report is that it will be used with the legislature for their upcoming session including a scenario for consolidating health care for public employees.

With regard to the discussion about the Trust presenting a pilot option to the state, Tom Pursley commented that the state is desperate for some solutions and that they may look at brokers or consultants or administrative contacts for some cost savings by consolidation. This would not solve the overall problems that the state has, but it could offer potential solutions for overall costs. The state is looking at Boeing's health care options and some other creative things being done in the health care community to be more impactful. He does not think it is out of the realm of possibility for the Trust to talk to the state about doing something different or new to see if there is room and encouragement. Sean could act as the spokesman and provide the school

districts' point of view, history and philosophy. Molly indicated interest in having the Trustees also attend the health care committee meetings to meet face to face and offer a sense of openness and the Trust's approach. Tom stated a pilot offering would not solve the health care cost problem but it would offer direct dialogue with potential opportunities such as a co-op with larger organizations such as the PUD or Everett Clinic. It would require a major investment in the Trustees time, energy and cost with no guarantee of a dramatic result.

Betsy expressed concerns with the recent Trust letter mailed to the homes of benefit eligible employees. She stated she was concerned that the letter implied a 15% cost increase and that employees might be very upset if it is more than that. She applauds the ideas of being in the forefront but stated that does not solve the problems with the 2012 benefit plans.

Molly asked Sean, if the Trust decided to go to the WEA now, would they have an option to rejoin the HMA the following year. Sean indicated this would be difficult and that the Trust would need a sizable reserve to cover the estimated claims. The vendors might also be leery of taking the Trust back.

The group discussed the option of reducing or eliminating certain plans. Tom stated he felt there were three options for the Trust to take: tweak what they currently have to get by for another year; throw in with the WEA; or do something really radical. He asked the Trustees what general direction they were leaning toward. John stated he does not see how tweaking rates could work and thought the best thing to do would be to go with the WEA. Susan and Betsy also supported this option.

Mike stated he was not impressed with the scenarios that were provided today and referred to those provided at the August 22, 2011 meeting. Mike asked if the proposed contribution averages were higher than what is seen in the market right now. Sean stated they were in line or a little low for all industries but high for government. They are close to market average. Mike commented that the Trust has kept rates artificially low for years to keep more money in the employee's pocket. Unfortunately, that is now unrealistic. Mike stated he is not ready to give up on the PPOs at this time. Molly asked about additions to the plan offerings and if there would be savings over the year. Tom stated there won't be any monetary value in trimming piece meal. Also, if the Trust decides to go with the WEA they won't know what they will get next year as the WEA is also subsidizing. Uncertainty is the biggest problem. The group discussed the long-term prospects. Because state funding is not increasing and health care costs continue to increase, this decision will have to be addressed again next year and the Trust's reserves would be meaningfully depleted.

A final decision will need to be made by the middle of September which would allow some time to communicate with employee groups and for conversations with the HCA. Mike and Molly commented that they were leaning more toward scenario 2 as there was no assurance that going with the WEA would be better in the long run. John commented that if the Trust decided to go to the WEA now they would be starting from a better position. Even if the WEA has to increase rates a great deal, the Trust would still be ahead of the game. Also, in going with the WEA now, the Trust would have better numbers against a state mandated move.

Questions were raised about the continuation of the Wellness Program if a decision was made to go to the WEA. Sean stated any impact to claims experience would go toward the benefit of the WEA. The Trust would not be able to offer financial incentives to employees. However, the other reasons to have the Wellness Program were still present. There are also some Wellness resources through the WEA. The biggest change in going to the WEA is that the Trust will lose the ability to control costs through plan design and the Wellness incentives would go to the pool.

The group discussed a scenario that would include a high deduction. The WEA option is viable but has a down side. Before going to the WEA, all other options should be exhausted. Gail reminded the group of a plan redesign incentive through the Wellness Program to offset the high deductible. She noted a lot of companies are moving to higher deductible plans and are offsetting with Wellness incentives.

For the next meeting Tom and Sean will work to create scenarios that will avoid major adverse effects and create affordable options that can be compared with the option of going to the WEA. The group agreed that communication and outreach to employee groups was critical. Also critical was communicating to employees that in reality, they would have to pick up the costs of what is not currently being funded. Mike will draft an employee letter and provide it to the Trustees for their review. Molly will contact Carol Stolz regarding meeting with the leadership groups to inform them of the 2012 benefit plan options and concerns. She will provide the Trustees with the date, time and location once it has been determined so that they might attend as their schedules allow.

2011-12 Wellness Program – Gail Buquicchio

Gail provided the Wellness Program strategic plan at the previous meeting. Molly had several questions which are contingent on the changes to 2012 benefits. Gail stated she would be happy to meet to discuss specifics. This item will be addressed again once a decision on 2012 benefits is decided.

Review of Annual Calendar & Meeting Calendar

An additional meeting was scheduled on Monday, September 12, 2011 to continue conversations regarding plan renewals for 2012 and to discuss additional scenarios that will be provided by Sean and Tom.

Adjournment

A motion was made by Betsy Selders and seconded by Susan Lindsey to adjourn the meeting. The meeting was adjourned at 6:56 p.m.

Sincerely,

John Morrill
Secretary

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