

GROUP INSURANCE ADVISORY COMMITTEE (GIAC)
Meeting Minutes
March 16, 2017

A meeting of the Idaho State Group Insurance Advisory Committee was held on this date in the LBJ Building, Conference Room #B-9, 650 W. State Street, Boise, Idaho. Chairman Geddes called the meeting to order at 2:30 p.m.

Members Present:

Robert L. Geddes, Director, Department of Administration and Committee Chair
Senator Fred Martin (until 3:20 pm)
Representative Phylis King
Dick Humiston, State Retiree Member
Kathy Osborn, Senior Human Resource Specialist, Tax Commission, sitting in for Roxanne Lopez, Employee Member
Andrea Patterson, Judiciary Member

Absent and Excused:

Roxanne Lopez, Employee Member

Others Present:

Keith Reynolds, Deputy Director and CFO, Department of Administration
Jennifer Pike, Administrator, Office of Group Insurance (OGI)
Cindy Dickinson, Benefits Manager, Office of Group Insurance
Susan Buxton, Administrator, Division of Human Resources
Kylie Falk, Management Assistant, Division of Human Resources
Robyn Lockett, Analyst, Legislative Services Office (LSO)
Audrey Musgrave, Deputy Controller, State Controller's Office
Kay Christensen, Chief, Contracts and Administrative Law, Office of the Attorney General
Don Drum, Executive Director, Public Employee Retirement Systems of Idaho (PERSI)
Mike Hampton, Deputy Director, PERSI
Misty Swanson, Deputy Director, Idaho School Board Association
Aaron Kessinger, Business Executive, Humana
Austin Warner, Financial Representative, Northwestern Mutual
Diane Blume, Program Specialist, Department of Administration

After calling the meeting to order, Chairman Geddes asked Mr. Humiston to serve as Chairman in anticipation of stepping out later in the meeting. He returned at 3:55 p.m.

APPROVAL OF MINUTES

MOTION: Mr. Humiston moved and Representative King seconded that the minutes of the December 13, 2016 Group Insurance Advisory Committee meeting be approved as written. The motion passed unanimously.

PRESENTATION OF GO365

At the request of OGI, Mr. Kessinger provided a presentation on Go365, a wellness program owned by Humana that rewards members for making healthier life choices. Current members total 5.1 million. What's different about this program, he said, is results are measurable through electronically validating healthy habits. Over 76 electronic devices

are supported for measuring personalized activities, including BitFit. Another difference is that measures are designed for individualized improvements based on personal levels of health.

The program incorporates behavioral economics and welcomes children to participate in the program. Rather than using cash for incentives, the program utilizes a system where participants earn points to be used toward acquiring merchandise. The program can be accessed through a mobile application and is versatile enough to accommodate employer challenges and customization to earn extra points. All members participate at their own pace and activity level, he said, no matter their level of health. Go365 is certified by the National Committee for Quality Assurance.

Another component is gamification where programs are instituted on electronic devices, for example, which offer various discounts and prizes. Some of the jackpot prizes, he said, are valued up to \$600. Members who win these jackpot prizes are reminded of their responsibility to notify the IRS, which takes the responsibility off the employer. For other potential prizes as part of the program, which can total up to \$300 in one year, Go365 builds in about \$1.50 per member per month to cover taxes for the wide range of prizes.

Go365 does have a direct effect on claims, he said. After a three-year study, claims went down 10.1% for those organizations who were engaged in the program. For those not engaged in the program, claims rose 17%. The largest impact on costs was made by members with lifestyle-related chronic conditions such as high blood pressure and diabetes. He illustrated an actuarial savings model for the state of Idaho plan utilizing this program, and estimated that after 3 years there could be a potential for the state to save \$16 million in the cost of claims (\$3 million in direct costs and \$13 million in indirect costs).

FY17 FINANCIAL UPDATE

Ms. Pike distributed financial reports as of February 28th. **For the medical plan**, she said, total claims and expenses to date reached nearly \$159 million. Although the total cost is increasing, claims experience has been more favorable than in recent years. She reminded the members that next year, FY19, is the year when health care reform fees are reintroduced, affecting the total cost. The reserve balance is in good shape at nearly \$50.3 million; leftover moneys after monthly claims are paid are deposited into this fund. Required reserves is about \$26.3 million with four months to go in the plan year.

Enrollment typically remains consistent with small increases throughout the year, she said. To date there are 18,530 active employees and 27,443 active dependents. The number of retirees continues to decrease slowly, she said. Currently, there are 766 retirees and 202 retiree dependents. COBRA enrollees total 98 and there are 49 COBRA dependents. The medical appropriation per employee is \$12,012.

The dental plan is more predictable, she explained, and this year claims and expenses are down from this time last year at over \$8 million. The lower expenses are partially attributable to the lower health care reform fees in the current plan year. Reserve is at \$1.6 million; required reserve is \$1.2 million.

Blue Cross of Idaho (BCI) continues to consider ways to realize better value for its clients. For example, it recently renegotiated and reduced costs for dialysis services.

LEGISLATIVE UPDATE

Ms. Pike reported that **Senate Concurrent Resolution 104** has passed both legislative bodies. It directs the Department of Administration to either provide a transparency tool for state employees on a state website or work with a vendor to establish a medical diversion program. The idea, she said, is to provide employees a tool for shopping around for services

and competitive prices. She added that OGI will work with the State Employee Group Insurance and Benefits Interim Committee in design of the final product.

Currently, as part of the state's contract with BCI, a CostAdvisor is offered state employees who need only to log into the portal to look up a medical procedure. This new service then provides a list of possible medical providers and general prices. The legislation provides OGI flexibility to utilize the current contract with BCI or pursue a third party to provide the medical diversion program, she added.

Another piece of legislation has been introduced that could potentially affect the state's group insurance program-- **Senate Bill 1046, Health Savings Account(HSA)/High Deductible Health Plan**. Currently, the state offers three health care plan options and none of them are compatible with a health savings account, she said. If this bill is signed by the Governor, the process for implementing a health savings plan would get underway during the next fiscal year, in collaboration with the legislative interim committee, the state's carriers, and a third-party administrator. One of the first things to be done would be some necessary programming changes by the State Controller's Office so that the plan would be available in FY19, at the earliest.

The HSA eligible High Deductible Health Plan would replace the current High Deductible Plan because there are not enough participants to merit its continuation. As part of the HSA plan, she explained, the state would contribute \$500 annually out of the reserve account into individual accounts. Because this new plan would not be grandfathered, it would be subject to the Affordable Care Act restrictions.

SICK LEAVE FUND

Ms. Christensen explained she was asked to address the committee on the question regarding use of the PERSI Sick Leave Fund for the hiring of consultants. She explained there are actually two separate Sick Leave Funds—a voluntary fund and a mandatory fund. The mandatory fund is the only one with a monetary balance and PERSI board members have fiduciary responsibility over the account. By statute, retiree premiums can be paid from the fund, as well as expenses for administering the fund.

Whether this fund can be utilized for hiring a consultant, the answer is no, she said. The bottom line is the fund can be used for specific uses and to utilize it for something different would require a statutory change. Mr. Humiston clarified that right now the Sick Leave Fund can be used by enrollees who retire before 65 to cover insurance premiums, or for those over 65 to pay for Medicare Part D, Supplemental or Advantage plans. He inquired whether the fund can be used for dental plan premiums since dental coverage is part of the employee group insurance plan. Ms. Christensen expressed her opinion that because dental coverage is different from medical coverage, she believes the fund cannot be used to pay for dental premiums.

Ms. Patterson read from Idaho Code 67-5333 describing the Sick Leave Fund and quoted that funds are transferred to the retirement board and can be used to pay premiums for health, dental, vision, long term care, prescription drugs, life insurance as may be maintained by the state. She noted the retiree health plan does not include dental or vision coverage so the wording in the statute does not match what is available to retirees, which adds confusion to the issue.

Director Drum said he believes there are two issues to consider. One involves employees hired after 2009 who will not have the ability to stay on the state insurance plan upon retirement. Therefore, their use of the sick leave fund will be limited. The second issue is that there are retirees who want to shop for coverage other than the state plan, and they would like to use this money to pay for premiums. He said the IRS is very clear in that funds in the sick leave fund must be used to pay for premiums toward an employer-sponsored plan for the types of insurance listed in code, which the

state's plan does have. The key is, he said, is if the state wants to expand this statutorily, he believes it can be done through rules of the IRS.

One additional thing that adds to the confusion is the fact that mandatory participation in PERSI includes school districts, which have different sick leave laws. Each school district secures its own health care coverage and they can vary widely by employer. This would also need to be addressed legislatively.

The Sick Leave Fund is so well funded, he said, that this Fall the PERSI Board had planned to consider reducing employer contributions. However, if there are going to be changes regarding its use, that ought to be done before contribution rates are modified.

Mr. Humiston suggested this issue be placed before the State Employee Group Insurance and Benefits Interim Committee. Representative King indicated she will relay this request to the co-chairs of the committee.

FY18 BUDGET

Ms. Pike pointed out that JFAC has approved an annual appropriation per eligible employee of \$13,100 in FY18 for medical and dental coverage. The medical portion of the appropriation is \$12,868, and dental portion is \$232. This represents an increase of \$860 (or 7%) over FY17. The total projected cost of the plan is \$350.8 million.

Administration's FY18 budget also includes moneys for reprogramming services by the State Controller's Office as well as a new \$5,000 high speed printer for OGI, she added. Also included in the budget bill is intent language that OGI is to maintain the current health insurance program structure and benefit package for state employees with the exception of the health insurance continuation premium, which would be reduced from thirty (30) months to six (6) months for employees on disability status.

OGI is just beginning to discuss renewal rates with BCI for FY18, estimated at a 4% increase. This minimal increase is due to positive trend experience over the last two years, and there are no structural changes anticipated for FY18, she said. Representative King inquired whether the 4% increase could be reduced. Ms. Pike replied that although the state does not go through a formal request for proposal process each year, staff does due diligence in its contract renewal process by comparing BCI's analysis with the state's actuarial projections including trends and industry standards. This way we are assured that their projections for claims and expenses are accurate and conservative as possible. We look very closely at administrative fees, she said, and they have not gone up at the same rate as claims. Consequently, each year the state pays less percentage of total claims for administrative costs. As mentioned earlier, she said, much of the increase in the plan is attributable to the reintroduction of health care reform fees in FY18 of \$12 million.

FY18 LIFE INSURANCE UPDATE

As part of their group insurance coverage, all active employees are covered with basic life insurance with the option to procure additional voluntary term life coverage up to three times their salary for themselves, their spouse, and their dependents. The state has enjoyed a five-year rate guarantee with Principal, the state's life insurance provider, she said. However, FY17 is the last year of that five-year guarantee and consequently, the state has asked Principal to provide renewal costs for FY18 based on claims experience. Because of the state's higher than industry-expected claims experience, there will be an increase in the basic life insurance coverage from .675% of payroll currently to .721%, with a three-year price guarantee.

OTHER BUSINESS/PROPOSED MEETING SCHEDULE

The next two meetings of the committee are scheduled for July 20th and November 16th—both at 2:30 p.m.

ADJOURNMENT

MOTION: Representative King moved and it was seconded by Chairman Geddes that the March 16, 2017 meeting of the Group Insurance Advisory Committee be adjourned at 4:05 p.m. The motion passed unanimously.

Diane K. Blume, Program Specialist
Department of Administration