GROUP INSURANCE ADVISORY COMMITTEE (GIAC)

Meeting Minutes

January 11, 2016

A meeting of the Idaho State Group Insurance Advisory Committee was held on this date in the LBJ Building, Conference Room 155, 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
Representative Phylis King
Andrea Patterson, Judiciary Member
Dick Humiston, State Retiree Member

Members Absent:
Roxanne Lopez, Employee Member

Others Present:
Keith Reynolds, Deputy Director and CFO, Department of Administration
Jennifer Pike, Administrator, Office of Group Insurance
Rebecca Fry, Human Resources Officer, Department of Administration
Cindy Dickinson, Benefits Manager, Office of Group Insurance
Amanda Visosky, Health Promotion Program Coordinator, Office of Group Insurance
Mike Franson, Personnel Technician, Office of Group Insurance
Gideon Tolman, Analyst, Division of Financial Management
Audrey Musgrave, State Controller's Office

APPROVAL OF MINUTES

MOTION: Mr. Humiston moved and Representative King seconded that the minutes of the October 9, 2015 Group Insurance Advisory Committee meeting be accepted as written. The motion passed unanimously.

GENERAL BUSINESS

Flexible Spending Account (FSA) Request for Proposals (RFP) Process

At its last meeting the Committee approved remarketing for the FSA provider and Ms. Pike reported that as a result, seven proposals were received. The proposals have since been scored by consultant, Doug Toschi of Propel Insurance. Staff will now begin the process of reviewing those proposals.

FY2016 Financial Update

Ms. Pike presented the following financial information as of November 30, 2015.

Total Medical Expenses	$75,622,806
Ending Reserve Balance	$26,415,068
Active Employees	18,420
Dependents	26,965
COBRA	116
Retirees	841
Dependents	214

Total Dental Expenses	$5,335,331
Ending Reserve Balance	$1,053,795
Active Employees	18,407
Dependents	25,549
COBRA	248

The state's appropriation per employee for medical and dental is $11,200 for FY16. Mr. Reynolds noted the increase in medical expenses from FY15 to FY16 is about 10%, which is higher than experienced in over a decade. Increases in past years have predominantly been attributed to the Affordable Care Act (ACA) fees, which were predictable; recent increases have not been predictable. The state is currently in a positive position with the reserve balance; however, at this point in the year the reserve balance should be higher, he said.

Review December Milliman Projections

The Department receives actuarial projections each June, prior to agencies' budget request deadline in September, Ms. Pike explained. An additional projection is received in December for a comparison to the June numbers. The jump in costs from June to December of this year was significant. The largest driver is the increase in prescription drug costs and higher than expected costs for medical services. The ACA also contributed to the increase with the elimination of lifetime and annual limits on benefits. The state used to have a $1 million lifetime maximum coverage, and there were a couple of claims that exceeded $1 million during that timeframe.

It was a shock to receive the inflated December report so late in the budget year, Mr. Reynolds expressed. To avoid this in the future, projections will be requested in May and November to provide more time to react to unexpected data. To take care of the unexpected increase this year, the Governor has recommended a supplemental transfer of $13 million to shore-up the reserves heading into FY2017.

Legislative Review

Ms. Pike is scheduled to address the legislative Change in Compensation Committee at its meeting later in the week. As a precursor, she provided the GIAC members a preview of her draft presentation which begins with an explanation of the Office of Group Insurance. Some of the presentation topics were requested by the Legislative Services Office:

- Current Plan Structure

Enrollment by Plan Type

Active Employees	Traditional	PPO	High Deductible	Total
Employees	17.6%	82.2%	.2%	18,270
Dependents	13.9%	86.0%	.1%	26,851
Total				45,121

Retirees	Traditional	PPO	High Deductible	Total
Employees	33.4%	52.7%	13.9%	837
Dependents	30.5%	57.5%	12%	200
Total				1,037

She explained this slide shows the percentage of enrollees in each of the plan types as of June 30, 2015, and the slide below outlines the various premium costs for Tier 1 (full-time employees). About 99% of employees, or over 18,000, are enrolled in this Tier, and it meets the definition of affordable and minimal essential benefits under the ACA.

FY2016 – Tier 1 Monthly Premiums

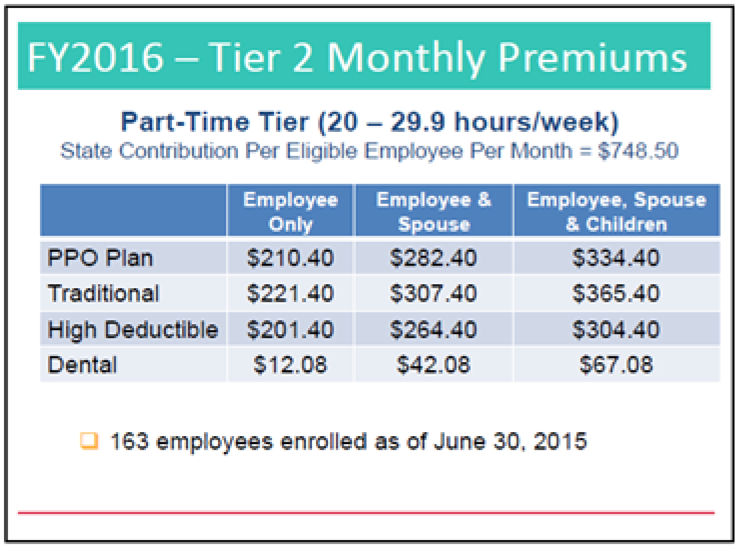
Full-Time Tier (30 – 40 hours/ week)

State Contribution Per Eligible Employee Per Month = $911.90

	Employee Only	Employee & Spouse	Employee, Spouse & Children
PPO Plan	$47.00	$119.00	$171.00
Traditional	$58.00	$144.00	$202.00
High Deductible	$38.00	$101.00	$141.00
Dental	$8.24	$38.24	$63.24

Premium details for all plan types posted on the OGI website:
http://ogi.idaho.gov/employees/premium_rates.html

Premiums for Tier 2 (part time employees) are illustrated in the slide below, she noted. Coverage is the same as Tier 1; however, premiums paid by the employer and employee are different. At the end of June, 2015 about half of all eligible part time employees were enrolled in Tier 2 (about 160). This Tier is not required to meet the definition of affordable under the Affordable Care Act.



FY2016 – Tier 2 Monthly Premiums

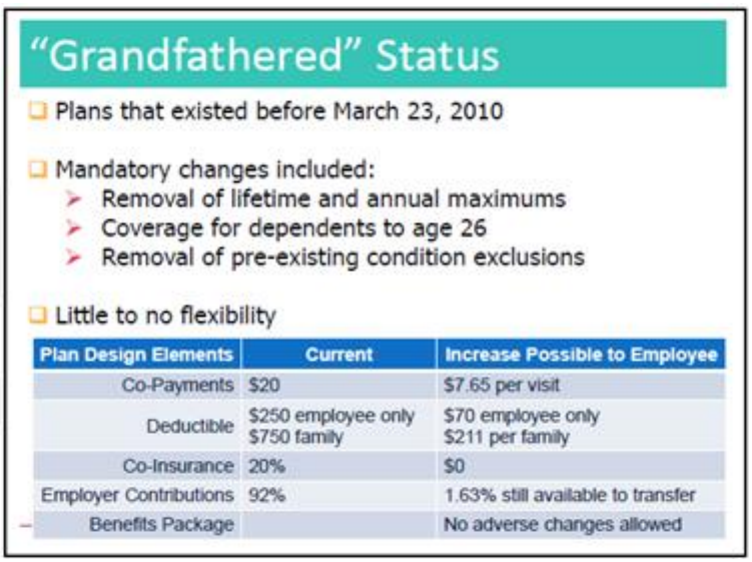
Part-Time Tier (20 – 29.9 hours/week)

State Contribution Per Eligible Employee Per Month = $748.50

	Employee Only	Employee & Spouse	Employee, Spouse & Children
PPO Plan	$210.40	$282.40	$334.40
Traditional	$221.40	$307.40	$365.40
High Deductible	$201.40	$264.40	$304.40
Dental	$12.08	$42.08	$67.08

- 163 employees enrolled as of June 30, 2015

- Grandfathered Status



"Grandfathered" Status

- Plans that existed before March 23, 2010
- Mandatory changes included:
  - Removal of lifetime and annual maximums
  - Coverage for dependents to age 26
  - Removal of pre-existing condition exclusions
- Little to no flexibility

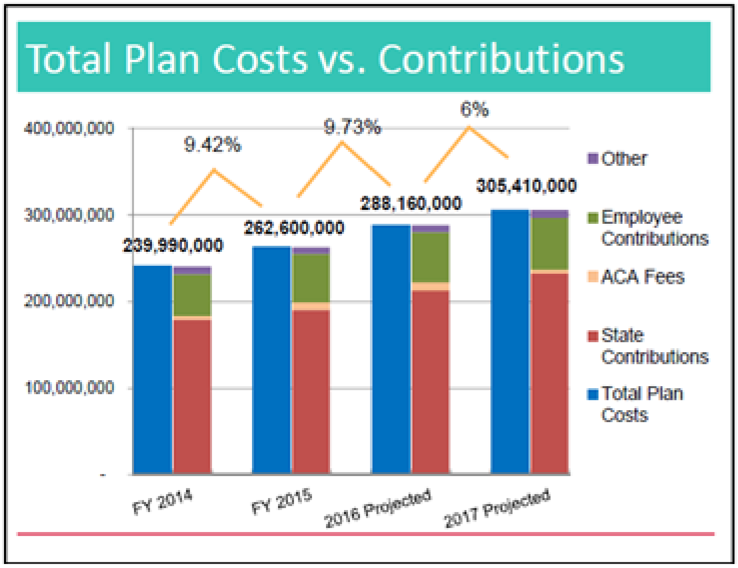
Plan Design Elements	Current	Increase Possible to Employee
Co-Payments	$20	$7.65 per visit
Deductible	$250 employee only $750 family	$70 employee only $211 per family
Co-Insurance	20%	$0
Employer Contributions	92%	1.63% still available to transfer
Benefits Package		No adverse changes allowed

When the ACA was enacted, Ms. Pike continued, administrators of existing health plans had 2 options—to implement all of the provisions of the ACA, or apply for "grandfathered status". In FY2012 the legislature determined the state apply for a grandfathered plan which meant it must accept certain limitations on cost-sharing passed on to employees. This has been one factor in the increase in the state's health care costs. If any adverse changes were to be made to these limitations, the state would lose its grandfathered status.

Should the state not have opted for grandfathered status, it would have had to implement more provisions of the ACA such as covering the full cost of some services (primarily preventative) with no cost sharing. In addition, it would not have been allowed to deny coverage for some clinical trials and would have had to allow for the same level of coverage for out-of-network emergency services, for example.

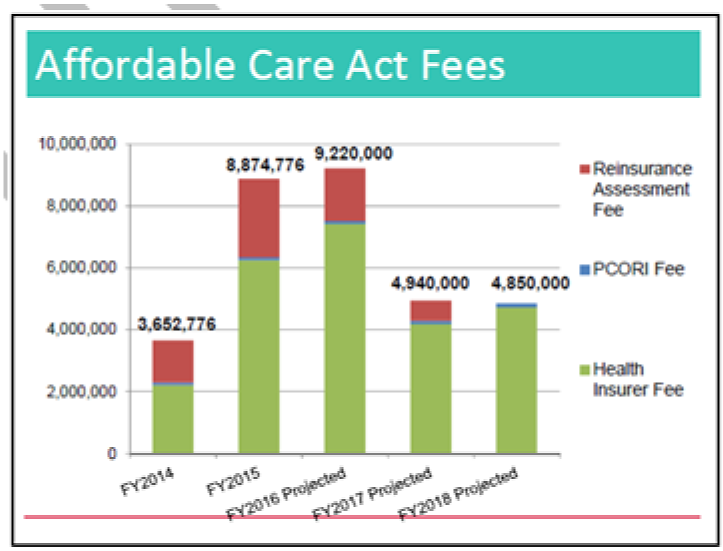
- OGI Funding

The blue bar on the slide below represents total plan costs, and the funding sources for those costs are represented by the adjacent multi-colored bar. The employee contributions include premium copays, deductibles, and cost-sharing. The purple section entitled “Other” is the Cobra and retiree contributions. It is projected that total costs will increase by 6% in FY17, she explained.



- ACA Impacts

Over the last couple of years ACA fees made up a large part of the plan increases. However, the recent Omnibus bill allows for a 1-year moratorium in 2017 on the Health Insurer Fee, which has been the most significant portion of ACA fees, as illustrated in the slide below. This calculates to a $4 million reduction in FY17 and possibly in FY18.



- Reserves

The state maintains a negotiated, contractual contingency reserve with Blue Cross. This is assurance that in the case claims and expenses exceed 100% of annualized premiums, the carrier will be compensated. As a result of having a certain level of reserves, the carrier does not assess a risk fee. Reserves also help moderate any premium increases and during years when there are less claims than projected, the state is able to build-up its reserve balance.

Reserve moneys are at risk. At this point, she anticipated, a balance of 10% of annualized premiums for next year is a safe reserve level, with the degree of unpredictability the state has experienced over recent years.

IN FY12 when the state was looking for all available funds, a decision was made to reduce the reserve obligation to the carrier from 10% to 5% of premiums, which freed up dollars. This, however, resulted in the assessment of a risk charge in the amount of $700,000. That year the state used excess reserve funds to absorb premium increases rather than pass them onto employees, she said. In FY16, in consultation with the Division of Financial Management and Legislative Budget Office, the decision was made to return to the 10% contractual reserve and by doing so the state has avoided the risk fee.

Because insurance costs have been so volatile, she pointed-out, it is projected that FY16 will end in a deficit heading into the FY17 contractual reserve requirement of approximately $13 million. The Governor has recommended a $13 million transfer from the General Fund for the reserve. In the past, the state had an actuarial reserve in place in addition to the 10% contractual reserve. This equated to a 90% confidence level, a probability that only once every 10 years the reserve may be depleted. Right now the reserve is at a 50% confidence level which means that the reserve could be depleted every other year. (Correction from Ms. Pike – the current reserve level is closer to 85% not 50%)

Finally, she reported that the Governor's recommended per-employee appropriation for FY17 is $12,240. This is a 9.3% increase over last year. This increase to the state would allow state employee premiums to remain the same.

- Talking Points

At the request of the Legislative Services Office, Ms. Pike set forth options for future consideration:

  - Acquire a third actuarial report during the year for a more accurate projection.
  - Return to the 90^{th} percentile actuarial reserve level which would be $36 million for FY17. With the $13 million supplemental, another $10 million would be necessary. If funds are unavailable, she said, the state's actuary could develop a plan to phase in that level of reserve over time. In response to a question from Representative King, Mr. Reynolds explained reserve funds are maintained both in cash, and as investments in the state's Idle Fund Pool.
  - Eliminate Tier 2 coverage
  - Drop "Grandfathered" status which would provide greater flexibility in cost sharing and premiums but would increase the total plan cost by approximately $2 million due to the cost of having to implement

additional ACA requirements. Once the "Grandfathered" status is relinquished, she said, it can never be re-established.

- Self-fund, which was explored in FY13. A change-over to this type of plan would most likely result in cost savings over the long run, she said, but it would result in significant structural changes and increases to administration functions.
- High Deductible/Health Savings Accounts and Voluntary Employee Benefit Associations have also been considered, she added. Both offer a potential for savings and flexibility; however, without significant changes in premium structure it would be difficult to persuade employees to change over to these types of plans.

Chairman Geddes noted the state is looking at every opportunity to minimize the growth of insurance costs while understanding that in many instances those increases cannot be controlled. If one day the Cadillac Tax is imposed on the state's group insurance system, policy makers will need to take a hard look at the state's total benefits/compensation program.

Mr. Humiston asked that a set of the presentation slides be provided the committee members.

GENERAL BUSINESS

Outreach and Communications

The Committee was provided the January edition of the Benefits Focus newsletter.

Ms. Pike reported that she continues outreach efforts to customer agencies meeting with management and human resources staff. Staff also continues to provide training for large groups and one-on-one.

Outreach and Communications

The Committee agreed to meet next on April 5th, August 30th, and December 13th.

ADJOURNMENT

Representative King moved and Mr. Humiston seconded that the January 11, 2016 meeting of the Group Insurance Advisory Committee be adjourned at 3:35 p.m. The motion passed unanimously.

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Diane K. Blume, Program Specialist
Department of Administration