

## **GROUP INSURANCE ADVISORY COMMITTEE (GIAC)**

Meeting Minutes

August 30, 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 1:30 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

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

Greg Barthlome, Personnel Technician, Office of Group Insurance

Susan Buxton, Administrator, Division of Human Resources

Sharon Duncan, Bureau Chief, Division of Human Resources

Robyn Lockett, Analyst, Legislative Services Office

Audrey Musgrave, Deputy Controller, State Controller's Office

Doug Toschi, Propel Insurance (via telephone)

Tyler Kapfhammer, Propel Insurance (via telephone)

Diane Blume, Program Specialist, Department of Administration

### **APPROVAL OF MINUTES**

**MOTION:** Representative King moved and Senator Martin seconded that the minutes of the April 12, 2016 Group Insurance Advisory Committee meeting be approved as written, with grammatical modifications as requested. The motion passed unanimously.

### **UPDATE ON TRANSITION TO NAVIA – FLEXIBLE SPENDING ACCOUNT (FSA)**

Ms. Pike explained the contract for the state's FSA provider with Stanley Hunt Depree and Rhine expired the end of June. July was a transition month with the new provider, Navia Benefit Solutions. There were 3,600 enrollees in the FSA program this year which is more than ever before, she said. About 90% enrolled in the Medical FSA and 10% in the Day Care FSA. She complimented the State Controller's Office for its help in processing all of the enrollment applications.

### **FY16 PLAN YEAR WRAP-UP**

She provided a handout of year-end financials as of June 30<sup>th</sup> illustrating all claims submitted and paid-out with projected and actual balances. For the medical plan, total projected premium paid to Blue Cross of Idaho plus a 10% contingency reserve was about \$261.68 million compared to the \$241.8 million that was actually incurred in claims, fees and taxes. About \$4 million of reserve funds were utilized; reserves were also used in FY15. Although reserve funds were not

exhausted, the department requested a transfer of \$13.1 million from the General Fund to the Group Insurance Reserve Fund last year. Now, going into FY17 the reserve fund is in a positive position, she said.

Active enrollees were 18,571 in FY16, similar to that projected; active dependents were 27,362. COBRA enrollees totaled 79 with 33 dependents, and retiree enrollees were 792 with 200 dependents. The retiree amount has been decreasing slightly due to the fact that state employees are working longer and/or receiving coverage elsewhere, Ms. Pike suggested.

The state's medical appropriation amount per employee for FY16 was \$10,942 and with dental included was \$11,200. The state's actuary, Milliman, does a calculation at the end of the year identifying the actual cost per employee, she said, and for FY16 it was \$11,954. Mr. Toschi noted the difficulty in projecting utilization of health insurance, as well as the number of large claims over \$100,000. Additionally, he said, prescription drugs have gone up in cost well over expected trend.

Dental claims are more predictable, Ms. Pike continued. Projected as the state's maximum obligation was about \$13.41 million which included a 10% contingency. Incurred claims in FY16 was about \$11.11 million, and with taxes and fees total expenditures were nearly \$12.1 million. Projected expenditures were \$12.18 million. No dental reserve funds were utilized. Enrollment numbers were 18,563--close to that projected. The appropriation per employee for dental was \$258, and the cost per employee was calculated at \$250.

#### **MILLIMAN JUNE 2016 PROJECTIONS**

Ms. Pike presented an executive summary of the most recent actuary report by Milliman. This information is shared with the Division of Financial Management (DFM) and the Legislative Services Office for preparing the state's FY18 budget. These projections take into account the current cost share between the state and the employee, and reflect no changes to the plan structure. They also include a scenario whereby the health insurance continuation for those employees on disability is concurrent with the timeframe for short term disability. To be concurrent, the health insurance continuation plan would change from a 30-month maximum to a 6-month maximum. (This topic is discussed in more detail later in the meeting.) In FY17, she continued, the state realized the benefit of a one-year moratorium of the Affordable Care Act (ACA) fee, so that fee will be reintroduced in FY18 and is also reflected in the projections. Further, the state's grandfather status is maintained, and a 10% reserve factor applied. Therefore, the initial projection for FY18 medical plan costs for active employees and retirees is \$339.28 million, she said. For projection purposes, the number of employees and dependents enrolled on the plan is typically increased by 1% annually.

Subsequently, DFM has initially recommended a per-employee appropriation amount for FY18 at \$13,460; however, if the health insurance continuation duration is changed from 30 months to 6, as discussed prior, the appropriation per eligible employee would be reduced to \$13,400. The Legislature's Joint Finance-Appropriation Committee will make the final budget decision on the appropriation amount.

#### **FY17 JULY FINANCIAL UPDATE**

With one month into the new fiscal year, Ms. Pike presented current financials for both the medical and dental plans. She said year-to-date expenditures for medical is nearly \$21 million compared to about \$16.73 million at this time last year. Reserve balance is approximately \$33.36 million compared to about \$21.09 million last year. Required reserves

for FY17 is \$26.27 million so the state is in a positive balance going into FY17. Going into the new year there were 18,550 active enrollees and 27,365 dependents compared to 18,340 and 26,866 last year; retiree enrollment is down from 835 last year to 785 this year. For FY17 the state's appropriation for medical cost per employee is \$12,012.

Year-to-date expenses for dental is about \$1.32 million compared to about \$1.25 million at this time last year. Reserve balance going into FY17 was approximately \$1.71 million and it is projected the state will need about \$1.22 million. There are more Cobra enrollees on the dental plan than the medical plan, she noted. The appropriation per eligible employee for FY17 for dental is \$228. Mr. Toschi interjected that Idaho's maximum benefit amount for dental is \$1,000, but the standard is closer to \$1,500. Idaho has lagged behind on this maximum benefit amount for the last few years.

### **DISABILITY HEALTH INSURANCE CONTINUATION DISCUSSION**

For discussion purposes, Ms. Pike proposed to the Committee that the timeframe available for the health insurance continuation program be reduced from 30 months to align with short-term disability timeframes of 6 months. Besides making the two consistent, it would also be fiscally responsible for the state to do so, she said.

Premiums for the state's Basic Life Insurance policy is employer paid. It includes short and long term disability programs for employees who experience a disabling illness or injury that prevent them from working. The disability benefit: 1) is a financial benefit that can offset a portion of lost income up to the age of 70; 2) continues basic life insurance coverage at no cost to the employee up to the age of 70; and, 3) includes a health insurance continuation program that is administered by OGI.

From the date of disability, an employee with an open claim currently has the option to continue medical/dental coverage for self and family in the active employee group plans for up to 30 months. The employee and employer premium cost split remains the same—the state pays \$1,001 a month for medical premium for the employee and the employee pays \$47. Even if no longer employed by the state, the individual can still self-pay the same employee share of premiums for coverage under this current program.

She illustrated that in FY16 the state-paid medical and dental premiums for health insurance continuation was over \$1.48 million but the actual medical, prescription and dental claims paid were about \$5.71 million. The state's health insurance funding model is designed to use premium dollars to pay claims and administration fees, which is not the case with the health insurance continuation program. The difference is being made up somewhere else, she said. Aligning the timeframes to 6 months beginning July 1, 2017 has the potential to save the state at least \$1.13 million in premiums alone in FY18. (Consequently, the state's appropriation per eligible employee per year for group insurance would be reduced by \$60.) With no change to the business practice of continuing health insurance for individuals on disability, the state's liability for the employer share of premiums will continue to increase each year as costs for healthcare, taxes and Affordable Care Act (ACA) fees continue to go up, she said.

The state's 30-month health insurance continuation timeframe was established in the mid-1990's, but the industry standard for providing health insurance continuation for individuals on disability is closer to 6 months, she said. At the conclusion of these 6 months, individuals no longer employed by the state do have alternative options for health insurance coverage. They may be eligible for COBRA medical or dental coverage for a period of time, or they may meet

the eligibility requirements for the state's group retiree medical plan. Should their eligibility for a group medical plan end, individuals may then be eligible for a subsidy through the Health Insurance Exchange.

Currently, Ms. Pike said, there are about 1,000 employees on the state's disability program and about 200 of them have exceeded 6 months. Even if an employee's health insurance continuation were to stop after 6 months, the financial disability benefits and the basic life policy will continue up to age 70 or until the claim closes. Furthermore, if the change to 6 months were to be made, individuals with a disability prior to July 1, 2017 would be grandfathered into the 30-month health insurance continuation option.

Representative King inquired about the types of disabilities associated with the 200 individuals who have extended beyond the 6-month timeframe. Ms. Pike agreed to provide some general categories of information to the committee. Senator Martin expressed that the reduction of 30 months to 6 months seems like a big change. Ms. Pike indicated this proposal is for discussion only, but it is the industry standard. She added that the Legislative Interim Committee on State Employee Group Insurance and Benefits, the Change in Employee Compensation Committee, as well as the Governor's Office may be broaching this proposal as well. Director Geddes indicated this is all part of maintaining a competitive compensation packet and striking a balance in how we spend our benefit moneys.

Ms. Patterson inquired about the savings in claim costs as a result of moving to the 6-month timeframe. Mr. Toschi said that a very rough estimate would be calculating 95% of paid premiums and for FY16, for example, claims could have been reduced by about \$1.41 million. Ms. Pike reminded the group that this savings would be in addition to premium savings, which was identified at \$1.13 million for FY18.

Ms. Patterson also inquired whether the Health Care Exchange could be an affordable option for individuals who extend beyond the 6-month period. Ms. Pike indicated she has rates for three levels of plans offered through Blue Cross that she will forward to the GIAC members for their information. Mr. Toschi cautioned that even knowing these rates, there would be no way of identifying individual subsidy amounts relative to the premiums in the exchange.

## **SICK LEAVE FUND**

At its last meeting the committee asked Administration to research options for enhanced use of the Employee Sick Leave Fund, and to report back at its next meeting, Mr. Reynolds said. This request came about as a result of retirees who pointed out that because unused sick leave funds are available for use only with employee-sponsored plans or for very specific Medicare supplement plans that they were unable to use what they felt was a benefit they had earned.

Administration is responsible for governing retiree health insurance plans with advice from this committee; however, the trustee of the plan is PERSI, he said. Idaho code states that sick leave can be used by the PERSI Board to pay premiums as permitted, and subject to applicable federal tax laws and limits for such health, dental, vision, long term care, prescription drugs, life insurance programs. Upon research, he said, it was discovered that the only use of sick leave funds that did not appear to have tax implications were when used toward the continuation of an employer-sponsored health plan.

He and Ms. Pike met with the Deputy Director of PERSI and the Deputy Attorney General assigned to that agency who indicated the question posed is a complicated IRS issue and it would be very costly to get an opinion. They also pointed out that use of the fund falls within statute pertaining to the Division of Human Resources; consequently, the question should be posed to that agency.

A meeting with the Administrator of Human Resources, Susan Buxton, ultimately led back to PERSI, he continued. Ms. Buxton commented that according to statute, the PERSI Board has the fiduciary responsibility over the fund and therefore is the entity to determine use of those funds. Mr. Reynolds added that the fund has been in existence for almost 20 years and clarification of its use is timely. Further restricting use of the fund is the fact that state employees hired after 2009 will not have access to the state's retirement health plan at all upon retirement. Chairman Geddes expressed his belief that employees have earned a benefit and there should be a way for the state to accommodate the utilization of that benefit.

Mr. Reynolds suggested an official request be sent jointly from the Division of Human Resources and Administration, on behalf of the Group Insurance Advisory Committee, to the PERSI Trustees to research just how that fund can be used. An estimate for the research is \$15,000 to \$25,000, he added. This could be considered an administrative cost and consequently funded through the Employee Sick Leave Fund.

**MOTION: Senator Martin moved and it was seconded that the committee authorize the Department of Administration and the Division of Human Resources, on behalf of the Committee, to formally request that the PERSI Trustees research the legality of retirees' use of their unused sick leave for benefits other than the state's group medical plan, and identify any tax implications that may apply, and that it request approval from the Trustees that costs incurred in the research be funded out of the sick leave account trust pursuant to Idaho Code 67-5333 section 2 (c), and to report back to the Committee. The motion passed unanimously.**

#### **NEW OFFICE OF GROUP INSURANCE WEBSITE**

Ms. Pike announced that the OGI website has been updated to be more intuitive for its users. She encouraged the members to visit [www.ogi.idaho.gov](http://www.ogi.idaho.gov)

#### **Upcoming Meeting Schedule**

The next meeting of the Committee will be December 13<sup>th</sup> at 1:30 pm.

#### **ADJOURNMENT**

**Motion: Senator Martin moved and it was seconded that the August 30, 2016 meeting of the Group Insurance Advisory Committee be adjourned at 3:10 p.m. The motion passed unanimously.**

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Diane K. Blume, Program Specialist  
Department of Administration