GROUP INSURANCE ADVISORY COMMITTEE (GIAC)

Meeting Minutes
March 13, 2019

A meeting of the State Group Insurance Advisory Committee was held on this date in the LBJ Building, Room #B-09, 650 W. State Street, Boise, Idaho. Keith Reynolds, who sat in for Chairman Mooney, called the meeting to order at 1:20 p.m.

Members Present:
Keith Reynolds, Deputy-Director and CFO, Department of Administration (DoA)
Dick Humiston, State Retiree Member
Roxanne Lopez, Human Resource Manager, State Tax Commission, Employee Member
Andrea Patterson, Human Resource Manager, Judiciary Member
Senator Fred Martin (until 1:55 pm)

Absent and Excused:
Bryan Mooney, Director, DoA and Committee Chair
Representative Brooke Green

Others Present:
Jennifer Pike, Administrator, Office of Group Insurance (OGI)
Tyler Kapfhammer, Director of Analytics/Consultant, Propel Insurance
Stephanie Wright, Blue Cross of Idaho
Kevin Nielsen, Blue Cross of Idaho
Susan Buxton, Administrator, Division of Human Resources (DHR)
Cindy Dickinson, Benefits Manager, OGI
Jill Randolph, Analyst, Legislative Services Office
Karen Thiel, Human Resource Officer, DoA
Scott Smith, Deputy Controller, State Controller's Office (SCO)
Sharon Duncan, Bureau Chief, DHR
Shawn Miller, Executive Director, Boise State University
Stephanie Baird. Regence BlueShield of Idaho
Diane Blume, Program Specialist, DoA

APPROVAL OF MINUTES

MOTION: Ms. Patterson moved, and it was seconded by Mr. Humiston, that the minutes of the November 27,2018 Group Insurance Advisory Committee meeting be approved as written. The motion passed unanimously.

RFP DISCUSSION

Mr. Reynolds remarked the department has been working toward remarketing the group medical plan for about a year in conjunction with the Legislature and its Employee Group Insurance and Benefits Interim Committee. Once programming costs were finally considered for the Controller's Office to accommodate potential new carrier(s) or changes to the plan because of remarketing, it became evident that reprogramming the old payroll system would be next to impossible. That system was designed in Cobol and there are very few Cobol programmers around anymore, he said. In addition, all employees in the Controller's Office are focused on implementing a new ERP system, which is currently under development.

In discussions with the Governor's Office, he said, enhancements were identified which could be made to the current plan for its FY20 renewal that support recommendations from the interim committee, without going through the remarketing process. These potential enhancements were discussed with Health and Welfare Director Dave Jeppesen, Department of Insurance Director Dean Cameron, DHR Administrator Susan Buxton, and Division of Financial Management Administrator Alex Adams. Each of them confirmed that the proposed changes to the plan are a step in the right direction and agreed they should be brought to this advisory group for review. He said some changes would be made behind the scenes and some would be benefit enhancements for the employee.

Nevertheless, he said, there is intent language in the department's appropriation bill that directs the department to continue its work on a remarketing RFP for implementation as soon as is reasonably possible through the Controller's Office new ERP system.

FY19 PLAN YEAR STATUS AND FINANCIALS

Ms. Pike provided a financial report for the **medical plan** as of January 31st, which is just over half way through the plan year. About 56% has been expended, nearly $150 million, of the amount projected by Milliman for the entire year. The reserve balance exceeded $65.8 million, which is about $40 million over what is contractually required. There were 18,756 employees enrolled in the plan with 27,976 dependents; 697 retirees with 194 retiree dependents; and, 115 employees on Cobra with 48 dependents. Compared to last year at this time, she said, the state is roughly at the same point with expenditures at about $145 million in FY18. Reserves, however, were more significant last year at over $83 million which led to the premium holidays during this plan year. Enrollment increased by about 1% for actives and their dependents, and as expected, the number of retirees reduced slightly as eligibility decreased.

Milliman projected the FY20 numbers on the basis that no changes would be made to the plan. Total claims and costs are estimated at about $300 million and the reserve is requirement is just over $29.6 million. Costs are going to continue to increase each year unless the state takes steps to address them and educate employees on their ability to reduce expenses, she said.

Senator Martin inquired about the percentage of enrollees who might be eligible for the subsidized gap coverage. Ms. Pike indicated that a very small percentage might be eligible—mostly part-time employees would be impacted.

The **dental plan** is funded much the same way as the medical program, she continued. Roughly $7.4 million has been spent as of January 31st which is about 60% of Milliman's annual projection. The reserve is about $1.8 million with the required amount at $1.25 million. Active employee enrollment is the same as the medical plan, but its voluntary for dependents (enrollment was 26,356). There were 151 cobra enrollees and 62 cobra dependents. Expenditures for the dental program is consistent with that spent at this same time last year. Last year the reserve was $2.8 and because of the premium holidays, was reduced to $1.8 million. Milliman projects $13.24 million in expenditures in FY20 and a reserve of $1.32 million. Both plans are very financially healthy right now, she added.

The medical and dental appropriation this year per employee was $11,650 and the same amount is being appropriated per employee for FY20. This will also help the state draw down the reserve a bit, she explained. Mr. Reynolds pointed out that the actual medical cash cost per employee in FY19 is estimated at $12,726. Total increase in costs from FY18 to FY19 is 3.7%, he said, which is roughly half the national trend. Ms. Pike added that FY18 expenses included health care reform fees but FY19 expenses do not. It is unknown whether the fee will be assessed in FY20, but it has been budgeted and if not expended will be deposited into the reserve account.

FY20 Renewal

Ms. Pike explained much discussion has gone into how the state can enhance its benefits package while containing costs. Consequently, staff has compiled recommendations to be included in the plan's FY20 renewal, beginning with the most notable--**relinquishment of the state's grandfather status**. There was a time when the grandfather status was beneficial to the state but by now repercussions are so minimal that it would benefit the state to not be grandfathered. For example, it will remove barriers to care and plan management, she explained. It will allow 100% coverage of all preventive services including pediatric vision, and all out-of-pocket (OOP) expenses would accumulate toward the medical OOP maximum. This recommendation would add a cost of about $900,000 of claims to the plan each year.

Another benefit of this recommendation would allow the state to design a plan that begins to catch-up with market, she said. Most plans have shifted to a four to six-tier pharmaceutical plan. With more expensive drugs on the market, the tiered formula incentivizes enrollees to seek more cost-effective options. Recommended is a **four-tier pharmaceutical formulary** to include generics with a $10 copay, preferred drugs at $30, non-preferred drugs at $60, and specialty drugs at $100. By having no grandfather status, the state is now required to implement an OOP maximum for pharmacy, and a maximum of an annual $2,000 is proposed. This recommendation is estimated to save the plan about $1.9 million annually.

Musculoskeletal (MSK) is the largest expense to the plan, she said, and includes such things as spine, neck, and knee surgeries, for example. Idaho has a very high utilization of this treatment and proposed is a **second level of preauthorization** to gauge whether surgeries are necessary. This will encourage other methods of healing such as physical therapy. Implementation will provide an annual $1.9 million cost avoidance for the state. **Physical therapy benefits will also be increased** from 20 visits per year to 40 at a cost to the state of about $800,000 per year.

The annual **maximum for dental will be increased** to $1,500 which will bring the benefit closer to market, at a cost to the state of about $900,000 annually. This is another example of investing in our employees, she said.

It's also proposed that **deductibles be increased** since they have not changed since 2004. A single enrollee deductible would increase by $100 and family by $200. Annual savings to the state is estimated at $2.5 million. Premiums will only experience an inflationary increase of anywhere between $5 and $25 depending on the plan type and number of enrolled dependents, and the premium percentage split between the state and the employee will remain at 92/8, she said. Maintaining the percentage is a recommendation by the CEC committee as well as meets the intent language in Administration's appropriation bill.

The state's current High Deductible Health Plan has low participation and is not **Health Savings Account (HSA) eligible**; however, by relinquishing the grandfather status, it can now be made HSA eligible. The state does not have the ability nor funding to contribute to the HSA at this time, but it will allow employees to set up their own HSA or use an existing HSA for health care expenses. Premiums for that plan would decrease by approximately 50%, she said, and will align the benefit with market.

Last year this committee approved the implementation of telehealth. Utilization of the benefit is low she said, most likely because the copay for telehealth is the same as a doctor's office visit on the PPO plan. Therefore, the **telehealth copay is being recommended to be reduced from $20 to $10 for the PPO plan;** savings to the state is about $200 per doctor's visit. Total state savings can be calculated after about a year, she said.

Hypertension Self-Management Program is a self-engagement support and education that will be available on the portal. There is no cost to the plan and it is difficult to quantify any savings, but hypertension can lead to many other health problems, she said.

Besides enhancements reviewed thus far that employees will see, there are four proposed behind-the-scenes initiatives to reduce costs. The interim committee placed a lot of emphasis on **value-based care** and getting away from fee for service contracts, she explained. In this scenario, employers pay providers based on outcomes, utilization management, and member experience. Blue Cross has a performance-based payment system in place that incentivizes providers to become more engaged with patients and look for ways to better coordinate services at more cost-effective prices. If this method can beat the cost trend by even 1%, she said, it has a potential to avoid about $2.5 million in costs annually. There would be less overall OOP expenses to members as well as cost savings to the plan. Ms. Patterson inquired if this plan would discourage physician participation and Mr. Nielsen responded that this plan will promote growth in participation with primary care physicians and is a strategic move in Idaho to investment in doctors and grow them. He said Blue Cross has operated a similar program with Medicare advantage for over 10 years and it has performed well and is performing well with individual plans on the exchange.

Another enhancement, Ms. Pike continued, is **medical drug benefit management**. The state had been receiving drug rebates in pharmacy settings but not in hospitals. Blue Cross is initiating a program that will enhance rebate opportunities that could result in an annual savings of $750,000. It also has a **new audit system** that verifies whether charges are necessary and whether they are coded incorrectly by a third party causing incorrect payments. This could save an additional $1.9 million annually.

Finally, a new system is available for the carrier to **audit claim and billing and coding practices** to find anomalies and bring them to the attention of providers. All these enhancements are changes to how health care is being delivered, how the state's plan is performing, and what is available to employees, she said. Of the 20 recommendations provided by Mercer through the legislative interim committee, the state can now implement about 10 of them. Overall net savings to the plan by incorporating all recommended enhancements presented today is estimated to be $8.9 million annually.

Ms. Buxton indicated as far as the market goes, it doesn't seem to be unreasonable to increase the deductibles slightly, especially since they have not been increased since 2004. The proposed plan supports comments she and others made to legislators that the percentage split of premiums between the state and employees will remain the same. This plan will be part of the overall compensation package designed for employees for FY20. Ms. Randolph recommended outreach to all subgroups and germaine committees of the legislature to make sure they are aware of the plan renewal design. Ms. Pike indicated that Blue Cross and the office of Group Insurance will also engage in a robust communications effort to educate employees and retirees about FY20 enhancements.

Ms. Patterson commented on the positive changes presented but expressed a desire that in the future an effort to change underlying behaviors be considered. Ms. Pike replied that Blue Cross is working on strategies to consider in the next tier of enhancements. This was also a recommendation from Mercer, Mr. Reynolds added.

Ms. Patterson echoed an earlier comment made by Ms. Buxton that any future changes that impact cost sharing between the state and employees be part of a bigger discussion involving overall compensation. Ms. Buxton reiterated that the employee survey resulted in an overwhelming message that all categories and levels of state employees are worried about being able to afford quality health care for their families.

MOTION: Mr. Humiston moved, and it was seconded by Ms. Patterson that the committee approve adoption of the renewal package that results in a net savings of about $8.9 million. The motion passed unanimously.

OTHER BUSINESS/PROPOSED MEETING SCHEDULE

Proposed meetings of the Group Insurance Advisory Committee for the remaining of 2019 are as follows:

Thursday, July 18th at 2:00 pm
Tuesday, November 19th at 2:00 pm

ADJOURNMENT

MOTION: Ms. Patterson moved that the March 13, 2019 meeting of the Group Insurance Advisory Committee be adjourned at 2:45 p.m. The motion passed unanimously.

Diane K. Blume

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Diane K. Blume, Program Specialist
Department of Administration