

GROUP INSURANCE ADVISORY COMMITTEE (GIAC)

Meeting Minutes
December 13, 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 1:35 p.m.

Members Present:

Robert L. Geddes, Director, Department of Administration and Committee Chair
Senator Fred Martin
Representative Phylis King
Dick Humiston, State Retiree Member
Roxanne Lopez, Employee Member

Absent and Excused:

Andrea Patterson, Judiciary 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
Danielle Miller, Personnel Technician, Office of Group Insurance
Susan Buxton, Administrator, Division of Human Resources
Sharon Duncan, Bureau Chief, Division of Human Resources
Gideon Tolman, Analyst, Division of Financial Management
Robyn Lockett, Analyst, Legislative Services Office (LSO)
Jen Callahan, Payroll/Human Resources Coordinator, State Controller's Office
Diane Blume, Program Specialist, Department of Administration

APPROVAL OF MINUTES

MOTION: Senator Martin moved and Representative King seconded that the minutes of the August 30, 2016 Group Insurance Advisory Committee meeting be approved as written. The motion passed unanimously.

FINAL CONCLUSIONS OF THE STATE EMPLOYEE GROUP INSURANCE AND BENEFITS INTERIM COMMITTEE

Ms. Pike explained the State Employee Group Insurance and Benefits Legislative Interim Committee held its last meeting of the year in November; subsequently, it published a final report. She described the six recommendations listed in the report, below:

1. The Speaker and Pro Tem promptly authorize the employment of a consultant to advise it in the area of employee health benefits.
2. With the goal of reducing the projected health care cost increases, the consultant be directed to:
 - a. Make a recommendation to the committee regarding an operating platform:
 - i. Continue to operate as a fully insured entity; or,
 - ii. Change to a self-funded operating entity with or without exemption from Chapter 40, Title 41, Idaho Code;
 - b. Make a recommendation to the committee as to a type of healthcare benefit plan:

- i. Consumer-driven plans including Health Savings and other high-deductible health plans (with an option of pairing with direct primary care for willing beneficiaries);
 - ii. Managed care plans;
 - iii. Accountable care organization plans; or,
 - iv. Other health benefit plans not listed above that meet the committee's following goals. Any recommended plan should be a model of:
 1. value-based provider reimbursement;
 2. financial ability to be assumed by the health care delivery system to the extent possible; and,
 3. patient-centered care with a toolbox full of tools for patient engagement, education and satisfaction.
3. The consultant's recommendations should include evidence-based implications regarding costs and workforce impacts of the available choices.
 4. In order to facilitate the recommendations of the committee, the consultant should review and make recommendations regarding potential changes to state statutes, rules and policies that would promote a more competitive environment, reduce regulatory burdens and decrease the costs of healthcare and providing health benefits.
 5. While it seems prudent *at this time* to retain grandfathered status under the Affordable Care Act, the committee feels that all health care benefit arrangements should be considered, regardless of whether they would result in the loss of grandfathered status.
 6. The Legislature should reauthorize the State Employee Group Insurance and Benefits Legislative Interim committee to meet in 2017 in order to work with the consultant and prepare any necessary legislative changes for the 2018 Legislative Session.

Director Geddes expressed satisfaction with the level of engagement by the committee. With the level of uncertainty in the healthcare environment he agreed it would not be prudent to make new design recommendations for the state's group health care program at this time. The department has historically employed the expertise of consultants; nevertheless, the committee will seek an appropriation to hire one on its own next year for further review. Findings will be addressed when the committee meets during the next interim. He anticipates the committee will also address compensation at that same time.

FY17 FINANCIAL UPDATE

Ms. Pike provided handouts of the financial status of both the medical and dental plans as of November 30th. **For medical**, she said, total claims were nearly \$97 million representing about 36% completion of the plan year. This is about where expenses were last year at this time, she said. Offsetting the fact that there have been less claims this year was the reintroduction of some federal taxes and fees. The ending reserve balance was \$42.4 million which is a slight increase over last year due to reimbursement of the health care reform fees in the amount of about \$4 million. The reimbursement was a result of a federal moratorium of those fees that the state had paid throughout the year.

Enrollment in the plan is consistent with projections by the state's actuary, Milliman, with 18,462 active employees, 27,200 active dependents, 787 retirees, 213 retiree dependents, 79 COBRA enrollees, and 29 COBRA dependents. She noted that retirees will continue to decline due to statutory restrictions on eligibility.

The state's annual appropriation per person for medical in FY17 is \$12,012.

Dental claims are also less this year at over \$5.2 million. The ending reserve balance was nearly \$1.7 million. Enrollment numbers for active employees are the same as medical enrollees because active employees must enroll in the dental

plan. The difference comes with dependents, she said, where enrollment is optional. Individuals can also elect COBRA for dental separately from COBRA medical which is why there are more enrolled in dental than medical (157 and 84 dependents).

The state's annual appropriation per person for dental in FY17 is \$228.

FY18 PROJECTIONS

With the interim committee reviewing all available options for coverage, the department charged its actuary, Milliman, with providing four scenarios for future-year projections, Ms. Pike explained. It was asked to take into account the health insurance continuation reduction, which was discussed in prior committee meetings, and a possible shift of more premium costs to employees, for example. As a result, employee out-of-pocket costs would be highest for Options 2 and 4 (below), and the state's highest expense would be associated with Option 1.

Option 1 Scenario was status quo—the plan continues as designed going forward. The percent cost in state appropriation over FY17 would be 7.3%.

Option 2 Scenario includes a slight cost shift of an additional increase in premium for employees (beyond the inflationary increase). The percent cost in state appropriation over FY17 would be 6.8%.

Option 3 Scenario is the status quo plus the reduction in health insurance continuation from the current 30 months to a 6-month limit. The percent cost in state appropriation over FY17 would be 6.8%.

Option 4 Scenario takes into account both Options 2 and 3. The percent cost in state appropriation over FY17 would be 6.2%.

Only one projection scenario was done for dental. Projected total costs were \$13,180,000 for FY18 compared to \$12,210,000 in FY17.

There were several assumptions made in regard to the projections:

- There was no change to the medical and dental plan designs for active employees or retirees.
- Grandfathered status was maintained
- A 10% Contingency Reserve Factor assumed that no risk fee had been assessed to the plan.
- Projected contingency reserve amount needed for FY18 was \$29,750,000 for medical and \$1,320,000 for dental.

Another projection will be done in May, she said, and will take into account any changes that could be made at the federal level in regard to the Affordable Care Act. By then, however, agencies' budgets will have already been set using projected numbers the department previously provided to LSO.

SICK LEAVE FUND

Mr. Reynolds reminded the group that a question was posed by some retirees in regard to the cap placed on their use of unused sick leave toward other than employee-sponsored plans, or for very specific Medicare supplement plans. The retirees wanted to know their options for use of the benefit they feel they have earned.

Searching the code found that the state can use funds in the Unused Sick Leave Account for whatever it wants as long as it is subject to applicable federal tax law, he said, but the statute is not clear. At the last meeting this committee asked the department to submit a letter to the Public Employee Retirement System of Idaho (PERSI) asking for assistance in determining how funds can be used. However, its response did not answer the intended question.

The cost to hire an attorney to interpret the code is between \$25,000 and \$30,000. A general fund appropriation would be necessary if Administration were to finance the interpretation since funding for OGI comes from the health plan and thus, would not be an appropriate use those funds, he explained. However, PERSI does have administrative authority and perpetual appropriation to administer the Unused Sick Leave Account. He said he will meet with PERSI to discuss how the two entities can work together to accomplish an official opinion.

NEW LOCATION FOR THE OFFICE OF GROUP INSURANCE

Ms. Pike reported that in efforts to be more accessible to its customers, OGI will be moving into office space on the first floor of the Len B. Jordan Building sometime in January. At the same time, it will be reunited with offices of the Department of Administration. When this committee meets next in March, members will be able to tour the new office space. She also introduced the newest member of the OGI team who was in attendance—Danielle Miller, Personnel Technician.

UPCOMING MEETING SCHEDULE

The group agreed to meet during the following dates in 2017:

Thursday, March 16th, 2:30 pm

Thursday, July 20th, 2:30 pm

Thursday, November 16th, 2:30 pm

ADJOURNMENT

Motion: Representative King moved and it was seconded by Mr. Humiston that the December 13, 2016 meeting of the Group Insurance Advisory Committee be adjourned at 2:15 p.m. The motion passed unanimously.

Diane K. Blume, Program Specialist
Department of Administration