

**THE SCHOOL DISTRICT OF LEE COUNTY
MINUTES**

**Insurance Task Force Committee Meeting
HR Community Training Room
2855 Colonial Blvd. Fort Myers FL**

Thursday, April 4, 2013

Members Present

Steve Bowman
Lisa Brown
Leo Burt
Denise Carlin
Karen Cooley
Bonnie McFarland
Jamie Michael
Donna Mutzenard
Tommy O'Connell
Suzan Rudd
Rita Zazzaro

Members Absent

Shandra Backens
Rosemarie Bobbs
Mark Castellano
Ami Desamours
Leanne Migliore
Joe Pescatrice, Retiree
Liaison

Others Present

Tammy Martin, Aon Hewitt
Debbie Poole, Aon Hewitt
Lizzette Roman
Terri Roney

The meeting was called to order at 3:06 PM.

Ms. Bonnie McFarland noted that this meeting needs to end as close to 4:30 p.m. as possible as the District has cancelled all after school/evening activities due to inclement weather.

Approval of Minutes – March 7, 2013

Ms. McFarland reviewed the draft 3/7/13 ITF meeting minutes, and asked if there were any additions, deletions or corrections. None were requested. There being no changes to the minutes, Ms. Jamie Michael made the motion to approve the minutes of the meetings. Ms. Rita Zazzaro seconded the motion; motion passed unanimously.

Review of Health Plan Financials

Ms. Tammy Martin noted that February was another high claim month with almost \$6 million in claims. The updated projection is .3% below the 2012-13 budget and 1.2% above the 2013-14 budget. It was noted that all open enrollment figures are incorporated in the projections. The projected deficit for 2013-14 is the result of a high claim month and a substantial move from family coverage to employee only coverage.

Discussion was held regarding the new PPACA regulations rules pertaining to what the District must offer its employees, as well as the importance of offering an affordable plan to employees. Discussion was held on the number of employees who have realized they made an error during open enrollment. It was noted that this number is no higher this year than it has been in the past.

Ms. Martin reviewed the large claim report noting an increase of about \$1 million for the month.

Loss ratios were reviewed. The current YTD loss ratio is 94.4%, a reduction of 5.6% over last month's report. Overall loss ratio is 99.7%. Loss ratios per plan were reviewed. There has been no change in incurred claims and expenses by plan. Enrollment numbers are steady.

It was noted that claims for the last two months were high because the deductible year was extended and employees scheduled appointments before their new deductible kicked in. Claims should go down in April, May and June. At the ITF's request, Aon will prepare an analysis showing what employees are in which plan – by tier. Ms. McFarland noted that people with less than three children may have migrated to Healthy Kids as it costs less than what the District offers. Ms. Martin stated that this might be a good thing – if it decreases claims, noting that it is very common to find that it is the dependents (spouses and children) that drive the claims.

PPACA Update

Ms. Martin noted the exchange is now being called a marketplace. State exchanges will open in 2014. The subsidy, if given, will give employees so much money and the employees can choose the plan they want. If employees choose a more expensive plan, they will have to contribute more money. The platinum plan will be very expensive, but will be the Cadillac plan with a lot of copays. Costs of the exchange subsidies were reviewed. Ms. Martin noted that subsidies are increased yearly.

Ms. Martin informed the ITF that there is not a lot of difference between the State exchange and the Federal exchange. Each will have a toll-free hotline for consumers. It should be clear if you have a State or Federal exchange. There will be a multitude of plan choices to pick from and this will be difficult for some people. The application process was reviewed. October 1, 2013 will be the start of enrollment for millions of uninsured Americans. It will be on line. The process will be enormously time consuming and complex. The online application will take ½ hour to complete, the paper application will take an average of 45 minutes to complete. Pros and cons of the application process were discussed. Pros noted were that there will be someone available to help applicants, there will be no health questionnaire to fill out, and applicants won't be denied.

Ms. Martin noted that for their recent open enrollment, AON had an exchange for their employees to choose their coverage from. It was noted that when people are paying for their own insurance, they tend to choose a lower cost plan where their out of pocket expense is more. 39% chose higher deductible plans vs. 12% last year, 14% chose an HMO vs. 18% last year, and 47% chose a PPO vs. 70% last year. Ms. Debbie Poole noted that it will be important to compare information using the tools offered to make a decision on what plan to choose.

HSA Group Feedback

Ms. McFarland noted that last time the ITF met, she asked AON to price out a plan for an high deductible medical plan with an HSA (health savings account) for the District, and that we have now reached the point where the decision needs to be made on whether the ITF is in support of creating a high deductible medical plan with an HSA account. Ms. McFarland informed ITF members that she is not going to ask for a vote today, but asked that ITF members give her some feedback on their thoughts on offering a high deductible health plan in addition to the two current plans for the 2014 plan year.

An ITF member asked what percentage of employees currently uses the flexible spending account. It was estimated by Karen Cooley that about 2000 employees use the flexible spending accounts. It was noted that the flex spending would be used by employees with the 3769 or 5773 plan only, and the HSA will be for employees with the high deductible plan.

Details about the HSA plan were reviewed. Ms. Martin stated that the minimum deductible information is on page 14 of the March ITF meeting handout - \$1250 single, \$2500 family are the lowest the deductibles can be to qualify as an HSA. Out of pocket maximum can't be more than \$6250 single or \$12,500 family to qualify.

Ms. McFarland asked the ITF if they feel it is a good idea to offer an HSA plan to employees. It was discussed that it won't hurt anybody to offer it, and that it is a good idea. Retirees could use the HSA as long as they are under 65 years of age and not eligible for Medicare. It is a good idea to have a plan that will compete with the plans the exchange is going to offer to young people. Ms. McFarland noted that there will be a lot of design details to work out, but she would like to know whether the ITF would like to move in the direction of an HSA plan design at this time. There are a lot of types of HSAs and that won't be determined now, but the decision to move forward with an HSA needs to be made now and the work needs to begin now. It was noted that the HSA could be the default plan as it is the least expensive plan.

Ms. McFarland took a poll of all ITF members on their interest in offering an High Deductible Health Plan with and HSA to employees for the 2014-15 year, if they are committed to a serious evaluation of the design for a High Deductible Health Plan with HSA. All ITF members indicated yes, they are.

2013-14 Wellness Program Plan

Ms. Lisa Brown informed ITF members that an incentive program for the Wellness Program is being looked at, and Florida Blue has offered to share their incentive plan with the District. Ms. Brown stated that recently a proposal was brought to the ITF committee, and she is now bringing more detailed information back to the committee about the rewards proposal for wellness incentives. Ms. Brown informed the committee that she is not asking for a vote today, but would like to inform the committee on the incentive plan. She informed ITF members that several large companies are using incentives, and the incentives they use were reviewed.

Trends for the current medical plans offered by the District were reviewed, noting that the District will have to pay a 40% excise tax by approximately 2020. Trend, based on claims will determine when we meet that excise tax. Ms. Brown noted that she wants to put together a wellness plan that will help contain this trend. An attempt is made to keep medical plans at the board flex level so they don't cost employees anything out of pocket, and this has made the benefits a little less rich each year. There will come a point in time when doing that that will no longer be possible. At that point the only option will be to fund the rate increase and eventually shift the rate increase to the employee. If the focus is on health risks, that trend can be affected. 10-30% of costs can be contributed to health risks that are avoidable. The choice can be made to pay now with an incentive program and get some return. Last year the ITF agreed to spend \$3-4 million from reserves to avoid shifting the cost to employees via increased premiums, which provided no return. If the incentive plan is invested in, there would be long term cost containment and money would be given back to employees. Valuing employees increases employee morale, aids in recruitment and retention of employees, improves employee health, and improves absenteeism and productivity.

Ms. Brown noted that she is making this proposal as a one year proposal, after which an evaluation would be done on results. Her proposal is for incentive dollars not to exceed \$1 million, to come out of reserves. Employees would have the opportunity to earn \$100 per year. Based on research that shows a \$100 incentive will create participation in 40-60% of employees, the estimated total spend in a year would be \$400,000 to \$600,000. Florida Blue would manage the program at no additional cost. Ms. Brown noted she is also requesting additional funding from reserves in the amount of \$200,000 to fund additional wellness classes, as growth in class requests are expected with the incentives.

Ms. Brown noted that the current spend on employee wellness is 42 cents per employee per month. Under the proposed plan, to be eligible for incentives, an employee must:

Attend a health screening – this would be the entry point in order for any incentive to be paid.

Incentives would be paid out as follows:

\$50 if in the ideal body mass range

\$25 if in the ideal cholesterol ratio

\$25 if in the ideal blood pressure range

If an employee does not fall within the above ranges, there are other options for getting incentives:

\$25 if body weight is reduced 5% or more from prior year

\$25 or \$50 if engaging in classes that will help reach ideal ranges. With increased programming dollars, these classes will be taken to more locations.

Ms. Brown noted that she would work with payroll on the process to pay the incentives out to employees. The goal is to engage employees in the health risk appraisal process and in the classes. Long term data from the University of Michigan's Health Management Research Center illustrated an annual increase of 12.6% in medical costs for employees participating in 0-1 screenings over a 10 year period. Employees completing 2 or more Health Risk Appraisals over a 10 year period experienced annual increases in medical costs of only 4.2%. High body mass index and body weight indicate risk factors for other health issues. Reducing the number of obese employees by 5% would result in \$2.8 million savings to the medical plan in the first year. For year 2, the savings would be \$3 million.

Ms. Brown informed ITF members that her presentation today is for information only, and there will be further discussion at the May 2nd ITF meeting, including discussion with Florida Blue. At that time she will ask for a vote.

It was requested that Ms. Brown send ITF members her PowerPoint presentation.

Ms. McFarland noted that the health fund reserve is at a comfortable level at this time. If approved by the ITF and the Board, this incentive program will give money back to employees. The incentive plan would be designed over the summer and rolled out at the start of the school year. Payouts would be on an ongoing basis throughout the year, and Health Risk Appraisals would be offered throughout the year.

Ms. Brown shared that Florida Blue has three pages of choices for employees to participate in to earn points, or incentive dollars, but it is best to start small and simple. If successful, activities can be added later.

It was discussed that the \$100 incentive payment could go in an employee's Health Savings Account in the future, but that will not be possible this year, as the HSA won't be implemented until the following year.

An ITF member commented that she would like to see every employee get that \$100, however privacy would be a concern if the school district's system is hacked into. Ms. McFarland informed the group that the District will not receive personal health information on employees. The only information the District will get is a report on points earned by employees – no information on why or how the points were earned. Aggregate data only will be shared with the District from Florida Blue. Florida Blue will retain all personal information and they are fully HIPPA compliant.

Ms. McFarland reviewed that a vote will be asked for at the next meeting. She asked ITF committee members to please take the incentive plan information, review and discuss it, and email her or Ms. Brown with any questions or concerns, which will be discussed at the next meeting.

SPALC noted that they will not be in agreement with this if they don't feel they can support it. If they feel there is a chance they will be outvoted they would request an interest based process on this. They aren't saying that is where they are going, but want the ITF to know that it may be a possibility.

Ms. McFarland reviewed that if the program is not successful, it would not be continued for an additional year. She stated that she is happy to meet with anybody who has questions.

Dr. Denise Carlin thanked Ms. Brown and Ms. McFarland for bringing this incentive plan forward and for their efforts in putting together a plan that is proactive in bending the trend.

Good of the Order

None

Adjournment

The meeting adjourned at 4:46 p.m.