

**THE SCHOOL DISTRICT OF LEE COUNTY  
MINUTES**

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

**Thursday, January 8, 2015**

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Members Present

Shandra Backens  
Steve Bowman  
Leo Burt  
Mark Castellano  
Karen Cooley  
Bonnie McFarland  
Jamie Michael  
Leanne Migliore  
Donna Mutzenard  
Heather Parker  
Joe Pitura  
Angela Pruitt  
Jimmy Riley  
Suzan Rudd  
Rita Zazzaro

Members Absent

Ashley LaMar  
Joe Pescatrice

Others Present

Keith Coghlan, Aon Hewitt  
Tammy Martin, Aon Hewitt  
Amanda Brooke Kross, Aon  
Hewitt  
Cathleen O'Daniel Morgan,  
Board Liaison  
Kim Murphy, Aetna  
Karen Toro, Florida Blue  
Terri Roney

The meeting was called to order at 3:04 PM.

**Approval of Minutes – December 4, 2014**

Ms. Bonnie McFarland reviewed the draft 12/4/14 ITF meeting minutes, noting two corrections on page two, and asked if there were any additional deletions or corrections. There being no further changes to the minutes, Ms. Rita Zazzaro made the motion to approve the minutes of the meeting. Ms. Donna Mutzenard seconded the motion; motion passed unanimously.

**Review of Health Plan Financials**

Ms. Amanda Brooke Kross reviewed the 2014-15 financial update, noting that it takes into account 8 months of experience with claims from April 2014 through November 2014. The 2014-15 update is 1% below the 14-15 budget. November paid claims total \$4.5 million. The average 2013-14 monthly paid claims was \$5.1 million. The April 2014 – November 2014 average monthly paid claims is \$5.3 million.

Year to date surplus is at \$2.58 million. The updated 2014-15 projection is \$752,000 surplus. Ms. Amanda Brooke Kross noted that things are going very well for the District.

Loss Ratio by plan year over a rolling 12 month period was reviewed. The last four months are running higher than the previous year.

### **PPACA Update**

Ms. Tammy Martin noted that there is no health care update this month; however she does have a legal update regarding the state of Florida now accepting same sex marriages. This does not affect the District's medical plans in any way. Our plans already accept legal marriages. No huge cost increase is expected with this change.

The King v. Burwell Supreme Court case was reviewed – the decision will be made regarding subsidies in states that do not have a state exchange. The Affordable Care Act is unclear as to whether people are entitled to a subsidy if their state does not have a state exchange. That decision will be made by June.

### **Excise Tax Discussion**

Ms. Tammy Martin informed ITF members that Aon has done an analysis of what the cost of the excise tax will be to the District.

Ms. Bonnie McFarland stated that it is the Federal Government's intention for us to pay this tax. It is not a matter of if, but when. At some point the District will be paying this tax. Projections show that by 2025, well over 90% of employers will be paying this tax. We need to be aware of it and plan for it. We are working on strategies to mitigate it.

Mr. Mark Castellano asked if there are any organizations that won't be paying it. Ms. Bonnie McFarland noted that the farther you go out in time, the more businesses will be paying. The Federal Health Care Reform has created this situation - eventually what plans can be offered and what their cost will be will reverse, and we will be paying.

Ms. Amanda Brooke Kross noted that this will apply to everybody. The excise tax is effective in 2018. It is a 40% tax calculated on the difference between the value of the plan offered and the threshold the government has set. Right now the threshold is \$10,200 for a single plan, and \$27,500 for a family plan. Thresholds are creeping up, but costs of plans are rising more quickly. The medical plan, FSA, HSA and employee contributions are subject to this tax, as well as the value of health clinics.

Ms. Amanda Brooke Kross informed ITF members that current premium equivalent rates were not used as the baseline for this analysis. This analysis is based on the full projected cost of the plan for 2015/16.

Mr. Mark Castellano left the meeting at 3:22 p.m.

Ms. Tammy Martin stated that in order to make this a true cost analysis, it was decided to use the true cost of the plan. The true cost is the premiums, and the \$5 million deficit. This pushes the projection up as it is the true value of the plan. Rates will have to more accurately reflect the true cost of the plan in the future. FSA contributions will also be subject to the excise tax and are included in total plan costs.

Ms. Amanda Brooke Kross stated that in addition to the 40% excise tax on the difference between the threshold and the true plan value, there will be a 35% tax liability assessed by medical vendors which will also be passed on to the plan sponsor.

Based on analysis, Plan 3769 will hit the threshold in 2019, the 5773 plan will hit the threshold in 2022, and the HDHP will hit the threshold in 2028.

Ms. Bonnie McFarland noted that 64% of our members are in the 3769 plan, which will hit that threshold in 2019. The present value for the excise tax between 2018 and 2027 is \$6.84M. With the 35% tax liability included the excise tax totals \$10.53M.

Ms. Amanda Brooke Kross stated that there is a significant difference in when the threshold hits between the single plan and the family plan. The singles hit the threshold much sooner.

Mr. Joe Pitura asked if the purpose of the excise tax is to fund the Affordable Care Act.

Ms. Tammy Martin informed him that there are other taxes as well, but yes, this is part of the many fees and taxes that are included in health care reform.

Ms. Bonnie McFarland informed the group that the District paid the transitional insurance fee of approximately \$750,000 this month.

Ms. Tammy Martin stated that people should shop for a health plan like they shop for a car. Compare plans, prescription prices at different pharmacies, etc. The profit or loss of our plan depends on how well people use the plan. Trend for healthcare is 7.8% per year at this time. If we do nothing to change our plans, their cost increases 7.8% per year. Over 10-20 years, this cost increases exponentially.

Ms. Shandra Backens asked if we are still looking at Compass. Ms. Bonnie McFarland stated that we have discovered that there are some other companies that offer the same services and we are looking into how we need to proceed.

Mr. Joe Pitura asked if the District could opt out of all of this. Ms. Bonnie McFarland stated that yes, we could decide to opt out of providing health care to employees. The cost to do this would be \$27 million, because there is a penalty for not offering health care. Ms. McFarland noted that the District is 99.15% compliant with the law in terms of who we give benefits to. Those who meet the 30 hour threshold but don't qualify for benefits are the .85 percent. We are in a good position as an employer. The penalty for this .85% is \$2000. It would cost more to insure these employees.

2018 rates and thresholds were reviewed.

Ms. Tammy Martin reviewed the dollar amount of our plans that exceeds the threshold, noting that it doesn't take long for the amount exceeding the threshold to increase exponentially. It increases 192% by 2033. This is why we need to talk about strategies now.

Ms. Bonnie McFarland noted that introducing the HDHP with HSA is going to help this situation with the excise tax. Some employers will pass costs on to the employees. They are setting the premiums of their plans intentionally high, which is the opposite of what the District has done for 2015-16.

Aon conducted a survey with benefit leaders. They are considering the following options: increase employee out of pocket contributions (79%), seek additional cost control strategies (42%), restructure coverage tiers to align with tax threshold ratios (37%), limit FSA, HSA and HRA contributions (31%), and limit buy-up options for employees (26%).

Key findings of the survey:

- One in four employers do not know the impact of the excise tax and have not made any significant changes for 2015.
- The District has one more year of a grace period as plan 3769 will not hit the threshold until 2019 and we have another year to mitigate this and push it out a little further.
- Most employers will not exit the health care market due to excise tax.
- 88% of employers support repeal of excise tax

Strategies being used to minimize excise tax exposure were reviewed. Ms. Bonnie McFarland noted that the District utilizes mandatory generic drugs and mail order and things like this also help control costs. The Board provides \$6,372 to each employee to pay for costs of the plan. Since there is a \$5M deficit, additional monies will be put into the cost of the plan.

Ms. Tammy Martin stated that we are talking about this today, as for the last couple of years, no plan design changes have been made to the 5773 plan or the 3769 plan. The HDHP has been added. It is not expected that people will migrate to the HDHP from the 3769 plan. Any who migrate will do so from the 5773 plan. There will not be a cost savings from adding the HDHP plan. We will need to be creative in how we move forward. Ms. Bonnie McFarland noted there is no magic answer to create a large cost savings. We will need to stay the course and make small changes such as putting wellness programs in place to increase employee's health – continuing to invest in wellness and assisting employees with things that impact their health. The ITF has been doing a great job in doing what needs to be done.

Ms. Cathleen O'Daniel-Morgan stated that she plans to distribute this information to the Board. Ms. Angela Pruitt stated that she is working on providing this information to the Board as well.

Ms. Bonnie McFarland noted she participated in a seminar and learned that in:  
2018 - 39% of employers are going to have a plan that crosses the threshold.  
2023 - 68% of employers are going to have a plan that crosses the threshold.  
2028 - 77% of employers are going to have a plan that crosses the threshold.

The District is in a good place compared to our peers.

### **Open Enrollment Update**

Ms. Bonnie McFarland shared benefit meeting times and dates with the ITF. She noted the benefit contact meeting is tomorrow, January 9<sup>th</sup>. The schedule will be sent out District wide after the benefit contact meeting. We need help in getting this meeting schedule out to employees. The information shared at these meetings is important. There is a lot of open enrollment information on our website as well. There are meetings at LCPEC, and at many schools, and at maintenance. Insurance & Benefits is working with Amity Chandler to post some videos on line.

Ms. Kim Murphy was introduced as our on-site Aetna rep. She is on site now to help employees transition from Florida Blue to Aetna with their healthcare.

We have received a lot of calls about changes to mail order pharmacy. We will do a file feed from Blue Cross to Aetna; however there are certain drugs such as narcotics that cannot be transferred. New prescriptions will be required. We are telling employees to refill their prescriptions as soon as they can. This will get them through the transition to Aetna Rx.

Mr. Leo Burt asked why open enrollment meetings are not at the compounds. None of the meeting times work for the drivers. Ms. Bonnie McFarland noted it is difficult to hold these meetings at the compounds as there is no space large enough to accommodate the meetings. It is hopeful they can attend meetings at LCPEC. She is happy to discuss this. The videos that will be online will be informative for these people as well. There is time for people to educate themselves – we are still 2.5 months out. Ms. Jamie Michael discussed that perhaps one large meeting in an auditorium at a high school could be scheduled for all bus drivers to attend at one time and one location. This will be discussed further.

The attendance results for these meetings will be shared with ITF at the next meeting

### **Good of the Order**

Ms. Heather Parker updated the ITF members on the status of the Financial Wellness Program. The class was advertised to employees yesterday. 86 people have already signed up for the program. 100 spots are available and all 100 spots are spoken for at this time.

### **Adjournment**

The meeting adjourned at 4:18 p.m. upon motion by Ms. Jamie Michael with second by Ms. Shandra Backens.