THE SCHOOL DISTRICT OF LEE COUNTY
MINUTES

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

Thursday, October 5, 2017

Members Present	**Members Absent**	**Others Present**
Toni Abrams	Brian Curls	Jeanne Beatson, Ben. Specialist
Shandra Backens		Mary Fischer, Board Liaison
Jill Castellano		Jonathan Anderson, Aon
Mark Castellano		Janice Belmonte, Aon
Karen Cooley		Donald Sims, Aon
Kerr Fazzone		Gabrielle Dimitrakis, Aetna
William Grand		Kim Howe, Aetna
Bonnie McFarland		Robert Pichardo, Aetna
Jamie Michael		Rachel Rhodes, Aetna
Heather Parker		Leo Burt, Retiree Liaison
Joseph Pitura		William Rothenberg
Angela Pruitt		Terri Roney
Jimmy Riley		

The meeting was called to order at 3:00 p.m. by Ms. Bonnie McFarland. Ms. McFarland noted that Ms. Tammy Martin is on an extended medical leave of absence from Aon. We are hoping Ms. Martin will be back with us soon. Ms. McFarland introduced the Aon employees present at today's meeting: Mr. Jonathan Anderson – VP for public sector, Aon Florida, from the Jacksonville area. Ms. Janice Belmonte from Aon, who attended one of our previous meetings, is new to Aon and Florida & comes from Boston. Ms. Belmonte is project manager and senior consultant assigned to Lee County Schools. Ms. McFarland noted that Ms. Amanda Brooke Kross was unable to attend today, and in her place is Mr. Donald Sims, who is new to Aon but has a 25 year career in finance. Ms. McFarland also introduced Ms. Rachel Rhodes, the new Aetna onsite representative for the District. Also attending from Aetna is Mr. Robert Pichardo, who is with the pharmacy division of Aetna as clinical account manager for the southeast. Mr. Pichardo has 30 years' experience in insurance, and has been with Aetna for the last seven years. Ms. McFarland noted these people are here to participate in the plan design discussion to be held today. Ms. McFarland also noted that Ms. Mary Fischer is attending in place of Dr. Jane Kuckel today as Board Liaison.

Approval of Minutes – August 3, 2017

The draft 8/3/17 ITF meeting minutes were reviewed. Ms. McFarland noted that Mr. Joe Pescatrice would be added as being present at the meeting. Ms. McFarland asked if there were any additional edits or corrections. There being no additional changes to the minutes, Mr. Mark Castellano made the motion to approve the minutes of the meeting. Mr. William Grand seconded the motion; the motion passed unanimously.

Review of Health Plan Financials

Mr. Jonathan Anderson stated he hopes everyone has had a successful period of cleanup after the hurricane. Mr. Anderson noted claims experience is through August 2017, and based on claims data, the 2017/18 projection is updated to be 14.5% above the net 2017/18 revenues. 68% of enrollees are in the 3769 plan, 30% are in the 5773 plan and 2% are in the HDHP. Current medical plan enrollment for August 2017 is 10,717.

Claims for July 2017 were $7.7 million, claims for August 2017 were also $7.7 million. The 2016/17 average monthly paid claims were $6.1 million. The updated projection is a deficit of $11.2 million. Trend – inflation year over year – last year was 6.5% - next year's trend will be 8.5%. In addition to an increase in trend, experience is growing – there was a record number of claims in July and August. The deficit is due to a combination of large claims and increased utilization.

Mr. Joe Pitura asked if these large claims are a result of people attending the screenings and seeing the doctor more or because of the people not attending health screenings. Ms. McFarland responded that the screenings are not a major driving factor – these employees already know their health issues. A year ago our claims were $6.1 million, and claims are now $7.7 million per month. The screenings would not have this much of an impact.

Ms. Mary Fischer asked if the increase is due to new hires. Ms. McFarland responded that we could look at data and also noted that new hires for this year are not benefit eligible until 10/1/17. Ms. Jamie Michael added that health screenings identify issues and save the plan because issues are dealt with early before they become major issues. Mr. Donald Sims noted that the projection is increasing due to an enrollment projection increase of 4% as well as the trend increase of 2%.

Mr. Anderson noted that the loss ratio is at 119% (total $ coming in compared to the costs – claims and administrative costs) and stated that we like to see loss ratio at 85%. Last August 2016, loss ratio was 111%. The current year has several months where the claims were well above 85%

Large claims were reviewed. There is currently a total of 10 large claims totaling $4.2 million. The change in large claims from last month resulted in a decrease of $885,940.

Total spend for Rx is 26% - this is right on track and what is expected. Total spend for medical is 74%.

Contract Renewals & Annual Expenditures

Ms. McFarland noted the current contract with Minnesota Life is up for renewal. The RFP went out three years ago – with two 2-year renewals. This is a renewal year. We recently completed a loss ratio analysis, and Minnesota Life has offered a 4-year renewal at the current rates, rather than two 2 year renewals, as originally agreed to. The recommendation to accept this 4-year renewal and present it to the Board for approval.

Ms. Jamie Michael made a motion to accept the 4-year renewal with Minnesota Life. Mr. Mark Castellano seconded the motion.

Prior to the vote, Ms. McFarland added that the Board pays for the first $20,000 of life insurance offered to employees, the current account manager has been with us since 2005, and their service to the District has been very good. They have offered to take over beneficiary management administration, and we are working through this transition now. They are very easy to work with and have a very quick turn-around when we reach out to them.

ITF members voted, and the motion passed with a vote of 13-0.

Health Fund Annual Report 112.08

Mr. Donald Sims reviewed the Health Fund Annual Report 112.08, explaining that a self-insured employer has to maintain a dollar amount equal to 60 days of incurred claims which, at this time, equates to $12.8 million. The District is going to have $21-$22 million in the health fund next year, which continues to meet the minimum requirement. The District has had a larger amount in the health fund for the past several years, but even with the lesser amount, we continue to have more than the required amount.

Medical Plans & Premiums 2018-19

Ms. McFarland reminded ITF members that medical plan rates have remained the same for the last five years, and noted that this is an amazing and very unusual occurrence. The District has accomplished some amazing things – there was an approximate $55 million worth of claims savings over the last 5 years. We knew that this was not going to last forever, and this is the plan year where it is no longer so. It is now necessary to make some changes to the plans.

Ms. McFarland discussed with ITF members the impact to the health fund if rates are not raised, noting that the current health fund balance is $34.4 million and the current year plan loss is $11.3 million.

If rates are not raised for the 2018-19 plan year, the fund balance will fall below what the required balance amount is, and we cannot let that happen. One of two things must happen - rates must increase, expenses must decrease, or part of both must happen to meet in the middle. Ms. McFarland noted that some plan design changes, pharmacy changes and opportunities to increase funding into the plan have been discussed with Aon and Aetna.

Several different scenarios were then presented to ITF members:

- Scenario 1 was reviewed: With no changes to the plan and letting the fund absorb the cost results in a $13.6 million deficit.
- Scenario 2 was reviewed: With a change in the rates to cover the entire increase in cost, all plans would have an employee contribution of $250-$400 per employee per month.

- Scenario 3 was reviewed: With no plan changes, the 5773 plan rate changed to equal to Board contribution, the 3769 plan rate increased to a buy-up plan, and no change to HDHP rates, (no change to plan designs, just a change to the rates), the deficit would move from $13.6 million to $6.3 million. This figure is taking into account the migration that would happen from the 3769 plan to the 5773 plan – assuming a 50% migration. Ms. McFarland noted she does not believe that migration will be 50%, she feels it will be less, but it is safer to assume a higher than lower migration.
- Scenario 4 was reviewed: Plan design changes that would help us address the $6.3 million deficit in Scenario 3 – Increases in deductibles, out of pocket maximum and ER copay amounts for the 5773 plan and the 3769 plan, and no change to the Board contribution.
- Scenario 5 was reviewed: Higher increases in deductibles, out of pocket maximum and ER copays than in Scenario 4, and no change to the Board contribution.

Dr. Pruitt asked the number of employees that would be impacted by the changes noted in scenario 4 to plans 5773 and 3769. Ms. McFarland replied that she would look into this. Dr. Pruitt noted she does not want to negotiate a raise that will be impacted by the increase to the deductibles on the medical plans. The same data will be looked at for out of pocket maximum and how many employees paid the ER co-pay this plan year.

Ms. Jamie Michael asked how long ago the out of pocket maximum went to $3,000. Ms. McFarland noted that this is the 5th year with the current plan design.

Ms. McFarland also noted that there is a change to the HDHP deductible in scenario 4, which is necessary. By embedding the deductible, employees don't have to pay for everything until they reach the family out of pocket max, they only pay everything until they meet the embedded individual deductible. This is a richer plan for employees. $2,700 is the minimum Federally required individual deductible for the 2018-19 plan year. This does not affect the cost of the plan, but that is the reason for this one change to the HDHP.

Plans 5773 & 3769 have changes to the deductible, coinsurance, out of pocket max amount, and the Emergency Room copay. There are many more urgent care providers in the Lee County area than there were five years ago, we also now have Teladoc, so usage of the ER should be less. There are a lot more options than the Emergency Room now. Scenario 4 results in a deficit of $3.28 million.

Scenario 5 – Plan design Option 2 with the plan changes noted of higher increases in the deductibles, coinsurance, out of pocket maximum and Emergency Room copays – higher than scenario 4 –results in a deficit of $1.62 million.

Ms. McFarland added that three years ago the District negotiated to no longer fund the health plan for employees that waived. That negotiated time frame has ended and that money is now going back into the fund.

Changes to pharmacy plan design were discussed. Ms. McFarland noted that the District's medical plans and pharmacy plan are both through Aetna. The District is currently on the Premier Plus pharmacy plan with Aetna. In 2008 the District made a decision to have a $0 generic copay. Over the past decade, pharmaceutical companies realized they are losing a lot of money due to generic utilization and they have started raising the price of generic medications and creating new, high-cost generics. Because we have an open formulary – for any generic drug, no matter the cost - the employee pays nothing, the plan pays the entire cost. There could be another drug that would provide the same benefit, at a much lower cost. There is an opportunity to reduce the number of generics available to employees while still allowing employees to receive medications that treat their condition at the $0 generic copay.

Formularies available from Aetna are:

- Premier Plus (Current District Formulary)
- Premier
- Value Plus
- Value

Savings to the District with changes to the pharmacy are as follows:
Formulary exclusions – Savings of $286,000
Moving to the Premier Formulary – Savings of $572,000
Moving to the Value Formulary – Savings $1.3 M
Choose Generics Full Program (DAW $135,000)

Impacts of the formulary changes – number of drugs impacted and number of members impacted were reviewed.

Mr. Kerr Fazzone asked the number of generic prescriptions that were prescribed last year. Ms. McFarland replied that she will get this information. She also noted that 85% of prescriptions are filled at the generic level. Changing the $0 generic copay was discussed. Ms. Michael noted this could have a large impact on folks with low salaries.

Mr. Robert Pichardo added that the cost of generics is increasing greatly. For the members impacted, there would be a $40 copay for a few very specific generics only. Members would receive a letter informing them of this increase and the letter would include other drug options that they can discuss with their doctor. Dr. Pruitt asked about drug interaction risks when changing to an alternative. Mr. Pichardo said that there would be minimal risk and that at the point of sale, everything goes through a drug interaction review/check that prompts the pharmacist to do something.

The exclusion drug list was discussed. Discussion was held about the different categories on the formulary summary, generics, and dispense as written necessity situations. Ms. Michael noted that the list of exclusions is very workable.

Ms. McFarland noted that a lot of information has been discussed during this meeting. Take-aways from this meeting are:

- How many employees are impacted by the change to the deductible – total/per SPALC/TALC
- How many employees are impacted by the change to the out of pocket maximum
- How many Emergency Room copays were there
- How many generic prescriptions were filled

Ms. Michael noted that the plans have different loss ratios, and asked if we should look at only the 3769 plan, and use a multiplier of 1.29% for that plan only and how this would impact the plans. Ms. McFarland informed ITF members that one of the challenges of moving plans up individually can create a death spiral for that plan because the healthy people fall off, and the most ill remain on the plan. What would happen in a global sense is that migration would increase to the 5773 plan. This would impact the revenue to the 3769 plan and we could actually lose money by increasing the cost of the highest plan.

Mr. Sims noted that each plan has an actuarial value – when you are looking at multiple plan designs, there is something called relativity. If we adjusted the 3769 plan to make it where it needed to be – migration would increase to the 5773 plan – moving the 3769 plan into the death spiral. Very rarely do plans get underwritten individually. 95% of the time the cheaper plan has a better loss ratio which offsets the cost of the more expensive plan. Typically the high plans run at a higher loss ratio. The millennials migrate to the cheaper plan. This is anticipated when rates and plan designs are set. If we only look at the costlier plan, we set ourselves up for disaster.

Ms. McFarland reviewed that Ms. Michael was asking for a higher increase to the 3769 plan to offset the higher loss ratio, and noted that she and Aon will look at this and come back with some figures. Ms. Michael would also like to know how much our plans would cost outside of the District. She would like to have this information to share with employees to help them understand how rich the District's plans are. Ms. McFarland stated she will also bring back enrollment by plan by tier information.

Ms. Jill Castellano asked whether we do or do not want people migrating to the 5773 plan. Ms. McFarland replied that the reason for the discussion is that when people migrate to the lower plan, revenue goes down. We must plan for this in case the migration is as high as 50%.

Mr. Fazzone asked what would happen if the Emergency Room copay went to $1,000? Ms. McFarland will run the numbers, but did stress that there will be members that at 3 AM have no option but the ER and changing the copay to $1,000 would affect them.

Ms. McFarland proposed that she gather the information that was requested and asked ITF members to please let her know if any further information is needed. She also noted that we are a month behind in determining medical plan design for 2018-19 due to the cancellation of the September ITF meeting. The reality is that we need to get this to the Board in November. She is requesting a special ITF meeting on Thursday, October 19th if possible, from 3:00p.m. – 5:00p.m.

Dr. Angela Pruitt noted she will be in and out during this meeting as she has interviews that day. Mr. Mark Castellano noted that he will have to be finished by 5:00 p.m. due to a meeting after that. Ms. McFarland asked that members confirm by email by close of day on Friday, Oct. 6th. A meeting invite will be sent out for the 6th.

Ms. Michael asked if changes to requirements for health incentives could be made. Ms. Heather Parker will look into this for next school year and report back in a future meeting.

EAP ITN (Invitation to Negotiate)

Ms. McFarland informed ITF members that it is necessary to go out to bid for District EAP – Employee Assistance Program services. An ITN (Invitation to Negotiate) will be done, and an ITF subcommittee is needed. Ms. McFarland asked for volunteers and it was determined that the following people will be on the subcommittee: Toni Abrams, Shandra Backens, Karen Cooley, Bonnie McFarland, Jamie Michael, Heather Parker and Joe Pitura.

Good of the Order

Mr. Mark Castellano shared that the TALC scholarship fun run is February 24th. They are looking for sponsors. They have the couch entry again.

Ms. Heather Parker noted that as of today, 1,342 employees have completed their health screenings. Almost 1,000 employees have signed up for the Zombie Challenge.

Adjournment

The meeting adjourned at 5:01 p.m. with motion by Mr. Mark Castellano and second by Ms. Jamie Michael.