

(Subject to approval by the Subcommittee)

Minutes
Health Insurance Issues related to Public Schools Subcommittee
December 12, 2007
1:30 p.m.
Room 211
Capitol Annex, Boise, Idaho

The meeting was called to order by Cochairman Senator Cameron at 1:45 p.m. Other committee members present were Cochairman Representative Gary Collins, Senator John Goedde, Representative Jim Marriott and Representative John Rusche. Senator Elliot Werk was absent and excused.

Other members present were Cliff Green, Idaho School Boards; Julie Taylor and Woody Richards, Blue Cross of Idaho; Mike Friend, Idaho School District Council; Rob Winslow, Idaho Association of School Administrators; Jason Hancock, State Department of Education; Jim Shackelford, Idaho Education Association; Bill Deal, Department of Insurance; and Sandy Colling and Jennifer Marrow, Business Psychology Associates.

Senator Cameron explained that the purpose of the meeting was to have a panel discussion based on the following list of potential problems that have been identified with the system and to identify possible solutions.

- The statewide teacher insurance pool has not put the pool out to bid in its existence.
- The statewide teacher insurance pool is a voluntary pool, therefore the healthiest districts can and have left the pool.
- There is no incentive to attract the young and the healthy to either the pool or individual contracts.
- Negotiations have locked districts into plans they can no longer afford.
- State funding does not identify health insurance benefits as a line item, therefore these dollars are not available for negotiation.
- There is little or no encouragement for healthy choices.
- Some district plans are designed in such a manner that they may encourage over utilization.

Senator Cameron said he realizes not every issue can be solved right away but he is hopeful that the subcommittee will be able to come up with some solutions this year. The goal is to help local school districts. He said it is not his desire to do away with what school districts are doing that is successful. He hopes to try to use those successful programs as examples for others.

A panel was assembled to discuss the issue and potential solutions. He also welcomed any other ideas from nonpanel members. **Senator Cameron** noted that this subcommittee will report back to the Health Care Task Force which will meet one more time at beginning of session.

Director Deal, Department of Insurance, commented that this has been an issue for quite some time and in his opinion, now is a good time to start looking for solutions.

Dr. Mike Friend, Idaho School District Council, distributed information to the subcommittee. He noted that some of the information would clarify questions that were asked at the last Health Care Task Force meeting.

Dr. Friend said that one question from the last meeting dealt with the fact that in the plan there are a lot of options available for districts to choose from in developing their design plan. His handout includes a breakdown of PPO and traditional offerings, ranges of deductibles, number of groups involved and the number of employees.

He said there are 7,945 certified personnel that are in the pool and 6,451 outside of the pool. Classified employees, spouses and dependants would also be added to those numbers. In response to a question from **Senator Goedde**, it was determined that the number of classified employees in the state is roughly equivalent to the total number of certified staff.

Senator Cameron asked whether there was a way to get the total number of members that participate in the statewide school program regardless of whether they are certified, classified or dependents. **Dr. Friend** said that the total number of employees enrolled in the statewide program as of August 2007 was 17, 579. It was approximated that total enrollees would be about double that amount or around 34,000. This statewide pool only includes the smaller and mid-size school districts.

In relation to the renewal calculation, **Senator Cameron** asked what the difference was between the estimated ultimate claims and projected claims. **Jerry** said the difference is trend. He noted that trend does not necessarily take care of estimated claims because not all claims have been paid out. This causes some lag.

Representative Marriott asked whether reserve is projected out. **Jerry** explained that the account was on a retention formula that actually built reserves but due to problems, this is settled up each year. He said that settlement includes an allowance for unpaid claims.

Dr. Friend added within their administrative agreement, a reserve is retained to help deal with the target loss ratio. This means that the council is able to pay the agreement without billing the clients.

His presentation includes slides showing ranking factors, rate bands. **Dr. Friend** noted that the issue with the tiers was a creation of the council in agreement with Blue Cross. He said that Blue Cross did not make them do this.

Dr. Friend went on to discuss the shared risk pool with a refund provision. In a good year, the refund is used to buy-down rate increases or to pay dividends to groups. In a bad year, Blue Cross of Idaho takes the loss. He explained that dividends for retirees over 65 go to pay for a reduction in premium.

Dr. Friend said that the council believes that over the years in their negotiations with Blue Cross, their administrative costs are considerably lower than what individual districts could get on their own.

Dr. Friend listed the following advantages to the present program:

- Lower administrative costs
- Refunds to schools
- Rating bands negotiated with the Statewide Schools Program
- Cannot be cancelled

His presentation includes information showing the Statewide Schools Program rate history in detail as well as current PPO wellness and preventative care services.

Dr. Friend went on to discuss a study done by consultants to help the council understand concerns with the proposed rate increases. They looked for a consultant who could:

- Look at the strengths and weaknesses of the current program
- Look at areas of cost concern as well as plan efficiencies
- Look at program options that might eliminate or add to premium increases
- Look at strategies to increase the influence of the council's governance over the statewide program
- Look at program options that would enhance wellness and illness prevention

The consultants hired were Bob Robinson, Executive Director, Montana Unified School Trust and Kelly Grebinsky, Actuaries Northwest, Issaquah, Washington. This complete report is available at: www.Idsdc.org. He said the report has been accepted by the council and the recommendations are under review. **Dr. Friend** has been directed to take certain steps before their February 1 board meeting. The council also voted to continue the consulting actuarial work with Actuaries Northwest.

Dr. Friend distributed chapter IV of this report that deals with findings and considerations. This is available from the Legislative Services Office.

Dr. Friend stated that the consultants, in looking at benefit plan design, say that this plan is as good as or better than compared statewide programs in other states. They encouraged the council address the issue of the uninsured dependants. He said that one item that comes out strongly in the report is that in defining their basic program, there is nothing definite. The report suggests developing a few programs that could be considered basic, comprehensive and enhanced policies. The report also suggested wellness benefits and the prescription drug program as a top priority of things to look at.

The study suggested the council consider increasing Board member terms to three years, given the complexity of the health industry and corresponding learning curve. The study said that the current Statewide School Health Program can best be described as “a Blue Cross of Idaho health program endorsed by the Idaho School District Council (ISDC)”, rather than “an ISDC health program administered by Blue Cross”. This description is based on the contractual, account management and vendor relationship attributes of the program, and is similar to Blue Cross’ school programs in other states. The role of the ISDC board in the current program falls in to the “Endorser” category. Under this category, the board supports the program and participates in major decisions, but does not have significant management or influence over it. **Dr. Friend** said that the board will move toward a more active management role in the near future.

Another suggestion was for the board to hire an expert to be in their corner to offer market knowledge, insights and suggestions, as well as to ensure that program partners are performing as expected.

Senator Cameron asked whether the consultants labeling the program as an “endorser” implies that the board should and could be endorsing other products besides those offered by Blue Cross. **Dr. Friend** said he does not think the endorser title is given in relationship to what is offered, it is in relationship to their connection with Blue Cross.

Senator Cameron said it would seem from his perspective that there is not a problem. He asked whether the council sees a problem and what the legislature could do to help. **Dr. Friend** said that the council does see that there is a problem. He said that one reason they have so many choices on their matrix is the result of negotiations at the local level on benefits. If the council was to go to a three model program, that would have a ripple effect through the school districts. In his opinion, the board has come to the understanding that it might be time to look at this.

Senator Cameron commented that lack of dependant coverage within school district’s plans is a major concern of this subcommittee. He added that coming up with a separate plan for dependents does not really help the overall pool because school districts want these healthy dependents to help with claims costs.

Senator Cameron asked whether the lack of going out for bids from other carriers besides Blue Cross was addressed during the study. **Dr. Friend** said it is brought out in the report where it addresses the issue of objectivity in looking at trend and methodologies. This was also addressed in the issue of other products and their endorsements. **Dr. Friend** said the council is always open for discussion with other carriers for certain products. **Dr. Friend** said that there is not any intent for the council to go out for bid at this point in time. He said if they develop options that they feel are biddable, they will consider it.

In response to a question from Representative Marriott, Dr. Friend said that many of their upper tier districts are in rural areas. He said he is not sure whether this indicates that they are higher users or whether costs of services in those areas is higher.

Representative Marriott asked where the funds come from to pay the salaries of the council. **Dr. Friend** said that member districts are charged \$50.00 per year. He said the council does not collect any of the actual insurance moneys.

Representative Rusche asked whether there was any way to get the data necessary for them to send the plan out for bid. **Mr. Friend** said that individual school district information is considered to be proprietary. He did note that every school district in the pool has the ability to go out to bid for their insurance program.

Representative Rusche commented that the consultants are saying that medical trends utilization trends, cost per service trends and pharmacy trends are above comparables. He asked if Blue Cross agrees with this. **Jerry** said no, in looking at this over a five year period, trends in Idaho are on the low side. He said this analysis is just a result of the time period used in doing the analysis.

Senator Cameron, regarding the bid issue, said the question is that since the statewide schools council is a legislatively authorized and endorsed program, can we legally have an entity the can only endorse and is only willing to endorse one carrier with no authority for a bid process. He said this causes a lot of conflict for the state.

Dr. Cliff Green, Idaho School Boards Association said it was very helpful to listen to the three people from different school districts at the last meeting. He said it was very interesting to learn that each have different plans, needs, experiences and different levels of sophistication. He said that level of sophistication has had an effect on the school district's insurance plans.

Dr. Green said the first concern of the Association is quality and affordability. Double digit increases in health care costs are also of concern. He noted that there has been a 3% increase in teacher salaries, 3.5% increase in inflation and an 18% increase in health care costs. This does not leave the districts very many options in how to pay those increases. He said school districts responded to a survey done by the Association asking how they handled these increases as follows:

- took it out of discretionary funds if they had them
- increase fund balances if they had them
- supplemental levies
- cut work force
- cut programs.

Dr. Green said the Association is open to solutions. He noted that they have been collecting data requested by Senator Cameron. He said they are about 68% complete but are finding it is difficult to summarize the data because each district is so different. He said that information will be included in the classified and certified salary schedule that will be available in January.

Dr. Green said that the association passed a resolution in November calling for them to work with the state agencies and legislative committees to come up with a workable solution focusing

on quality and affordability.

He commented one issue talked about at their last meeting was a line item to benchmark the increased costs. In his opinion this is a good idea. He added that tying that to an inflation factor so they could see a dollar for dollar increase would be all the better. Another option was to take this off the negotiation table completely.

Senator Cameron thanked the Association for collecting the data requested and for their willingness to put the information in report form. He thinks that will be helpful for districts and their personnel as well as for legislators.

Mr. Jim Shackleford, Idaho Education Association said this is a very important issue for teachers. He said that anywhere he goes teachers always discuss the issue ranging from the cost of insuring the family to the fact that more and more school districts no longer pay the employee's entire share of health care coverage. He cited a study that shows that average teacher's salary increase, compared to the increase in inflation and health insurance, has not grown over last 15 years.

Mr. Shackleford said, in his opinion, the solution to the health care cost prices is beyond what his organization or even the state can manage. He went on to say there are some things school districts and the state can do to mitigate the impact of these increasing costs.

Mr. Shackleford said he thinks offering someone from the State Insurance Fund to school districts as a consultant would be very helpful because these people deal with the issue in more detail.

He added that wellness programs need to be driven consciously into employees minds at the local level. He said districts have to be willing to take advantage and encourage employees to utilize these programs. He said that the Boise School district is a great example of how this can work.

Mr. Shackleford said the problem is that there is not enough money. He said from a teacher's standpoint, getting help from legislature in addressing health care costs is more important than creating an alternative compensation plan.

Senator Cameron said it has been his experience that employees, no matter what or who they are, generally fight against benefit erosion. He asked whether teacher's understand that due to unwillingness to change benefits, their salary is affected. **Mr. Shackleford** said he thinks so, but they still complain. **Senator Cameron** commented that no one gets to keep both. He said that when a district has a very low deductible (lower than \$500), the rates being charged are actuarially rated higher because utilization is automatically higher. This makes rates higher and discourages dependants from being on the plan. This develops a cycle that makes it unhealthy for that district and is one reason there is not money available for teacher pay increases and the like. He asked how important it is to teachers that they be able to negotiate on benefits. **Mr.**

Shackleford said it is extremely important. He said the reason for this is because they want to be part of decision making process. They do not want to lose control of their own health care destiny. He said this is an enormous part of the total compensation package for teachers and employees. In his opinion, telling teachers that someone else is going to make these decisions for them would be very distressing.

Mr. Shackleford added that the perception may be that school employees have richer health insurance plans than other employees. He said in many cases the teachers plans are not as good as the state employee plan. He said it seems that more and more school districts are moving to higher and higher deductibles and that more teachers are paying their premiums more often today. He said it would be interesting to see changes in coverages over last 15 years and deductibles and so on.

Senator Cameron said there could be other alternatives that would empower teachers more than current negotiation of benefits and he encouraged open-mindedness to other solutions. He concurred that this is a very important issue for teachers.

Senator Goedde observed that from his understanding of wellness, it will only work if employees get perks for participating.

Senator Goedde also noted that the PERSI plan is standardized statewide and is accepted. He suggested perhaps that could be a direction to move with a few different plan options.

Senator Goedde went on to say that the mix of benefits picked by an insurance committee can disproportionately affect certain groups of teachers in certain school districts. He said that the make up of an insurance comm in districts would be able to direct what benefits are chosen. In his opinion most members of these committees tend to be older and asked if that was the case.

Mr. Shackleford said he had no actual documentation but that he tends to agree. He thinks these could include 8 to 15 year teachers.

Mr. Rob Winslow, Idaho Association of School Administrators representing School Superintendents said many people in his organization are very interested in moving from the “endorser”, as discussed in **Dr. Friend’s** presentation, to more of a management position with Blue Cross. He said this is a major issue and that discretionary dollars have become very important to superintendents. He noted said the school superintendent’s finance committee will be discussing a line item for benefit costs instead of using discretionary funds.

Mr. Winslow said that in looking at whether or not the districts should join the statewide insurance pool, it is about 50/50 in support of the idea. Some districts would be very glad to go into the pool and others (particularly larger districts) would not. Local control is very important to districts. He said teachers and staff like the option of creating their own plan. He noted that local control can also cause local frustration because there is lack of money to manage those costs.

Mr. Winslow went on to say that there are a lot of larger districts that are becoming successful in keeping a handle on costs. He said the part that is very difficult is the fact that it takes a very long time to gain the knowledge on how to do this. He said any support to help other districts in this area.

Mr. Winslow said regarding going out to bid, most districts look every year but it is very frustrating due to the small number of carriers with which to bid. There is a lot of back and forth and sometimes a change is only beneficial for the first year. He said it has been more effective for districts to simply try to manage and reduce their own costs.

Mr. Jason Hancock, State Department of Education agreed with **Dr. Green**. He said that Superintendent Luna is very interested in this issue and wants to be part of the negotiations. He said offered his assistance to the subcommittee as they work through these issues.

Director Bill Deal, Department of Insurance, reiterated that this is a very important discussion. He said that since he has been at the Department he has learned that with regard to health insurance, it is no longer business as usual. He said that at the National Association of Insurance Commissioners (NAIC) level, health insurance availability and affordability is the most important issue in all 50 states. He noted that Oklahoma and Colorado have done studies with new plans for the distribution of health care that the Governor's Health Care Summit is looking at. He said by looking at what other state are doing has renewed his interest in the possibility that solutions can be found.

Director Deal said that when it comes to the cost of health insurance and how the rates are predicated, in his opinion, perhaps more transparency in the computation of rates with the buyers is important and should be a goal. He said that the Department has people available that can collect data and do research and offered their assistance to the subcommittee. He also offered to provide assistance to school districts.

Senator Cameron explained that due to time constraints, the plan will be to continue discussion of this at another meeting with the carriers. He suggested that everyone present come forward with ideas as to what the state can do to help with the situation and submit those ideas to **Mr. Milstead**. He said the best solution may be just to continue discussion. In his opinion progress has been made by drawing attention to the overall issue. He agreed that there are a number of steps that need to be considered and he does not see the legislature forcing any solution on anyone.

Ms. Julie Taylor, Blue Cross of Idaho, distributed a handout on wellness programs they have developed. This is available in the Legislative Services Office.

Representative Rusche distributed a letter containing a possible solution. This is also available in the Legislative Services Office. He proposes that all individual, small group, municipal and school health insurance policies participate with the State in a reinsurance pool. He said the sharing of financial responsibility for these claims would lessen the benefit for selecting out of a

group policy. The high cost would be shared, and the risk for those cases spread across all insureds participating in these policies.

Mr. Tim Olson, Regence/Blue Shield, commented that as a former board member and chairman of the Coeur d'Alene School District, this is not a new issue. He agreed with **Mr. Shackleford's** comments regarding how important health care "coverage" is to teachers. He added that people really do not want insurance, they want "coverage" and they do not want to pay a lot for it. He said the everyone is concerned about the health care cost issue.

In response to questions asked earlier, **Mr. Olson** said that there are companies providing incentives to reduce deductibles and copays if the client takes a more active role in their own health. He said in Washington State last year, they are strongly encouraging a data base be built to allow the exchange of information that would be a step toward addressing the uninsured and the affordability of insurance. He said Regence is looking at this. **Senator Cameron** noted that in Washington State the teachers union negotiated a statewide contract. He suggested **Mr. Olson** visit with Regence in Washington to get more details of that.

The meeting was adjourned at 3:30 p.m.