

MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Wednesday, February 13, 2013
TIME: 1:30 P.M.
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** Representative Loertscher
GUESTS: Nicole Fitzgerald and Amy Johnson, Department of Administration; Melody Rose, Division of Human Resources

Chairman Hartgen called the meeting to order at 1:32 p.m.

MOTION: **Rep. Woodings** made a motion to approve the minutes of February 11, 2013.
Motion carried by voice vote.

Teresa Luna, Department of Administration, gave a presentation about the State of Idaho's Office of Group Insurance (OGI). The OGI has six employees and an annual operating budget of \$896,500. It administers nine plans including active employees' medical and dental plans, retiree medical plans, life and disability insurance, short and long-term disability and flex spending. There are currently over 44,000 plan participants including employees, spouses and dependents. Achievements of the OGI include a wellness benefits initiative, remarketing of life and disability insurance and remarketing of medical and dental plans, collaborating with Higher Education to provide premium tier changes for part-time employees, an expanded open enrollment period, elimination of the flex spending enrollment waiting period, enhanced vision benefits, and expanded voluntary term life insurance. The State of Idaho is required to provide benefits for employees who work more than 20 hours per week. The PPO medical plan is the most popular plan, with over 85% of active employees and 50% of retirees selecting this plan. The State of Idaho has paid at least 90% of employee premiums since 2008. Employees experienced a 1% increase in their share of premiums in 2011. The projected FY2014 appropriation per employee is \$9,100. There is a Group Insurance Advisory Committee (GIAC) that meets quarterly and is very active. The average age of a State active employee participating in OGI programs is 47, and the average age of a State retiree participating in OGI programs is 61.

In response to questions, **Ms. Luna** stated that Higher Education is a political subdivision. While they do participate in Group Insurance, they are entitled to break off and handle their own insurance needs, should they so choose. The College of Southern Idaho (CSI) handles their own insurance needs but it is Ms. Luna's understanding that they are not as satisfied with their experience as they once were. The Affordable Care Act could affect the OGI. The programs currently being offered are very close to what the Affordable Care Act requires, but a tax increase could have approximately a 1% impact. There was a minimal increase in premium costs in FY2013. Previously the State covered premium increases out of reserves, because employees did not receive Change in Employee Compensation (CEC) increases. Ms. Luna pointed out that while CEC has not been given, healthcare costs and premiums continue to rise. In 2010, there was an approximate \$80 million reserve. It is projected that in 2014, that reserve will be \$25 million. The Department of Administration manages the OGI, with assistance from the GIAC.

Rep. King, as a member of the Group Insurance Advisory Committee (GIAC), responded to questions. She stated that the State of Idaho is essentially self-insured. The GIAC has been focusing on wellness, because healthier employees will equate to lower costs.

Ms. Luna responded to additional questions. She stated that Higher Education has unique needs for their employees due to the on-and-off nature of class schedules. The OGI has collaborated with Higher Education to meet their needs. The changes made as a result of that collaboration extend to all State employees. Premium costs for employees are relatively inexpensive when compared with other plans. Prescription drug coverage is strong and deductibles are low. The OGI is considering increasing orthodontic benefits and has received requests to cover bariatric surgery. A Total Compensation Statement, which outlines the value of their health insurance, sick and vacation leave, PERSI contributions and other benefits, is sent to each employee at the end of each fiscal year. Ms. Luna believes that there continues to be a need for increased communication about benefits and total compensation so that employees can better understand the value of the benefits package they have as State employees.

Rep. King stated that she recently learned that the State pays 11% of employees' gross income to PERSI, while the employee contribution is 6%.

Nicole Fitzgerald, Office of Group Insurance (OGI), outlined the State's wellness program proposal. She said that the top five disease states in Idaho are diabetes, coronary artery disease, asthma, heart failure, and Chronic Obstructive Pulmonary Disease (COPD). These are common across the United States, and four of the five are preventable. A wellness program seeks to increase health and decrease the number of claims that need to be paid. The national average Return on Investment (ROI) is \$3.27:1 over a time frame of two to five years. The top three wellness programs in the United States are in Utah, Nebraska, and Rhode Island. Focus groups revealed that participants support a State-sponsored wellness program and that the State should reward healthy employees. A wellness program should reduce health risks, increase quality of life, enhance personal effectiveness and benefit the organization's bottom line. The State of Idaho recommends developing an in-house wellness program with a strategic plan. During year one, employees would be asked to establish a relationship with a primary care provider and complete screening for cholesterol, triglycerides, tobacco use, blood glucose, waist circumference, and blood pressure, to gain an overall picture of wellness. Education and support for those who have numbers out of healthy ranges and those who need tobacco cessation assistance would take place. For year two, employees would complete health screenings at an on-site health fair and would continue to receive coaching and incentives for health. They would receive premium incentives for achieving good health. For year three, employees would be screened again with their primary care providers. A higher premium incentive would be given for year three and support programs would continue to be provided.

In response to questions, **Ms. Fitzgerald** stated that the costs of the wellness program are expected to be offset by the decrease in healthcare costs. A program that rewards employees for simple participation (rather than results) will not yield a good ROI. In the public sector, there is a cost of approximately \$100 to \$500 per employee for wellness programs. The OGI is requesting \$250 per State of Idaho employees. Marketing costs are projected to be \$324,000 per year. Employees would be welcome to enter into the wellness program at any time.

Ms. Luna responded to a question. She stated that there was not an appropriation request for the wellness program for FY2014 because the first year does not include any incentives.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:32 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary