MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE:	Wednesday, February 19, 2014
TIME:	1:30 P.M.
PLACE:	Room EW05
MEMBERS:	Chairman Hartgen, Vice Chairman Anderson(31), Representative(s) Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
ABSENT/ EXCUSED:	Rep. Hancey
GUESTS:	Don Drum and Kelly Cross, PERSI; Luci Willits, Department of Education; Elizabeth Compton, citizen

Chairman Hartgen called the meeting to order at 1:30 p.m.

MOTION: **Rep. Mendive** made a motion to approve the minutes of February 17, 2014. **Motion carried by voice vote**.

H 452: **Luci Willits**, Department of Education, presented **H 452**. She said her position as part of a team that recruits individuals to work for the Department involves finding the best people who can make things scalable and sustainable, and maintain fidelity within Idaho's school districts. She said many of their solid employees come to the Department from school districts and sometimes choose to return to those districts. Sick leave of these employees can be brought from districts to the Department, however under the law they are not able to transfer it back. Some employees do transfer it back if the district they are moving to does not check the law, however if districts do check the law, those employees lose their accumulated sick leave. This bill would allow up to 90 days of sick leave to transfer back to a district with an employee. This creates equity and not a disadvantage for employees who come to work for the state and take their experience back into the classroom. Recently a career educator was offered a position within the Department. She learned that if she did not stay with the Department for a minimum of five years, she risked losing a great deal of leave, and negatively affecting her retirement. As someone who would work for a constitutional officer who is only elected for a four-year term, she was rightfully concerned. This bill would make a change to the five-year requirement.

In response to questions, **Ms. Willits** said she has approximately 140 employees. Slightly more than half could potentially go back to school districts. She believes five to ten of those actually do go back to districts each year. Under the current law, if an employee has been healthy and has accumulated a large amount of sick time, that employee can be penalized for coming to work for the state. The Department does not refuse to hire people with large amounts of accumulated sick leave, however there are employees who refuse to work for the Department due to the potential loss of sick time they face should their service need to transfer back to the districts. The various state agencies allow transfers of sick leave, vacation time, retirement benefits, etc. for state employees who move between agencies, however the Department and school districts have not been able to operate under those same policies. The Department employees accrue a certain amount of sick leave each pay period.

Elizabeth Compton testified **in support** of **H 452**. She spent 34 years as a teacher and principal in two Idaho school districts, and went on to work for Boise State University (BSU) and the Department of Education. She transferred 64 days of unused sick leave when she left the Mountain Home School District and went to work for the Department. During that time she accrued over 1400 hours of unused sick leave, which equates to approximately 175 days. Upon her transfer back, she was not aware Idaho Code did not allow transfers of leave to go both ways and she lost her leave. Had she known she would lose her leave, she said it might have "been a deterrent". She said unless an employee knows for a fact that (s)he will be able to retire from that agency, that employee faces a disincentive and could choose not to accept an agency position.

Don Drum, Public Employee Retirement System of Idaho (PERSI), responded to questions. He said the sick leave fund is different from the PERSI fund. Employers pay a certain contribution into the sick leave fund each pay period for their employees. It is not an accrual of service. At the end of an employee's career, an amount of money that exists in an account in an individual employee's name exists. At the time of retirement, funds are calculated based on days or hours of service and the appropriate wage, and an account is set up to pay health insurance benefits, certain life insurance benefits, and other minor benefits. If an employee's employer did not carry group health coverage the employee qualified for, it would be somewhat difficult for that employee to use the money. The state is one single employer. School districts are considered separate employers. Each district is identified as a single employer. When an individual comes into a district from the Department of Education, that employee can bring along 90 days of accumulated sick leave. Upon leaving the Department to return to the district, the employee is currently unable to bring the leave back. The five year period is the vesting period for state employees. School district employees are already vested in PERSI after five years of service, so to tell them they must serve a new five-year vesting period once they move to the Department is seen as punitive.

Responding to additional questions, **Mr. Drum** said he believes this bill does fix the problems that exist with this process. Occasionally some districts allow employees to transfer greater than 90 days and that can be problematic for PERSI, who can only allow the 90 day maximum transfer under the law. Those employees can believe they have been misinformed. This is an issue that needs to be resolved through educating the involved parties. The state and school districts have different caps on accumulated leave.

Ms. Willits responded to a question, saying she and **Mr. Drum** wanted to keep this bill simple and concrete to fix a specific issue rather than muddying the waters by trying to address every potential issue that might surface in the future.

MOTION: **Rep. Woodings** made a motion to send **H 452** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Woodings** will sponsor the bill on the floor.

Teresa Luna, Department of Administration, gave her annual update on state employee benefits. She said the Office of Group Insurance currently has six employees and has an annual operating budget of $899,300. They administer over nine different plans which include the medical and dental benefits for active employees, medical benefits for retirees, life insurance, short-term and long-term disability, and flex spending accounts. There are currently over 45,000 plan participants. Every year the Office looks for ways to improve their plans. For FY2014, they removed the $20 in-network copayment for wellness visits on the PPO plan, and removed the $250 limit for wellness visits on traditional and high deductible plans. For FY2013, there was expanded open enrollment, enhanced vision benefit plans, expanded voluntary term life policies, remarketed life and disability insurance, and premium tier changes for part-time employees. Total plan costs have risen and are projected to continue rising, partially due to the Affordable Care Act (ACA) and partially due to the simple rising costs of health care. From FY2012 to FY2013, costs rose 6.4%, and from FY2013 to 2014, costs rose 9.64%. The projected increase going into FY2015 is 9.72%. Every available reserve dollar has been used and it has become clear that employee costs will have to be increased. The recommendation is to shift 2% of increased premium costs to employees. Assuming a 50% increase to all premiums, employees can expect to see increases in their premiums as follows: for an individual employee, costs will rise from $35 per month to $52.50. For an employee with children, costs will rise from $82 to $123. For an employee, spouse and children, costs will rise from $127 to 190.50. Steps that are being taken to combat rising costs include looking at other plan options, dependent verification, and workplace wellness programs. Slightly over 80% of members are healthy and consume just over 23% of plan costs. Acute claims represent approximately 30% of plan costs and stem from unexpected medical incidents. Catastrophic costs represent 27% of costs and are paid out for less than 1% of employees. Critical steps for success include developing a sustainable health promotion program, implementing a five-year strategic plan that will include annual health screenings and risk assessments, monetary incentives, and ongoing support, education, and workplace policies, and holding a kickoff year to engage employees. There are four steps for the first year of this program, which is called "Thrive Idaho". The steps are: 1. Completion of a health qualification form, 2. Completion of a personal health assessment, 3. Completion of "Know Your Numbers" and "Benefits 101" tutorials, and 4. Participation in a support program. She quoted **Governor Otter** as saying, "It's a lot less expensive to keep people healthy than it is to get them healthy after they've had a problem."

In response to questions, **Ms. Luna** said over 5% of employees have joined Thrive Idaho since it was kicked off in October of 2013. The current plan is grandfathered. Grandfathering the plan allowed the flexibility to have some say over what would and would not be covered in the state's plan. No more than 5% of the total cost of the plan is allowed to be shifted to employees under the ACA. Remaining grandfathered over the lifetime of the plan would only allow another 2% of total costs to shift to employees. In order to have more flexibility in cost sharing, the state would have to leave grandfathered status. The main differences between our grandfathered plan and marketplace plans include coverage of all preventive services with no cost sharing, coverage of abortifacients, tobacco use screening, diet services, and access to specialists without referrals. Were Idaho to remove grandfathered status, cost increases are projected at between 2% and 4%. The state receives input from the Group Insurance Advisory Council and Blue Cross. The possibility of Medicaid expansion has not been factored in to cost projections. Taxes are expected to top out in FY2017. The tax increase for FY2015 was $3.8 million, for a total tax debt of $8 million.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:38 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary