

MINUTES
Approved by the Committee
State Employee Group Insurance & Benefits Committee
Tuesday, October 25, 2016
10:00 A.M.
Room WW17
Boise, Idaho

Co-chair Representative Fred Wood called the meeting to order at 10:03 a.m.; a silent roll call was taken. Committee members in attendance: Co-chair Senator Todd Lakey and Co-chair Representative Fred Wood; Senators Dan Johnson, Robert Nonini, and Dan Schmidt; Representatives Neil Anderson, Robert Anderst, Jason Monks, and Hy Kloc. Senator Jim Patrick participated via conference-phone. Legislative Services Office staff present were: Kristin Ford, Robyn Lockett, and Lara Margelofsky.

Other attendees: Steve Rector, Pacific Source; Doug Toschi, Propel Insurance; Carlie Foster, Lobby Idaho; Benton Smith, Idaho Business Review; and Colby Cameron, Sullivan & Reberger.

Co-chair Wood called for approval of the minutes from October 7, 2016. Senator Schmidt made a motion to approve the minutes as presented to the committee at the meeting. The motion passed unanimously.

Co-chair Wood asked that the committee discussion remain at the policy level, and to not necessarily delve into advocating for a particular plan at this time. He asked the committee to focus on two topics that need to be addressed in the committee's final report:

- Whether the State of Idaho should retain its grandfathered status or not; and
- Whether the State of Idaho should transition to a self-funding model.

Grandfathered Status Discussion:

Representative Anderson asked if it is the intent of the committee to employ a consultant/independent expert to advise the Legislature on what would be best for the State of Idaho employee group insurance. If so, he questioned whether the committee should at this point discuss these topics at the risk of reducing the options for an expert's consideration. Co-chair Wood voiced his approval of the manner in which Simplot transitioned into a new health plan; not the plan they selected, but their process for changing their health plan. He explained that there are a number of options that an expert might suggest that would not allow the State of Idaho to keep its grandfathered status, for example. However, he said, if the committee insists on keeping the grandfathered status, this will limit the options available in the future. Co-chair Wood encouraged the committee to share their thoughts and opinions. He reminded the committee that healthcare costs for the employees of the State of Idaho are increasing by 10% a year.

Senator Nonini asked for clarification about whether there is a sunset on the grandfathered status for the State of Idaho. Ms. Pike, Administrator for the Office of Group Insurance, responded that there is not a sunset on the grandfathered status. Senator Patrick inquired if the State of Idaho would be subject to more federal regulations if it were to relinquish its grandfathered status. Ms. Pike responded in the affirmative. She explained that there would be additional coverages that would need to be added to the plan, and the State of Idaho would be required to implement any future changes as well.

Co-chair Lakey suggested that the committee may not be ready to suggest any major changes at this point. He voiced his preference to keep the grandfathered status, at least until the Legislature is ready to make or implement any substantive changes. Co-chair Wood concurred with Co-chair Lakey's recommendation. Representative Kloc inquired whether the insurance plans have to be renewed by a certain time, or may the committee take the time needed to make its recommendations. Co-chair Lakey explained that the Dept. of Administration is approaching the

timeline to potentially rebid the insurance plan and to determine how that bid will be structured. Co-chair Wood asked for clarification on whether the State of Idaho is on a year by year contract basis. Ms. Pike answered in the affirmative. She added that the Dept. of Admin would need time to implement any changes ahead of the plan year.

Ms. Lockett explained that on the first of December each year, the Division of Human Resources is required to produce an annual report that speaks to the total compensation it is recommending for state employees each fiscal year. The Governor, in his State of the State, makes a recommendation on employee compensation and benefits. The Legislature can either:

- Accept the Governor's recommendation;
- Create an alternative recommendation; or
- Fail to act on the Governor's recommendation, and by default the Legislature would accept the recommendation.

Co-chair Wood asked if any of the committee members were opposed to retaining the grandfathered status, until such point in time that the Legislature decides to make any significant changes. Senator Schmidt commented about the importance of providing good benefits for state employees. He explained that if the manner in which the benefit plan is structured can influence healthcare costs overall, then this potential tool should be considered regardless of whether the grandfathered status can be retained or not. Co-chair Wood suggested the committee include in their report that at this time they recommend retaining the grandfathered status, but that also the grandfathered status should not limit the choices considered to provide benefits and control costs for the state employee's healthcare.

Self-funding Model Discussion:

Co-chair Wood called upon Ms. Lockett to explain both handouts that were supplied to the committee. Ms. Lockett explained that the information on both of the handouts were provided to the committee in a previous meeting when Mr. Robert Schmidt, Actuary for Milliman Associates, presented his analysis about self-funding costs versus the costs of a fully-insured plan. Each handout has a table that details the cost for both the medical and vision plan under a self-funding status and a fully-insured status.

Senator Schmidt referred to line c, subsection 4, regarding healthcare reform fees, and asked if there is any uncertainty about the amounts given the changes that occur over time to the Affordable Care Act (ACA) regulations. Ms. Lockett explained that data provided are actuarial estimates based on the numbers known at the time. Co-chair Lakey asked if the fully-insured status spreadsheet is a reflection of the state's current plan structure. Ms. Lockett responded in the affirmative. Senator Schmidt asked if there is a change in risk by transitioning to a self-funded status that has not been considered yet. Ms. Pike answered that the self-funded study determined that transitioning to a self-funded plan would change the governance structure, and the state would also take additional risk for defending claims. She added that the State of Idaho would also have to purchase additional stop-loss coverage. Representative Monks asked if Table 3-3 includes the cost for stop-loss coverage. Ms. Pike responded that it is included in the cost of the plan as an estimate. She also explained that the State of Idaho would be required to carry a larger reserve, and that the build up to the reserve is not included in the spreadsheet.

Representative Kloc asked what the changes would be from transitioning from a fully-funded status to a self-funded status. Co-chair Wood offered that it would depend upon whether the State of Idaho were to be exempted from Chapter 40, Title 41, Idaho Code in the same manner as the counties are currently exempted. Ms. Pike explained that under the current statutory requirements, the State of Idaho would be responsible for:

- Claims payments;
- Hiring a third-party administrator (TPA) to process claims;

- Establishing a trust to manage the trust funds; and
- Establishing a board to oversee the plan structure.

Representative Anderst referred to section c, and asked if the stop-loss fee is a premium for a stop-loss policy that is projected into the years of 2018 through 2020. Ms. Pike answered in the affirmative. Representative Anderst inquired about the Blue Cross administrative fees in the self-funded model, and stated that it was his understanding that there would be a savings by transitioning to a self-funded model. Ms. Pike explained that there would be a savings in the healthcare reform fees since some of the ACA fees would no longer apply on the federal level. She added that the administrative fees included in Table 3-3 cover the costs of hiring a TPA to process claims.

Co-chair Wood opined that a self-funding option, along with an ERISA plan for the taxpayers, would provide the greatest flexibility in an operating platform. He used Ada County as an example of an exemption from Chapter 40, Idaho Code. He suggested that the same exemption could be done for the State of Idaho as well, and would allow for the State of Idaho to govern its own trust. He also suggested including the State of Idaho's political subdivisions in the exemption so as to include a second large pool (consisting of secondary education employees) that the state will fund. Co-chair Wood also suggested exempting the State of Idaho and its political subdivisions from portions of Chapter 39, Title 41, Idaho Code, just as the Medicaid, Medicare, Tri-care, and all ERISA plans are exempted from Chapter 39. He added that the State of Idaho and its political subdivisions should be added to the Chapter 40, Title 41, Idaho Code self-funded plan registration exemptions. Co-chair Wood opined that the taxpayers of the State of Idaho should also be able to operate under those same exemptions because not doing so is causing an increase in the cost of healthcare. This provides a self-funding operating platform free of many state law and regulation constraints.

Co-chair Lakey stated that while conceptually he is a proponent of self-funding, he is still cautious about applying it to the State of Idaho. He explained that the current healthcare program in the State of Idaho is a hybrid model which allows it to receive most of the benefits that a self-funding model provides, but caps the risk at the 110% reserve mark. He stated that the self-funding option is worth considering though. He concurred with Co-chair Wood regarding the potential exemptions for the State of Idaho, while also sympathizing with the private sector, but acknowledging the substantial differences between the private sector which could close its doors and a government entity which is permanent.

Senator Nonini stated that the larger school districts pay hundreds of dollars less per month per employee, and asked if they should try to group all school districts together to create one large pool in an effort to achieve better negotiating power for all districts, regardless of their size. Some of the smaller districts are concerned about having to pay higher costs if brought into a pool. He suggested that some of the school districts could present their concerns and thoughts about this possibility. Co-chair Wood stated that a self-funded operating platform would provide the greatest flexibility to one day creating an "educational pool," but the biggest hurdle is that the Legislature will have to begin paying the healthcare costs for the school districts in the form of a line item. He added that this form of funding will cause a significant increase in educational funding.

Representative Monks inquired whether the Legislature had discussed the possibility of adding cities and counties to the state employee pool in an effort to better spread any potential risk. Co-chair Lakey commented that it is his belief that the existing Joint Powers Act would allow the state and local governments to potentially partner together, but noted the potential for statutory changes to improve the ability to create such partnerships.

Further Discussion Topics:

Co-chair Lakey suggested other aspects that merit further consideration:

- Narrowing networks;

- Shift from fee-for-service to a value-based provider reimbursement;
- Online tools to assist in cost-decisions;
- Health Savings Accounts;
- Grading system for pharmacy costs and medical costs;
- Wellness Program; and
- Fixed fee contracts for primary care services.

Representative Anderson inquired about the manner in which the Legislature might go about hiring an expert to assist the Legislature with determining the best plan model. He inquired whether the Legislature would submit a request for proposal (RFP). If so, Representative Anderson asked, who would be designated to write the RFP? Senator Schmidt suggested that the committee could recommend that the process of consultation and review be directed to the Change in Employee Compensation (CEC) Committee. Representative Anderst voiced his concern that the specific statutory responsibilities of the CEC Committee may not fully align with this potential recommended task. He suggested that the committee could make a general recommendation to authorize a process to employ a professional contractor to identify the best path forward for the state employee healthcare plan.

Representative Kloc suggested that the committee could consider potentially acquiring an expert before November 29, 2016. Rep. Wood clarified that the November 29th deadline is for the committee to finalize its recommendations to the Legislature

Senator Nonini referred to the topic of narrowing networks and how it has worked in Kootenai county, but he wondered if it was in conflict with Idaho's any willing provider law. He voiced his approval regarding the Simplot presentation including having transitioned all their employees into one healthcare plan, and the implementation of the HSA. Senator Nonini opined that the State of Idaho should offer good benefits to their state employees, given the lower wages they receive in comparison to the private sector. However, he said, the current cost of benefits is unaffordable and must be changed. He opined that the State of Idaho could transition into a plan model similar to the Simplot health plan model. Senator Nonini emphasized the importance for the State of Idaho to fund potential HSAs for state employees. He stated that while he would support keeping the grandfathered status into 2017, there are many issues that need to be examined in order to address the rising cost of the healthcare plan. He voiced interest for the State of Idaho to do the following:

- Change the healthcare plan for state employees;
- Distance itself from low deductibles;
- Transition all state employees into one HSA plan;
- Address the direct primary care issue; and
- Increase costs for tobacco users.

Representative Anderst suggested it might be helpful for the committee to incorporate in the committee report a timeframe for an RFP to be presented.

Co-chair Wood provided an overview of what the committee has recommended for the committee report:

1. The Legislature should hire an outside firm to advise the Legislature. The Dept. of Administration may assist with the timeframe of developing the RFP.
2. The outside firm should determine whether it would be best to have a self-funding model versus the fully-insured model, whether the State of Idaho should retain its grandfathered status, and it should review the various plans that were presented to the committee.

Representative Anderson asked how these recommendations would be funded. Co-chair Wood responded that part of the recommendation would include a request for a funding source. Representative Anderson followed up by asking if an RFP or a request for information (RFI) should

be done. Co-chair Wood opined that an RFI could be done before an RFP. Representative Anderson inquired whether LSO or the Dept. of Administration would issue the RFI and what the committee's role would be. Ms. Lockett responded that the Legislature has a statutory right to choose which entity it would prefer to issue an RFI.

Representative Wood suggested that the committee report could include a request for funding an RFI/RFP and a request for another year of authorization for the interim committee. Senator Schmidt suggested that working with the Dept. of Group Insurance would be beneficial in creating the RFI given their expertise. He asked if the recommendation would also include a request for funding the contract if the RFP is successfully awarded. The committee Co-chair Wood responded in the affirmative.

The committee adjourned at 11:30 a.m. for the lunch break.

The committee reconvened at 1:00 p.m.

Co-chair Lakey emphasized that the charge and goal of the committee is to retain a competitive and good benefits package for state employees in order to retain and hire good employees. Co-chair Wood added that this would be one of the reasons for requesting the continuation of the committee in the 2017 interim.

Co-chair Wood stated that Ms. Ford and Ms. Lockett would provide the draft report to the committee for their review within the next ten days, with the committee providing feedback and comments on the proposed report by the November 29, 2016 meeting.

The committee adjourned at 1:10 p.m.