

FINAL REPORT
STATE EMPLOYEE GROUP INSURANCE AND BENEFITS
LEGISLATIVE INTERIM COMMITTEE
HCR 61 (2016)

Members of the Committee

Senator Todd Lakey, Co-Chair
Senator Dan Johnson
Senator Bob Nonini
Senator Jim Patrick
Senator Dan Schmidt

Representative Fred Wood, Co-Chair
Representative Neil Anderson
Representative Robert Anderst
Representative Jason Monks
Representative Hy Kloc

Staff

Kristin Ford, Legislative Analyst
Robyn Lockett, Principal Budget and Policy Analyst
Ana Lara, Committee Secretary

Committee Charge

The State Employee Group Insurance and Benefits Committee was authorized by 2016 HCR 61. The purpose of the committee was to undertake and complete a study of the state's group insurance plan and benefits for state employees, and to report its findings and recommendations to the First Regular Session of the Sixty-fourth Idaho Legislature.

Meetings

The committee met five times in the State Capitol in Boise:

August 3, 2016
September 1, 2016
October 7, 2016
October 25, 2016
November 29, 2016

On August 3, 2016, the committee heard presentations from Bob Geddes, Director of the Department of Administration and Jennifer Pike, Administrator of the Office of Group Insurance on the current state employee group insurance program; from Dick Armstrong about the history of Idaho state employee insurance leading up to the current system; from Doug Toschi of Propel Consultants on the implications of retaining or leaving grandfathered status under the Affordable Care Act; and Robyn Lockett, LSO Budget Analyst, on how the state funds state employee health insurance.

On September 1, 2016, the committee learned more about the self-funding health insurance model from presentations made by Cydni Waldner, attorney with Hawley Troxell; Tom Donovan and Weston Trexler of the Idaho Department of Insurance; Robert Schmidt, consultant with Milliman Associates; Bethany Calley, Ada County Human Resources Manager; and Dave Larson, consultant for Ada County.

On October 7, 2016, the committee heard presentations from four insurers (Regence Blue Shield, Select Health, Pacific Source, and Blue Cross), two major employers (J.R. Simplot Company and St. Luke's Hospital), and a state senator (Sen. Steven Thayn) about the forward-looking industry trends and best practices in providing quality employee health benefits in a cost-effective manner. The committee heard about health savings accounts; high deductible plans; accountable care organizations; direct primary care arrangements; patient-centered care; value-based provider reimbursement; an integrated partnership model between providers, carriers and patients; and a coordinated care organization model for Oregon Medicaid patients.

On October 25, 2016, the committee met and held discussions about the information learned during the first three meetings and what recommendations, if any, should be made to the Legislature. The committee members agreed that they were not ready to recommend specific legislation for the 2017 legislative session but rather agreed upon the following findings and recommendations.

On November 29, 2016, the committee met a final time to review and approve the final report and recommendations.

Findings

The State Employee Group Insurance and Benefits Interim Committee finds the following:

1. That it is desirable for the State of Idaho to recruit, employ and retain high quality employees;
2. That towards that end, the State of Idaho has in the past, and should in the future, continue to offer a competitive state employee benefits package, including health plan benefits;
3. That the current state employee group insurance plan provides quality benefits to state employees and their families, but has increased in cost by 43% over the last five years;
4. That such cost increases are projected to continue to increase in the future at a rate such as will make continuation of the plan unsustainable;
5. The Committee has heard presentations on many different ways to return the state employee health benefits system to a more economical model, but feels that the assistance of a professional in settling on the best option for the state would be wise.

Recommendations

It is the unanimous recommendation of the members of the State Employee Group Insurance and Benefits Committee that:

1. The Speaker and the Pro Tem promptly authorize the employment of a consultant to advise it in the area of employee health benefits.
2. With the goal of reducing the projected health care cost increases, the consultant be directed to:
 - a. Make a recommendation to the committee regarding an operating platform:
 - i. Continue to operate as a fully insured entity; or,
 - ii. Change to a self-funded operating entity with or without exemption from Chapter 40, Title 41, Idaho Code;
 - b. Make a recommendation to the committee as to a type of healthcare benefit plan:
 - i. Consumer-driven plans including Health Savings Accounts and other high-deductible health plans (with an option of pairing with direct primary care for willing beneficiaries);
 - ii. Managed care plans;
 - iii. Accountable care organization plans; or,
 - iv. Other health benefit plans not listed above that meet the committee's following goals. Any recommended plan should be a model of:
 - value-based provider reimbursement;

- financial liability to be assumed by the health care delivery system to the extent possible; and
 - patient-centered care with a toolbox full of tools for patient engagement, education and satisfaction.
3. The consultant's recommendations should include evidence-based implications regarding costs and workforce impacts of the available choices.
 4. In order to facilitate the recommendations of the committee, the consultant should review and make recommendations regarding potential changes to state statutes, rules and policies that would promote a more competitive environment, reduce regulatory burdens and decrease the costs of healthcare and providing health benefits.
 5. While it seems prudent *at this time* to retain grandfathered status under the Affordable Care Act, the Committee feels that all health care benefit arrangements should be considered, regardless of whether they would result in the loss of grandfathered status.
 6. The Legislature should reauthorize the State Employee Group Insurance and Benefits Legislative Interim Committee to meet in 2017 in order to work with the consultant and prepare any necessary legislative changes for the 2018 Legislative Session.