

MINUTES
Approved by the Committee
State Employee Group Insurance & Benefits Committee
Friday, December 01, 2017
9:30 A.M.
Room WW17
Boise, Idaho

Co-chair Todd Lakey called the meeting to order at 9:35 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, Jim Patrick, and Mark Nye; and Representatives Neil Anderson, Robert Anderst, Dustin Manwaring, and Mat Erpelding. Absent and excused: Representative Hy Kloc. Legislative Services Office (LSO) staff present were: Kristin Ford, Robyn Lockett, and Ana Lara.

Other attendees: Sean White and Shelli Stayner - Mercer; Norm Varin - Pacific Source Health Plans; Susan Buxton - Division of Human Resources; Jennifer Pike - Office of Group Insurance; Bret Rumbleck and Kelley Carew - Blue Cross of Idaho; Phil Haunschild - Idaho Freedom Foundation; and Roberta Russell - Moreton and Company.

Introductory Remarks and Approval of Minutes

Co-chair Wood called for the approval of the November 8, 2017 minutes. **Representative Anderson made a motion to approve the November 8, 2017 minutes. Co-chair Lakey seconded the motion. The motion passed unanimously.**

Co-chair Wood addressed Senator Nye's concern regarding the committee conducting business outside the timeframe outlined in the committee members' appointment letters. He informed the committee that he had spoken with Speaker Scott Bedke, who had provided verbal authorization, and offered to provide his authorization in writing.

Senator Nye reminded the committee that they were appointed through November 30, 2017 and questioned whether the committee had the authority to meet after this date. **Senator Nye stated that, given the committee had expired and had no authority to proceed, he moved that the committee adjourn and possibly resume its work in the next interim. Representative Erpelding seconded the motion.**

Co-chair Wood reminded the committee that the Speaker had provided verbal authorization for the committee to meet after November 30, 2017 to complete its work. He explained that the purpose for setting a timeline in the appointment letter was to encourage the committee to finish their work before the start of the legislative session. Senator Nye inquired whether there had been any discussion with Pro Tem Brent Hill regarding the committee meeting after November 30. Co-chair Lakey responded that, while he had not had a conversation with the Pro Tem with respect to this topic, it was his belief that the date included in the appointment letters was provided as a guideline to the committees to finish their business before the start of legislative session; he did not anticipate an issue with the Pro Tem allowing the committee to meet an additional day past the timeframe provided in order to complete its final recommendations.

Senator Nye inquired whether the committee had been provided with testimony from state employees or any entity on behalf of state employees. He also asked if the co-chairs would allow testimony at the meeting. Co-chair Wood responded that the committee's work to date had not consisted of any specific plan decisions; this area would be addressed the following year. Senator Nye explained that his question was specific to allowing Ms. Susan Buxton, Administrator for the Division of Human Resources, to speak to the committee with respect to how the committee's decision would affect state employees. He thanked Co-chair Wood for allowing the discussion.

Senator Nye inquired whether Co-chair Wood would allow Ms. Lockett to read aloud the appointment letter to the committee; Co-chair Wood permitted it. Ms. Lockett proceeded to read a copy of the appointment letter. She explained that it was her understanding that, since the Pro Tem and Speaker signed the appointment letters, their respective permissions to extend the committee's timeframe would supersede the date noted on the appointment letters.

Senator Johnson suggested the committee take a recess to allow the committee to seek advice regarding this matter. Senator Nye suggested seeking advice from a deputy attorney general. Representative Erpelding reminded the committee that the concurrent resolution that authorized the committee did not include an end date and that the appointment letters were secondary to the resolution passed. He added that the committee's charge was to provide a final report to the next legislative session and voiced his belief that there was flexibility in meeting after the date provided in the appointment letters. He agreed with Senator Johnson's suggestion to recess and possibly obtain an e-mail authorizing the committee to meet and conduct its business.

The committee went at ease 9:48 a.m.

The committee reconvened at 10:02 a.m.

Co-chair Wood explained that a letter would be delivered from the Speaker's Office, with the Speaker's signature, stating that the committee assignments for the members of the House of Representatives had been extended to meet through December 1, 2017 to form their formal recommendations. Co-chair Wood also mentioned Deputy Chief Attorney General Brian Kane's comment that the committee was strictly an advisory committee. Co-chair Lakey stated that he had spoken with the Pro Tem who confirmed that the November 30 deadline was provided in the appointment letters with the intent to dissuade the committee from meeting during the legislative session. The Pro Tem also provided an e-mail to the committee approving the Senate committee members to meet after November 30.

Senator Nye thanked the co-chairs for their consideration and withdrew his motion. Co-chair Wood accepted the withdrawal of Senator Nye's motion.

Discussion and Voting on Recommendations to the Legislature

Co-chair Wood thanked the committee for its work and acknowledged the complexity of the subject at hand.

Commentary from Ms. Susan Buxton - Administrator for the Division of Human Resources

At Senator Nye's request, Co-chair Wood called upon Ms. Susan Buxton, Administrator for the Division of Human Resources (DHR), to provide commentary to the committee. Ms. Buxton stated that, with respect to the questions about the effect of the group health insurance on the state employee total compensation, the DHR had just released the Change in Employee Compensation (CEC) report that morning and it would also be posted online. She commented that the state employees and agency directors appreciated the efforts and considerations made by the Legislature.

Ms. Buxton stated that there were 25,000 state employees; half of the employees were classified and the other half were unclassified. Generally, most employees use the healthcare benefits. She explained that, in evaluating the healthcare benefits, the State was required to look at the total compensation package - not just salary - per statute. She added that any effect on employee contributions would directly affect the total compensation analysis in relation to the marketplace, both locally and regionally.

Discussion:

Senator Nonini inquired about the timeframe for reanalyzing the total compensation for state employees. Ms. Buxton responded that the analysis was performed annually and submitted to both the Governor and the Legislature as of December 1.

Representative Erpelding inquired how the total compensation package would be affected if the State chose to proceed with a cost-shift ratio of 80:20 for the State and employees, respectively. Ms. Buxton explained that they would analyze whether the change in funding would make the State's total compensation package more or less competitive in the market.

Ms. Buxton explained that, when the analysis is conducted, they examine present information with respect to current salaries, benefits, etc.; it is a real time review without any speculation for future events or changes.

Discussion and Voting on Recommendations to the Legislature (continued)

Co-chair Wood referred to Director Cameron's comments on page 16 of the November 8, 2017 minutes and suggested that the request for proposal (RFP) should allow for vendors to provide bids for whichever model(s) (e.g., hybrid, self-funding, fully-insured) they believe they could operate best for the State of Idaho. He also suggested that the Legislature allow the best product to determine whether the State should operate under a self-funded model or another model.

Senator Johnson concurred with Co-chair Wood's comments and suggested that it would also allow for competition in the market.

Representative Manwaring suggested the committee members provide their top ten recommended features, from the list provided by Mercer, that they would like to see incorporated in the state employee health plan - regardless of what model is chosen.

Senator Nye suggested that, to the full extent permitted by law, any increase or decrease to the state healthcare plan cost to state employees, or their dependents, should likewise be applied to any state legislator in Idaho. Co-chair Wood reminded the committee that the Idaho Constitution does not allow for the Legislature to determine its compensation; the Citizens' Committee on Legislative Compensation determines the salary and healthcare benefits for the Legislature.

Co-chair Lakey stated that, while the committee needed time to review the features recommended by Mercer, it could be beneficial to include the features in the RFP in an effort to obtain feedback from potential vendors or to see whether the vendors would allow for the inclusion of those features within the contract.

Co-chair Wood suggested that the RFP should require potential vendors to address the 20+ features recommended by Mercer and any additional features they might recommend.

Representative Anderson asked if the Office of Group Insurance (OGI) could speak to the preparations made for the RFP. Co-chair Wood called upon Ms. Jennifer Pike, Administrator for the OGI, to address the committee. Ms. Pike explained that the OGI had prepared a draft for the RFP, but it could be modified with input from members of the Legislature. Ms. Pike stated that the ideal timing to start the RFP process was in the Fall. Representative Anderson asked how detailed the RFP would need to be. Ms. Pike responded that the RFP was a very detailed document that also included other relevant issues (i.e., technology, security, etc.). Representative Anderson inquired whether the OGI had enough input to proceed with an RFP. Ms. Pike opined that OGI had a good base for the RFP draft, but based on the feedback from the committee, OGI needed to make some revisions. Representative Anderson asked whether the RFP would be ready by end of January and also whether the RFP responses would be ready to review by mid April. Ms. Pike responded in the affirmative.

Co-chair Wood stated that, to accurately compare products, the RFP should include how much fiduciary responsibility the State would expect from the vendor in both models as well as an evaluation for exempting the State from Chapter 40, Title 41, Idaho Code. He added that the committee's recommendations would need to be approved by the Legislature. He stated that the remaining time left before January was not enough to adequately address the RFP.

Representative Manwaring asked Ms. Pike whether the committee should consider making a recommendation with respect to the contingency reserve balance. Ms. Pike responded that the RFP would have a component with respect to the vendor's confidence level or risk aversion.

Co-chair Wood opined that the Legislature should fund each full-time person's insurance at the same rate as before so as to build the contingency reserve and potentially avoid the need for additional funding for any health program it chose to pursue.

Representative Anderst requested a copy of the RFP draft. Ms. Pike stated that it would be provided to the committee.

Senator Johnson referenced the November 8, 2017 minutes and asked if the pooling point data information, referenced on page 9, was provided to the co-chairs by Blue Cross of Idaho (BCI), and if so, could it be shared with the rest of the committee. He also referred to page 5 of the minutes and asked how exactly BCI would be compensated by the administrative fee if the State was to exceed its reserve.

Ms. Pike was not aware if Mr. Jeppesen from BCI had sent the information. She explained that, to her knowledge, there was no pooling point included in the current underwriting due to the plan size. Ms. Pike stated that, in the event that the State were to experience a year in which it exceeded its contingency reserve, it's likely that the carrier would attempt to charge the State a higher premium the following year. She added that the State would not be required to accept the higher rate and it could also attempt to negotiate the rate as well.

Senator Nye made a motion to ask the Legislature to extend the committee another year and that the committee defer any action pending renewal. Representative Erpelding seconded the motion. There was some discussion among the committee members with reference to the motion.

Co-chair Lakey made a substitute motion to recommend that the committee be reauthorized for another year with the opportunity to consider further action based on its recommendations. Representative Nye seconded the motion. The motion passed unanimously.

Senator Nonini asked, with respect to a potential HSA-qualified high-deductible health plan, if there would be any discussion about employer contributions to employee HSAs. Co-chair Wood suggested that the recommendation should include the possibility of the State funding a portion of the HSA accounts up-front.

Senator Nonini made a motion to recommend to the Legislature to consider an HSA-qualified high-deductible health plan for state employees and that the State, as the employer, prefund the HSA accounts with an amount to be determined later. Representative Anderst seconded the motion.

Senator Nye inquired whether prefunding a portion of the HSA accounts for state employees would cause an increase in taxes, and if so, whether or not the committee was averse to the increase. Co-chair Wood called upon Mr. Sean White, from Mercer, to provide clarification. Mr. White explained that prefunding HSA accounts would require a funding source from the State. However, in the financial modeling that Mercer had done, the state-funded HSA contributions were factored into the overall actuarial pricing. Mr. White further explained that when this change, as well as other changes (i.e., elimination of the traditional plan, increases in deductible, etc.) were factored together, they more than offset the HSA funding; all the changes combined were budget reducing.

Representative Erpelding asked if the HSA funding would impact an individual's income taxes. Mr. White responded that an HSA does impact an individual's tax filing process, but as long as an individual used the HSA funds for qualified HSA expenses, it would be tax-free.

Representative Anderst asked if there was a method to address the risk of an employee terminating his employment early after having obtained a state-funded HSA account. Mr. White responded in the negative; any funds deposited into an individual's HSA account belong to the employee

immediately. He explained that many employers prefund a portion of the HSA account up-front to provide some deductible protection, with the remaining balance funded on a per paycheck basis.

Representative Manwaring asked if it was common for an employer to match a percentage of employees' contributions to their HSA accounts. Mr. White responded that it was an uncommon strategy for employers to pursue; the HSA match contribution rate was about 3% - subject to the HSA contribution limits.

Ms. Lockett provided some background information regarding the reserve balance. She explained that the State was projected to end the current fiscal year with a reserve fund balance of \$95 million; the State was only contractually obligated to hold a reserve balance of 10% (\$29 million). The Legislature could choose to draw it down by \$65 million to provide a lower appropriation.

Representative Anderson inquired about HSA match contributions. Mr. White explained that, typically, the employer could match 50% or 100% of what the employee contributed up to a certain dollar maximum amount, subject to the HSA contribution limits.

Co-chair Lakey made a substitute motion to recommend that the State issue an RFP for the state health benefit provider and that the committee work with the Department of Administration in the preparation of that proposal and the selection of the provider, and that the proposal include the flexibility in the contract to address Mercer's recommendations to include an HSA-qualified high-deductible health plan, PPO, and value-based care plan. Representative Erpelding seconded the motion.

Senator Johnson expressed his concern for potentially disqualifying a vendor that did not address every recommendation made by Mercer and suggested that the RFP could rely more heavily on the benchmarks provided by Mercer instead. Mr. White explained that whatever plan designs the Legislature decided to include in its RFP, the market would respond and price accordingly; any insurer or third-party administrator would be able to adjudicate a plan design from even a simply detailed request. Co-chair Wood added that, in the event that a vendor made a valid analysis against one of Mercer's recommendations, the State would certainly have the option to not pursue the recommendation in light of the analysis.

Senator Lakey clarified the motion - the RFP should also address the hybrid and self-funded health models as well as the recommendations made with respect to Chapter 40, Title 41, Idaho Code. He clarified that the committee itself would not take a position, at this time, with respect to Chapter 40, but an analysis should be included in the responses to the RFP. **The motion passed.**

Senator Nye made a motion to allow the co-chairs to negotiate a contract with Mercer for an additional year of services, with the final contract subject to approval of the committee and the Speaker and Pro Tem. Representative Erpelding seconded the motion. The motion passed.

Senator Johnson made a motion to submit the invoice from Mercer, for its services to the committee, to the Speaker and the Pro Tem for payment. Representative Anderst seconded the motion. The motion passed.

Senator Nye made a motion to approve the final report draft, which would also include the committee's work and findings made at the meeting. Representative Anderson seconded the motion. The motion passed unanimously.

The committee adjourned at 11:57 a.m.