Wisconsin Rapids Board of Education

510 Peach Street · Wisconsin Rapids, WI 54494 · (715) 424-6701

MINUTES

September 28, 2016

SPECIAL BOARD OF EDUCATION MEETING
BOARD WORKSHOP

LOCATION: Thomas A. Lenk Educational Services Center, 510 Peach Street, Wisconsin Rapids, WI 54494
Conference Room A/B

TIME: 4:30 p.m.

PRESENT: Anne Lee, John Krings, John Benbow, Sandra Hett, Mary Rayome, Larry Davis

EXCUSED: Katie Medina

ADMINISTRATION PRESENT: Colleen Dickmann, Daniel Weigand, Ryan Christianson

OTHERS PRESENT: John Preuss, M3 Senior Account Executive; Wendy Rosenthal, M3 Account Manager

President John Krings called the meeting to order at 4:30 p.m.

Roll Call

President Krings stated the purpose of the meeting is to discuss the District employee health insurance plan and explore options and potential modifications to the plan.

Dr. Ryan Christianson, Director of Human Resources provided historical information relative to the District health insurance changes that have occurred over the past number of years. For many years prior to 2008, the District had WEA as its health insurance carrier. In 2008, a change was made to secure Security Health as the District's health insurance carrier through a bidding process. After five years with Security Health, another bid process took place, and a change was made to switch back to WEA in July, 2013. WEA has continued as the District's carrier since that time.

The District has had a positive working relationship with WEA, and employees have expressed contentment with the WEA plan. With the 3-year plan expiring in July, 2016, District administrators were able to negotiate a six month renewal increase of 14.4% with WEA. In March, 2016, the Board took action to approve the six month renewal which runs through December, 2016. WEA's proposed increase was over 20%, and they were hesitant to offer a lower increase due to the District's loss ratio which WEA would like to have around 92%. In addition to some high cost claims, the District also has a higher than average employee age or tenure when compared to other Wisconsin Valley Conference school districts, which in turn contributes to higher insurance utilization. The proposed increase by WEA would have equated to an approximate $2.1 million additional expense to the District. In order to minimize disruption and inconvenience to employees, the administration has continued to work hard at securing a favorable fourth year renewal rate from WEA to avoid having to change carriers. However, conversations to this point have not gone in a favorable direction.

In February, 2016, the Board expressed interest in exploring additional plan options other than just the traditional plan if need be, including the possibility of a Health Savings Account (HSA) for employees as well as a Narrow Network plan. Since negotiations with WEA have not worked toward the District's favor and they haven't been very interested in providing alternative plan options to address or reduce the District's loss ratio, a Request for Proposal (RFP) was sent out to multiple carriers for pricing on the current traditional plan model, as well as alternative plans.

John Preuss, Senior Account Executive at M3, was present to provide an overview of the RFP process and results:

<u>WEA Proposed Renewal</u>

- WEA Trust 7/1/16 renewal approved = $14.4% increase ($739,729 cost – 6 months)
- WEA Trust proposed 1/1/17 renewal = $6.1% increase ($718,133 cost – 12 months)
- Current Loss Ratio = 95.4% *(this has decreased primarily since rates were increased)*

Option 1

<u>Proposals for Renewal (Traditional Plan / HRA Only – matches *current* plan design)</u>

Carrier	***Percent %***	***$ Difference***
WEA	6.1% increase	+$718,133
WPS	12.9% increase	+$1,176,461
SHP	5.8% increase	+$684,192
WCA	2.8% increase	+$332,791

Option 2

<u>Proposals for $2,000/$4,000 Qualified HDHP (High Deductible Health Plan) Only</u>

Carrier	***Percent %***	***$ Difference***
WEA	2.0% increase	+$230,704
WPS	5.7% increase	+$673,473
SHP	7.6% decrease	-$892,145
WCA	8.1% decrease	-$955,522

Option 3

<u>Proposals for $2,000/$4,000 Qualified HDHP Options – 50/50 Split (Traditional Plan & Qualified HDHP)</u>

Carrier	***Percent %***	***$ Difference***
WEA	4.0% increase	+$474,419
WPS	9.3% increase	+$1,091,363
SHP	1.2% decrease	-$135,665
WCA	2.4% decrease	-$279,676

Mr. Preuss noted the following concerning *Option 2*:

- The Option 2 plan would allow for cost stabilization and to better align incentives for employees
- Employees are issued a check card to use on qualified medical, dental, and vision expenses defined under IRC 213(d)
- Moving to a Health Savings Account (HSA) plan as opposed to the Health Reimbursement Account (HRA) plan would mean all prescriptions are subject to the deductible
- There are no co-pays with an HSA – the employee pays everything up front for office visits, prescriptions, etc. until the deductible has been met
- An example of how the HSA would work for a single plan: the District deposits $1,500 into the HSA account, and the employee contributes $500 (similar to the present model) – an employee with an $800 prescription would be required to pay the full $800 out of pocket, using any funds available in the HSA account – once the employee reaches the $2,000 deductible, prescriptions would then be paid at the plan amount allowed
- Both employers and employees can contribute to an HSA account
- Local banks are typically used in HSA's to lower fees and to help employees who have questions concerning their account be able to get their questions answered more readily
- Half of Wisconsin school districts offer an HSA plan, with most of the larger districts doing so
- With an HSA, an employee continues to accumulate their savings up through the point of retirement, and then has HSA funds available for medical costs in retirement as well
- HSA plans are portable, so if an employee terminates their employment, the HSA moves with them

- HSA's use pre-tax funds with maximum contribution amounts of $3,400 for single and $6,750 for family
- For every $100 deposited in an HSA, the employee saves approximately $25 in taxes
- Moving to an HSA would mean the Flex Plan for *medical* expenses would be eliminated, but likely still available for other expenses such as childcare
- Employees would need to be educated to fully understand the changes involved when moving to an HSA plan
- HSA plans tend to promote better consumerism as employees decide carefully about what they will spend their HSA funds on
- HSA plans also incentivize employees to consider what ailments truly need medical treatment and to manage their own healthcare costs better
- Money withdrawn from an HSA account to reimburse non-eligible medical expenses is taxable income and subject to a 20% tax penalty (unless over age 65, disabled, or upon death of the account holder)

Mr. Preuss noted the following concerning *Option 3*:

- Under this **50/50 Split** (Traditional Plan & Qualified HDHP) option, employers would be offered two plans – traditional or the Qualified HDHP (HSA) plan
- Enrollment is unknown, so the 50/50 estimate was used in calculating premium expenses assuming half of the employees would choose the traditional plan, with the other half choosing the HSA model
- Rates in this option are somewhat favorable over the current 100% traditional plan offering, although not as significant as moving to a 100% HSA plan model
- More variables would need to be considered if the Board looks seriously at changing to this plan model, such as 75%/25% or 60%/40% when determining potential rate increases

Another new trend in the insurance marketplace involves choosing just one network (Narrow Network), such as using Aspirus only as a provider. Ministry, Marshfield, and Aspirus are the three local networks available for this region. While rates go down when moving to a narrow network, employees lose the ability to choose who their provider will be. Marshfield and Ministry combined equate to half of the utilization rate for District employees. It would be difficult to choose one network at this time when employees are accustomed to going to the clinic they are most comfortable with or that is in close proximity of their residence. It was noted that WEA and WCA both have national networks that include Mayo Clinic and UW.

The Board asked questions relative to plan costs, deductions, prescription costs, advertising by insurance companies, transparency tools various carriers might offer, as well as carrier service and reputation.

Dr. Dickmann questioned whether the District would be able to move back to an HRA plan if they decide after trying an HSA plan that they prefer the HRA model. Mr. Preuss confirmed that the deposits for the HSA plan would cease and employees could continue spending the HSA funds down until they are depleted. Everyone would then transition back to the HRA plan without penalty.

The Board expressed interest in having WCA and SHA come to a Board meeting to give a final presentation on their proposals, including a second and third year rate cap. The Board is also interested in having WEA attend a meeting if they are willing to provide a competitive renewal and rate cap in the second and third contract year. The administration will arrange for the meetings to occur in October so that a decision concerning the health insurance plan can be made by the Board.

President Krings adjourned the meeting at 6:00 p.m.

John A. Krings

John A. Krings – President Maurine Hodgson – Secretary Larry Davis – Clerk