Wisconsin Rapids Board of Education

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

February 25, 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: 4:00 p.m.

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

EXCUSED: Katie Medina, Larry Davis

ADMINISTRATION PRESENT: Colleen Dickmann, Daniel Weigand, Ryan Christianson, Elizabeth Severson, Tracy Ginter

OTHERS PRESENT: John Preuss, M3 Senior Account Executive

President John Krings called the meeting to order at 4:00 p.m.

Roll Call

President Krings stated the purpose of the meeting is to discuss employee health insurance and post-employment benefits.

Dr. Dickmann explained that the District recently became aware that the health insurance plan renewal rate through WEA Trust came in at 21.8%. After meeting with company executives concerning the plan, the rate was reduced to 18.9%. WEA has offered a six month renewal rate from July, 2016 to December, 2016 of 14.4% which, if accepted, would give the District six months to make appropriate plan design changes to meet its needs. There are also some advantages in moving the District to a January-December calendar renewal. In light of a projected deficit of $1.9 million for 2016-17 that the health insurance renewal creates, all options must be considered for savings. Accepting the 14.4% renewal rate for six months would help to reduce that deficit.

John Preuss, Senior Account Executive at M3, was present to provide an overview of the causes for the rate increase and to explain a variety of plan options for the Board to consider. Mr. Preuss reviewed data related to health and prescription claim payments as follows:

2014 Data
- Premium paid to WEA for 2014 was $9,967,710
- Claims paid by WEA for 2014 was $10,313,172
- 2014 Loss Ratio was 103.5%

2015 Data Through November
- Premium paid to WEA for 2015 was $9,281,177 (fewer employees on plan)
- Claims paid by WEA for 2015 was $9,529,199
- 2015 Loss Ratio was 102.7%

When compared to 54 employer groups of similar size, the following key findings were noted:

- WRPS premiums were lower than most employers, so the District is getting the best deal possible; however, high plan usage by employees means costs aren't being covered by premiums
- Pooling point regional benchmarks were similar
- WEA premium for pooling claims was slightly higher
- WEA trend factor was lower than most employers (WEA at 6% compared to 8.2% in nation on average)
- Recalculating the renewal with benchmark values yields a renewal premium increase higher than 14.4%

Mr. Preuss provided the following information concerning District employee claims:

- 10 high cost claimants over $100K in claims totaling $2,353,005
- 10 claimants out of 1,743 total members covered shows less than 1% of population is driving claim costs
- 35 claimants over $50K in claim spend totaling $4,244,851
- Providers being used are: Aspirus ($2,779,031 in total spend); Marshfield Clinic ($1,860,866 in total spend); and Ministry – St. Joseph's and St. Michael's ($1,829,676 in total spend)
- Generic prescriptions had 13,158 scripts written totaling $382,920 in spend averaging 83.3% utilization
- Brand/non-preferred prescriptions had 2,159 scripts written totaling $949,257 in spend averaging 16.7% utilization/over the counter and other was $22,974
- Total costs for prescriptions was $1,355,151
- Top 20 drugs by total prescriptions are for antidepressants *(3 of top 20)*, high blood pressure, analgesics - anti-inflammatory, dermatologicals

Potential solutions and options were presented for Board consideration, including:

- Accept 6 month renewal from WEA at 14.4%
- Reposition the renewal date to January and study potential appropriate plan design changes
- Effective January 1, 2017 consider implementation of potential plan design options, including:
  - Offering multiple plans that include options that are lower in cost (HSA, Narrow Network featuring Aspirus, Traditional Plan)
  - Continue negotiations with WEA providing time for WEA to re-contract with Aspirus/Riverview
  - If WEA can't provide suitable credit for options, consider other carriers (NCHS/WCA, Aspirus Arise, WPS, SHP)

Mr. Preuss explained that pros associated with the HSA option include HSA use of pretax funds; they come with significant premium savings over traditional insurance plans; HSAs offer expanded coverage options for consumers and create financial incentives for managing health care expenses. Cons for HSAs include the need for educating employees properly about options *(a January 1, 2017 renewal date would help in this regard)*; prescriptions are subject to deductible per federal law; and the regulatory requirements regarding deductible amounts.

The Board questioned how much of the high cost claims are attributed to active employees versus retirees. Mr. Preuss explained that retirees currently account for less on claims than active employees.

An explanation of the potential plan options was provided. Traditional plans, which employees are used to, are the most expensive. HSA plans are a cheaper option for employees. Other school districts such as Wausau, D.C. Everest, and Stevens Point have moved in this direction. Plan designs vary in terms of employee/employer premium contributions. For instance, Wausau uses a different contribution rate based upon the employee's full time status. With the Affordable Care Act (ACA) only requiring coverage for 30+ hour per week employees, most employers do not cover employees working under the minimum requirement.

D.C. Everest has moved their employees to an HSA plan, with deductibles set at $5,500/family and $2,750/single. The deductible is applied for everything from medical to prescriptions. In this instance, the employer pays all of the premium cost, and employees are encouraged to open an HSA and put $5,500 away to be used toward any medical expenses. Money placed into the account is never lost (unlike a flexible spending plan) and continues to roll over into the next fiscal year all the way into retirement. HSA plans are portable, so if an employee leaves they are able to take their HSA funds with them. Employees typically receive a debit card which they take to the clinic or pharmacy where services are received in order to pay the deductible. Employees have an incentive to build up their HSA account knowing that they will have it to use toward retirement healthcare expenses.

The Board questioned whether HSAs will be viable in the future. Mr. Preuss explained that the plans have been around for approximately 10 years, and align better incentives for employees. The plan offers a pretax method to fund deductibles. Fifty percent of clients either have an HSA plan or are offering one.

In addition to the traditional plan and the HSA, an additional plan to consider is the "Narrow Network" plan featuring Aspirus as the healthcare provider. Narrow network plans are the cheapest option for employees since deep discounts are negotiated by WEA with providers for healthcare services. Traditional plans are more expensive for employees compared to narrow network plans. Employees would be able to change the type of plan they are in on a yearly basis. They would be able to move from the traditional plan to the HSA plan or narrow network plan. Due to all of the options that might be offered, many educational sessions and opportunities to gain understanding about the plans would be offered to help employees make informed decisions about which plan best suits their needs. Employees not making a selection would be placed on whatever the "default" plan would be for the District.

With regard to cost savings, Daniel Weigand, Director of Business Services provided an estimate of annual savings figures for health plans that cover employees based upon ACA regulations. Savings to the District in this regard could be as much as $596,393.00 if coverage options were changed based upon the number of hours employees are working.

Mr. Preuss explained that District employees are not dissatisfied with WEA as a carrier, so if there are ways to tweak the WEA plan and offer options to employees while lowering costs for the District this might be the preferred method to obtain savings. However, other options exist wherein the District could consider going out to bid with other carriers.

The Board took an opportunity to ask questions about the health coverage options being explored. While no action is being requested by the administration at this point, it is likely that the Board will be asked to approve the 14.4% six month renewal option with WEA for coverage from July-December, 2016 while other options continue to be explored for the District.

Mr. Preuss was excused from the meeting.

With regard to post-employment benefits, Dr. Dickmann explained that other districts are either phasing out the benefit or removing it entirely. The District currently has hourly employees receiving a payout on accumulated sick days which goes toward health insurance payments until it is exhausted. Teachers and administrators have 85% of the health insurance premium paid to age 65 at a fixed amount. If the premium increases, so does the retiree's share of payment.

Ryan Christianson, Director of Human Resources, explained that other districts are moving toward a defined contribution plan in order to maintain program sustainability and attract employees to stay. Having the benefit be tied to a sick day payout would provide an incentive for employees to bank as many days as possible under the plan to be used at retirement. Tax Sheltered Annuity (TSA) or 403b accounts and Health Reimbursement (HRA) accounts might be options to consider as well. The HRA option has been explored and tested with a couple of employees. This option moves retirees off of the District's group health insurance plan, allowing them to find an insurance plan that best suits their needs.

While fixing the amount of the benefit at the premium price upon retirement has netted some savings for the District, modifications to the benefit would save additional dollars. The purpose of the post-employment benefit has been to provide an incentive for employees to retire since bringing in a new employee at a lower wage rate typically provided savings for the District. While savings still continue in these instances, hiring in the post Act 10 environment is proving more difficult at times since candidates aren't interested in the salary being offered. The District may be obligated to offer higher compensation as a result. Providing incentives for employees to leave might not be in the District's best interest if the candidate pool for replacement is thin or compensation to new employees gets costly.

The Board took the opportunity to discuss post-employment benefits and ask questions of the administration. While no action was taken, the administration will continue to explore options with regard to employee post-employment benefits. The Board up to this point has not removed benefits just because they could, and have done their best to honor what employees expected to receive with regard to retirement benefits. As fiscal constraints continue, benefits will continue to be looked at for sustainability and savings. The post-employment benefit conversation will continue as the Board moves into the budget cycle.

President Krings adjourned the meeting at 5:48 p.m.

John a. Krings

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