

Washington County Benefits Committee
January 19, 2010

CONVENED: 1pm

COMMITTEE MEMBERS:

Present: David Ainslie, David Bellwood, Dirk Biddington, Karen Crawford, Angi Duyck, Susan Field, Amanda Garcia-Snell, Kim Knudeson, Valerie McCraw, Tammy McVean, Susan Pinnock, Chris Ryder (sub for Mike Brunner), Sara Stevenson

Absent: David Bailey, Don Bohn, Mike Brunner, Tracie Krevanko, Dawn Vandehey, Charlie Weaver

HUMAN RESOURCES STAFF:

Tracy Kittler, Benefits Specialist
Stephanie Reitmajer, HR Manager
Valerie Weekly, Benefits Analyst

CONSULTANTS:

Mike Berry, Mercer
Kristen Kirschten, Mercer

1. REVIEW OF ACTION ITEMS FROM 12-15-09-

- Mercer to model employee contributions and County cost-savings
 - See item #2
- HR to draft cover letter for Employee Benefits Survey
 - Distributed with survey
- Mercer to model changes for Kaiser plan
 - Mercer modeled potential plan design changes for the Kaiser plan, as requested by the Committee. See handout "Washington County: Plan Option Pricing."
 - Line items #18-22 are new options on this version of the Plan Option Pricing worksheet.
 - Hospital changes (#18-20) consider changes based on a per day co-pay as well as an out-of-pocket (OOP) maximum.
 - Estimated savings are based on projected rate increases for the July 1 renewal.
 - Kristen Kirschten of Mercer reminded the Committee that much of Kaiser's pricing structure is based on pre-packaged options. Unlike other medical insurance carriers, there is not the flexibility to separate for example, line #18's two components (\$100/day hospital co-pay with 5 day maximum/ \$1000 out-of-pocket maximum).
- Mercer to provide forecast and cost models of employee cost share and its affect to the premium rate increase
 - See item #2

2. UPDATE TO RENEWAL RATE INCREASES [Handout: "Washington County Monthly Employer/Employee Rate Comparison"]

- More recent experience data has come in from Providence. Rates are looking like they are going to be a bigger increase than expected, closer to mid-20% increase over current rates.
- “Washington County Monthly Employer/Employee Rate Comparison” worksheet illustrates Mercer’s projected rate increases as well contribution modeling with and without employee contributions.
- Page 1 of the Handout shows the total assumed rate increase of 20.5%; that is a total increase in County expense/contribution of \$4,267,451.
 - This assumes no changes in current plan design/benefit levels.
 - Additional assumptions are listed at the bottom of page 1.
- Page 2 models the effect of employee contributions on the overall increase of medical rates. The top box shows the effect of a \$15/ employee/month contribution; the bottom box models a \$30/employee/month contribution.
 - Each illustrates savings for the County: \$15 contributions reduce the rate increase from 20.5% to 19.0%; \$30 monthly contributions reduce the rate increase to 17.5%
- Page 3 shows the savings created with plan design changes. Plan design changes modeled on page 3 correlate to numbered line items on handout “Washington County: Plan Option Pricing.”
 - Plan design changes reduce the rate increase to 18.1%.
- Page 4 illustrates plan design changes AND \$15 /employee/month contribution.
 - The combination of plan design changes AND contributions reduce the rate increase to 16.6%.
- An additional option for negotiating leverage with vendors may be to re-consider the option of a Request for Proposal (RFP) or Request for Information (RFI).
 - The possibility that the County may move its business can provide necessary leverage with vendors.
- Since the major problem is the high increase for the Providence plan, Mercer recommended that we focus the RFP on that plan. The dental plan increases are a reasonable trend so it isn’t urgent that the dental providers be addressed at this time.
 - He reminded Committee members that the market has virtually no competitors with Kaiser’s coverage model.
 - Any bids/info would be for competitors for the Providence plan or an equivalent.
- Mercer asked for the Committee’s understanding of employees’ tolerance level for plan design changes. These plan design changes are itemized on the “Plan Option Pricing” handout.
 - Mercer recommended removing any options that include \$30 co-pays.
 - Mercer and Committee agreed that items “1-3, #10, #11-13” should be included as requested information from each vendor that receives the RFP.
 - Mercer will also include an additional item “#14” that will ask for pricing regarding a 3-tiered pharmacy pricing structure.
- Dental rate increases are still running at trend with a 6-8% increase at renewal.
- To summarize:
 - The County would be wise to look at conducting a Request For Proposal (RFP) for medical insurance vendors/carriers, although the pool should be somewhat limited.

- The County, with Mercer's guidance, can help limit the pool to appropriate vendors: those that are well respected in the market; have experience with large public sector groups and have compatible provider networks.
- The list of vendors can be forwarded to Committee members once it has been finalized.

3. REVIEW OF EMPLOYEE BENEFITS SURVEY RESULTS

- We had great participation. We received over 1,000 responses to the survey by the time we closed it on 1/15.
- See handout "Washington County Employee Benefits Survey Results, December 2009" & "Washington County Employee Benefits Survey Comments, December 2009"

4. ACTION ITEMS FOR NEXT MEETING

- HR to provide list of possible vendors/carriers to receive the Request for Proposal (RFP).
- HR to assemble subcommittee for interview panel for RFP process
- HR to send Committee full survey results, with full comments.
- Mercer to research vision benefit levels (e.g. payment levels for lenses, frames etc.) with surrounding agencies; compare to County premium costs to benefit levels employees receive.
- HR to provide status update for Committee on RFP process.

5. NEXT MEETING, 2/16/2010 1pm-4pm

6. COMMENTS

The following comments were made by committee members:

- "If Washington County were to indicate interest or agree to plan design changes, can this be added as a negotiating factor when finalizing rates with the insurance vendors/carriers?"
 - Mike Berry of Mercer answered yes. Mercer can tell vendors that Washington County is working with a Benefits Committee and hoping for plan design changes; this may allow an opportunity for some negotiating.
 - Mike added that an additional option is to consider opening up to other vendors with a Request for Proposal.
- "I think we need to consider all options [Request for Proposal] with renewal numbers in the mid to high 20% range."
- "We had talked about not doing a big change [plan design changes] and then another big change with changing vendors/carriers, but it now looks like we don't have a choice. We need to explore both options."
- "For due diligence, we need to make sure we have a competitive bid."
- "With a RFP/RFI, how do vendors bid on non-standard plans such as Washington County's?"
 - Mercer replied that vendors have to say what provisions they are unable to accommodate (e.g. pharmacy co-pay limits, specific out of pocket maximums etc.)
 - Vendors will complete a worksheet similar to handout "Plan Option Pricing" that outlines each line item and associated costs.

- “How many vendors/carriers would Washington County be considering for the Request for Proposal (RFP) process?”
 - (2) or (3) vendors is usual for a limited RFP like the County is considering.
 - When you look too far past the larger, more familiar vendors, the vendors tend to have more limited public sector experience as well as smaller provider networks that wouldn’t overlap with current networks.
- “What is the cost to the County to conduct this Request for Proposal process?”
 - There is no additional cost to the County to conduct this RFP; the cost is included in the contract for Mercer’s services.
- “What is the turn around time on this RFP process? Do we have time to conduct it properly and look at results before plan renewal in July?”
 - Yes, we do have time to conduct the RFP. Generally it takes about 3 weeks to formalize the request, request the information from the vendors, and receive it back. After that, it takes Mercer about 1 week to calculate and summarize results.
 - We should have data by the Committee Meeting in March.
- “Is there any benefit to the County of consolidating to one vendor?”
 - To some degree, much like individuals can receive when they bundle home and auto insurance.
 - In terms of medical insurance, Washington County’s group experience (data regarding our employees use of the plan) and claims history remains the same regardless of which vendor we choose.
 - Consolidating vendors to include dental may not be of any additional benefit to Washington County; dental renewal rates are looking good with a 6-8% trend increase.
- “How does the RFP process work from the Committee’s perspective?”
 - The first step, since the County is not going out to market, is to narrow down the vendors/carriers which will receive this request.
 - The vendors the bid on the current plan, showing any exceptions (provisions of the current coverage which they could not provide), as well as any requested plan design changes.
 - This format allows the County, as well as the Committee to see cost differences as line items with each plan design feature with each vendor.
 - Once this has been narrowed down further, the final step would be to put together a panel of Committee members to interview the final vendors.
- “Does any organization of Washington County’s size, have a tiered rate structure?”
 - Yes. Frequently plan options have a base plan that is of no-cost or low cost for employee only coverage. Plans options may also include a “buy-up” option with richer benefits, which would have a premium associated with it, even for employee only coverage.
 - Within each of the plans, there is a tiered rate structure. An example might be for the base plan, \$0 for employee only coverage, \$xx for employee + spouse coverage, \$xx for employee + children coverage, and \$xx for employee + family coverage. Each tier is priced according to the number of individuals covered.
- “Would any premiums associated with employee contributions be on a pre-tax basis?”
 - Yes. With some exceptions, IRS regulations allow for premiums to be taken on a pre-tax basis.