

Washington County Benefits Committee

September 15, 2009

CONVENED: 1:00PM**COMMITTEE MEMBERS:**

Present: David Bellwood, Karen Crawford, Angi Duyck, Susan Field, Amanda Garcia-Snell, Kim Knudeson, Tracie Krevanko, Valerie McCraw, Tammy McVean, Sara Stevenson, Dawn Vandehey, Charlie Weaver

Absent: David Ainslie, Dirk Biddington, Don Bohn, Mike Brunner,

HUMAN RESOURCES STAFF:

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

CONSULTANTS:

Mike Berry, Mercer
Renee Balsiger, Mercer
Kristin Kirschten, Mercer

1. **TOTAL COMPENSATION STATEMENT-** Valerie Weekly demonstrated the County's new employee Total Compensation Statement and its capabilities. The Statement shows a comprehensive view of employees' annual salary plus the value of the benefits package. It was pointed out the medical cost shown was the subsidized amount that is charged to departments. The full cost of coverage could not be captured in the statement since those figures are not in the WISARD system. The Statement will be released to employees on Monday, September 21, 2009; the Total Compensation Statement will be accessible through WISARD self-service. Going forward, annual statements will be made available in spring for the previous year's total compensation.
2. **HEALTHCARE 101 [handout: "Healthcare 101: Basic Concepts"]-** Mike Berry of Mercer introduced the basics of healthcare, including employer provided healthcare plans. At Washington County, most benefits plans are employer-paid, with the exceptions of voluntary life insurance and flexible spending accounts (FSAs).

Mike Berry referenced the total health benefit cost change chart on page 3 of the handout. The chart illustrates the consistent increase in rates over the past 10 years. The early 90's experienced a decrease in rates due to the introduction of the Health Maintenance Organization (HMO); followed by a drastic increase with the demise of the HMO as a main plan selection.

Mike introduced several definitions for common healthcare delivery systems: Preferred Provider Organization (PPO), HMO, Point Of Service (POS), Consumer Driven Health Plans (CDHP).

3. **OVERVIEW OF CURRENT MEDICAL PLANS [handout: “Washington County: Comparison of 2009/2010 PPO/HMO Plans]-** Renee Balsiger of Mercer reviewed the details County’s current Medical Plans, Providence, a PPO, and Kaiser, an HMO. See attached handout for plan details.
4. **BENCHMARKING [handout: PPO Plans-Plan Design]**
 - Handout shows details of cost structure and coverages of each plan, PPO and HMO, at other local public entities.
5. **CURRENT COST REVIEW [handout: “Monthly Employer/Employee Rate Comparisons”]**
 - The handout details the County’s current 100% contribution for employee medical/dental/vision premiums. The County currently pays for these health premiums on a composite rate basis (the County pays the same rate regardless of how many dependents each employee has enrolled). Most employers’ contributions are based on a tiered rate structure: employee; employee +1; employee + family; employee + children.
6. **EXPERIENCE AND UTILIZATION OF COUNTY BENEFIT PLANS [handouts: “Kaiser: Medical/Rx Experience,” “Providence: Medical/Rx Experience,” “Providence Health Plans,” “Kaiser Membership.”]**
 - Kristin Kirschten of Mercer explained in detail the experience and utilization of Washington County medical plans, both Providence and Kaiser. Claims experience illustrates the claims paid out by the insurance company versus the premiums paid in by the County. The ratio of claims paid to premiums paid to the insurance company is the loss ratio, shown on the handouts. The loss ratio does not include the insurance company’s administrative cost. Generally, a “good” experience report will show a loss ratio of approximately 80%. Higher loss ratios indicate that the premium was not sufficient to cover the claims paid, which can result in premium increase at our plan’s annual renewal. Groups showing a loss ratio of approximately 80% can expect better renewal rates from insurance providers.
 - Kristen continued to explain the utilization of the Washington County plans. Utilization is the members’ use of the insurance plans. Each employee’s use of the medical or dental plan becomes part of the utilization data. The data provided to the County is always limited to group level data. To maintain employee confidentiality and to comply with HIPAA privacy rules, individual usage is not provided to the County. Handouts for Providence and Kaiser indicate that utilization, specifically of pharmacy benefits, has increased from last year to this year, on a per member per month basis.
 - Providence data also measures the County averages to Providence’s averages. The number of members reaching the deductible has also

increased over the past 4 years. Kristin attributes this to the fact that the deductible has not been raised in many years to keep pace with the normal increase in the cost of services.

- Kaiser data [page 2 of Kaiser utilization packet] shows a significant overall (30.1%) increase in the cost per member per month as well. The handout details service areas where major costs are incurred.
- Kristin indicated that it is unrealistic for deductibles, out-of-pocket maximums and co-pays to remain the same in a world of 12% health care cost trend increase. Plans generally adjust to shift a proportionate share of those extra costs to the employee.

7. **COST SAVING STRATEGIES [handout: “The Rising Cost of Healthcare”]**

- Handout outlines several short-term cost saving strategies including: plan design changes, increased employee contributions, implementation of consumer directed health plans. Long-term solutions/strategies might include wellness programs, lifestyle programs and chronic disease management.

8. **ACTION ITEMS FOR NEXT MEETING**

- Human Resources to bring rate increase details for past renewals and rates passed on to departments.
- Mercer to bring cost sharing structures for other counties/cities, including how much and tier structure.
- Human Resources to bring number of flexible spending participants.
- Mercer to compile a grid outlining options for plan design changes and estimated cost savings impact of those changes. These amounts are a best guess based on Kristin’s many years of experience. The actual cost savings of plan changes can only be determined by the insurance company.

9. **AGENDA FOR NEXT MEETING**

- Mercer will be compiling a few scenarios in terms of cost changes and plan design to see potential effects on overall premium costs for the committee to review and discuss.
- Wellness programs and structures will also be introduced to the committee.

10. **COMMENTS**

The following comments were made by committee members:

- “What makes the difference in rate increases?”
 - Mercer replied that many factors play a role in rate increases for Washington County as a group: group experience of the population; large increases can be a result of catastrophic illnesses within the group population; smaller increases can be a result of a healthy population and general wellness; age, gender, demographics, access and utilization of healthcare as well as group history, can also be factors that contribute to an increase in group rates.

- “Are Washington County rates based on Washington County experience/utilization data or data from the community at large?”
 - Mercer answered that both are used in determining Washington County rates.
- “Utilization for Washington County shows low usage of brand name drugs with Providence—is that through doctor education?”
 - Mercer responded that it is largely through education: member education, doctor education.
 - It is also through the cost structure (brand names are co-pay PLUS cost difference between generic, when generic is available, and the member selects the brand drug).
- “Why is Kaiser dental not offered by Washington County?”
 - Mercer responded that for some time Kaiser had stopped marketing their dental plans because they had received too many complaints from customers (group and patients) that access to the plan was too limited.
 - Valerie Weekly of HR also reminded the Committee that we do not have much history as to how our current insurance providers were chosen.
- “Is there cost savings to remaining with only one medical carrier or only one dental carrier for multiple plan offerings?”
 - Mercer responded that it depends on plans, plan designs, and population demographics. It’s very difficult to determine a dollar associated with a single vendor.
 - Stephanie Reitmajer of HR responded that having only one carrier is unusual in public sector plan offerings.
- “If Washington County employees have spouses enrolled on the plan, is that tracked as well?”
 - Coordination of Benefits (COB) is tracked by carriers in order to coordinate primary and secondary coverage payments.
 - Can reduce costs since some of the costs are paid by another plan, but it can increase costs since Washington County plans are “picking up” the remainder of costs.
 - Claims most importantly drive rates.
 - COB is not tracked specifically in the claims experience and utilization data.
- “Kaiser and Providence have very similar rates. I would have expected a greater spread in the premium costs. Why are they so similar?”
 - Claims for each group have a great impact on rates. Healthy people would rate much less costly on both sides.
- “Loss ratios percentages should be around 80% for a good renewal rate?”
 - Mercer responded 80% indicates a healthy collection of premiums to cover and pay claims coming in; this would be coverage of claims only, not including administrative cost for the insurance company. A “good” renewal would mean only a rate increase according to trend—which is about 12%--rather than 12% PLUS past poor claims experience which might historically indicate under collecting to fund claims.

- “I heard that \$100 of Washington County-paid premium per employee per month contributes to coverage for uninsured individuals?”
 - Part of every premium from an insurance company does include Oregon Medical Insurance Pool (OMIP) charges which equate to approximately \$4 per member per month (this includes employee, spouse and any dependents) to cover costs for “uninsurable” high risk individuals. It is a mandatory state charge.
 - Most recently though, there has been a 1% tax on premiums received by medical insurance companies as a result of House Bill 2116. This 1% tax was passed along which resulted in a 1% premium increase for the County effective 10/1/09.
 - There are also other types of cost shifting. For example, hospitals increase their cost of services to account for uninsured individuals. However, nobody on the committee had ever seen a dollar figure assigned to that.
- “Do the providers provide a rate decrease based on wellness/education?”
 - Mercer indicated that it takes a long time to recognize cost savings from the creation or institution of a wellness program.
 - There is no blanket credit for the creation of the program.
 - The wise use of services and the consequent lower claims and utilization does create savings in the long term. This may be reinforced through a wellness program that promotes early detection, and regular wellness visits to catch issues before they create situations that result in high-cost procedures/claims.
 - This is often a long-term cost saving measure; as it shows little return on investment in the first several years.
- “The County has been off-setting cost increases on benefits premiums to date by not passing on the full rate increase to departments. What is the fund balance at currently?”
 - Stephanie Reitmajer, HR Manager, responded she is not sure what the exact number is. It has been a policy decision to eat up a high fund balance over the past several years. Currently, money is still being used to off-set the high rate increases the County has received to date.
 - Valerie Weekly of HR recalled that approximately 10% of the premium was not passed on to the department level. This will be verified and brought back to the committee.
- “How do other local cities and counties structure employee benefits in terms of employee cost and plan design? And how much do employees contribute?”
 - Mercer will bring this data back to the committee.
- “Are any plan design changes open to all vendors? What about Healthcare without Borders?”
 - Stephanie Reitmajer responded that the County is open to good, reliable, sound vendors, and not ruling out any options. Something like Healthcare without Borders would be a pretty extreme change.
 - Mercer added that the experience and utilization data is the same regardless of the vendor, so rates would most likely not drastically decrease with a new vendor.

- “Will the meeting minutes be available before being published to HORIZONS?”
 - Procedure will be to email a draft version to committee members for review by a certain date. Final version will be posted on HORIZONS with any changes.
- “All aspects of the plan, including wellness should be investigated. It is part of our due diligence to research all options as committee members; to see each piece of the benefits package as part of the big picture.”
- “How many employees take advantage of the flexible spending accounts to off-set employee costs? Would we discuss changes to the FSA plan as part of this committee?”
 - Yes, although there are limited changes that can be made to that plan since many of the rules are outlined by the IRS.