Public Employees Benefits Board
Meeting Minutes

July 13, 2016
Health Care Authority, Sue Crystal Rooms A & B
Olympia, Washington
2:00 p.m. – 3:30 p.m.

Members Present:
Dorothy Teeter
Harry Bossi
Gwen Rench
Tim Barclay
Marilyn Guthrie

Members on the Phone:
Greg Devereux
Yvonne Tate
Mary Lindquist
Myra Johnson

PEB Board Counsel:
Katy Hatfield

Call to Order

Dorothy Teeter, Chair, called the meeting to order at 2:00 p.m. Sufficient members were present to allow a quorum. Board and audience self-introductions followed.

Agenda Overview

Lou McDermott, PEB Division Director, provided an overview of the agenda.

Approval of April 13, 2016 PEBB Meeting Minutes

It was moved and seconded to approve the April 13, 2016 PEB Board meeting minutes as written. Minutes approved by unanimous vote.

SmartHealth Legislative Report

Marcia Peterson, PEB Benefit Strategy and Design Section Manager, shared the first legislative report on the effectiveness of the SmartHealth Program. The Health Care Authority (HCA) will submit reports on a quarterly basis evaluating the effectiveness of the program. The first report is due on June 30, 2016. We worked collaboratively with the Office of Financial Management, the Washington State Institute for Public Policy

(WSIPP), and with Limeade who provides our SmartHealth portal, to conduct the evaluations. The report is to include the overall effectiveness of the Wellness Plan - including the costs of the plan, what were the communication strategies, what were the rates of employee engagement and participation, and things such as health outcomes, sick leave use, and improvements in chronic medical conditions.

October 2013, Governor Inslee issued Executive Order 1306 directing the creation of a State Employee Health and Wellness Steering Committee, which developed a comprehensive wellness program for state employees.

In 2014, the Legislature took a little different approach, requiring PEBB Program members who use tobacco products to pay a $25 surcharge. In addition, the PEB Board and Legislature authorized the use of a financial incentive to encourage healthy behavior. So under that, members who attested to participating could receive a discount of $125 on their medical deductible in the next plan year, or a contribution to their HSA.

Also in 2014, funding was approved to procure an online tool so members could track their wellness activities and earn points towards the wellness incentive. In January of 2015, the SmartHealth online portal was launched. Members who earned at least 2,000 points by June 30, 2015 were eligible to receive the $125 incentive. For plan year 2016, the Board extended the deadline. Instead of June 30, subscribers have until September 30 to earn 2,000 points. We hope to encourage greater participation. Members could use the summer months to participate in wellness activities. The incentive will be distributed in January of 2017.

Our communication strategies in the first year of the program were a base line year and we tried to focus on creating member awareness of this new program and on member engagement. We had some known barriers to participation and even awareness. One barrier has to do with access and being able to email people. Once they register for the program, we have their emails. We did a lot of home mailers and other promotions, engaged leadership, and so on. We had a Seahawk ticket giveaway which was extremely successful. Another barrier had to do with the complex structure of state government. We have higher education and many different sized agencies. Once size did not fit all. We tried to address those barriers with communication strategies and will continue to do so. We continue to learn from our members. The Committee is also very helpful in directing us towards how to make changes to the program.

Defining worksite wellness programs is quite a challenge. We talk quite a bit about that in the report. They fall into three basic areas. One area is around prevention where they have activity challenges like anti-smoking campaigns. These are focused around keeping well people well. Then there are programs focused around high risk folks. They involved things like weight loss classes and smoking cessation. And then there are wellness programs focused on disease management, and really focused on a particular disease, like depression or diabetes. So it's challenging defining what a worksite wellness program is. Measurement is difficult.

In the report we have a literature review; and in that review, we talk about some of the limitations of the research on wellness programs. There are two main areas that are challenges when we try to evaluate the effectiveness of these types of programs. The first one refers to the potential selection bias. People who choose to participate in a program like SmartHealth, or any sort of wellness program, may already have some sort of bias to want to change their behavior. When we try to compare that group with a cohort that didn't get involved, there can be some skewing in terms of really doing an apples to apples comparison. The vast majority of studies are not able to have a randomized control group so that you can really say with any certainty that this wellness program was the cause of certain things happening. That's one challenge. The other challenge has to do with the long lag time that is inherent in trying to measure an effect of any type of public health intervention. It can take decades for some of these things to manifest themselves in better health or avoidance of disease. Those are two of the challenges identified in the report in the literature review.

We also found a lot of information in the literature about what makes for strong programs; what encourages the engagement of people in these worksite wellness programs. One of them is the existence of some explicit goals around health engagement, like completing a well-being assessment that identifies things you should work on and setting goals. Those tend to encourage engagement. The use of financial incentives is often strongly tied to engagement. Then finally, a work culture and environment that supports health and wellness tends to be sited very often in the literature as necessary to have a strong program.

A few highlights from the report are:

- Of the 132,000 eligible for SmartHealth, 39% registered. That's 51,407 people; and most of those, 37%, completed their well-being assessment, and 24% earned the incentive. Of the 51,407 who registered, 94% of those completed their well-being assessment. That is an amazing statistic in comparison with some other programs that our vendor uses. 61% of those earned the incentive.
- Women tended to participate more than men across SmartHealth.
- State agencies tended to participate at greater levels than those institutions of higher education. This will be an area of focus this year.
- Our levels of engagement were very good the first two quarters, which took us to the end of the incentive period. Engagement starts to drop off in quarter three. Getting the incentive clearly was a focus for a lot of people in terms of participation.
- In reviewing risk factors, nearly three quarters of the respondents had either zero or one self-assessed risk factor, and only four percent had four or more. In the future, we hope to be able to determine whether or not this is normal or did we get a lot of people who have a lot of risk factors compared with the underlining population.

- Limeade sent a randomized survey to 27,000 employees asking about their satisfaction with SmartHealth. About two thirds of those surveyed agreed, or strongly agreed, that SmartHealth was easy to use and they would recommend it to a co-worker.

As we look at future evaluations, we are trying to put a plan together at the end of 2017-2018 to look at risk, and whether or not we are starting to impact any sort of health outcomes. Some of the questions we will be asking are:

- What percent of subscribers who qualify for the incentive on January 1 use none, or only part, of the incentive because the total dollar value of their annual deductible may be too low.
- What behavior changes in health and well-being status can be measured by comparing year-to-year on a population basis of those well-being assessment results.
- What advantages and disadvantages does the current method of incentive delivery contain? For instance, we use a discount basically off of your deductible for the next year. What is the effect of that? Are there other approaches that we might be able to take to be more effective?
- What are the impacts of other strategies on participation performance, including other communication channels, different types and values of activities?

Marilyn Guthrie: In terms of the demographics, both age and gender, did you get a sense of how closely that mirrored the overall population?

Marcia Peterson: In terms of age, I believe we did. We did see that women were more highly represented in terms of SmartHealth; but the age was definitely reflected in the population overall.

Greg Devereux: The key to this is what results we see in 2018 with changes in behavior and risk in trends. It seems that this will be hard to evaluate long term, but that's really the essence of this; to see what the incentives have done over time to really change people's behavior.

Marcia Peterson: The literature definitely shows that it can take most of these programs three to four years before they can look at this question. We hope to have a plan around this for the future.

Dorothy Teeter: We'll look forward to your next quarterly report. I know this is a huge amount of work and it's a very important program so it's worth the evaluation.

<u>Annual Rule Making Briefing</u>
Rob Parkman, PEB Division Policy and Rules Section: This presentation is to provide a high-level information briefing on the more significant changes being considered for 2016 annual rule making. No action is needed from the Board for this briefing.

The scope of this rule making will be to address benefit administration issues; provide clarity in areas identified by members, business partners, and staff; make some technical corrections; implement legislation; and implement policies adopted by the Board. The administrative changes being considered will include the following:

- Amending rules to more clearly state the methods retirees must use to request termination of their enrollment in PEBB Program retiree coverage, and to describe how the request will affect the subscriber's account.
- Amending a number of rules related to the administrative hearings process for appeals to the Office of Administrative Hearings. Some examples include creating a rule that describes service of documents/pleadings requirements, creating a rule on subpoenas, clarifying that appeal request must be in writing, establishing that HCA employees cannot represent an appellant in a hearing against the agency, requiring that a hearing notice must be served on parties at least twenty-one days prior to a hearing. The current requirement is fourteen days, which is often too short a timeline and prompts continuances.
- Changes to respond to requests for greater clarity in some rules and improved readability in others. These changes include the following: we will propose adding a definition of the word employer (as defined in chapter 41.05 RCW) and a number of definitions for phrases that include the word employer in order to provide clarity and context within the rules.
- Amending the premium payment language in a number of rules to include greater detail around the time frames subscribers have to pay unpaid account balances.

Technical corrections being considered are:

- Amending the employee eligibility rules to create better alignment between the rules and RCW 41.05.065. Proposed amendments focus on language that describes eligibility determined by considering both the number of hours and the number of consecutive months the employer anticipates the employee will work.

Greg Devereux: I think I understand the problem we are trying to solve by adding the word consecutive, but I would love to hear what it is.

Dave Iseminger: This is related to one of the policy proposals that comes up in the next presentation defining the word "season." Over the past couple of years we've had some agencies that have presented unique employment situations where an individual has seven months where they are employed, two months where they are not employed, one month where they are employed, and two months where they are not employed. And this is related to the policy resolution in the next presentation.

Greg Devereux: Okay. Thank you.

Rob Parkman:
Technical corrections being considered, cont.:

- Clearly describe how employers should be administering benefits for seasonal employees who are eligible for the employer contribution during the off-season following their season worked.

Implementing legislation considerations to amend rules relating to the employer group participation to implement two pieces of legislation that passed this year. The changes necessary for implementation do not require action by the Board. This information is provided for your information only. Considerations are:

- Senate Bill 6475 affects the application process HCA uses to approve or deny applications from counties and political subdivisions with fewer than 5,000 employees and allows HCA to apply a rate surcharge to participating counties, municipalities, other political subdivisions, and tribal governments that purchase PEBB Program benefits through a contract with the HCA.
- Engrossed Second Substitute Senate Bill 6194, or the Charter School Bill, has a minor impact on the way we referred to them within the definition of school district. We will amend the rules to list them separately but alongside school districts and educational service districts.

We may make further changes as we continue to analyze the effect of this legislation.

Our next step is to file draft rules so they are available for public comment, conduct a public hearing in September, and adopt the final rules in October. Any new or amended rules will be effective January 1, 2017.

Dorothy Teeter: There were three policy resolutions introduced at our June 22 meeting that are before the Board today for a vote. Dave Iseminger will review the three resolutions before we open it up for discussion.

Policy Resolutions
Dave Iseminger, PEB Division Deputy Director: The three policies we are presenting to you for a vote are: defining "season," defining "tobacco products," and related to domestic partner eligibility.

Policy Resolution 1 - Season
Resolved, that "Season" means any recurring, annual period of work at a specific time of year that lasts three to eleven consecutive months.

Greg Devereux: Dave, if a seasonal worker works six months every year for ten years but it's not at the specific same time each year, would they not be captured by the "seasonal" definition?

Dave Iseminger: If I understand your question, you're saying in year one the person has six consecutive months from January to July; but in year two, that six months is, March to September. Is that correct?

Greg Devereux: Correct.

Dave Iseminger: Then I believe they would not be captured by, or be affected by, this policy resolution.

Greg Devereux: They would not be affected? Because this says "annual period of work at a specific time of year."

Dorothy Teeter: Is the question then around the word "recurring?"

Greg Devereux: You could be recurring six months every year for ten years but it might not be at a specific time of the year.

Dave Iseminger: I'm thinking through a lot of conversations that staff had on this particular wording over the past year. Part of the review in developing this policy resolution was taking into consideration fire season, for example. We call that a season; but fire season, given changes in climate, might start two weeks earlier this year or two weeks later next year. In our discussions, we were also trying to account for the variance that might happen in things like fire season. Based on that example, does that clarify and answer your question? I'm not positive I fully answered it.

Greg Devereux: I don't think it does. I think the troublesome language to me is "at a specific time of year." What you just said about fire season, if you said season means any recurring annual period of work that lasts three to eleven consecutive months, I think that might cover it more accurately. I just don't want someone to say it has to be January to June. If it doesn't fit January to June then you don't get it. We represent thousands of seasonal workers.

Dave Iseminger: The other piece of this is that the only difference between this policy resolution and the statutory language in 41.05.065 is the word "consecutive." The specific time of year is actually mirroring and copying that which is already in statute; which wouldn't be able to be significantly altered.

Dorothy Teeter: I have a suggestion in terms of process. While Katy is looking that up, we'll move on and come back to this. Let's go on to the tobacco products resolution and give Katy enough time to do some thinking on this.

Dave Iseminger: Policy Resolution 2 is related to tobacco products. Before reading the resolution, there are two modifications from the version that was presented to the Board at the last meeting. One of those is including pipe tobacco within the illustrative non-exclusive list that is helpful and informative to members. This was in response to

Harry Bossi's suggestion about adding that clarity. The second is relocating where e-cigarettes falls within the last sentence. This was a syntax concern. Several people pointed out that the FDA could be considered an adjective of e-cigarettes; and so by moving e-cigarettes to the front, it avoids any concern about whether the FDA had a role in approving or not approving e-cigarettes. Those were the two modifications that came up as a result of some review and comments from the last meeting.

Policy Resolution 2 – Tobacco Products
Resolved, that **"**tobacco products" means any product made with or derived from tobacco that is intended for human consumption, including any component, part, or accessory of a tobacco product. This includes, but is not limited to, cigars, cigarettes, pipe tobacco, chewing tobacco, snuff, and other tobacco products. It does not include e-cigarettes or United States Food and Drug Administration (FDA) approved quit aids."

Policy Resolution 3 – Domestic Partner
Resolved, that eligibility for domestic partners qualified under PEBB criteria in place prior to January 1, 2010 is removed effective January 1, 2017.

Dorothy Teeter: Let's check in with Katy Hatfield and see what she's found on Policy Resolution 1 – Season. If I understand correctly, we're not completely sure about how to properly answer Greg's question about clarifying the language relative to the legal implications of that. Since we're not completely sure let's hold Policy Resolution 1 and not vote on it today. Given the timing of WACs, we need to take this up again next cycle. We'll provide more information at a later date.

We will not vote on Policy Resolution 1, but we will vote on the other two.

Policy Resolution 2 - Tobacco Products
Resolved, that "Tobacco products" means any product made with or derived from tobacco that is intended for human consumption, including any component, part, or accessory of a tobacco product. This includes, but is not limited to, cigars, cigarettes, pipe tobacco, chewing tobacco, snuff, and other tobacco products. It does not include e-cigarettes or United States Food and Drug Administration (FDA) approved quit aids.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Policy Resolution 3 – Domestic Partner
Resolved, that eligibility for domestic partners qualified under PEBB criteria in place prior to January 1, 2010 is removed effective January 1, 2017.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Greg Devereux: Thank you, Dorothy, for looking at the first resolution.

Dorothy Teeter: You're welcome. And thank you for checking. We want to make sure things are clear if we are going to vote on them.

Life Insurance Benefit Reprocurement

Beth Heston, PEB Procurement Manager: Beth reviewed the life insurance benefit reprocurement information. She reviewed the benefit comparison chart which lined up the types of insurance available to PEBB Program members. Today we will vote on the resolutions that will change the benefit design going forward.

Plan Design Resolution 4 – Life Insurance

Resolved, that the employer paid life insurance provided to eligible employees beginning January 1, 2017 will be a $35,000 death by any cause benefit and a $5,000 accidental death and dismemberment (AD&D) benefit.

Plan Design Resolution 5 – Life Insurance

Resolved, that beginning January 1, 2017, employees will have 31 calendar days instead of the current 60 calendar days to elect employee paid voluntary life benefits up to the guaranteed issue amounts without medical underwriting.

Gwen Rench: Is there any special reason why the time period had to be shortened?

Dave Iseminger: IRS rules really govern the use of tax preferred dollars to pay for employee premiums and FSA and DCAP elections, as an example. A significant goal of those IRS rules is to ensure that there is not hindsight with regards to tax preferred usage of dollars. We couldn't move, for example, the medical and dental in a more broad direction. Over the years, we've had concerns and questions raised from employees that are confused because some of their forms are due on 31 days and some of them are due in 60 days. With a lot of the benefit enhancement at the time of rebooting the benefit, we felt this would be a good opportunity to have a single, clear, consistent message for active employees that all deadlines are 31 days.

Lou McDermott: We did try and move everything to 60 days because we wanted the consistency. But because of the IRS regulations, it had to be 31 days.

Greg Devereux: I want the record to show that I understand the point and I do agree. I think some might view 60 calendar days and going back to 31 as a take away. I think that's outweighed by the confusion that might accrue between the two. Lining them up at 31 days I think does make more sense for the Health Care Authority.

Dorothy Teeter: Thanks for that perspective, Greg.

Plan Design Resolution 6 – Life Insurance
Resolved, that beginning January 1, 2017, the employee paid voluntary life benefit will include:

a) An employee supplemental death from any cause benefit of $500,000 guaranteed issue with up to $1,000,000 with medical underwriting;
b) An employee supplemental AD&D benefit of $30,000 guaranteed issue with up to $250,000 with medical underwriting;
c) A spouse or registered domestic partner death from any cause benefit of up to 50% of the employee supplemental elected amount with $100,000 guaranteed issue;
d) A spouse or registered domestic partner AD&D benefit of $30,000 guaranteed issue with up to $250,000 with medical underwriting;
e) A child death from any cause benefit of up to $10,000 guaranteed issue with up to $20,000 with medical underwriting; and
f) A child AD&D benefit of up to $10,000 guaranteed issue with up to $25,000 with medical underwriting.

Plan Design Resolution 7 – Life Insurance
Resolved, that effective December 31, 2016, the current employee supplemental death from any cause benefit and spouse or registered domestic partner death from any cause benefit will be transferred to the new vendor for the full amount elected by the employee.

Plan Design Resolution 8 – Life Insurance
Resolved, that effective December 31, 2016, the current employee supplemental AD&D benefit and the dependent AD&D benefit will no longer be available. Existing employee supplemental AD&D will be transferred to the new vendor for the full amount elected for the employee, but any existing AD&D for dependents (spouse/child) will not transfer and will terminate. Employees who do not elect replacement coverage during the November 2016 open enrollment for dependents (spouse/child) will have to apply for and, if required, go through medical underwriting for new coverage.

Tim Barclay: I want to make sure I'm understanding the language correctly. So, if a PEBB employee who currently has dependent AD&D coverage elects to increase that amount in November, will they have to do medical underwriting or not?

Beth Heston: No.

Tim Barclay: They will not. So even if they increase the amount? What if somebody who doesn't have it currently elects to pursue it?

Beth Heston: If someone who doesn't have it currently elects to pursue it, for this open enrollment only, they will have no medical underwriting.

Tim Barclay: Thank you.

Greg Devereux: For the subscriber, you can transfer your current coverage. Is the fact that you can't transfer your spouse or child, but you can then elect replacement coverage, is that simply a *pro forma* process?

Beth Heston: It will require them to go online and create an account with MetLife. The difficulty is that we don't have that data to send to the new vendor because Pay1 does not capture it.

Greg Devereux: Thank you.

Plan Design Resolution 9 – Life Insurance
Resolved, that effective December 31, 2016, the $2,500 employee paid voluntary life benefit for dependents will no longer be available and that employees who do not elect replacement coverage during the November 2016 open enrollment will have to apply for and, if required, go through medical underwriting for new coverage.

Plan Design Resolution 10 – Life Insurance
Resolved, that for eligible individuals retiring on or after January 1, 2017, the retiree life insurance benefit will be a maximum $20,000 benefit with no age reductions.

Dorothy Teeter: Hearing no questions, we are ready to vote on these resolutions.

Plan Design Resolution 4 – Life Insurance
Resolved, that the employer paid life insurance provided to eligible employees beginning January 1, 2017 will be a $35,000 death by any cause benefit and a $5,000 accidental death and dismemberment (AD&D) benefit.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Plan Design Resolution 5 – Life Insurance
Resolved, that beginning January 1, 2017, employees will have 31 calendar days instead of the current 60 calendar days to elect employee paid voluntary life benefits up to the guaranteed issue amounts without medical underwriting.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Plan Design Resolution 6 – Life Insurance
Resolved, that beginning January 1, 2017, the employee paid voluntary life benefit will include:

a) An employee supplemental death from any cause benefit of $500,000 guaranteed issue with up to $1,000,000 with medical underwriting;
b) An employee supplemental AD&D benefit of $30,000 guaranteed issue with up to $250,000 with medical underwriting;
c) A spouse or registered domestic partner death from any cause benefit of up to 50% of the employee supplemental elected amount with $100,000 guaranteed issue;
d) A spouse or registered domestic partner AD&D benefit of $30,000 guaranteed issue with up to $250,000 with medical underwriting;
e) A child death from any cause benefit of up to $10,000 guaranteed issue with up to $20,000 with medical underwriting; and
f) A child AD&D benefit of up to $10,000 guaranteed issue with up to $25,000 with medical underwriting.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Plan Design Resolution 7 – Life Insurance
Resolved, that effective December 31, 2016, the current employee supplemental death from any cause benefit and spouse or registered domestic partner death from any cause benefit will be transferred to the new vendor for the full amount elected by the employee.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Plan Design Resolution 8 – Life Insurance
Resolved, that effective December 31, 2016, the current employee supplemental AD&D benefit and the dependent AD&D benefit will no longer be available. Existing employee supplemental AD&D will be transferred to the new vendor for the full amount elected for the employee, but any existing AD&D for dependents (spouse/child) will not transfer and will terminate. Employees who do not elect replacement coverage during the November 2016 open enrollment for dependents (spouse/child) will have to apply for and, if required, go through medical underwriting for new coverage.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Plan Design Resolution 9 – Life Insurance
Resolved, that effective December 31, 2016, the $2,500 employee paid voluntary life benefit for dependents will no longer be available and that employees who do not elect

replacement coverage during the November 2016 open enrollment will have to apply for and, if required, go through medical underwriting for new coverage.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Plan Design Resolution 10 – Life Insurance
Resolved, that for eligible individuals retiring on or after January 1, 2017, the retiree life insurance benefit will be a maximum $20,000 benefit with no age reductions.

Gwen Rench: What about retirees before January of 2017? My impression before was that there were options for them also.

Beth Heston: Yes. They will be grandfathered over and they'll have a chance to take their current $3,000 benefit and stay at $3,000. It won't be reduced. Or, they can go up to $5,000 with no evidence of insurability. And they can go up to $20,000 with evidence of insurability.

Gwen Rench: Thank you.

Greg Devereux: Does the retiree have to pay for this?

Beth Heston: Yes.

Greg Devereux: Thank you.

Moved. Seconded. Approved.
Voting to Approve: 7
Voting No: 0

Dorothy Teeter: Thank you, Beth, for all your work on this. It's pretty awesome after forty years to get a remarkable new life insurance policy; and hopefully, this will be in place for another forty or fifty years. It will be our legacy! Thanks very much.

Our next meeting is either July 20 from 1:30 p.m. to 3:00 p.m. or July 27 1:30 p.m. to 3:00 p.m.

Lou McDermott: We are working on the rates for 2017. The next meeting will most likely be July 27, but we will put a notification on the Listserv and website. There is an August 10 meeting scheduled for 9 a.m. in the event we don't meet on July 20.

Meeting adjourned 2:50 p.m.