

# **Public Employees Benefits Board Meeting**

**July 25, 2018**

## Public Employees Benefits Board

July 25, 2018

1:30 p.m. – 4:00 p.m.

Health Care Authority  
Sue Crystal A & B  
626 8<sup>th</sup> Avenue SE  
Olympia, Washington

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**TAB 1**

## AGENDA

**Public Employees Benefits Board**  
**July 25, 2018**  
**1:30 p.m. – 4:00 p.m.**

Health Care Authority  
Cherry Street Plaza  
Sue Crystal Rooms A and B  
626 8<sup>th</sup> Avenue SE  
Olympia, WA 98501

**Call-in Number: 1-888-407-5039**

**Participant PIN Code: 95587891**

1:30 p.m.*	<b>Welcome and Introductions</b>		Sue Birch, Chair	
1:35 p.m.	<b>Meeting Overview</b>		David Iseminger, Director Employees and Retirees Benefits (ERB) Division	Information
1:40 p.m.	<b>2019 Premium Resolutions</b>	TAB 3	Tanya Deuel, PEBB Finance Manager Financial Services Division	Action
2:00 p.m.	<b>Long-Term Disability Insurance</b>	TAB 4	Betsy Cottle, Procurement Manager School Employees Benefits Section, ERB Division	Action
2:20 p.m.	<b>School Retiree Risk Pool Analysis Follow-up</b>	TAB 5	Kayla Hammer, Fiscal Information and Data Analyst, FS Division Kim Wallace, SEBB Finance Manager Financial Services (FS) Division	Information / Discussion
2:40 p.m.	<b>Centers of Excellence Update – Spinal Bundle</b>		Marcia Peterson, Manager Benefits Strategy & Design Section, ERB Division	Information / Discussion
2:50 p.m.	<b>Medicare Retiree Health Benefits</b>	TAB 6	Molly Christie, Strategic Plan Project Manager Benefits Strategy & Design Section, ERB Division	Information / Discussion
3:40 p.m.	<b>Public Comment</b>			
4:00 p.m.	<b>Adjourn</b>			

**\*All Times Approximate**

The Public Employees Benefits Board will meet Wednesday, July 25, 2018, at the Washington State Health Care Authority, Sue Crystal Rooms A and B, 626 8<sup>th</sup> Avenue SE, Olympia, WA. The Board will consider all matters on the agenda plus any items that may normally come before them.

This notice is pursuant to the requirements of the Open Public Meeting Act, Chapter 42.30 RCW.

Direct e-mail to: [board@hca.wa.gov](mailto:board@hca.wa.gov). Materials posted at: <http://www.pebb.hca.wa.gov/board/> no later than close of business on July 23, 2018.

## PEB Board Members

Name	Representing
Sue Birch, Director Health Care Authority 626 8 <sup>th</sup> Ave SE PO Box 42713 Olympia WA 98504-2713 V 360-725-2104 <a href="mailto:sue.birch@hca.wa.gov">sue.birch@hca.wa.gov</a>	Chair
Greg Devereux, Executive Director Washington Federation of State Employees 1212 Jefferson Street, Suite 300 Olympia WA 98501 V 360-352-7603 <a href="mailto:greg@wfse.org">greg@wfse.org</a>	State Employees
Myra Johnson* 6234 South Wapato Lake Drive Tacoma WA 98408 V 253-583-5353 <a href="mailto:mljohnso@cloverpark.k12.wa.us">mljohnso@cloverpark.k12.wa.us</a>	K-12 Employees
Carol Dotlich 8312 198 <sup>th</sup> Street E Spanaway WA 98387 V 253-846-6371 <a href="mailto:wfsecarol@comcast.net">wfsecarol@comcast.net</a>	State Retirees
Tom MacRobert 4527 Waldrick RD SE Olympia WA 98501 V 360-264-4450 <a href="mailto:zapmac@hotmail.com">zapmac@hotmail.com</a>	K-12 Retirees

## PEB Board Members

Name	Representing
Tim Barclay 9624 NE 182 <sup>nd</sup> CT, D Bothell WA 98011 V 206-819-5588 <a href="mailto:timbarclay51@gmail.com">timbarclay51@gmail.com</a>	Benefits Management/Cost Containment
Yvonne Tate 1407 169 <sup>th</sup> PL NE Bellevue WA 98008 V 425-417-4416 <a href="mailto:ytate@comcast.net">ytate@comcast.net</a>	Benefits Management/Cost Containment
Vacant*	Benefits Management/Cost Containment
Harry Bossi 19619 23 <sup>rd</sup> DR SE Bothell WA 98012 V 360-689-9275 <a href="mailto:udubfan93@yahoo.com">udubfan93@yahoo.com</a>	Benefits Management/Cost Containment

### Legal Counsel

Katy Hatfield, Assistant Attorney General  
7141 Cleanwater Dr SW  
PO Box 40124  
Olympia WA 98504-0124  
V 360-586-6561  
[KatyK1@atg.wa.gov](mailto:KatyK1@atg.wa.gov)

\*non-voting members

7/2/18



Washington State Health Care Authority  
*Public Employees Benefits Board*

P.O. Box 42713 • Olympia, Washington 98504-2713  
360-725-0856 • TTY 711 • FAX 360-586-9551 • [www.pebb.hca.wa.gov](http://www.pebb.hca.wa.gov)

**2018 Public Employees Benefits Board Meeting Schedule**

The PEB Board meetings will be held at the Health Care Authority, Sue Crystal Center, Rooms A & B, 626 8<sup>th</sup> Avenue SE, Olympia, WA 98501. The meetings begin at 1:30 p.m., unless otherwise noted below.

January 31, 2018 (Board Retreat) 9:00 a.m. – 4:00 p.m.

March 21, 2018

April 25, 2018

May 21, 2018

June 7, 2018

June 20, 2018

July 11, 2018

July 17, 2018

July 25, 2018

If you are a person with a disability and need a special accommodation, please contact Connie Bergener at 360-725-0856

Updated 7/21/17

OFFICE OF THE CODE REVISER  
STATE OF WASHINGTON  
FILED

**DATE: August 01, 2017**

**TIME: 1:51 PM**

**WSR 17-16-148**



Washington State Health Care Authority  
*Public Employees Benefits Board*

P.O. Box 42713 • Olympia, Washington 98504-2713  
360-725-0856 • TTY 711 • FAX 360-586-9551 • [www.pebb.hca.wa.gov](http://www.pebb.hca.wa.gov)

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January 31, 2019 (Board Retreat) 9:00 a.m. – 5:00 p.m.

March 20, 2019

April 24, 2019

May 21, 2019

June 5, 2019

June 19, 2019

July 10, 2019

July 17, 2019

July 24, 2019

If you are a person with a disability and need a special accommodation, please contact Connie Bergener at 360-725-0856

Updated 3/30/18



**TAB 2**

## PEB BOARD BY-LAWS

### **ARTICLE I**

#### **The Board and its Members**

1. **Board Function**—The Public Employee Benefits Board (hereinafter “the PEBB” or “Board”) is created pursuant to RCW 41.05.055 within the Health Care Authority; the PEBB’s function is to design and approve insurance benefit plans for State employees and school district employees.
2. **Staff**—Health Care Authority staff shall serve as staff to the Board.
3. **Appointment**—The Members of the Board shall be appointed by the Governor in accordance with RCW 41.05.055. Board members shall serve two-year terms. A Member whose term has expired but whose successor has not been appointed by the Governor may continue to serve until replaced.
4. **Non-Voting Members**—Until there are no less than twelve thousand school district employee subscribers enrolled with the authority for health care coverage, there shall be two non-voting Members of the Board. One non-voting Member shall be the Member who is appointed to represent an association of school employees. The second non-voting Member shall be designated by the Chair from the four Members appointed because of experience in health benefit management and cost containment.
5. **Privileges of Non-Voting Members**—Non-voting Members shall enjoy all the privileges of Board membership, except voting, including the right to sit with the Board, participate in discussions, and make and second motions.
6. **Board Compensation**—Members of the Board shall be compensated in accordance with RCW [43.03.250](#) and shall be reimbursed for their travel expenses while on official business in accordance with RCW [43.03.050](#) and [43.03.060](#).

### **ARTICLE II**

#### **Board Officers and Duties**

1. **Chair of the Board**—The Health Care Authority Administrator shall serve as Chair of the Board and shall preside at all meetings of the Board and shall have all powers and duties conferred by law and the Board’s By-laws. If the Chair cannot attend a regular or special meeting, he or she shall designate a Chair Pro-Tem to preside during such meeting.
2. **Other Officers**—(reserved)

**ARTICLE III**  
**Board Committees**

**(RESERVED)**

**ARTICLE IV**  
**Board Meetings**

1. Application of Open Public Meetings Act—Meetings of the Board shall be at the call of the Chair and shall be held at such time, place, and manner to efficiently carry out the Board's duties. All Board meetings, except executive sessions *as permitted by law*, shall be conducted in accordance with the Open Public Meetings Act, Chapter 42.30 RCW.
2. Regular and Special Board Meetings—The Chair shall propose an annual schedule of regular Board meetings for adoption by the Board. The schedule of regular Board meetings, and any changes to the schedule, shall be filed with the State Code Reviser's Office in accordance with RCW 42.30.075. The Chair may cancel a regular Board meeting at his or her discretion, including the lack of sufficient agenda items. The Chair may call a special meeting of the Board at any time and proper notice must be given of a special meeting as provided by the Open Public Meetings Act, RCW 42.30.
3. No Conditions for Attendance—A member of the public is not required to register his or her name or provide other information as a condition of attendance at a Board meeting.
4. Public Access—Board meetings shall be held in a location that provides reasonable access to the public including the use of accessible facilities.
5. Meeting Minutes and Agendas—The agenda for an upcoming meeting shall be made available to the Board and the interested members of the public at least 10 days prior to the meeting date or as otherwise required by the Open Public Meetings Act. Agendas may be sent by electronic mail and shall also be posted on the HCA website. Minutes summarizing the significant action of the Board shall be taken by a member of the HCA staff during the Board meeting, and an audio recording (or other generally-accepted) electronic recording shall also be made. The audio recording shall be reduced to a verbatim transcript within 30 days of the meeting and shall be made available to the public. The audio tapes shall be retained for six (6) months. After six (6) months, the written record shall become the permanent record. Summary minutes shall be provided to the Board for review and adoption at the next board meeting.
6. Attendance—Board members shall inform the Chair with as much notice as possible if unable to attend a scheduled Board meeting. Board staff preparing the minutes shall record the attendance of Board Members at the meeting for the minutes.

**ARTICLE V**  
**Meeting Procedures**

1. Quorum— Five voting members of the Board shall constitute a quorum for the transaction of business. No final action may be taken in the absence of a quorum. The Chair may declare a meeting adjourned in the absence of a quorum necessary to transact business.
2. Order of Business—The order of business shall be determined by the agenda.
3. Teleconference Permitted— A Member may attend a meeting in person or, by special arrangement and advance notice to the Chair, A Member may attend a meeting by telephone conference call or video conference when in-person attendance is impracticable.
4. Public Testimony—The Board actively seeks input from the public at large, from enrollees served by the PEBB Program, and from other interested parties. Time is reserved for public testimony at each regular meeting, generally at the end of the agenda. At the direction of the Chair, public testimony at board meetings may also occur in conjunction with a public hearing or during the board's consideration of a specific agenda item. The Chair has authority to limit the time for public testimony, including the time allotted to each speaker, depending on the time available and the number of persons wishing to speak.
5. Motions and Resolutions—All actions of the Board shall be expressed by motion or resolution. No motion or resolution shall have effect unless passed by the affirmative votes of a majority of the Members present and eligible to vote, or in the case of a proposed amendment to the By-laws, a 2/3 majority of the Board .
6. Representing the Board's Position on an Issue—No Member of the Board may endorse or oppose an issue purporting to represent the Board or the opinion of the Board on the issue unless the majority of the Board approve of such position.
7. Manner of Voting—On motions, resolutions, or other matters a voice vote may be used. At the discretion of the chair, or upon request of a Board Member, a roll call vote may be conducted. Proxy votes are not permitted.
8. Parliamentary Procedure—All rules of order not provided for in these By-laws shall be determined in accordance with the most current edition of Robert's Rules of Order [RONR]. Board staff shall provide a copy of *Robert's Rules* at all Board meetings.
9. Civility—While engaged in Board duties, Board Members conduct shall demonstrate civility, respect and courtesy toward each other, HCA staff, and the public and shall be guided by fundamental tenets of integrity and fairness.
10. State Ethics Law—Board Members are subject to the requirements of the Ethics in Public Service Act, Chapter 42.52 RCW.

**ARTICLE VI**  
**Amendments to the By-Laws and Rules of Construction**

1. Two-thirds majority required to amend—The PEBB By-laws may be amended upon a two-thirds (2/3) majority vote of the Board.
2. Liberal construction—All rules and procedures in these By-laws shall be liberally construed so that the public's health, safety and welfare shall be secured in accordance with the intents and purposes of applicable State laws and regulations.

**TAB 3**



# 2019 Premium Resolutions

Tanya Deuel  
PEBB Finance Unit Manager  
Financial Services  
July 25, 2018



# Medical Plan Changes

## Uniform Medical Plan

- Adding a Virtual Diabetes Prevention Program (Omada) for all Non-Medicare members.



# Medical Plan Changes

## Kaiser Permanente of Washington

(formerly Group Health)

### All Plan Changes

- Add Virtual Diabetes Prevention Program for all Non-Medicare Members\*

### SoundChoice Plan

- Add network coverage in Kitsap and Spokane Counties
- Lower deductible from \$250 to \$125 per person and from \$750 to \$375 per family
- Lower Primary Care visit co-insurance from 15% to \$0 co-pay
- Massage therapy visits—removed from PT/OT/ST\*\* bundle and set at 16 per year
- Change Inpatient Hospital Services from \$200 per day up to \$1,000 max to \$500 per admission with no maximum

\*Medicare offers its own Diabetes Prevention Program to members.

\*\*PT/OT/ST = Physical Therapy/Occupational Therapy/Speech Therapy

# Dental Plan Change

## Uniform Medical Plan

- Limit on Class III restorations (crowns) will be lowered from seven years to five years

# SoundChoice Follow-Up Questions

- Average hospital in-patient days in 2017 were 3.17
- Annual Out-of-Pocket Maximum does apply \$2,000 per individual/\$4,000 per family

# Purpose of Board Action

Vote on resolutions for both the  
Medicare and Non-Medicare  
premiums presented on July 17, 2017

# Resolution PEBB 2018-06

## Non-Medicare Premium

**Resolved that,** the PEB Board endorses the Kaiser Foundation Health Plan of the Northwest employee and Non-Medicare retiree premiums.

# Resolution PEBB 2018-07

## Non-Medicare Premium

**Resolved that,** the PEB Board endorses the Kaiser Permanente of Washington employee and Non-Medicare retiree premiums.

# Resolution PEBB 2018-08

## Non-Medicare Premium

**Resolved that,** the PEB Board endorses the Uniform Medical Plan employee and Non-Medicare retiree premiums.

# Resolution PEBB 2018-09

## Medicare Premium

**Resolved that,** the PEB Board endorses the monthly Medicare Explicit Subsidy of \$168 or 50% of premium, whichever is less.



# Resolution PEBB 2018-10

## Medicare Premium

**Resolved that,** the PEB Board endorses the Kaiser Foundation Health Plan of the Northwest Medicare premiums.

# Resolution PEBB 2018-11

## Medicare Premium

**Resolved that,** the PEB Board endorses the Kaiser Permanente of Washington Medicare premiums.

# Resolution PEBB 2018-12

## Medicare Premium

**Resolved that,** the PEB Board  
endorses the Uniform Medical Plan  
Medicare premiums.

# Resolution PEBB 2018-13

## Medicare Premium

**Resolved that,** the PEB Board endorses the Premiera Medicare premiums.

# Questions

Tanya Deuel

PEBB Finance Unit Manager

[Tanya.Deuel@hca.wa.gov](mailto:Tanya.Deuel@hca.wa.gov)

Tel: 360-725-0908

**TAB 4**



# Long-Term Disability Insurance

Betsy Cottle, Contract Manager  
School Employees Benefits Section  
Employees and Retirees Benefits Division  
July 25, 2018



# Follow-up: Living Wage for Washington State

Annual Living Wage in Washington  
(Hourly Wage x 2,080 Hours)

Hourly Wages	1 Adult	1 Adult 1 Child	1 Adult 2 Children	1 Adult 3 Children	2 Adults (1 Working)	2 Adults (1 Working) 1 Child	2 Adults (1 Working) 2 Children	2 Adults (1 Working) 3 Children	2 Adults	2 Adults 1 Child	2 Adults 2 Children	2 Adults 3 Children
Living Wage	\$25,542	\$55,182	\$64,210	\$83,366	\$41,205	\$49,067	\$55,390	\$64,293	\$20,613	\$29,557	\$35,402	\$42,515
Poverty Wage	\$10,400	\$14,560	\$18,720	\$22,880	\$14,560	\$18,720	\$22,880	\$27,040	\$6,240	\$8,320	\$10,400	\$12,480
Minimum Wage	\$23,920	\$23,920	\$23,920	\$23,920	\$23,920	\$23,920	\$23,920	\$23,920	\$23,920	\$23,920	\$23,920	\$23,920



# PEBB Program Subscriber Income

2017-2019 Employee Headcount\*  
*Estimate by Pay Level*

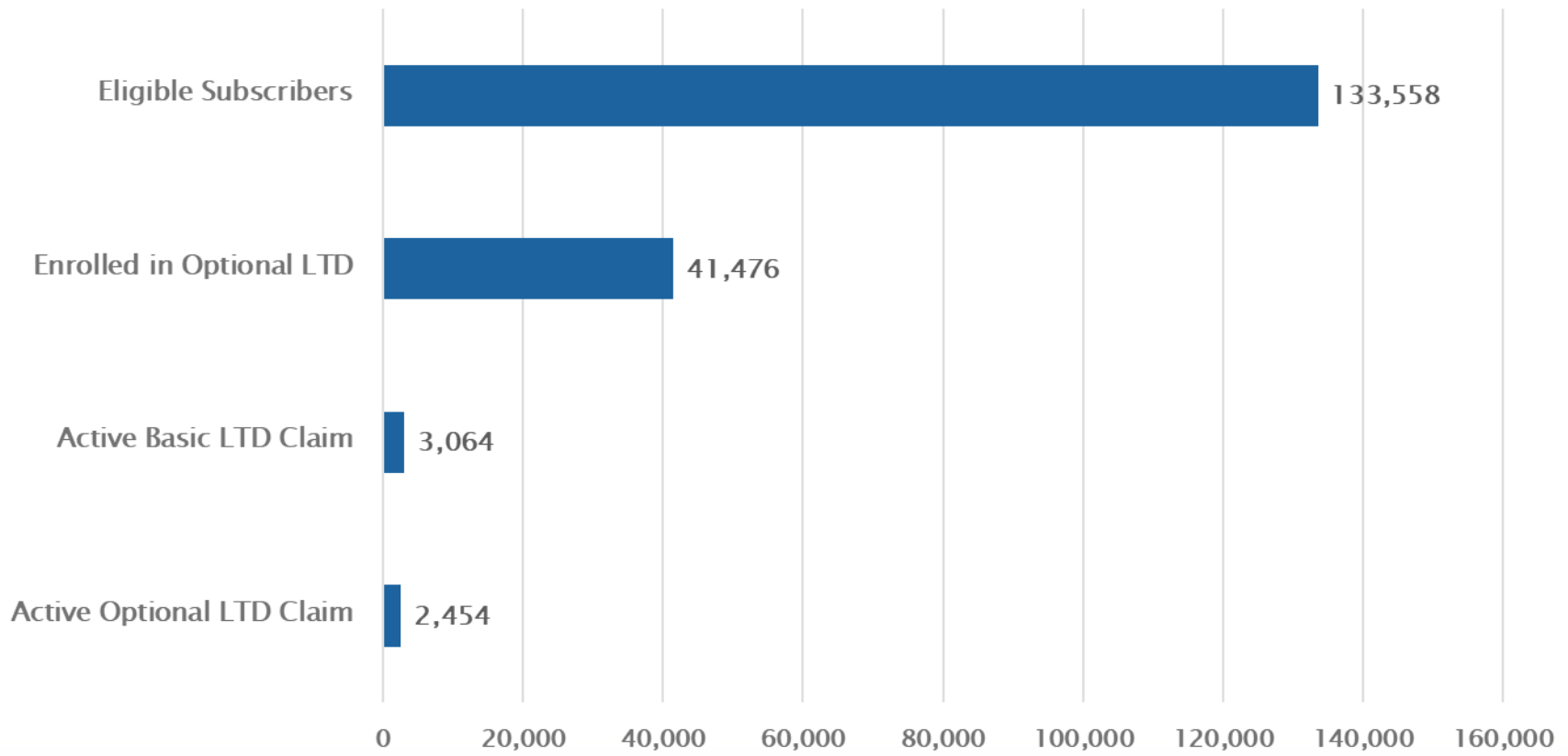
Annual Pay Band	Monthly Pay Band	Employees
>\$150,000	\$12,000 or more per month	1,999
\$120,001 – \$150,000	\$10,000 – \$12,000 per month	2,828
\$101,001 – \$120,000	\$8,416 – \$10,000 per month	5,218
\$80,001 – \$101,000	\$6,666 – \$8,416 per month	14,300
\$50,001 – \$80,000	\$4,166 – \$6,666 per month	57,156
\$31,000 – \$50,000	\$2,583 – \$4,166 per month	34,453
< \$31,000	\$2,583 or less per month	15,939
<b>Total</b>		<b>131,893</b>

\*Includes only employees working at least half time.

Data provided by OFM from their 2017-19 Budget Data as a proxy for salary for this presentation.

# Current Plan Enrollment

PEB Subscribers LTD Utilization



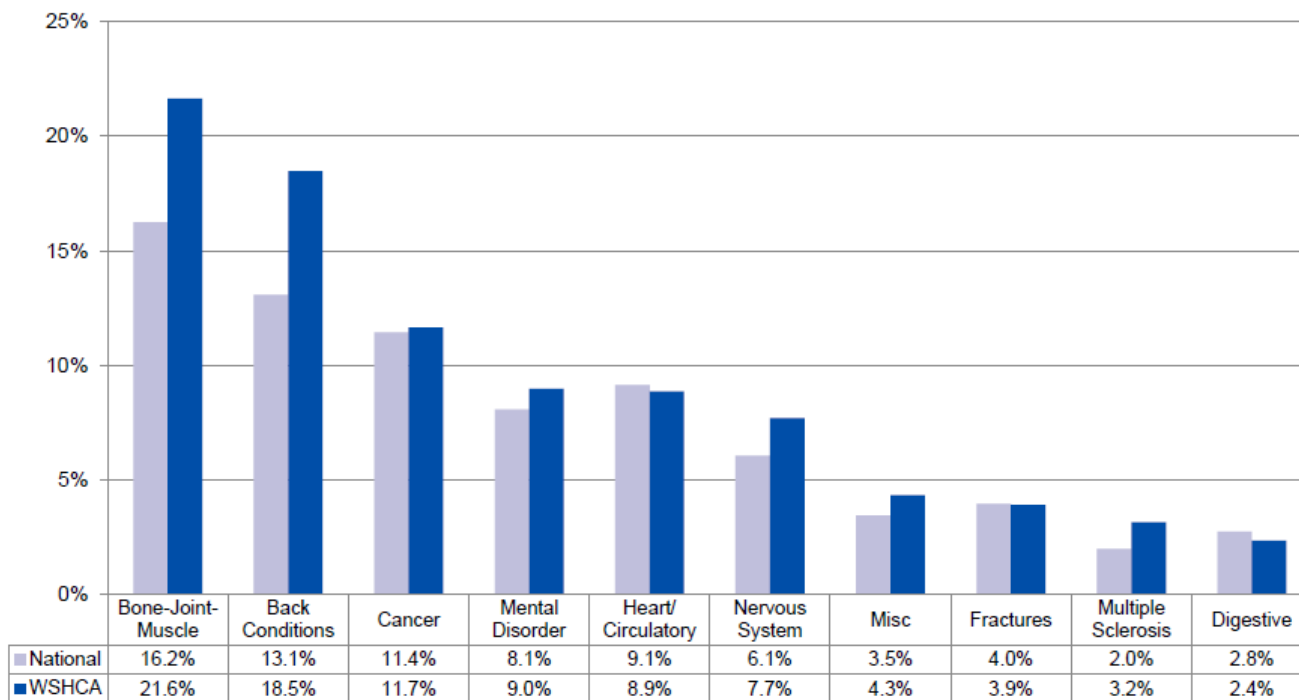
# Follow-up: HCA LTD Diagnosis Comparison

## Washington State Health Care Authority

### LTD Incidence by Diagnosis

*For the period from January 01, 2013 through December 31, 2017*

This graph shows LTD incidence (all claims filed) in each of the 10 most common diagnostic categories compared to The Standard's total book of business.



Please note: total book of business statistics use the last five complete calendar years, currently 2013 - 2017.

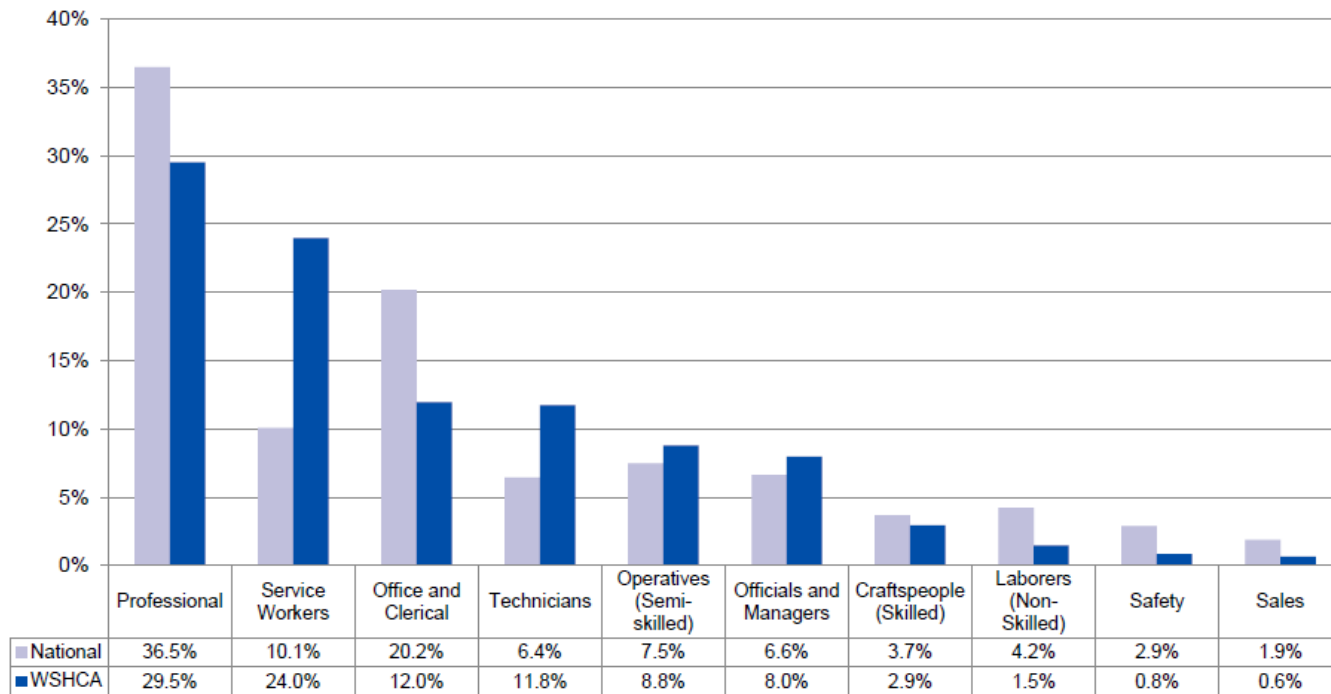
# Follow-up: HCA LTD Diagnosis by Occupation

## Washington State Health Care Authority

### LTD Incidence by Occupation

*For the period from January 01, 2013 through December 31, 2017*

This graph shows LTD incidence (all claims filed) in each of the 10 most common occupational categories compared to The Standard's total book of business



Please note: total book of business statistics use the last five complete calendar years, currently 2013 - 2017.

# Snapshot: LTD Claim Trends vs. Benchmarks

Benefit Feature	HCA/State of WA				Benchmarks	
	Base LTD		Optional LTD		Integrated Benefits Institute (IBI) Public Admin.	Standard Insurance Company (SIC)
<b>Claims Incidence</b> (Claims per 1,000 members)	▼	2.6	▼	6.9	8.2	Base: 6.0 Optional: 5.2-21.5*
<b>Average Benefit Paid</b> (\$ Per Closed Claim)	▼	\$6,506	▼	\$28,946	\$37,873	\$28,973
<b>Musculoskeletal Claims</b> -% of Claims -% of Liability -Duration	► ► —	31% 30% —	► ► ▼	31% 30% 41 months	32% 31% —	31% 29% 45 months
<b>Accident/Violence Claims</b> -% of Claims -% of Liability -Duration	▲ ► —	15% 10% —	▲ ► ►	17% 9% 30 months	13% 9% —	11% 7% 30 months
<b>Nervous System Claims</b> -% of Claims -% of Liability -Duration	▲ ► —	14% 21% —	► ► ►	13% 20% 78 months	9% 14% —	12% 21% 79 months
<b>Claim Count By Age</b> -<30 to 39 -40 to 49 -50 to 59 -60+	▼ ▼ ▲ ▲	13% 23% 42% 22%	▼ ▼ ▲ ▲	15% 21% 41% 23%	—	18% 25% 39% 18%

— Data inconclusive or unavailable

\* Range based on Benefit Waiting Period

# Benchmark Source Information

IBI – Public Administration	# of Employers    # of Claims	
	Enrolled Lives	
	0-250	634    1,143
	251-1000	153    1,920
	1001-5000	111    3,027
	5001+	30    8,186
	<b>TOTAL</b>	<b>928    14,276</b>
	Segment	
	Executive, Legislative, and General Government	671    11,825
	Justice, Public Order, and Safety	154    648
	Environmental Quality and Housing Programs	41    167
	Human Resource Programs	22    601
	Economic Programs	21    388
	Other	19    647
	<b>TOTAL</b>	<b>928    14,276</b>

Data from Integrated Benefits Institute, calendar year 2015.  
<https://www.ibiweb.org>

SIC – Public Administration	# of Employers    # of Claims	
	Enrolled Lives	
	0-500	950    3,085
	501-2000	193    5,170
	2001-5000	66    8,109
	5001+	60    22,104
	<b>TOTAL</b>	<b>1,269    38,468</b>
	Segment	
	Executive, Legislative, and General Government	918    33,835
	Justice, Public Order, and Safety	265    1,413
	Environmental Quality and Housing Programs	18    330
	Human Resource Programs	18    1,201
	Economic Programs	21    154
	Other	29    1,535
	<b>TOTAL</b>	<b>1,269    38,468</b>

Data from Standard Insurance Company, calendar years 2011-2015.

# LTD and Social Security Disability

- The Standard helps members who are severely disabled from any work with getting Social Security Disability Insurance (SSDI) claims filed and adjudicated.
- LTD has a shorter adjudication period, so approval for LTD claims is usually given before the federal government adjudicates an SSDI claim.
- SSDI retroactively approves the disability and, usually, pays a lump sum before beginning monthly payments.
- LTD coverage deducts SSDI as income, so when SSDI comes through, members must pay back the overpayments for the SSDI benefits.

# Decision #1

## Offer a One-Time Opportunity

- Opportunity for all eligible employees to:
  - Purchase optional LTD insurance
  - Increase their optional LTD
  - Change the waiting period for their optional benefit
- This offer is open to every eligible employee, even if they have previously been denied optional coverage
- Premium rates will be guaranteed until 1/1/2021



## Proposed Schedule

- Marketing campaign begins Q3 2018
- Open enrollment in Q1 2019
- Plan effective Q2 2019

## Decision #2

# Increase Monthly Maximum Benefit

- The Board could authorize an increase in the monthly maximum benefit offered to employees in the optional LTD plan from \$6,000 per month to \$10,000 per month

# Claim Fluctuation Account (CFA)

- CFA is an account maintained by the disability insurance company. The main purpose of a CFA is to stabilize the rates and protect the plan against risk. The larger the balance of the CFA, the lower the risk to the overall plan.
- LTD vendors generally keep between 25% - 50% of annual premiums in a CFA.
- The Standard Insurance Company maintains a CFA for HCA's optional LTD that is equal to 50% of annual premiums.
- *The Standard maintains separate CFAs for employer paid basic LTD and employee paid optional LTD.*

# Decision Considerations

- Offering a one-time opportunity to PEBB Program employees could impact the claim fluctuation account (CFA) maintained by The Standard for employee paid optional LTD.
  - There is the possibility for more claims because more employees will enroll.
- Increasing the maximum monthly benefit could also impact the employee paid optional CFA.
  - By increasing the maximum monthly benefit it becomes more attractive and could also increase claims.
- If the Board chooses to offer a one-time open enrollment and increase the maximum monthly benefit, the impact to the employee paid optional CFA is assumed to be higher as is the risk of an increase in premium rates in the near future.

# Resolution PEBB 2018-05

## LTD One-Time New Enrollment Opportunity

**Resolved that,** during Q1 of 2019, the PEBB Program will offer all eligible employees an opportunity, without providing evidence of insurability, to purchase optional LTD insurance or change their benefit waiting period.

# Questions?

Betsy Cottle, Procurement Manager  
School Employees Benefits Section  
Employees and Retirees Benefits Division

[Betsy.cottle@hca.wa.gov](mailto:Betsy.cottle@hca.wa.gov)

Tel: 360-725-1098

**TAB 5**



# School Retiree Risk Pool Analysis Follow-up

Kayla Hammer  
Fiscal Information & Data Analyst  
Financial Services  
July 25, 2018



# Enrollment Data

Enrollment data for PEBB Program as of June 2018

Group	Associated Risk Pool	*Approximate Enrollment Count
State Employee	PEBB Non-Medicare	235,5000
State Retiree Non-Medicare	PEBB Non-Medicare	4,650
State Retiree Medicare	PEBB Medicare	42,900
School Employee	PEBB Non-Medicare	8,300
School Retiree Non-Medicare	PEBB Non-Medicare	4,100
School Retiree Medicare	PEBB Medicare	47,600
Poly-sub Employee	PEBB Non-Medicare	31,500
Poly-sub Retiree Non-Medicare	PEBB Non-Medicare	550
Poly-sub Retiree Medicare	PEBB Medicare	3,000

# Other State Examples

- As of 2017, 19 states allow pooling of public employees and school employees. Practices within the programs vary.
- Most programs appear to allow Non-Medicare retirees to continue accessing benefits available to employees (i.e., like the PEBB Non-Medicare risk pool). They manage Medicare risk pools separately.
- Some examples are:
  - OEGB/OPEGB (Oregon)
  - SHBP/SEHBP (New Jersey)

# Questions?

## More Information:

<http://www.ncsl.org/research/health/state-employee-health-benefits-ncsl.aspx>

<https://www.state.nj.us/treasury/pensions/hb-info-retired.shtml>

<https://www.oregon.gov/pers/RET/Pages/PHIP.aspx>

Kayla Hammer  
Fiscal Information & Data Analyst  
Financial Services  
[kayla.hammer@hca.wa.gov](mailto:kayla.hammer@hca.wa.gov)

**TAB 6**



# Medicare Retiree Health Benefits

Molly Christie  
Strategic Plan Project Manager  
Benefit Strategy & Design Section  
July 25, 2018



# PEBB Program Retiree Health Benefits

## A Work in Progress

At the January 2018 retreat, HCA presented background information about PEBB Program retiree health benefits.

The Employees and Retirees Benefits (ERB) Division received \$169k in the Governor's 2018 supplemental budget to evaluate retiree coverage options.

The overarching goal of this evaluation is to understand **sustainable** and **supportive** plan offerings for Medicare retirees. This includes understanding reliable strategies for maximizing federal resources/revenue and **stabilizing member premiums**.

# PEBB Program Medicare retiree plan offerings and enrollment\*

Plan Name	Subscriber	Spouse	Dependent	Total
Kaiser NW Senior Advantage <sup>1</sup>	1,774	705	1	<b>2,480</b>
Kaiser WA (Classic Medicare <sup>2</sup> and Medicare Advantage <sup>1</sup> )	16,740	6,591	34	<b>23,365</b>
Premera Medicare Supplement Plan F	9,990	4,111	0	<b>14,101</b>
UMP Classic Medicare <sup>2</sup>	38,114	14,958	78	<b>53,150</b>
<b>Total</b>	<b>66,618</b>	<b>26,365</b>	<b>113</b>	<b>93,096</b>

1. Medicare Part C (aka Medicare Advantage) with Part D creditable drug coverage
2. Original Medicare coordination of benefits with Part D creditable drug coverage

\*Reflects June 2018 enrollment numbers

# Why evaluate PEBB Program?

1

## **It's time!**

- Medicare has changed and so have PEBB Program Medicare retirees

2

## **The value of the Retiree Drug Subsidy has declined**

- The value of the RDS has declined as prescription drug costs have climbed; other federal subsidy options may provide greater value to members

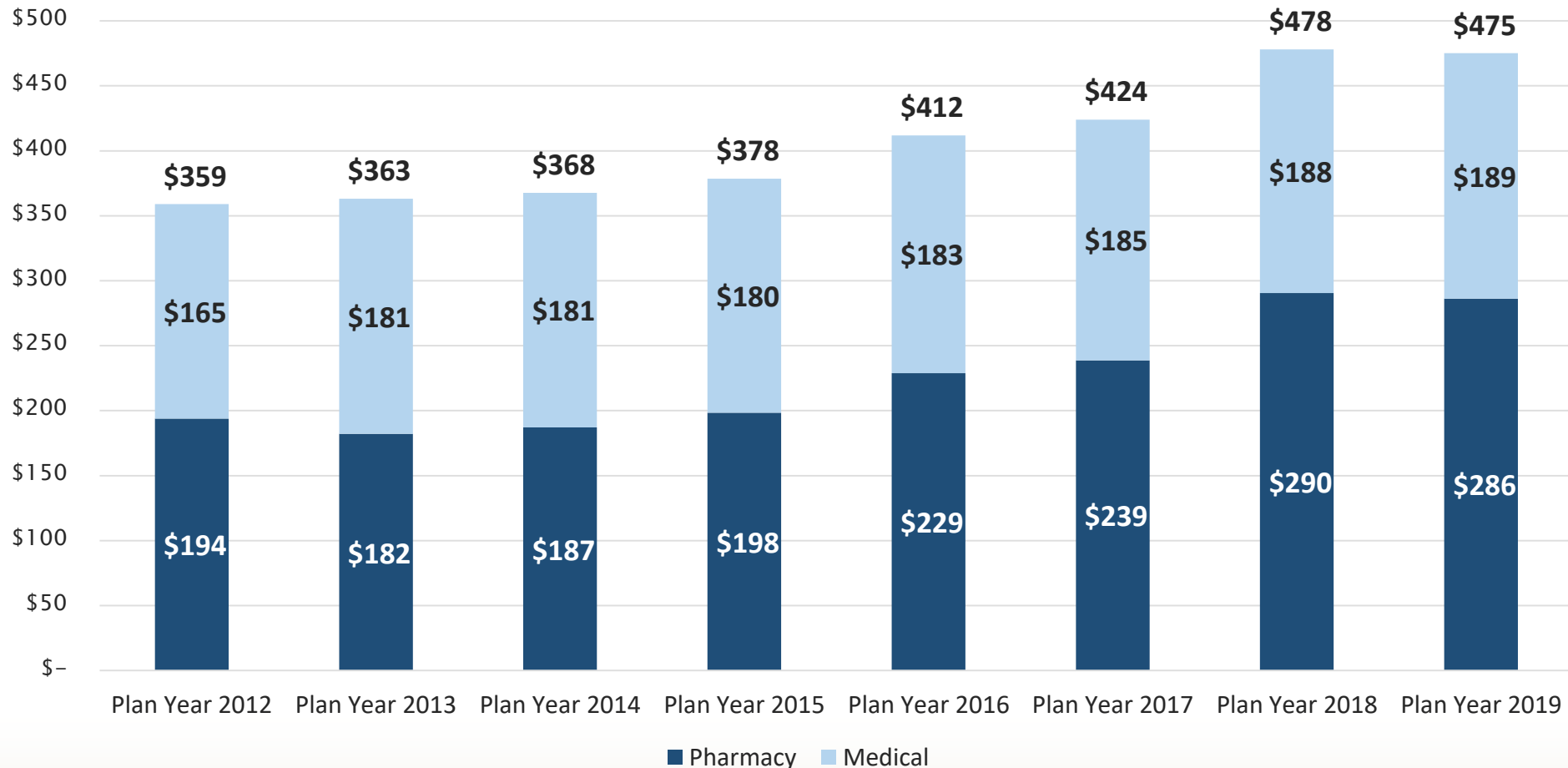
3

## **Prescription drug spending is compromising affordability of PEBB Program Medicare plans**

- Prescription drug market is highly volatile
- Prescription claims account for ~60% of UMP rates for Medicare members



# UMP Classic Medicare rates



# Cost mitigation strategies

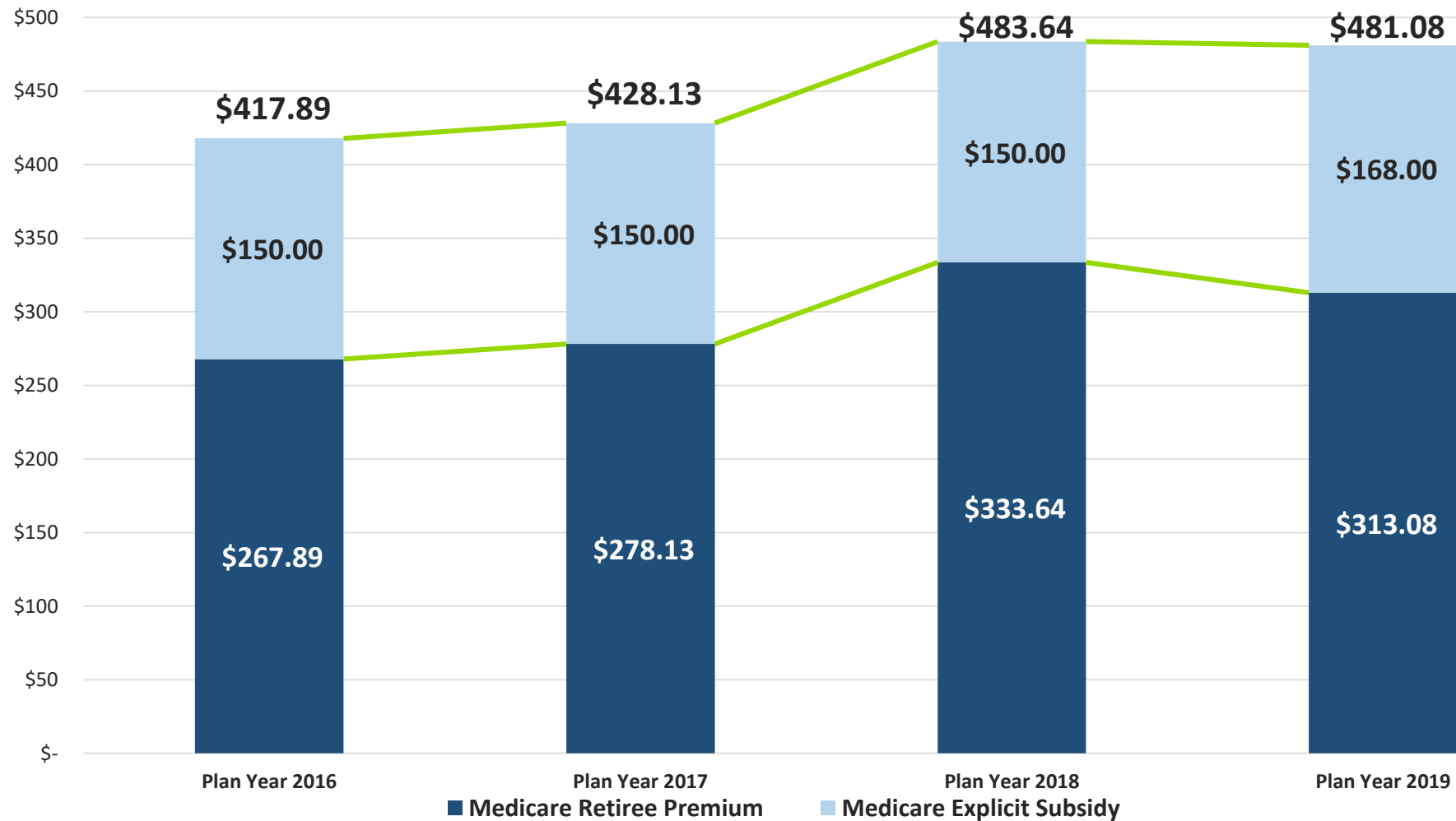
## Retiree Drug Subsidy

- PEBB Program Medicare health plans with creditable drug coverage (UMP Classic Medicare, Kaiser WA Classic Medicare, Kaiser WA Medicare Advantage, and Kaiser NW Senior Advantage) participate in the RDS
- HCA receives ~\$21 million through the RDS annually, deposited into the state general fund

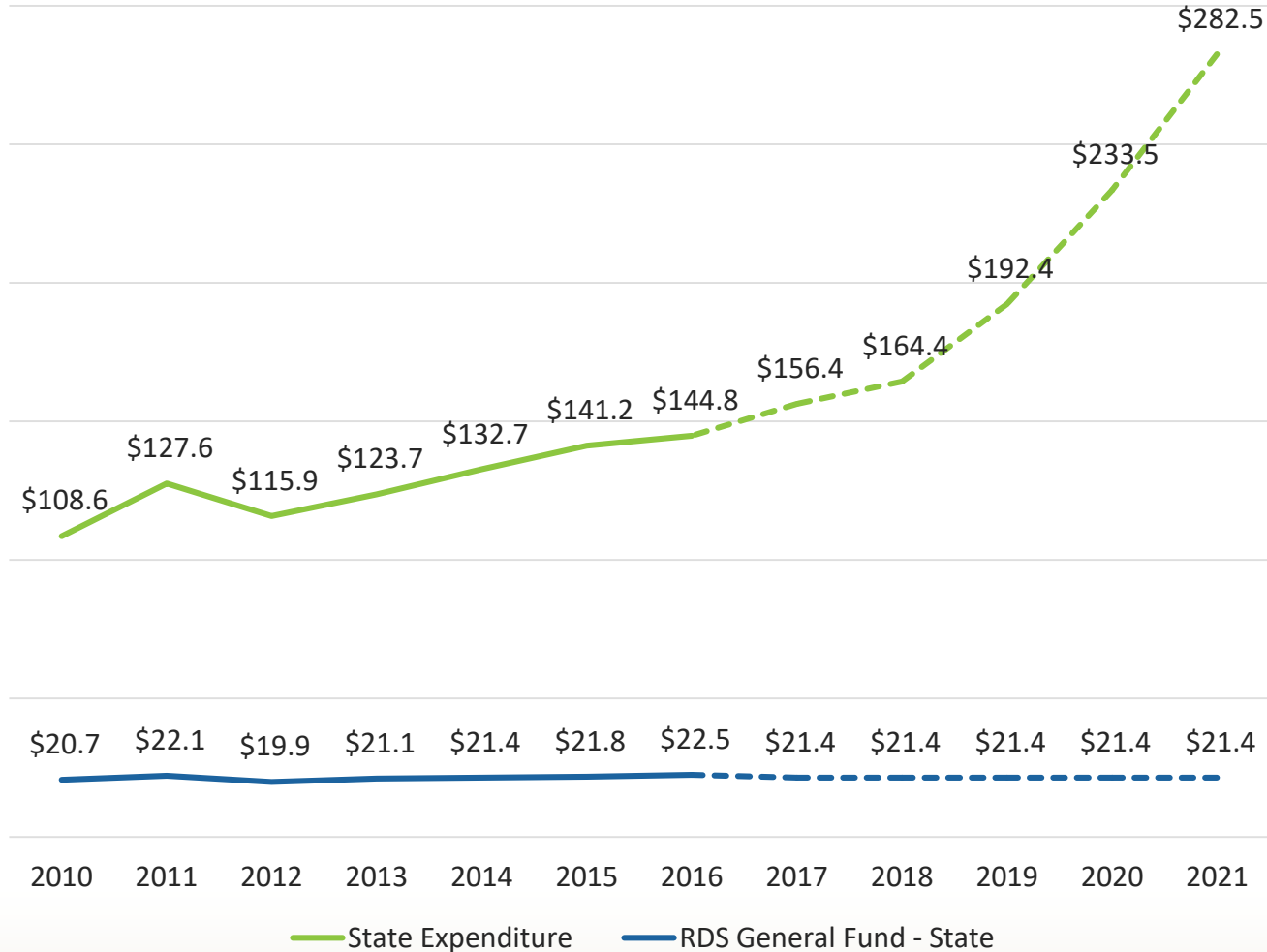
## Explicit Subsidy

- The Legislature approved a one-time increase (beginning in 2019) in the explicit subsidy from \$150 to \$168 (or 50% of plan premium, whichever is less)
- This \$18 per retiree increase amounts to approximately an \$18 million annual spend, which almost equals the revenue received through the RDS for a single calendar year

## Explicit subsidy impact on UMP Medicare premium



# State spending on explicit subsidy vs. RDS revenue



# What other states are doing

## Employer Group Waiver Plan (EGWP)

- Self-insured or fully-insured Part D plans authorized by the Centers for Medicare and Medicaid Services (CMS) and available only to an employer's retirees
- Optional wraparound provision allows for benefits similar to an employer's current prescription coverage

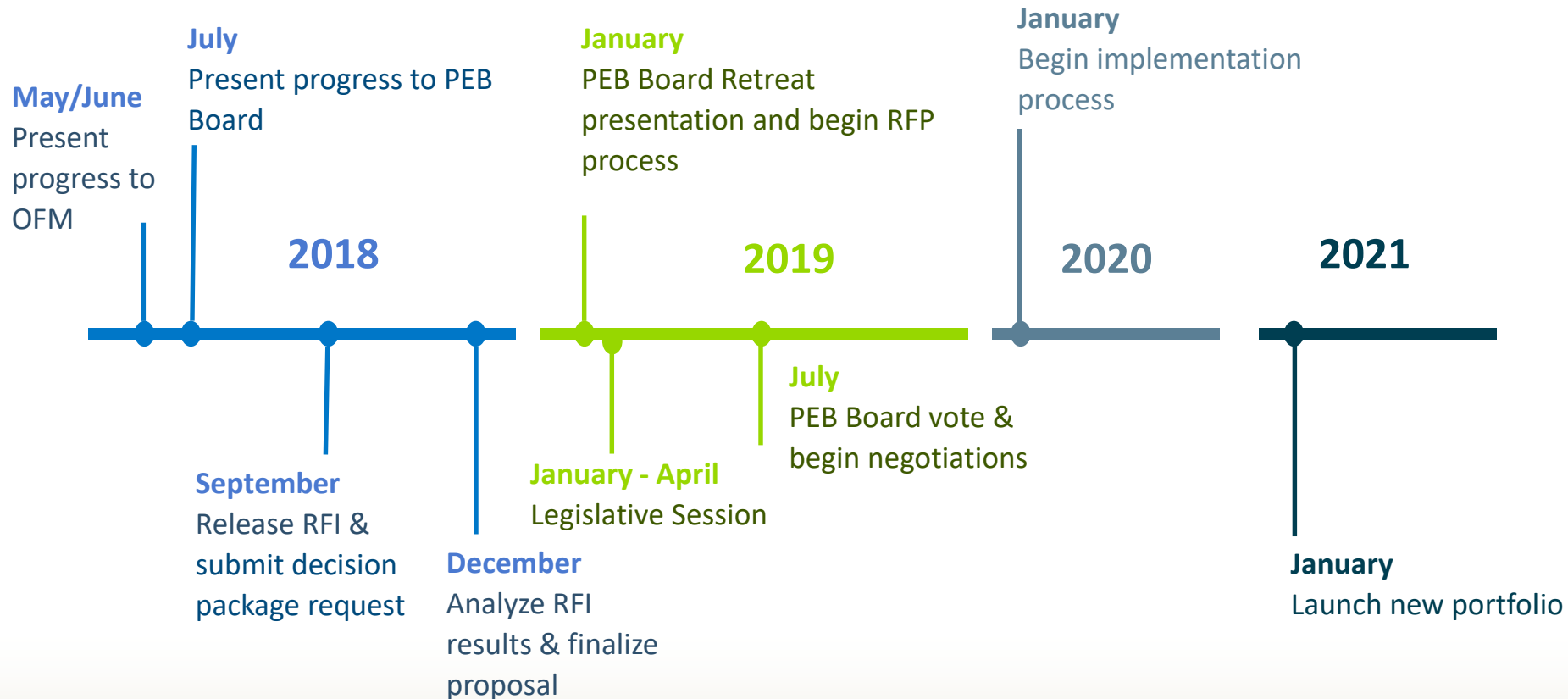
## Medicare Advantage + Part D (MA-PD)

- Private plans that cover all Medicare benefits, including prescription drugs
- Typically offer enhanced benefits compared to standalone Part D plans

## Private Exchange

- Portfolio of group coverage Medicare plans (Supplemental, Part D, Medicare Advantage) managed by insurance carriers or consultancies
- Allows for greater plan choice compared to typical employer offerings for retirees

# Timeline



# Questions?

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# Appendix



# Medicare plan types

Plan Type	Description	PEBB Program Offered Plans
<b>Original Medicare</b>	Traditional fee-for-service health insurance program offered directly through the federal government (Centers for Medicare and Medicaid Services). Includes Medicare Part A (inpatient/hospital coverage) and Medicare Part B (outpatient/medical coverage). No drug coverage.	None. PEBB Program offers 4 Original Medicare <b>Coordination of Benefits (COB)</b> <sup>1</sup> Plans
<b>Medicare Advantage (MA)</b>	Also referred to as “Medicare Part C.” MA plans are offered by private companies approved by Medicare. If you have an MA plan, you receive your Part A and B coverage through the MA plan, not Original Medicare. CMS provides subsidies to MA plans to help cover the cost of Part A and B coverage.	Kaiser WA Medicare Advantage Kaiser NW Senior Advantage
<b>Medicare Part D</b>	Optional outpatient prescription drug benefits offered through private or employer-sponsored plans approved by CMS. Part D plan types include: <ul style="list-style-type: none"> <li>• Stand-alone prescription drug plans (PDPs);</li> <li>• Medicare Advantage plus prescription drug plans (MA-PDs) that cover all Medicare benefits, including drugs; or</li> <li>• Employer-Sponsored Group Waiver Plans (EGWPs, pronounced “egg whip”), which are self-insured or fully insured Part D plans authorized by CMS and available only to an employer’s retirees.</li> </ul>	None. All PEBB Program plans (except Plan F) have <b>creditable drug coverage</b> . <sup>2</sup>
<b>Medicare Supplement Plans</b>	Also referred to as “Medigap” plans, Medicare Supplement plans help offset out-of-pocket expenses for Original Medicare including deductibles and coinsurances. Medicare Supplement plans are sold by private companies but have been approved by CMS.	Premiera Supplement Plan F

1. CMS is primary payer for services covered by Original Medicare; COB plans are billed secondary

2. Prescription drug benefits that are equivalent to, or more generous than, standard defined Part D benefits