Public Employees Benefits Board
July 17, 2018
1:30 p.m. – 4:45 p.m.

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

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TAB 1
# AGENDA

**Public Employees Benefits Board**  
**July 17, 2018**  
**1:30 p.m. – 4:45 p.m.**

**Call-in Number:** 1-888-407-5039  
**Participant PIN Code:** 95587891

<table>
<thead>
<tr>
<th>Time</th>
<th>Item</th>
<th>Presenter(s)</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1:30 p.m.*</td>
<td><strong>Welcome and Introductions</strong></td>
<td>Sue Birch, Chair</td>
<td></td>
</tr>
<tr>
<td>1:35 p.m.</td>
<td><strong>Meeting Overview</strong></td>
<td>David Iseminger, Director Employees and Retirees Benefits (ERB) Division</td>
<td>Information</td>
</tr>
</tbody>
</table>
| 1:45 p.m. | **Long-Term Disability Insurance**                                  | Betsy Cottle, Procurement Manager School Employees Benefits Section, ERB Division  
                       |                                  | Marcia Peterson, Manager Benefits Strategy & Design Section, ERB Division     | Information / Discussion  |
| 2:15 p.m. | **UMP Plus Update on Grays Harbor County**                          | Michael Arnis, UMP Plus Account Manager Portfolio Management and Monitoring Section, ERB Division | Information / Discussion  |
| 2:25 p.m. | **2019 Rates Overview**                                            | Tanya Deuel, PEBB Finance Unit Manager Financial Services Division            | Information / Discussion  |
| 2:45 p.m. | **Eligibility Policy Resolutions**                                  | Barb Scott, Manager Policy, Rules, and Compliance Section, ERB Division       | Action                    |
| 3:05 p.m. | **Break**                                                           |                                                                               |                           |
| 3:15 p.m. | **2018 Annual Rule Making**                                         | Stella Ng, Senior Policy Analyst Policy, Rules, and Compliance Section, ERB Division | Information / Discussion  |
| 3:30 p.m. | **Emerging Medications**                                           | Ryan Pistoressi, Assistant Chief Pharmacy Officer Clinical Quality and Care Transformation Division | Information / Discussion  |
The Public Employees Benefits Board will meet Wednesday, July 17 2018, at the Washington State Health Care Authority, Sue Crystal Rooms A and B, 626 8th 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.

PEB Board Members

Name                                      Representing

Sue Birch, Director                      Chair
Health Care Authority
626 8th Ave SE                           Chair
PO Box 42713                             Health Care Authority
Olympia WA 98504-2713                    626 8th Ave SE
V 360-725-2104                           PO Box 42713
sue.birch@hca.wa.gov

Greg Devereux, Executive Director         State Employees
Washington Federation of State Employees
1212 Jefferson Street, Suite 300         Executive Director
Olympia WA 98501                         State Employees
V 360-352-7603                           Washington Federation of State Employees
greg@wfse.org                            1212 Jefferson Street, Suite 300

Myra Johnson*                            K-12 Employees
6234 South Wapato Lake Drive             K-12 Employees
Tacoma WA 98408                           Myra Johnson*
V 253-583-5353                           6234 South Wapato Lake Drive
mljohnso@cloverpark.k12.wa.us

Carol Dotlich                             State Retirees
8312 198th Street E                      State Retirees
Spanaway WA 98387                         Carol Dotlich
V 253-846-6371                           8312 198th Street E
wfsecarol@comcast.net

Tom MacRobert                             K-12 Retirees
4527 Waldrick RD SE                       K-12 Retirees
Olympia WA 98501                          Tom MacRobert
V 360-264-4450                           4527 Waldrick RD SE
zapmac@hotmail.com
# PEB Board Members

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

**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

*non-voting members

7/2/18
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 8th 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
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
Decisions for the PEB Board

1. Should the PEB Board offer an Open Enrollment for Optional LTD Insurance to all PEBB Program members?

2. If yes, what level of benefits should be offered?
What is Long-Term Disability Insurance?

• Long-Term Disability (LTD) Insurance is used to replace an employee’s income when they become disabled and can no longer work in their usual job.

• LTD insurance replaces a portion of an employee’s gross monthly income on a tax-free basis.
What is the definition of disability?

• **PEB Board’s plan:** A disability means being unable to perform with reasonable continuity the duties of your job as a result of sickness, injury, or pregnancy during the benefit waiting period and the first 24 months for which LTD benefits are payable.

• **Social Security Administration:** A disability is the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.
Current PEB Board Plan

– Basic LTD (employer paid)
  • 60% of the first $400 of monthly pay ($50 to $240/month)
  • Starts after 90 days or after the duration of your sick leave balance (whichever is longer)

– Optional LTD (voluntary – employee paid)
  • 60% of the first $10,000 of monthly pay ($50 to $6,000/month)
  • Starts after end of the benefit waiting period you choose
  • Maximum benefit period is based on your age when disabled
  • Must Enroll within 31 days of being eligible without providing evidence of insurability
Long-Term Disability Insurance Facts

• 2017 survey by LIMRA*
  – “most people need disability insurance” = 65%
  – “personally need disability insurance” = 48%
  – “actually have disability insurance” = 20%

• 1 in 4 people now age 20 will experience a disability before they reach age 67**

*LIMRA – Life Insurance and Market Research Association
** Social Security Administration
Long-Term Disability Insurance Facts (cont.)

• Average duration of a claim is nearly 3 years*
• 53% of adults would be unable to cover their salary for three months**
• 46% of adults don’t have cash to cover a hypothetical $400 emergency expense**
• Trend for employers is offering optional as an opt-out benefit (i.e., automatic enrollment)

* Council for Disability Awareness
**Federal Reserve Board – 2015
PEB Board’s Current Plan

• Enrollment
• Claim Examples
• Premium Examples
Current Plan Enrollment

PEBB Program Subscribers LTD Utilization

- Eligible Subscribers: 133,558
- Enrolled in Optional LTD: 41,476
- Active Basic LTD Claim: 3,064
- Active Optional LTD Claim: 2,454

Eligible subscribers as of 6/1/18
PEBB Program Subscriber Income

2017-2019 Employee Headcount*  
*Estimate by Pay Level

<table>
<thead>
<tr>
<th>Annual Pay Band</th>
<th>Monthly Pay Band</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$150,000</td>
<td>$12,000 or more per month</td>
<td>1,999</td>
</tr>
<tr>
<td>$120,001 – $150,000</td>
<td>$10,000 – $12,000 per month</td>
<td>2,828</td>
</tr>
<tr>
<td>$101,001 – $120,000</td>
<td>$8,416 – $10,000 per month</td>
<td>5,218</td>
</tr>
<tr>
<td>$80,001 – $101,000</td>
<td>$6,666 – $8,416 per month</td>
<td>14,300</td>
</tr>
<tr>
<td>$50,001 – $80,000</td>
<td>$4,166 – $6,666 per month</td>
<td>57,156</td>
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<tr>
<td>$31,000 – $50,000</td>
<td>$2,583 – $4,166 per month</td>
<td>34,453</td>
</tr>
<tr>
<td>&lt; $31,000</td>
<td>$2,583 or less per month</td>
<td>15,939</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>131,893</strong></td>
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</tbody>
</table>

*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.
### LTD Claim Examples

**EXAMPLE 1 – Sally with BASIC LTD ONLY**

<table>
<thead>
<tr>
<th>Sally is 38 years old, making $4,167/month ($50,004/year). She has not purchased optional coverage. Sally experiences a disabling condition and applies for her disability benefit. She receives:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic LTD Maximum Monthly Payment</strong></td>
</tr>
<tr>
<td><strong>TOTAL MONTHLY PAYMENT</strong></td>
</tr>
</tbody>
</table>

**EXAMPLE 2 – Joe with BASIC and OPTIONAL LTD**

<table>
<thead>
<tr>
<th>Joe is 38 years old making $4,167/month ($50,004/year), but he purchased optional coverage. He experiences a disabling condition and applies for LTD. He receives:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximum Optional LTD Monthly Payment</strong></td>
</tr>
<tr>
<td>$4,167 x 60% =</td>
</tr>
<tr>
<td><strong>Basic LTD Maximum Monthly Payment</strong></td>
</tr>
<tr>
<td><strong>TOTAL MONTHLY PAYMENT</strong></td>
</tr>
</tbody>
</table>

**Subscriber pays $0 premium for Basic LTD.**

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<table>
<thead>
<tr>
<th>Monthly Premium</th>
<th>60 day</th>
<th>90 days</th>
<th>120 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education Group</td>
<td>$55.00</td>
<td>$30.00</td>
<td>$17.50</td>
</tr>
<tr>
<td>TRS and PERS Group</td>
<td>$45.42</td>
<td>$25.00</td>
<td>$15.00</td>
</tr>
</tbody>
</table>
**EXAMPLE 3 – Henry with BASIC and OPTIONAL LTD**

Henry is 48 years old making $4,167/month ($50,004/year), but he purchased optional coverage. He suffers total permanent disability. Henry receives:

<table>
<thead>
<tr>
<th>Maximum Optional LTD Monthly Payment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,167 x 60% = $2,500.20 per month</td>
<td></td>
</tr>
<tr>
<td>Basic LTD Maximum Monthly Payment</td>
<td>-$240.00</td>
</tr>
<tr>
<td>Deductible Income</td>
<td>-$1,800 per month</td>
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<tr>
<td>(Social Security Disability for employee)</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL MONTHLY PAYMENT** $460.20

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<table>
<thead>
<tr>
<th>Monthly Premium</th>
<th>Waiting Period</th>
</tr>
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<tr>
<td></td>
<td>60 day</td>
</tr>
<tr>
<td>Higher Education Group</td>
<td>$55.00</td>
</tr>
<tr>
<td>TRS and PERS Group</td>
<td>$45.42</td>
</tr>
</tbody>
</table>

**Deductible Income:** Some types of a Subscriber’s income are deducted from the LTD benefit payment. They include sick pay, workers’ compensation pay, and disability payments from social security.
Long-Term Disability Premium History

Optional LTD Monthly Premiums Assuming $5,000 Monthly Income

Solid lines for Higher Education Employees Plans; Dashed lines for TRS/PERS Employees Plans
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 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.
Decision Considerations

• Offering a one-time opportunity to PEBB Program employees could impact the claim fluctuation account (CFA) maintained by The Standard.
  – There is the possibility of additional claims because more employees will enroll.

• Increasing the maximum monthly benefit could also impact the 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 CFA is assumed to be higher, as is the risk of an increase in premium rates in the near future.
Recommendation

For the optional LTD, authorize a one-time open enrollment and retain the current benefit maximum of $6,000 per month.
Draft Resolution
PEBB 2018-05 – LTD One-Time New Enrollment Opportunity

During Q1 of 2019, the PEBB Program will offer all eligible employees an opportunity to purchase optional LTD insurance, increase their optional LTD insurance, and/or change their benefit waiting period without providing evidence of insurability.
Questions?

Marcia Peterson, Manager
Benefits Strategy and Design Section
Employees and Retirees Benefits Division
Marcia.Peterson@hca.wa.gov

Betsy Cottle, Account Manager
Portfolio Management and Monitoring Section
Employees and Retirees Benefits Division
Betsy.cottle@hca.wa.gov
Appendix
# Long-Term Disability Premium History

## Higher Education Employees Plan

<table>
<thead>
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<td>$47.50</td>
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<td>$56.00</td>
<td>$66.00</td>
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<td>90 days</td>
<td>$5,000</td>
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<td>$34.50</td>
<td>$26.00</td>
<td>$27.50</td>
<td>$30.50</td>
<td>$36.00</td>
</tr>
<tr>
<td>120 days</td>
<td>$5,000</td>
<td>$21.50</td>
<td>$20.00</td>
<td>$15.00</td>
<td>$16.00</td>
<td>$18.00</td>
<td>$21.00</td>
</tr>
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## TRS and PERS Employees Plan

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<tbody>
<tr>
<td>60 days</td>
<td>$5,000</td>
<td>$56.00</td>
<td>$52.00</td>
<td>$39.00</td>
<td>$41.00</td>
<td>$46.50</td>
<td>$54.50</td>
</tr>
<tr>
<td>90 days</td>
<td>$5,000</td>
<td>$30.50</td>
<td>$28.50</td>
<td>$21.50</td>
<td>$22.50</td>
<td>$25.50</td>
<td>$30.00</td>
</tr>
<tr>
<td>120 days</td>
<td>$5,000</td>
<td>$18.50</td>
<td>$17.00</td>
<td>$13.00</td>
<td>$13.50</td>
<td>$15.50</td>
<td>$18.00</td>
</tr>
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</table>
Uniform Medical Plan (UMP) Plus
Update on Grays Harbor County

Michael Arnis, UMP Plus Account Manager
Portfolio Management and Monitoring Section
Employees and Retirees Benefits Division
July 17, 2018
UMP Plus Currently Offered in Nine Counties

May 2018 Enrollment

Networks by Year
- 2016 Both Networks
- 2017 Both Networks
- 2017 PSHVN Only
- 2017 UW Medicine Only

<table>
<thead>
<tr>
<th>County</th>
<th>Enrollment</th>
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</thead>
<tbody>
<tr>
<td>Skagit</td>
<td>223</td>
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<tr>
<td>Snohomish</td>
<td>3,012</td>
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<tr>
<td>King</td>
<td>11,989</td>
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<tr>
<td>Pierce</td>
<td>3,757</td>
</tr>
<tr>
<td>Thurston</td>
<td>4,807</td>
</tr>
<tr>
<td>Yakima</td>
<td>764</td>
</tr>
<tr>
<td>978 Spokane</td>
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</tr>
</tbody>
</table>

- PSHVN: 8,804
- UW Medicine: 17,504
- Total: 26,308
UMP Plus Offered in Grays Harbor County 2017 and 2018

• Both ACP Networks offered in Grays Harbor County
  – UMP Plus—Puget Sound High Value Network
  – UMP Plus—UW Medicine Accountable Care Network

• UMP Plus Membership: Grays Harbor County
  – Subscribers: 150
  – Members: 350
UMP Plus - Grays Harbor County

UMP Plus will no longer be offered in Grays Harbor County in 2019

- When the financial picture improves at Grays Harbor Community Hospital there will be renewed considerations for investing in accountable care
- HCA is reluctant to leave and hopes to return
Membership Support
Grays Harbor County 2019

Outreach and communication planning underway

• Health options may include UMP plans and Kaiser Permanente-Washington
• Direct communication to subscribers
• Newsletters
• Coordination with agencies and employers
Questions?

Michael Arnis  
UMP Plus Account Manager  
Employees and Retirees Benefits Division  
Michael.arnis@hca.wa.gov
TAB 5
2019 Rates Overview

Tanya Deuel
PEBB Finance Unit Manager
Financial Services Division
July 17, 2018
Overview

- Plan Design Change Recap
- Employees
- Non-Medicare Retirees
- Medicare Retirees
- Dental, Life, and Long-Term Disability
- Proposed Resolutions
Plan Design Changes for Employees and Non-Medicare Retirees

Kaiser Permanente of Washington (formerly Group Health)

All Plans

• 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, and Speech Therapy
Employees
## Employee / Employer Premium Contributions

<table>
<thead>
<tr>
<th>Plan</th>
<th>Proposed 2019 Employee Contribution (Single Subscriber)</th>
<th>Proposed 2019 Employer Contribution (aka State Index Rate)</th>
<th>Proposed 2019 Composite Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser NW Classic</td>
<td>$143</td>
<td>$562</td>
<td>$705</td>
</tr>
<tr>
<td>Kaiser NW CDHP</td>
<td>$28</td>
<td>$562</td>
<td>$590</td>
</tr>
<tr>
<td>Kaiser WA Classic</td>
<td>$165</td>
<td>$562</td>
<td>$727</td>
</tr>
<tr>
<td>Kaiser WA Value</td>
<td>$88</td>
<td>$562</td>
<td>$650</td>
</tr>
<tr>
<td>Kaiser WA SoundChoice</td>
<td>$35</td>
<td>$562</td>
<td>$597</td>
</tr>
<tr>
<td>Kaiser WA CDHP</td>
<td>$25</td>
<td>$562</td>
<td>$587</td>
</tr>
<tr>
<td>UMP Classic</td>
<td>$107</td>
<td>$562</td>
<td>$669</td>
</tr>
<tr>
<td>UMP Plus</td>
<td>$50</td>
<td>$562</td>
<td>$612</td>
</tr>
<tr>
<td>UMP CDHP</td>
<td>$25</td>
<td>$562</td>
<td>$587</td>
</tr>
</tbody>
</table>

- Consumer Directed Health Plans (CDHP) composites include Health Savings Account (HSA) deposits
- Rounded to the nearest dollar
### Employee Contribution by Tier

<table>
<thead>
<tr>
<th></th>
<th>Subscriber</th>
<th>Subscriber &amp; Spouse</th>
<th>Subscriber &amp; Children</th>
<th>Subscriber, Spouse/SRDP*, and Child(ren)</th>
<th>2018 to 2019 Change in Subscriber Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>Proposed 2019</td>
<td>2018</td>
<td>Proposed 2019</td>
<td>%</td>
</tr>
<tr>
<td>Kaiser NW Classic</td>
<td>$137</td>
<td>$143</td>
<td>$284</td>
<td>$296</td>
<td>4.4%</td>
</tr>
<tr>
<td>Kaiser NW CDHP</td>
<td>$27</td>
<td>$28</td>
<td>$64</td>
<td>$66</td>
<td>3.7%</td>
</tr>
<tr>
<td>Kaiser WA Classic</td>
<td>$162</td>
<td>$165</td>
<td>$334</td>
<td>$340</td>
<td>1.9%</td>
</tr>
<tr>
<td>Kaiser WA Value</td>
<td>$78</td>
<td>$88</td>
<td>$166</td>
<td>$186</td>
<td>12.8%</td>
</tr>
<tr>
<td>Kaiser WA SoundChoice</td>
<td>$51</td>
<td>$35</td>
<td>$112</td>
<td>$80</td>
<td>-31.4%</td>
</tr>
<tr>
<td>Kaiser WA CDHP</td>
<td>$25</td>
<td>$25</td>
<td>$60</td>
<td>$60</td>
<td>0.0%</td>
</tr>
<tr>
<td>UMP Classic</td>
<td>$102</td>
<td>$107</td>
<td>$214</td>
<td>$224</td>
<td>4.9%</td>
</tr>
<tr>
<td>UMP Plus</td>
<td>$45</td>
<td>$50</td>
<td>$100</td>
<td>$110</td>
<td>11.1%</td>
</tr>
<tr>
<td>UMP CDHP</td>
<td>$25</td>
<td>$25</td>
<td>$60</td>
<td>$60</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco Surcharge</td>
<td>$25</td>
<td>$25</td>
<td>$25</td>
<td>$25</td>
<td>$25</td>
<td>$25</td>
</tr>
<tr>
<td>Spousal Surcharge</td>
<td>N/A</td>
<td>N/A</td>
<td>$50</td>
<td>$50</td>
<td>N/A</td>
<td>$50</td>
</tr>
</tbody>
</table>

- Subscriber, Spouse/SRDP, and Child(ren) tiers include $10 spouse charge
- Rounded to the nearest dollar
- State-Registered Domestic Partner (SRDP)
Non-Medicare Retirees
## Non-Medicare Retiree Rates by Tier

<table>
<thead>
<tr>
<th>Tier</th>
<th>Subscriber</th>
<th>Subscriber &amp; Spouse</th>
<th>Subscriber &amp; Children</th>
<th>Subscriber, Spouse/SRDP*, and Child(ren)</th>
<th>2018 to 2019 Change in Subscriber Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser NW Classic</td>
<td>$693</td>
<td>$711</td>
<td>$1,380</td>
<td>$1,415</td>
<td>$1,208</td>
</tr>
<tr>
<td>Kaiser NW CDHP</td>
<td>$591</td>
<td>$604</td>
<td>$1,170</td>
<td>$1,196</td>
<td>$1,040</td>
</tr>
<tr>
<td>Kaiser WA Classic</td>
<td>$718</td>
<td>$733</td>
<td>$1,432</td>
<td>$1,461</td>
<td>$1,253</td>
</tr>
<tr>
<td>Kaiser WA Value</td>
<td>$634</td>
<td>$656</td>
<td>$1,262</td>
<td>$1,307</td>
<td>$1,105</td>
</tr>
<tr>
<td>Kaiser WA SoundChoice</td>
<td>$607</td>
<td>$603</td>
<td>$1,209</td>
<td>$1,200</td>
<td>$1,059</td>
</tr>
<tr>
<td>Kaiser WA CDHP</td>
<td>$589</td>
<td>$600</td>
<td>$1,167</td>
<td>$1,189</td>
<td>$1,037</td>
</tr>
<tr>
<td>UMP Classic</td>
<td>$658</td>
<td>$675</td>
<td>$1,311</td>
<td>$1,344</td>
<td>$1,147</td>
</tr>
<tr>
<td>UMP Plus</td>
<td>$601</td>
<td>$618</td>
<td>$1,196</td>
<td>$1,230</td>
<td>$1,047</td>
</tr>
<tr>
<td>UMP CDHP</td>
<td>$589</td>
<td>$601</td>
<td>$1,167</td>
<td>$1,190</td>
<td>$1,037</td>
</tr>
</tbody>
</table>

Subscribers may be subject to the following surcharges:

- **Tobacco Surcharge**: $25
- **Spousal Surcharge**: N/A

Subscribers may be subject to the following surcharges:

- Rounded to the nearest dollar
- State-Registered Domestic Partner (SRDP)
Medicare Retirees
# Medicare Retiree Rates

<table>
<thead>
<tr>
<th>Plan</th>
<th>Single Subscriber Premium (after Explicit Subsidy)</th>
<th>Medicare Explicit Subsidy</th>
<th>Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser NW Senior Advantage</td>
<td>$169.80</td>
<td>$163.84</td>
<td>$333.64</td>
</tr>
<tr>
<td>Kaiser WA Medicare Advantage &amp; Classic</td>
<td>$167.91</td>
<td>$161.94</td>
<td>$329.85</td>
</tr>
<tr>
<td>UMP Classic Medicare</td>
<td>$313.08</td>
<td>$168.00</td>
<td>$481.09</td>
</tr>
<tr>
<td>Premera Medicare Supplement Plan F Retired</td>
<td>$112.16</td>
<td>$106.19</td>
<td>$218.35</td>
</tr>
<tr>
<td>Premera Medicare Supplement Plan F Disabled</td>
<td>$199.00</td>
<td>$168.00</td>
<td>$367.00</td>
</tr>
</tbody>
</table>

*Medicare Explicit Subsidy is set at $168 or 50% of the premium, whichever is the lesser.*
## Medicare Retiree Premiums

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>2018</th>
<th>2019</th>
<th>%</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser NW Senior Advantage</td>
<td>$173.07</td>
<td>$169.80</td>
<td>-1.9%</td>
<td>($3.27)</td>
</tr>
<tr>
<td>Kaiser WA Medicare Advantage &amp; Classic</td>
<td>$175.40</td>
<td>$167.91</td>
<td>-4.3%</td>
<td>($7.49)</td>
</tr>
<tr>
<td>UMP Classic Medicare</td>
<td>$333.64</td>
<td>$313.08</td>
<td>-6.2%</td>
<td>($20.56)</td>
</tr>
<tr>
<td>Premera Medicare Supplement Plan F Retired</td>
<td>$111.21</td>
<td>$112.16</td>
<td>0.9%</td>
<td>$0.95</td>
</tr>
<tr>
<td>Premera Medicare Supplement Plan F Disabled</td>
<td>$216.05</td>
<td>$199.00</td>
<td>-7.9%</td>
<td>($17.05)</td>
</tr>
</tbody>
</table>
Impact of Medicare Explicit Subsidy

*Chart based on UMP Classic*
Dental, Life, and Long-Term Disability
Dental Premiums

<table>
<thead>
<tr>
<th>Plan</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniform Dental Plan</td>
<td>$45.82</td>
<td>$45.87</td>
</tr>
<tr>
<td>DeltaCare</td>
<td>$39.53</td>
<td>$39.53</td>
</tr>
<tr>
<td>Willamette Dental Group</td>
<td>$42.37</td>
<td>$44.45</td>
</tr>
</tbody>
</table>

- Employee premiums are paid 100% by the employer for all tiers
- UDP Benefit design change - limit on Class III restorations (Crowns) will be lowered from seven years to five years
Life, AD&D, and LTD Premiums

• Basic Life, AD&D, and LTD
  • Employer funded
  • No rate change for 2019

• Optional Life and LTD
  • Employee funded
  • No rate change for 2019
Proposed Resolutions
Proposed Resolution PEBB 2018-06
Non-Medicare Premium

The PEB Board endorses the Kaiser Foundation Health Plan of the Northwest employee and Non-Medicare retiree premiums.
Proposed Resolution PEBB 2018-07
Non-Medicare Premium

The PEB Board endorses the Kaiser Permanente of Washington employee and Non-Medicare retiree premiums.
Proposed Resolution PEBB 2018-08
Non-Medicare Premium

The PEB Board endorses the Uniform Medical Plan employee and Non-Medicare retiree premiums.
Proposed Resolution PEBB 2018-09
Medicare Premium

The PEB Board endorses the monthly Medicare Explicit Subsidy of $168 or 50% of premium, whichever is less.
Proposed Resolution PEBB 2018-10
Medicare Premium

The PEB Board endorses the Kaiser Foundation Health Plan of the Northwest Medicare premiums.
Proposed Resolution PEBB 2018-11
Medicare Premium

The PEB Board endorses the Kaiser Permanente of Washington Medicare premiums.
Proposed Resolution PEBB 2018-12 Medicare Premium

The PEB Board endorses the Uniform Medical Plan Medicare premiums.
Proposed Resolution PEBB 2018-13
Medicare Premium

The PEB Board endorses the Premera Medicare premiums.
Next Steps

We will ask the Board to take action on these premium resolutions at the July 25, 2018 meeting.
Questions?

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Appendix
Calculating the State Index Rate
Sample Illustration

Plan bid rates:
- A $550
- B $500
- C $450

Adult units:
- 3 units at $1,650 each
- 1 unit at $500
- 6 units at $2,700 each

Total cost:
- $4,850 / 10 units

Weighted average:
- Total cost divided by total adult units
- $485

State index rate:
- 85 percent of the weighted average
- $412
Determining Employee Premiums

Plan bid rates

Index rate

Employee contribution

A $550
B $500
C $450

A $138
B $88
C $38

($412)
Determining Employee Premium by Tier

*Tiers 3 and 4 do not change when you go from one child to more than one child.*
TAB 6
Washington State Health Care Authority

Eligibility Policy Resolutions

Barb Scott, Manager
Policy, Rules, & Compliance Section
Employees and Retirees Benefits Division
July 17, 2018
Introduction of Policy Resolutions

PEBB 2018–02  Enrollment Error Correction

PEBB 2018–03  Retiree Term Life Insurance Eligibility

PEBB 2018–04  Retiree Insurance Coverage Deferral – CHAMPVA
Policy Resolution PEBB 2018–02
Enrollment Error Correction

Resolved that, if an employing agency errs and enrolls an employee or their dependents in PEBB insurance coverage when they are not eligible and it is clear there was no fraud or intentional misrepresentation by the employee involved, premiums and any applicable premium surcharge paid by the employee will be refunded by the employing agency to the employee without rescinding the insurance coverage.
Resolved that, a retiree who is no longer eligible to remain enrolled in a PEBB health plan may remain enrolled in retiree term life insurance coverage only.
Resolved that, effective July 17, 2018, retirees and survivors may defer enrollment in a PEBB health plan if they are enrolled as a retiree or the dependent of a retiree in CHAMPVA.

A retiree or survivor who defers enrollment while enrolled as a retiree or dependent of a retiree in CHAMPVA will have a one-time opportunity to enroll in a PEBB health plan by submitting the required form and evidence of continuous enrollment within the HCA required enrollment timeframe.
Next Steps

We will incorporate the Board policy resolutions into PEBB rules and the administration of PEBB benefits.
Questions?

Barbara Scott, Manager
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Employees and Retirees Benefits Division
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Tel: 360-725-0830
TAB 7
Rule Making Timeline

August 2018  Proposed amendments and new rules will distribute for public comments

September 2018  Conduct public hearing and adopt final rules

January 2019  Amended rules will be effective on 1/1/2019
Focus of Rulemaking

• Administration and benefits management
• Regulatory alignment
• Amendments within HCA’s Authority
• Implement PEB Board policy resolutions
Administration and Benefits Management

• Clarify that state-registered domestic partners and their children are eligible for COBRA
• Clarify deferral timelines upon retirement versus post retirement for all populations
Administration and Benefits Management (cont.)

• A retiree who voluntarily terminates PEBB coverage cannot reenroll in PEBB benefits unless the retiree becomes newly eligible again.

• Describe premium payment requirements clearly for retirees and others who are electing to continue PEBB coverage on a self-pay basis and where to send the payment.
Administration and Benefits Management (cont.)

• Clarify requirements related to employees who receive a retroactive disability retirement eligibility determination to enroll or defer PEBB retiree insurance coverage

• Amend the election period for survivors to allow a full 60-day election period after the PEBB coverage ends
Regulatory Alignment

• Amend definitions to align with recent state legislation
• Global changes in rules to be more gender neutral
• Amend language referencing dependent children
• Amend eligibility rules for dependent child
• Use of respectful language when referring to children with disabilities
• Amend and update rules to streamline appeal process and improve resolution timelines
Amendments within HCA’s Authority

• Amend employee notice requirements on medical FSA and DCAP
• Amend the employer group application process by adding alternative requirements for employers that are unable to provide historical claims data and cost information
• Specify the $25 wellness incentive gift card must be claimed within the same year it is earned
Questions?

Stella Ng, Senior Policy Analyst
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Employees and Retirees Benefits Division
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TAB 8
Erenumab (Aimovig)

• Aimovig was approved by the FDA on May 17, 2018
  – Aimovig is the first in a new class of drugs for migraine prevention known as the calcitonin gene-related peptide (CGRP) inhibitors
  – Fremanezumab and galcanezumab are other CGRP inhibitors that will be reviewed by the FDA in the future, and may be available as early as autumn 2018

• Aimovig is approved for the preventive treatment of migraines
  – Aimovig was studied for use in patients with episodic migraines and chronic migraines

• Clinical guidelines currently recommend certain beta blockers, anticonvulsants, and antidepressants as first-line treatment for migraine prevention
  – Other pharmacotherapies for migraine prevention include certain antihypertensives and Botox
Erenumab (Aimovig) (cont.)

- We anticipate that 38 to 384 members may be potential candidates for treatment based on population estimates and expert analysis
  - Out of 256,245 members on UMP, approximately 3,844 may be using medications for migraine prevention
  - If 1% to 10% of this population decide to switch their medications, we anticipate between 38 to 384 members in UMP may use this drug in 2018

- Aimovig is listed at $6,900 per patient per year ($575 per month)
  - This does not include any discounts UMP will receive as part of the Northwest Drug Consortium
Erenumab (Aimovig) (cont.)

• Aimovig may cost UMP between $113,000 and $1,127,000 in 2018, depending on member uptake
  – This translates to approximately $0.07 PMPM* to $0.73 PMPM overall
  – Member uptake for CGRP inhibitors may double in 2019 as more drugs are approved and the drugs are marketed by drug manufacturers

• Aimovig may not have significant medical cost-offsets
  – Alternative therapies for migraine prevention cost between $7 to $480 per 30-days
  – There are no studies on whether CGRP inhibitors will decrease emergency room use or other medical cost-offsets
  – There are no economic analyses to determine non-medical cost-offsets

• Members will pay $150 per 30-day supply of Aimovig

*PMPM – Per Member Per Month
Questions?

Ryan Pistoresi, PharmD, MS
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Clinical Quality and Care Transformation
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TAB 9
Overview

• What is the legislative report
• Current retired and disabled school employees risk pools
• Current benefits and subsidies
• Report requirements
• Approach
• Timeline
What is the Legislative Report?

• RCW 41.05.022(4) requires that the Health Care Authority, in consultation with the PEB and SEB Boards, complete and submit an analysis of the most appropriate risk pool for the retired and disabled school employees.

• This analysis is due to the Legislature on December 15, 2018.
Current Retired and Disabled School Employees Risk Pools

• When an eligible school employee retires they can become part of the PEBB Program

• There are two risk pools in the PEBB Program
  – Non-Medicare risk pool (RCW 41.05.022(2))
  – Medicare risk pool (RCW 41.05.080(3))
Current PEB Board Risk Pools

Non-Medicare Risk Pool
- State Employees
- Non-Medicare State Retirees
- Non-Medicare School Retirees

Medicare Risk Pool
- Medicare State Retirees
- Medicare School Retirees
Current PEB Board Benefits and Subsidies

• School and state retirees that utilize the PEBB Program are offered the same benefits at the same rates
  – Non-Medicare retirees can purchase PEBB Program non-Medicare plans
  – Medicare retirees can purchase PEBB Program Medicare plans

• School and state retirees receive subsidies to help offset the cost of benefits
Legislative Report Requirements

- Per RCW 41.05.022(4), the report will include:
  - The size of the non-Medicare and Medicare retiree enrollment pools
  - The impacts on cost for both state and school retirees for any proposed risk pool changes
  - The need for and the amount of an ongoing retiree subsidy allocation
  - Timing and approach for any risk pool changes
Retiree Enrollment Pools

• The size of the non-Medicare and Medicare retiree enrollment pools
  – Total retirees enrolled in PEBB Program
    • School vs. state retirees
    • Medicare vs. non-Medicare retirees
  – Relative risk scores for each group described above
State and School Retiree Impacts

• Impacts on cost for both state and school retirees for any proposed risk pool changes

• Changes under consideration include:
  – Create a SEBB Program non-Medicare risk pool, i.e., SEBB Program non-Medicare retirees leave PEBB Program and join the SEBB Program employee risk pool
  – Create a SEBB Program non-Medicare risk pool and a SEBB Program Medicare retiree risk pool
  – In addition to the SEBB Program employee risk pool, create two new separate SEBB Program retiree risk pools: 1) non-Medicare retiree and 2) Medicare retiree
  – One SEBB Program risk pool
Create SEBB Program Non-Medicare Risk Pool

PEBB Program Non-Medicare Risk Pool
- State Employees
- Non-Medicare State Retirees

PEBB Program Medicare Risk Pool
- Medicare State Retirees
- Medicare School Retirees

SEBB Program Non-Medicare Risk Pool
- School Employees
- Non-Medicare School Retirees
Create SEBB Program Non-Medicare and Medicare Retirees Risk Pools

- **PEBB Program Non-Medicare Risk Pool**
  - State Employees
  - Non-Medicare State Retirees

- **PEBB Program Medicare Risk Pool**
  - Medicare State Retirees

- **SEBB Program Non-Medicare Risk Pool**
  - School Employees
  - Non-Medicare School Retirees

- **SEBB Program Medicare Risk Pool**
  - Medicare School Retirees
Create Two Additional SEBB Program Risk Pools

- PEBB Program Non-Medicare Risk Pool
  - State Employees
  - Non-Medicare State Retirees

- PEBB Program Medicare Risk Pool
  - Medicare State Employees
  - Medicare State Retirees

- SEBB Program Medicare Employee Risk Pool

- SEBB Program Non-Medicare Retiree Risk Pool
  - Non-Medicare School Retirees

- SEBB Program Medicare Retiree Risk Pool
  - Medicare School Retirees
One SEBB Program Risk Pool

PEBB Program Non-Medicare Risk Pool
- State Employees
- Non-Medicare State Retirees

PEBB Program Medicare Risk Pool
- Medicare State Retirees

SEBB Program Risk Pool
- School Employees
- Non-Medicare School Retirees
- Medicare School Retirees
Retiree Subsidy

• Any risk pool scenario will include consideration of possible impacts to the retiree subsidy allocation
  – The need for an ongoing subsidy allocation
  – The amount of an ongoing subsidy allocation
Timing & Approach

• The timing and approach for any risk pool changes will include factors such as:
  – Required changes to legislation
  – Implementation and administrative considerations
    • Benefit design and procurement
    • Contract management
    • Rate development
    • Member communications
Timeline

• Planning:  February – July 2018
• PEB Board presentation:  July 17, 2018
• SEB Board presentation:  July 30, 2018
• Internal review:  September – November 2018
• OFM review:  November 2018
• Due to Legislature:  December 15, 2018
• Present findings to both Boards: Early 2019
Discussion

• HCA is interested in your opinions regarding the retiree risk pool analysis and report to the Legislature

• Initial thoughts on:
  – Risk Pools
  – Subsidies
  – Implementation/Administrative Considerations
  – Other?

• Additional feedback by August 10, 2018 to Connie and Dave
Questions?

More Information:
http://app.leg.wa.gov/RCW/default.aspx?cite=41.05
https://www.hca.wa.gov/employee-retiree-benefits/retirees

Kayla Hammer
Fiscal Information & Data Analyst
Financial Services Division
SEBB Finance