Washington State Health Care Authority

School Employees Benefits Board
Meeting Minutes

July 16, 2020
Health Care Authority
Sue Crystal Rooms A & B
Olympia, Washington
9:00 a.m. – 12:00 p.m.

Members Present via Phone

Lou McDermott, Chair
Wayne Leonard
Katy Henry
Dan Gossett
Pete Cutler
Terri House
Dawna Hansen-Murray
Alison Poulsen

SEB Board Counsel

Katy Hatfield

Call to Order

Lou McDermott, Chair, called the meeting to order at 9:07 a.m. Sufficient members were present to allow a quorum. Board introductions followed. Due to COVID-19 and the Governor's Proclamation 20-28, today's meeting is telephonic only and will address only those topics necessary and routine to complete the regular cycle of activity in our Board season.

Meeting Overview

Dave Iseminger, Director, Employees and Retirees Benefits (ERB) Division, provided an overview of the agenda. Dave also provided a COVID-19 update. Carriers are currently applying to waive cost shares for COVID-19 treatment. Kaiser Permanente will be waiving cost shares under their plans for the remainder of this calendar year.

Follow Up of June 24, 3030 Meeting

I have a follow-up for the next agenda item, Policy Resolution, that when it comes to cost shares members would experience related to treatment for COVID-19, there have been changes in some of the dates the plans are applying. Currently, all plans, except Premera, are waiving medical cost shares for COVID-19 treatment until December 31. The Premera plans' date is October 1. The rest of the plans have waived cost shares related to treatment for COVID-19 through the end of the calendar year. I will continue to keep you apprised of any other changing developments.

HCA has received several requests, on both the PEBB and SEBB side, for more information about COVID-19, testing, and what is covered under their plan. We are working on a communication, a summary of benefits chart related to COVID-19 testing, for Benefit Administrators at SEBB Organizations and our PEBB Human Resource departments, so they can share that information with their employees.

Policy Resolution

Rob Parkman, Policy and Rules Coordinator, ERB Division. There is one resolution for action today.

Slide 2 – SEB Board Resolution. Resolution SEBB 2020-09 it to amending Resolution SEBB 2018-36, which was approved at a previous Board Meeting. That Resolution is included in the Appendix.

Slide 3 – Clarification Needed. A question raised at the May 7 Board Meeting generated this conversation. No changes have been made to this slide since the June 24 Board meeting.

Slide 4 – Discussion and Recommendation. This is the same slide that was presented at the June 24 Board Meeting on this subject. No changes were made to this slide.

Slide 5 – Resolution SEBB 2020-09 Amending Resolution SEBB 2018-36 Eligibility Presumed Based on Hours Worked the Previous Two School Years. This is the same Resolution that was presented at the June 24 Board Meeting. HCA conducted our normal stakeholdering process and we received six comments. Five were in support of this resolution and one had concerns and wanted changes. The stakeholder with concerns wanted a change to the resolution that allowed flexibility for this year, as it relates to the two-year lookback eligibility method, because of the COVID-19 issue. HCA is recommending no changes to the resolution as it was introduced at the June 24 Board Meeting.

Dave Iseminger: The request to make changes to address COVID-19 is the embodiment of Dan and Katy's resolution, which further supports bifurcating these issues and continuing them on their separate paths for consideration.

Rob Parkman: I agree. There is some overlap on the comment.

Dawna Hansen-Murray: As a classified employee, this actually hurts our members, as our world is backwards to this. In the classified world, we start out as a substitute, and when positions become available, because we have no seniority as a substitute, we come in at a very low number, let's say, two hours a day. Two hours a day does not give us benefits. So, looking at the two-year lookback rule, I'm still doing the same job whether I'm driving a bus for two hours a day guaranteed, because then I'm now represented by the union. I get my vacation. I get my personal leave days. I get my paychecks spread out over the entire year. Those are some of the benefits of becoming a permanent employee as opposed to a sub. With this rule, and adding that line in, I can no longer count the hours I was getting as a sub, because I'm still going to be subbing to fill in my hours. I'm going to be giving up my health care in order to become a permanent employee. That's very detrimental to our world.

I see the difference between the teacher world and our world. But that's how our world works. You start as a playground teacher, or as a Kinder assistant, and you build your seniority, you apply for higher hourly positions to get those benefits. You may have been a very loyal five-year sub in transportation, and when a position is posted for a midday run that's permanent, you have to decide whether you want that permanent position or stay being a sub to keep your benefits. The two worlds are very different. I will be voting no on this.

Alison Poulsen: Dave, can you help crystallize this a bit more? If I vote yes, is that keeping it as it has been, or is this a change to how it was last year?

Dave Iseminger: Alison, thanks for that question. When this topic was brought up in public comment a few months ago, we identified that the policy itself had some ambiguity, which prompted us to make a recommendation to solidify, and remove that ambiguity from the policy statement. What we understood in how districts had been applying this is the resolution before you today. It would codify the practice the majority of districts have been applying during the initial launch of the SEBB Program. I guess a characterization of this resolution is codifying the existing practice of the district, given the ambiguity that was in the policy.

Rob Parkman: We are trying to clarify what "same type of position" due to the questions and comments coming to us about that subject.

Pete Cutler: I'm struggling with Dawna's input and I want to make sure I understand it. I'm not sure if it's possible to have a substitute position where the person is not considered a permanent employee, and then they move to a -- I don't know what would be considered a permanent substitute, but if in both of those cases, their hours are intermittent and they're not guaranteed at a certain level, then it would seem to me that in the current role they would continue to be able to do the two-year lookback. But whereas if they went from a substitute intermittent position to a permanent position that had a consistent schedule where you could predict whether you were going to reach the 630 hours, then if once they move into the consistent position, which could be permanent, they basically would come down to you, if you're expected to work 630 hours and you would get the insurance coverage going forward. And if you weren't expected to work 630 hours, under your consistent position, then this would make it clear that you don't get health insurance. But it wouldn't be a function of this rule, it would just be a function of the underlying policy, that if you're not expected to work 630 hours in a month, then you haven't met the eligibility threshold. Am I understanding this correctly?

Dawna Hansen-Murray: When a person becomes a permanent employee, that may not be in a sub position. It may be a permanent route for a bus driver, and it may only be a two-hour permanent route. The other hours they pick up to their full paycheck would be in sub hours. If I read this correctly, it's saying that once you take a permanent position, now the two-year lookback rule would start over. You would not have insurance for two years until you could prove that you were building up those hours to get 630 hours.

Pete Cutler: Rob, if somebody's working in a school position where they have a certain minimum number of hours guaranteed, in this case, because they have at least one route that's two hours a day, but they're also a substitute for additional hours, would that be considered an intermittent schedule position?

Rob Parkman: Slide 9 is a very close example. Example #3 is close to this situation, just slightly different. This example shows an employee that went from an intermittent schedule to a consistent schedule, which is, I think how this story is playing out. The only difference here is the example had them working four hours a day which allowed them to hit 630 hours. What I'm hearing in this situation is they're only getting two hours a day, so they would not have reached 630 hours with the consistent schedule from a two-year lookback. Our first eligibility method is working 630 hours in the year. If that is reached, the two-year lookback would not be used.

Pete Cutler: Rob, as I understand it, Dawna's suggesting the position is a mix of a baseline of a consistent schedule, but it assumes the person will also be working additional hours. That seems to be a hybrid that I don't think Example #3 addresses.

Rob Parkman: I agree. Example #3 is the closest. It's been changed a little bit. Instead of the four hours, it sounds like two hours consistent, and additional intermittent hours to make the 630 hours within that year is what I think I heard.

Dave Iseminger: Rob and Pete, I'll share how I've understood this from the various conversations. I'll use Dawna's example of a bus driver in a fully intermittent position, like a per diem type setting. They have no guarantee of any specific hours. They pick up lots of hours. Year one they get 630 hours, year two they get 700 hours. They're still in that intermittent, substitute type position, and they consistently over the last two years reached, or exceeded, the 630-hour threshold. But their employment status with the district is as a substitute. Then a permanent position becomes available instead of this non-permanent, or substitute, or per diem type situation. They apply for the permanent position because they see other advantages than being on that fully intermittent schedule. It is permanent status versus non-permanent substitute status.

And as it happens in many other positions in K-12, people can pick up additional hours, but their rooted employment situation is now in a permanent position with some guaranteed consistent schedule.

It's that shift from a fully non-perm substitute classification to a permanent position, which is under this policy statement that says there is a break in that experience. Dawna's classified example is the inverse of what prompted this policy.

I'll remind the Board, two months ago when this came up, the core scenario being discussed was a full-time teacher who retires and then comes back as a retiree to substitute. The question was, "Why doesn't the full-time consistent schedule that I had for multiple years, or decades, count?" There was a discussion about how going from the consistent permanent schedule status to an intermittent schedule status is a break.

This policy, when you mirror it out in the classified world, as Dawna is describing, I think people are understanding correctly. To have the policy be paralleled across all the population is impacting the two different major groups, classified, and you can use that differently, but consistently from a policy standpoint.

Lou McDermott: Vote – Resolution SEBB 2020-09 - Amending Resolution SEBB 2018-36 (Eligibility Presumed Based on Hours Worked the Previous Two School Years)

Resolved that, SEBB 2018-36 is amended to add the following to the end of the second bullet: To count as the same type of position, both the type of work and the work pattern (consistent schedule compared to an intermittent schedule) must be similar between positions or combinations of positions from one year to the next.

SEBB 2018-36 now reads: A school employee is presumed eligible if they:
- worked at least 630 hours in each of the previous two school years; and
- are returning to the same type of position (teacher, paraeducator, food service worker, custodian, etc.) or combination of positions with the same SEBB Organization. To count as the same type of position, both the type of work and the work pattern (consistent schedule compared to an intermittent schedule) must be similar between positions, or combinations of positions from one year to the next.

A SEBB Organization rebuts this presumption by notifying the school employee, in writing, of the specific reasons why the employee is not anticipated to work at least 630 hours in the current school year and how to appeal the eligibility determination.

Alison Poulsen moved, and Wayne Leonard seconded a motion to adopt.

Dawna Hansen-Murray: Is there any way to, we'd have to vote this down first, but something that would be more specific to the teacher side so that it doesn't harm the classified side?

Pete Cutler: My concern is a little bit different. In my mind, this policy assumes that all positions can be classified as either one with a consistent schedule or one with an intermittent schedule. And I think what Dawna has brought up is, apparently there's hybrids and I'm not comfortable that it deals with a hybrid situation. I'm okay with supporting it for dealing with what it covers explicitly, which is when you move from something that's fully intermittent to scheduled or vice versa. But I think the Health Care Authority still has work to do to sort out if, in fact, you have hybrid positions where the employer offers a minimum level of hours, but with the understanding that the person could be working more than that, then I think you have something that's more akin to the issues related to having an intermittent work schedule, where you don't want somebody not getting health care coverage because the employer doesn't think you're going to get work 630 hours year in and year out. That employee works enough extra hours to get up to 630 hours. I think we have some unfinished business, but I'm okay with approving this one motion for this one resolution for what it does cover.

Wayne Leonard: In reading this resolution, my interpretation is a little different. And maybe this is just another example of different school districts interpreting these rules differently. But I believe in Dawna's example, like with a bus driver, that if a bus driver had a three-hour position and was going to get 540 hours, and then they continued to sub, and then exceeded 630 hours, I believe in my district, we would count that, and continue that employee's benefits. I think that is indicated in the second bullet point where it says, "that the same type of position, both the type of work and work pattern." The last part of that also says, "that it must be similar between positions or combinations of positions from one year to the next." I'm pretty sure in my school district we would count those hours and they would exceed 630 hours. That driver would continue to be eligible. I don't know if that's the similar interpretation applied in other school districts, but I think that's how we would interpret it here.

Dave Iseminger: Wayne, I think it was helpful to point to that phrase "or combination of positions." I agree a little bit with what everybody is saying. I'll go back to a word that I said for the last three years: iterative, iterative, iterative. There are different pieces that have been stakeholdered along this road that led us to this new iteration of this part of the policy. I agree with Pete that there can be more information to describe hybrid positions. It may be taken into account already, although maybe not as articulately described, because of that phrase of "combination of positions" as Wayne just outlined.

I think, at a bare minimum, there's more description we can bring as an agency about how this is playing out, and if it's more examples that need to describe the hybrid type of situation, or more explanation, or refinement related to that phrase of "combination of positions," I agree that the work is not done. I just hope that the Board can make this next step in the iterative process on this policy.

Lou McDermott: Dave, do you feel Wayne's comments fall within the resolution as it's written, the way he described, what the school district would do?

Dave Iseminger: The district would have the authority to implement it the way Wayne described. What I'm not as confident in saying is that there aren't other ways a district can also interpret it. But I think that the policy statement, as it's written now on Slide 5, Wayne, in his capacity as a Business Administrator, could interpret and apply it the way that Wayne described.

Rob Parkman: I agree internal district stacking could play into this and it would support how Wayne described it.

Lou McDermott: I would like to remind the Board that my experience on the PEBB side, I picked up PEBB after it had been around for over 30 years. My entire time with PEBB, we made rule changes as the world changed, and as certain issues came to light. I know when Dave got the position, and he now runs the PEBB Program, he continues to make eligibility changes throughout his tenure. And it will go on and on. I hope the Board feels like it is an iterative process. Sometimes there are intended consequences, and sometimes there are unintended consequences, and those do reveal themselves in hearing anecdotal information, when friends and family, who are in the system who say, "Hey, did you know x, y and z?" And it may have been the intent, may not have been the intent. I hope the Board understands that we are trying to move closer to articulating all the various components of eligibility, but we will never really get there 100%. It will evolve over time.

Terri House: On what Wayne said, that he would do it and take that into consideration. Some districts would not. Then we have the gray language, like Rob spoke of. It would be up to each business manager to decide how their district would interpret it. I see that as being unfair to classified employees because a lot of them do pick up extra time to build up their daily schedules and fill in time.

Lou McDermott: The system has a lot of different ways of leveling itself out and one of them is through appeal. As these members find themselves in situations where they feel like the rule that's in play is not being interpreted, or it's being interpreted to the strictest letter, and some of the gray stuff, not in their favor, they have the opportunity to request appeal. The Health Care Authority will hear that appeal, if they go through their SEBB Organization first. If the SEBB Organization says no, it comes to HCA. Then we have the opportunity to adjudicate that appeal based on the rules we have in place, based on the policy discussions we have behind the scenes, based on Board discussions, based on intent, based on all these different factors.

I wish we could use all the perfect words in the universe to articulate something, but when we do, it normally comes back with a one-off situation that we could never have anticipated, and those get resolved through that process. While it is possible that the districts will implement this differently, my hope is that through the appeals process, we can then normalize and educate the districts on why they lost the appeal, and they need to change some of their practices. I hope that talks to your statement.

Dave Iseminger: That then leads to more information, more specific patterns that can lead to additional iterative policy resolutions, brought to the Board to refine the policy, and keep moving, keep turning the wheel on improving the language.

Voting to Approve: 4
Wayne Leonard
Pete Cutler
Alison Poulsen
Lou McDermott

Voting No: 4
Katy Henry
Dan Gossett
Terri House
Dawna Hansen-Murray

Lou McDermott: Resolution SEBB 2020-08 does not pass.

Dave Iseminger: That means SEBB Resolution 2018-36 will not change. The existing ambiguity in the policy statement that's been described continues, we'll continue work to provide guidance to districts about the authority they have within that ambiguity, and work on additional policy resolutions to tackle this issue at future Board meetings. I want to remind people that the status quo is maintained.

<u>COVID-19 Potential Eligibility Impacts Update</u>
Rob Parkman, ERB Policy and Rules Coordinator. Slide 2 – Introduction of Proposed Resolution – SEBB 2020-10 Amending SEBB 2018-36.

Slide 3 – RCW 41.05.740(6)(d). This RCW is included to show the Board's authority.

Slide 4 – Background. HCA presented information at the June 24 Board meeting on COVID-19 school closure impacts for the 2019-2020 school year, as that school year relates to the two-year lookback policy. HCA recommended no change to the policy at that meeting.

Slide 5 – Board Input Received. After that meeting, HCA received input from Board Members Katy Henry and Dan Gossett on a resolution related to the COVID-19 state of emergency. The resolution is out for stakeholdering, which concludes on July 20. As of 1 p.m. on July 15, HCA has received 24 responses. Two stakeholders supported the resolution, 21 stakeholders did not, and one provided no position.

Of the 21 that came back indicating no support for the resolution, 18 of them either had as their primary reason, or included within a number of reasons, the increased cost to SEBB Organizations given the current budget issues. Five of them either had as a standalone issue, or again, within a mix of issues, workload for their staff, and complexity of the eligibility administration – or eligibility system within the SEBB Program. One stakeholder had a long list that didn't fall in either of the cost or time to administer categories.

Dave Iseminger: The Board Members will receive copies of the comments along with their Briefing Books for next week's meeting. Comments received by Monday's deadline will be in a supplemental email to you before next week's meeting.

Rob Parkman: Slide 6 – Proposed Resolution SEBB 2020-10 Amending Resolution SEBB 2018-36 – Eligibility Presumed Based on Horus Worked the Previous Two School Years. The proposed resolution submitted by Katy and Dan reads as follows:

SEBB 2018-36 is amended to add the following as a new third bullet: For purposes of this policy only, a SEBB Organization must count the 2019-2020 school year as having met the 630 hours requirement if the school employee (a) worked at least 630 hours during the 2019-2020 school year or (b) worked at least 500 hours between September 1, 2019 and March 16, 2020.

SEBB 2018-36 now reads: A school employee is presumed eligible if they:

- worked at least 630 hours in each of the previous two school years; and
- are returning to the same type of position (teacher, paraeducator, food service worker, custodian, etc.) or combination of positions with the same SEBB Organization. *To count as the same type of position, both the type of work and the work pattern (consistent schedule compared to an intermittent schedule) must be similar between positions or combinations of positions from one year to the next.* [Text in italics is pending Board approval at the July 16, 2020 meeting.]
- For purposes of this policy only, a SEBB Organization must count the 2019-2020 school year as having met the 630 hours requirement if the school employee (a) worked at least 630 hours during the 2019-2020 school year or (b) worked at least 500 hours between September 1, 2019 and March 16, 2020.

A SEBB Organization rebuts this presumption by notifying the school employee, in writing, of the specific reasons why the employee is not anticipated to work at least 630 hours in the current school year and how to appeal the eligibility determination.

Slide 7 – Discussion.

Katy Henry: Here's a little bit of the background on why we proposed this amendment. 500 hours is nearly 80% of the regular standard of 630, and during the 2019-20 school year, the in-person work days in the schools varied, but they were roughly 72% of a full 180-day student school year. Those employees who worked 500 hours were more than on pace to have achieved eligibility during the school year had the pandemic not disrupted the year.

The hope was that this change would bring more consistency among school districts in the application. Some districts had granted eligibility for substitutes, expecting them to meet the 630 hours. Those districts had made a good faith effort to follow the rules and were obligated to keep those employees in SEBB eligibility. But other districts took a stance that said employees had to prove they would work the 630 hours and did not have all of the expected eligible substitutes on the rolls at the same time that the school shut down. Some substitutes were days away from gaining eligibility for benefits and lost it due to the pandemic. So those individuals might have to wait a whole year so they will have the chance to prove their work history to a district. Similarly, employees are in very different circumstances due to different policies and approaches of different school districts. The hope was to try to bring some consistency in the application across districts.

Wayne Leonard: I need clarification. Most of the public comment and correspondence we got was specifically in reference to substitute employees, but the amended resolution doesn't specifically say substitute employees. It could refer to all employees that maybe didn't reach the 630 hours. I think from our perspective in my district, we were told by the Governor and Superintendent of Public Instruction to continue to pay people, and so we did, and we continued to count hours, and we continued to make work opportunities in daycare, or food service delivery available. To clarify, does this amended policy only refer to -- or is it only applicable to substitutes, whether they're certificated or classified substitutes?

Rob Parkman: I would say no, this applies to all school employees, not just substitute employees.

Wayne Leonard: If an employee, for example, was scheduled for only three hours a day, and they worked three hours a day, and got 540 hours in for the year, they would now be eligible for SEBB Benefits?

Rob Parkman: The way the third bullet is written it really incorporates the first bullet for this one school year, and this additional 500-hour eligibility for September through March 16, so it would count for anyone that fits within that.

Dave Iseminger: The answer to your question, Wayne, from Rob was yes. It does not distinguish between any type of employees, any school employee, which is defined, I believe, both in statute and rule, but definitely in rule. Any individual who has worked 500 hours between the date ranges, for lookback purposes only for the 2019-2020 school year, would pass the test for that part of the lookback rule when the 2019-2020 school year is part of the lookback calculation.

Katy Henry: But to be eligible, they would also have to meet the first bullet, correct?

Dave Iseminger: In the other year that is part of the lookback calculation, correct, in order to get a rebuttable presumption of eligibility in the existing year. So yes, you're right, Katy. There are still two years that have to be looked at. It's just anytime one of those two years is the 2019-2020 school year the threshold essentially includes anybody who actually worked 500 hours between September 1 and March 16. But there's still that second year. Sometimes that will be the year two, and other times it'll be year one, depending on where you are in time. But there is another year that has to be looked at, too. And then at the end of the day, that creates a rebuttable presumption of eligibility, but again, that could be rebutted in writing by the SEBB Organization.

Katy Henry: I have a follow-up math question, I guess, in response to Wayne. If somebody was a three-hour a day employee, would they have hit the 500 hours by March 16? I don't know that they would have.

Wayne Leonard: No, they wouldn't have by March 15, but under the Governor's guidance to continue to pay people and to continue to make the work options available, they could have. I think the confusion for me is that in some of the correspondence and public comments, there was this assumption that the school year was cut short by the pandemic. But the school year was extended. The school year went online and teachers worked and other school employees worked. It was my assumption from the public comment that it was mostly substitutes that didn't have the opportunity to work, and that this change only applied to substitutes because the regular school year for school employees was not cut short, it got extended, and employees could continue to work. I guess my assumption about this amendment was incorrect. And I'm struggling a little bit with that right now.

Dan Gossett: Rob, you gave feedback from stakeholders that you received so far. Those people oppose but you didn't give a summary of the two groups -- two stakeholders who were for this resolution. Could you share that with the Board please?

Rob Parkman: Sure. One just said it was a fantastic idea. It was about three or four words. That was it. The other one provided quite a lot of input that was mostly against 2020-09. They provided pretty much comments just fully supporting 2020-10. For the two people that supported it, they just really came right out and said support. It was the people that didn't support that provided quite a list of reasons why they didn't support.

Dan Gossett: Thank you.

Dawna Hansen-Murray: This also applies to our hybrid people, like a bus driver who's working contracted three hours a day. They missed all their opportunity to pick up their extra hours.

Pete Cutler: I want to weigh in that I share the concerns about administrative complexity, but on this resolution, it seems like what's being proposed provides a very bright line with the 500-hour standard. It's been mentioned, it is a close approximation to a standard that somebody would've hit if they were on pace to have 630 hours over the full school year. I think I support it because I think that is what the Governor and the state has generally taken the position that in this first year, when it was totally unpredictable there would be a pandemic that would just totally turn schedules and plans upside down, employees should be held harmless from unforeseeable impacts.

If HCA has information on why it is not simple to administer, I'd be open to hearing refinements. But in general, I think it's a good policy. I would want to stress this is appropriate only for the 2019-20 school year, where there was no warning about what was coming. I think there's going to be a number of people's schedules that will be impacted. There will be budgetary impacts and probably budgetary cuts in any programs that are not basic education related, given the state's economic and budget problems. So while I think this makes sense for its limited purpose for 2019-20 school year. I want to go on the record in advance that I would be more concerned about extending it as a blanket policy going forward.

Dave Iseminger: I'd like to make this a suggestion. Currently we're at the introduction stage of this resolution for ongoing stakeholdering. I do know we have stakeholders who plan to provide public comment on this resolution during the public comment period at the end of the meeting. We will provide you with all of the written, as well as a summary of that feedback, as we always do with your Briefing Book, on both the feedback we received to date, plus the feedback that comes in next Monday.

There's still a lot of baking to do on this resolution based on the discussion today and some of the issues that were brought up. I will be talking with Dan and Katy about their resolution to determine if there are refinements they think should be made based on Board feedback and stakeholder feedback. This resolution will be brought back to the Board next week. If there are refinements, they will be authored by Katy and Dan, with administrative support and stakeholdering support from HCA.

This is an extraordinarily complex issue. There are so many pros and cons. There is no silver bullet, which led back to HCA's recommendation last meeting to maintain the status quo. There is no decision before you today. This is a preliminary discussion related to the introduction. There's still stakeholder feedback to receive and describe. I do appreciate the context. Are there other comments, with that context, as I'll be turning to Dan and Katy after this meeting to talk about any refinements to their proposal.

Wayne Leonard: Are you asking for more Board comments?

Dave Iseminger: I wanted to remind the Board of the context. I get wary when people start announcing their votes when there's still lots of stakeholder feedback to come. I was trying to temper and remind people the context we're in right now, which is introduction and general discussion. It's certainly germane for more Board discussion. Katy and Dan will have to think about these pieces. I'll talk with them about any refinements they want to make. So sure, go ahead, Wayne.

Wayne Leonard: In general, I had indicated before that I was in support of keeping the current rule as it was, 630 hours. I talked about this with the budget items last year, that I thought 630 hours is pretty generous, pretty low bar actually, in terms of being eligible for medical benefits. And then my confusion over whether this was just subs doesn't help me clarify that in my mind. One of the things going forward, this is a one-year waiver. I think we need to understand that, like Pete mentioned, in terms of the following years. There is going to be significant budget cuts. This pandemic has resulted in the state projecting an $8.8 billion deficit, and K-12 is certainly going to be impacted by that.

But on another note, in Mead, we're trying to make plans to reopen for next year, and it's already becoming clear that a lot of that instruction due to staff safety concerns will be back online and not in-person instruction. This is not going to be a one-year thing, I don't think. It's going to be very difficult for some of the substitutes, or for some of the other personnel that was affected, to get the 630 hours next year as well, if they didn't get it this year. That's another concern because right now it's being proposed as a one-year exception. I'm concerned whether this would be rolled into a second one-year exception when we're going to be greatly impacted by state budget cuts going forward in the following years.

<u>Vision Benefit Design</u> Resolution

Laura Johnston, SEBB Program Procurement Manager, ERB Division. Slide 2 – Objective. New resolution introduced to add a fourth tier to Davis Vision's progressive lens and anti-reflective benefit.

Slide 3 – 2021 Davis Vision Benefit Change. The 2021 proposed change is adding a fourth coverage tier to the progressive lenses, which would include $175 copay instead of the current benefit where the member pays the full retail price. There is also a proposed change to add a fourth coverage tier for the anti-reflective coating, which would include an $85 copay to members instead of the current benefit where the member pays full price. These changes will not result in a rate increase. HCA currently has a rate guarantee that will remain in effect with these changes.

Slide 4 – Proposed Resolution SEBB 2020-11 Davis Vision – Benefit Change. The proposed resolution reads:

The SEB Board endorses Davis Vision's addition, with no rate increase to the SEBB Program, of a fourth coverage tier to the:
- Progressive lens benefit for which SEBB Program members will have a $175 copay
- Anti-reflective coating benefit for which SEBB Program members will have an $85 copay

Slide 5 – Next Steps. HCA will bring this resolution to the Board for action at the July 23 Board Meeting. No stakeholdering is anticipated at this time since this is a positive change to the member with no additional costs.

Dave Iseminger: HCA traditionally stakeholders all resolutions, but as state employees are furloughed once a week now due to budget crunches, time is of the essence for staff. In this particular instance, it's a positive benefit change at no additional cost to anybody, I'm supporting my staff in not spending the energy to send this one for stakeholder review just to get emails back to say, "We support this, we support this, we support this."

<u>2021 Rates Overview</u>
Megan Atkinson, HCA Chief Financial Officer
Tanya Deuel, ERB Finance Manager, Financial Services Division.

Megan Atkinson: I want to review the process HCA goes through to get final bid rates, employee premiums, and contributions. We kick off the procurement cycle with information, bid rate templates, and instructions going out to our plan partners. Parallel to that, we kick off our rate development process with our contracted actuaries for our self-insured plan. We do several rounds of rate development on both sides, the self-insured and the fully insured side of the house. At each subsequent round of rate development, we have questions, we get answers, we provide feedback. We signal to the partners what we're hoping to see in procurement. We ask questions about the data they've given. I think where we've ended this year is a really good spot. I feel good about the premiums and bid rates. Tanya will get into the details.

I would like you to keep this concept in mind. There are two ways to look at the ending point. One is to remember we have this purchasing work stream heavily focused around bid rate, trend assumptions, utilization experience, etc. Then we take those bids and layer on top of that the machinations and calculations we go through to get to employee premiums, which is heavily driven by statutes, resolutions, and the Collective Bargaining Agreement.

I'm anticipating a lot of conversation around how a particular percentage increase in a bid rate can translate to a very different percentage increase for an employee contribution. Tanya has slides to help you understand that.

Tanya Deuel: Slide 4 – Employer Medical Contribution: Medical (Sample Illustration). This slide is a simple illustration of how the employer medical contribution, or the EMC, is calculated. As a reminder, it is set in the Collective Bargaining Agreement, the EMC will be an amount equal to 85% of the monthly premium for the self-insured branded Uniform Medical Plan with the estimated actuarial value of 88%. The UMP Achieve 2 is the plan that the EMC is benchmarked against. The UMP Achieve 2 bid rate is $588. Multiply that bid rate by 85% to get the EMC of $500. The employee contribution is $588 minus $500 equaling $88 for the employee contribution.

Slide 5 – Determining Employee Premiums (Sample Illustration). In this sample illustration, there are three different plan bid rates, Plan A, Plan B, and Plan C. Plan A is $700, Plan B is $650, and Plan C is $600. The EMC is benchmarked off a single plan and is a flat amount. That amount is then subtracted from each plan's illustration. Plan A is $700 minus $500 = $200 employee contribution. Plan B is $650 minus $500 = $150 employee contribution and Plan C is $600 minus $500 = $100 employee contribution.

Slide 6 – Determining Employee Premiums by Tier (Sample Illustration). We will use the same three Plans, A, B, and C and the employee contributions from the previous slide. Plan A had a single employee contribution of $200. For Tier 1, the single employee, would be $200. $200 multiplied by one is $200 employee premium. For Tier 2, and adult subscriber and their spouse or state registered domestic partner would be $200 multiplied by 2 = $400 employee premium. Tier 3 is the employee and child or children. It doesn't matter how many children are on your account, the multiplier will always be 1.75. So, $200 multiplied by 1.75 = $350 employee premium. Tier 4 is the full family composition, the employee, spouse or state registered domestic partner, and their children. Plan A would be $200 multiplied by 3 = $600 employee premium. The process is the same for Plan B and Plan C.

Slide 7 & Slide 8 – Employee / Employer Premium Contribution. The first set of SEBB portfolio plans is on Slide 7 are sorted alphabetically by plan. These slides show the proposed 2021 employee contribution (single subscriber), the employer medical contribution, and the proposed 2021 total composite rate for each plan. The Employer Medical Contribution is $555 for all plans. There is no change in the EMC from the current plan year to plan year 2021. The proposed 2021 total composite rate is the bid rate proposed by the carriers. The employees then pay the composite bid rate minus the EMC.

Megan Atkinson: I want to underscore the Employer Medical Contribution remaining the same is simply a function of where the UMP bid rate came in. It's not required to remain the same. In fact, because medical inflation typically is positive every year, we would have expected the Employer Medical Contribution to go up. It stays flat because of where we are in preparing the bid rate for our UMP product.

Tanya Deuel: Correct. Slides 9 & Slide 10 – Employee Premium Contributions. These slides show the percentage change year over year from plan year 2020 to 2021. These slides are new for the SEBB Program because we didn't have previous year numbers to compare to. You will see this slide in future presentations.

These slides list the plans alphabetically, showing single subscriber employee contributions comparing plan year 2020 against plan year 2021, and the percentage and dollar amount of the changes from 2020 to 2021. This is where we will talk about Megan's comments on the impact of the bid rate percentage change versus the employee contribution percentage change. There may be some larger percentage increases because the EMC remained flat this year. The Uniform Medical Plan bid rates came in with no increase. They were completely flat from plan year 2020 to 2021. Since the EMC is derived by the math on UMP Achieve 2, and the UMP Achieve 2 bid rate staying flat, the EMC remains flat. So, any increases by the other carriers are borne by the employees.

If we compared the year over year change in the bid rate by carrier (Slides 7 & 8), it's a smaller number than what you're seeing here. For example, Kaiser Northwest saw about a 2% increase in their plan bid rate year over year. KP Washington was less than 1%, KP Washington Options was around 4.5%, Premera was around 1%, and UMP remained at 0% increase. While these increases on the total bid rate are relatively small and well within reason of what we see typically year over year in a bid rate change, because of the way the EMC works for the Collective Bargaining Agreement, there some increases on the employee side.

For example, Kaiser Washington Core 1 has an employee premium for plan year 2020 of $13 and a proposed premium of $16 for plan year 2021. That is a $3 increase for the employee. That is a relatively small number comparing a $16 premium to a $13 premium, but it shows a 23% increase on the employee premium contributions slide. Due to the dynamic of the EMC, the employer contribution, and these small numbers, you're going to see some larger increases on the employee contributions when you look at the percent increase.

Katy Henry: Is there any data about the number of subscribers enrolled in each plan?

Dave Iseminger: Katy, to clarify, did you ask for subscriber, or subscriber and dependent?

Katy Henry: Subscriber only. I'm interested in knowing the KP WA Options enrollment versus KP NW.

Dave Iseminger: I'll go through all of them. I'll use slides 9 & 10, start at the top and work my way down. These are June 2020 enrollment numbers, subscriber count. So KPNW 1 is 823; KPNW 2 is 1,825. I'm going to start rounding! KPNW 3 is 2,100; KPWA Core 1 is 2,300; KPWA Core 2 is 9,350; KPWA Core 3 is 2,300; KPWA Options 1 is 3,300; KPWA Options 2 is 6,000; KPWA Options 3 is 8,200; KPWA SoundChoice is 14,400; Premera High PPO is 14,500; Premera Peak Care is 900; Premera Standard PPO is 17,000; UMP Achieve 1 is 15,800; UMP Achieve 2 is 20,700; for UMP Plus the PSHVN about 1,700; and UW, about 1,800. Then the UMP High Deductible is 5,200.

Staff will put together a slide with this information that we'll include in Board materials for next week's meeting.

Tanya Deuel: Slide 11 and Slide 12 – Employee Contribution by Tier. The slide set up is the same as the previous slides, so, using the same rates from previous slides for single subscriber, follow that same math for each of the remaining tiers.

The next set of slides are employer contributions for dental, vision, basic life and AD&D, and basic long-term disability. Slide 14 – Dental Premiums. This slide has dental premiums by tier. These are employer paid. Employees do not pay for dental. The Delta Care and Willamette plans are in a rate guarantee, and the Uniform Dental Plan, our administrator for that plan, is also in a rate guarantee.

Slide 15 – Vision Premiums. These premiums are 100% employer paid and in a rate guarantee.

Slide 16 – Basic Life/AD&D and Basic Long-Term Disability. Basic benefits are employer paid and in a rate guarantee.

Slide 17 – Proposed Resolutions. The proposed resolutions are carrier specific and not by plan. They are by carrier. Each carrier will independently have their own proposed resolution. I'll read through the first one and summarize the rest.

Slide 18 – Proposed Resolution SEBB 2020-12, KPNW Medical Premiums. The SEB Board endorses the Kaiser Foundation Health Plan of the Northwest employee premiums.

By the Board passing this resolution, it would adopt all of the rates and the plan design for KPNW.

Slide 19 – Proposed Resolution SEBB 2020-13, KPWA Medical Premiums. The SEB Board endorses the Kaiser Foundation Health Plan of Washington employee premiums.

Slide 20 – Proposed Resolution SEBB 2020-14, KPWAO Medical Premiums. The SEB Board endorses the Kaiser Foundation Health Plan of Washington Options, Inc. employee premiums.

Slide 21 – Proposed Resolution SEBB 2020-15, Premera Medical Premiums. The SEB Board endorses the Premera employee premiums.

Slide 22 – Proposed Resolution SEBB 2020-16, UMP Medical Premiums. The SEB Board endorses the Uniform Medical Plan employee premiums.

Dave Iseminger: This is the SEB Board's first time through the standard cycle. There are no resolutions on the other benefits because the Board's authority is related to setting employee premiums. Since there are no employee premiums on the other rates Tanya described, you won't see rate resolutions for the other rates year over year.

Tanya Deuel: These resolutions will be on the agenda for the July 23 meeting for Board action.

<u>SEB Board Clinical Update</u>

Emily Transue, MD, MHA, Associate Medical Director, Clinical Quality and Care Transformation Division. Slide 2 – Roles and Opportunities. Part of the role of the PEB Board and SEB Board is about improving care, experience, and value for the members in the PEBB and SEBB Programs. We also think about our role in market transformation, how can we use HCA's influence and market share for all Washingtonians.

Slide 3 – Some Areas of Focus. Today we'll discuss telehealth, primary care, shared decision making, and public option/Cascade Care.

Slide 5 – Telehealth. Telehealth has been slowly expanding over the last few years with some of the drivers being access in rural areas, urgent care minor issues, and behavioral health. These were already happening prior to COVID-19.

There were limiting factors in the growth of telehealth, partly due to patient and provider comfort. a lack of clarity around billing processes for telehealth as we came into COVID-19, questions around privacy, and you can only do a very limited physical exam by telehealth.

Slide 6 – Telehealth (*cont.*) COVID-19 accelerating these existing trends toward telehealth for several reasons. You can't catch COVID-19 over your Zoom connection to your doctor. There is a safety aspect. You avoid exposure risks of in-person care. When offices were shut down, this was the only way people could get care. It also really limited provider exposure, as well as the use of protective equipment for providers, which is important, particularly when the supplies were limited. There was an increased awareness that virtual care does a lot of things well. Because of COVID-19, there was a strong incentive to overcome those barriers for providers, patients, and payers.

Slide 7 – Telehealth: COVID-19 Driven changes. What has changed? Payment for virtual visits, both by video and by phone, are currently paid at parity with in-person visits. We've seen increased use of telehealth by both specialized platforms and vendors, as well as traditional providers who have learned how to do virtual care. There was some relaxation at a federal level of certain requirements, such as the enforcement of rules around how a platform was set up to be HIPAA compliant. A lot has been done to help telehealth expand.

Slide 8 – Telehealth: Post-COVID-19 Future. What does the post-COVID-19 future look like? HCA expects an increased level of telehealth will continue. We're having active discussions around when is a virtual care visit just as good as an in-person visit? When do you need that in-person visit, particularly around the detailed physical exam? We're in a time of rapidly emerging patient and provider preferences. The future is uncertain, but HCA will be watching closely and thinking about how to use telehealth.

Slide 10 – Primary Care: What Should it Look Like? I am a primary care doctor so this is very dear to my heart. When I talk about primary care, I'm talking about what current care ought to be, which can be encapsulated in ideas like the Primary Care Medical Home, where the primary care office takes a whole person approach. It's the person's first contact for all of their needs. It's the "quarterback model" with someone directing and coordinating someone's care, if they have specialists involved, making sure there's good communication. This is not the gatekeeper idea of primary care where you must go through this to get to there! It's wherever you are, there is somebody who has ultimate responsibility for making sure your care is appropriate, coordinated, and helping you navigate through if needed.

Primary care does prevention, maintenance, and chronic disease management for those who have chronic diseases, as well as acute care management. It is a broad array of care with a proactive, team-based approach to care. It's a system when there is a patient that is not doing well and you haven't seen them in a while. The team reaches out to the patient to schedule an appointment to make sure everything is happening that needs to be. It takes a team.

Slide 11 – Challenges in Primary Care. Primary care doctors tend to work longer hours for lower pay. It's more stress than many specialists see. There is a lot of workforce struggle in this field. It's hard to get enough time to spend with patients and to have those meaningful encounters and interactions than the traditional model. There tends to be inadequate funding to staff a primary care team. To do this well, you need to have staff who can reach out to people on the phone to say we need to get you in. It takes funding if you're not billing directly so the current model doesn't support it very well.

We have made positive changes in health reform in recent years, such as cost containment, increased out-of-office contact. This great work around health reform frequently lands on the shoulders of primary care without a compensation method for that additional time being spent doing this work.

Slide 12 – Primary Care Associated with Higher Quality. There is strong evidence, and this is just one piece, that having better primary care is associated with higher quality. This data on this slide is Medicare data and somewhat old, but there are lots of iterations of this. It basically shows that with primary care workers, you tend to see an increase in the quality of care being delivered. The arrow identifies Washington. So more primary care docs, higher quality care.

Slide 13 – And Lower Costs. Costs tend to come down when there is a stronger primary care workforce.

Slide 14 – But…A Fundamental Disconnect. We know the quality goes up and the costs go down when primary care is supported. Yet it's a very small slice of the whole overall for primary care when resources are allocated. About 5% - 7% of total cost of care goes to primary care. This is estimated out of the commercial population but it tends to be similar across different models and over time. We know it's important, but we're not investing in it very well relative to its importance.

Slide 15 – Primary Care Washington and HCA Efforts. Last year, the Office of Financial Management was tasked to develop a way to measure how much is spent on primary care. We have requirements for reporting that in our contracts. There may be legislation going forward to require an increase in the spending levels. The Bree Collaborative has a workgroup on primary care this year addressing primary care spend and some other issues, which is led by Dr. Judy Zerzan, HCA's Chief Medical Officer.

Slide 16 – WA State Primary Care Program. HCA is working to develop a Washington-specific primary care program. HCA has been meeting with both primary care providers and health plans to see what a Washington model would look like. How does HCA frame what we expect from primary care and come up with a methodology to both ensure we're getting what we expect and compensating for it appropriately in a way that works for both primary care providers and payers. This would include a new payment model, it might include workforce changes, IT strategy, etc. We have meetings on this topic scheduled through fall 2020. HCA also launched a website a few days ago. We will make sure everyone gets the link.

Slide 18 – What is Shared Decision Making? Shared decision making is an important clinical topic HCA has a strong role in. The official definition is, “A process in which clinicians and patients work together to make decisions and select tests, treatments, and care plans based on clinical evidence that balances risks and expected outcomes with patient preferences and values. And each of those highlighted words has some importance that we’ll talk about. (National Learning Consortium, HealthIT.gov, 2013)

Slide 19 – Don’t Providers Already Do This? If you ask groups of providers, we tend to say, “Yes, of course we do that.” But it turns out that we actually don’t. It involves specific skills that aren’t part of traditional training, including making sure we’re reviewing all the appropriate options, including their risks and benefits; looking at a patient’s values around a decision; helping the patient think through the implications and weigh other options; and sharing control with the patient.

Slide 20 – What *is/isn’t* Shared Decision Making? Some things are obvious that we shouldn’t do. If you have a broken bone, you need it set. No decision sharing. Some things are clearly a bad idea, like giving antibiotics for a common cold. No decision sharing.

There are areas where there is more than one reasonable thing to do and the decision depends on somebody’s preferences. For example, I had a patient looking at spinal surgery in a setting where some people get a better from the surgery and some people don’t have much change. There are a significant number of people who will get worse. My patient’s life revolved around ballroom dancing. He was willing to take a whole lot of risk for the possibility of being able to continue dancing that somebody with a different set of values might not have taken. The idea is to elicit preferences and choices, what matters to somebody, and how to make sure they’re making the right choice for them with all of the evidence available.

Slide 21 – Health Care Authority Role in Shared Decision Making (SDM). HCA does different things in this area. We created Certification of Patient Decision Aids (PDA), which are tools to educate patients about their options and elucidate their values. We promote SDM and PDA in our purchasing goals. We provide training and support to providers. HCA has a role in convening statewide discussions about how to make this work an expectation that everyone has around their care, rather than an interesting curiosity that happens sometimes.

Slide 22 – Bree SDM Workgroup 2019. Last year the Bree Collaborative looked at ways to increase communication and endorse frameworks on how this could be done for provider implementation. It defined roles for different stakeholders (providers, patients/community/ health plans, employers, etc. The workgroup also identified high priority clinical focus areas.

Slide 23 – Bree SDM: Areas of Focus. These areas include surgical/procedural where there is that preference and specificity, like spine surgery, hip replacement; advance care planning; screening for different types of cancer, including how and when it is done; and a number of topics around behavioral health.

Slide 24 – Shared Decision Making. Our next steps and future efforts include a summit in the fall of 2020. It was planned for spring, so we will see what happens. HCA is looking at additional ways to build shared decision making into contracts and how to support implementation efforts.

Slide 26 – Bree Collaborative Update. This is a group of experts from many different stakeholder groups across the state who look at areas of variation to make recommendations on how to best approach a variety of problems. Topics currently being worked on include primary care, colon cancer screening, oncology, and reproductive health.

Possible 2021 topics include telehealth, cervical cancer screening, opioid use in the elderly, and looking back at total joint bundles. We will update you all on these recommendations as they come.

Slide 28 – Cascade Care (Senate Bill 5526) Three Main Parts. Cascade Care is also known as the Public Option. The legislation that created Cascade Care has three major parts. One is the definition of the standard plan, a code defining what Washingtonians should be able to expect from plans they purchase on the exchange, looking at lowering deductibles, increasing transparency around cost sharing, and increasing the number of pre-deductible services. It was identified that a lot of people weren't able to use their benefits from some of the exchange plans because many of them had deductibles. It created this look at standard plans.

The Public Option Plans are essentially a standard plan that also includes a number of additional quality and value requirements.

The bill contains a third piece around looking at additional possibilities. Currently through the Health Benefit Exchange, people get a premium subsidy if they are up to 400% of the federal poverty level under the Affordable Care Act. This bill asks what it would look like to increase that to 500%. Cascade Care is separate from Medicaid and separate from PEBB and SEBB. These are plans to be offered on the Exchange. HCA is helping to inform what those look like and connect to the principles we use for our own internal members.

Slide 29 – Multi-Agency Joint Effort. This is a multi-agency effort which includes the Health Care Authority, the Health Benefit Exchange, and the Office of the Insurance Commissioner.

Slide 30 – Cascade Care Implementation Timeline. Work started on this effort in the summer of 2019 to develop what those standard plans looked like, then developed the request for proposals for the actual Cascade Care and Public Options plans, and we are now into the procurement process around that.

Slide 31 – Quality, Value, and Affordability Standards for Cascade Care. Overall, the price on these plans can't be more than 160% of Medicare for the same services, primary care providers have to be making at least 135% of what Medicare will be paying for them, and there are provisions for rural critical access hospitals and community hospitals who'd actually be getting essentially at or above Medicare rates.

There are also requirements around quality and value to participate that include Bree recommendations and health technology assessment implementation, and value-based purchasing, focusing on maintaining and improving health.

Slide 32 – Guiding Principles for Program Development. In general, the principles for this have been to increase affordability and value, while aligning with state purchasing standards. Success is dependent on getting carrier and provider participation. We've worked hard to minimize administrative barriers to that engagement. We anticipate that over time there will be a continual process of developing and refining what this looks like. We are in the initial development stage laying the groundwork for phasing in additional requirements and standards.

Pete Cutler: I want to thank Dr. Transue for her presentation. The Health Care Authority's initiatives related to health market transformation are, in my view, the most valuable and most important contribution HCA makes. We do a lot of things as an efficient purchaser but improving the quality and value of health care delivered for all residents of Washington State is not often on people's radar. It's an incredibly valuable thing the department does. I appreciate this update.

Supplemental Long-Term Disability (LTD) Benefits Options
Jean Bui, Manager, Portfolio Management and Monitoring Section, ERB Division
Marcia Peterson, Manager, Benefits Strategy and Design Section, ERB Division

Jean Bui: Slide 2 – Overview. The current long-term disability benefit is inadequate to cover the needs of SEBB Program subscribers. There is a very low likelihood that we will have the ability to improve the basic LTD benefits due to receiving no additional funding for basic LTD for the 2019-2021 biennium and the current state fiscal challenges brought on by the COVID-19 pandemic.

Although we offer supplemental employee LTD coverage, only a little over 18% of SEBB Program subscribers have enrolled. HCA has a special enrollment opportunity and push for SEBB Program subscribers to enroll in supplemental coverage during open enrollment this fall. It was planned for the spring of this year but was postponed due to the pandemic. The question is how do we increase participation in supplemental coverage?

Slide 3 – Three Types of Group Disability Coverage. There are three types of group disability coverage. Short-term covers an employee's salary during a short-term disability that prevents the employee from being able to work their usual job. This would include pregnancy, accidental injuries, and illnesses. Short-term coverage has been replaced by the Washington State Paid Family Medical Leave Program.

Long-term disability covers an employee's salary during a longer-term disability. This is a situation when the employee is unable to perform with reasonable continuity the duties of their job. There is a correction to the third bullet, which should read sickness, injury, or pregnancy after the benefit waiting period, usually 90 days, through the employee's maximum benefit period, which is specific to each claim. We will include updated slides in your Briefing Book for next week's meeting.

Slide 4 – Three Types of Group Disability Coverage (*cont.*). Social Security disability results in the inability of the employee to engage in any substantial gainful activity. This is medically determinable and could be the result of a physical or mental impairment. The disability is expected to last for at least 12 months or to result in death.

These three types of disability benefits, along with an employee's sick leave and vacation leave, are the income protection for employees facing a disability that makes them unable to work.

Slide 5 – Nationwide Disability Facts. One in four people, now age 20, will experience a disability during their career. Only about 20% of people have disability insurance. Approximately 50% of adults could not cover their salary for three months, and 40% of adults do not have enough cash on hand to cover a $400 emergency expense.

Slide 6 – Factors in Whether to Select Disability Insurance. Part of the challenge of why individuals don't select disability insurance is that the product is not well understood. People don't understand what is considered a disability. The product descriptions aren't relatable.

Often employees are unlikely to understand the incidence of a disability unless they have personally experienced a disability or had family members or friends who experienced one. LTD products are often complex and hard to understand, resulting in employees defaulting to no choice at all, especially when the value of the benefit is questionable. They rely on the employer's selection as their default option assuming it would be adequate to meet their needs. In the case of the SEBB Program, that would be a maximum monthly benefit of $400.

Slide 7 – Current SEBB Program LTD Benefit. This slide compares the current SEBB Program LTD benefits. The basic benefit covers 60% of the first $667 of monthly income. This is $100 up to a maximum benefit of $400 per month and the basic benefit is 100% employer paid. The supplemental benefit covers up to 60% of the first $16,667 of monthly income and this is $100 up to a maximum benefit of $10,000 per month. The supplemental benefit is 100% employee paid.

Marcia Peterson: I want to introduce our guest presenter, Paula Williamson. While Jean and I were researching this topic, it occurred to us to talk to our own human resource staff about what they are encountering when HCA employees in the PEBB Program encounter a disability and whether they have basic or supplemental coverage. We were blown away by our discussion with Paula.

Paula Williamson, HCA Protective Leave and Accommodation Manager. HCA has about 1,400 employees. I've been doing this job at HCA for about nine years. Thank you for the opportunity to share with you my experiences, give you context for why this benefit is important to people, and give you an understanding of the human impacts of the current system, the way it is set up.

When people start employment with the state, they are faced with a number of decisions. They're learning a new job, they're faced with decisions about different benefits packages, including what retirement package to sign up for. This may be their first job and they aren't thinking about the course of their 30-year career and what it's going to look like toward the end of their career. Often, the default option is to do nothing regarding signing up for additional, or supplemental benefits related to long-term disability because it's not on their radar.

What ends up happening is through the course of people's employment, as we hit our 40s, 50s, and 60s, a large percentage of us are faced with chronic conditions, or maybe more acute conditions such as a stroke, or maybe early onset Alzheimer's, chronic conditions like rheumatoid arthritis, multiple sclerosis, or Parkinson's, any of those types of conditions that we probably can all name a family member or friend who has had, especially when you think about cancers as well. Through the course of people's employment, when they hit those years, they may develop these conditions where they're really no longer able to continue to work in any regular capacity, and they're facing those decisions about what is the next step of my life going to be.

In my role, I step in and try to help them navigate what those next steps are. And once we've gone through protected leaves and tried to accommodate to make the determination that the individual is not able to continue to work. Sometimes they'll remember something about, “Oh, don't we have a long-term disability benefit?” For those with PEBB Program coverage, the basic benefit is $240. The basic benefit for the SEBB Program, which is only $400, isn't that much more when you're facing not being able to work.

When we are looking at someone stepping away from work, I go into the system and look up whether they made that very wise decision to do the optional buyup and find out they didn't. I get to share with them the benefit they thought would protect them amounts to $240. For you, it would amount to $400 per month. This is a very hard conversation to have with someone. Not only are they facing the onset of a condition that is life altering, painful, and frightening, but now they're looking at not being able to provide any meaningful support to their family. I'll tell you that when I go into the system and I see that someone has the supplemental package, that conversation goes a lot better because it gives them hope that at least, even though they're facing this incredibly difficult condition, they're going to be able to provide some meaningful support to their family as they exit the workplace.

Lou McDermott: I’d like to comment on this. My time as PEBB Director, which I think was five years, this is one of my greatest regrets of not being able to do anything about this. Part of the issue is with the amount of money it required from General Fund State to make the basic benefit more like the optional benefit, we just couldn't get over that hurdle. In recent years, as Dave’s taken over the program, we've had additional discussions. It was revealed to us there was another program that state employees have access to, deferred compensation. Some changes have been made to that program so more people would be benefiting from it. I think that was sort of the basis for this change. I want to let the Board Members know this is a super, super important benefit and really something I wish I could have done during my time. I hope we're able to get this across the finish line for SEBB and for PEBB. So, Paula, thank you for that testimony.

Marcia Peterson: We’re very motivated to try to improve this benefit for employees and we know both Boards are also very motivated around this benefit.

Slide 8 – Options to Improve Disability Coverage for SEBB Program Subscribers. One option is to continue to request funding from the Legislature for increasing the basic benefit to a maximum monthly benefit of $1,500. Our Financial Services Division indicates it will cost about $7.5 million for the SEBB Program, and more than double that for the PEBB Program. In this climate, it seems unlikely, to say the least.

HCA could also try to increase the percentage of those employees who opt-in to that supplemental benefit. We tried that. For PEBB Program members, we did a one-time open enrollment in March 2019 for the supplemental plan and a few people took advantage of that. The percentages went from 28% enrolled in supplemental to 34%, which isn't much of an increase, although 34% is right around what you see for enrollment for this kind of benefit among public employees. This fall we're going to open it up again for SEBB Program members.

Another option is using automatic enrollment with an option to opt-out for existing employees and new hires.

Slide 9 – Proposing an Opt-Out Benefit for LTD Supplemental. We are unlikely to get additional funding to improve the basic benefit. Improving communications regarding the benefit hasn't seemed to result in huge increases, probably for all of the reasons Jean talked about earlier, people don't understand it and also some people prioritize differently. HCA is proposing an opt-out benefit as a way to increase enrollment and ensure more subscribers have comprehensive coverage.

Slide 10 – Automatic Enrollment with Opt-Out. We are talking about using a behavioral economics approach to develop a policy, which is the study of how people make decisions. When we make decisions, research shows we don't always make the most rational choices. We don't necessarily make choices that benefit us because we’re subject to all kinds of influences when making those choices.

Policymakers use behavioral economics to design programs and to nudge people towards good choices. For example, trying to improve food choices. In school cafeterias, the fruits and salads are first as opposed to the coconut cream pie. People tend to choose the salads and by the time they get to the end of the line, they don't have room for the coconut cream pie. It's really about trying to make it easier for people to make good choices and a bit harder for them to make bad choices. We're nudging, not making anything mandatory.

We found when people are automatically enrolled in a benefit or program with the option to opt-out, they tend to stick with the default option their employer chose.

Slide 11 – Automatic Enrollment with Opt-Out (*cont.*). Employers use this a lot for 401k programs. Washington’s Department of Retirement Systems (DRS) used this approach to encourage newly hired full-time state employees to take advantage of the state’s Deferred Compensation Program. At DRS, 30 days after being hired, employees receive a notification letter regarding the program indicating they've been enrolled but they have 30 days to opt out. HCA has looked at the numbers for years and DRS had a pretty low percentage of people who had opted into this program. When they started enrolling employees automatically with the opt-out option in 2017, DRS maintained a 90% retention rate.

Slide 12 – Possible Opt-Out Supplemental LTD (Existing Employees). HCA is considering a similar option for the supplemental LTD program. For a January 1, 2022 start date, HCA is proposing all SEBB Program subscribers not already enrolled in supplemental LTD coverage would receive a letter in fall of 2021 letting them know they're being auto enrolled in supplemental LTD with the option to opt-out. If they did opt-out, they would be subject to Evidence of Insurability (EOI) if they chose to re-enroll later. They would be eligible for and have the first payroll deduction in January 2022.

We want your feedback on this, whether at this meeting or later, or email or call us. We're really interested in your feedback on how you think some of these elements would work.

Slide 13 – Possible Opt-Out Supplemental LTD (New Hires). New hires would also be automatically enrolled and receive a letter letting them know they have a 31-day new hire period to opt-out. Coverage would be effective the first calendar day of the following month, like other benefit selections. They could also opt out in the future.

We request your feedback on this slide as well. They could opt-out at any time, but if they wanted coverage later, they would be subject to Evidence of Insurability. It's HCA's belief, as well as Standard's, the vendor, there is the potential that rates could be lower under the opt-out enrollment approach. Our hope is if more people enroll in supplemental, the premiums would be lower compared to today's rates.

Dave Iseminger: I want to provide the same clarification I had provided yesterday at the PEB Board Meeting. For clarity, to summarize the last couple of slides the current planned proposal is: the Basic benefit would be eliminated, that $400 benefit in SEBB and the $240 benefit in PEBB, making the LTD benefit offering in the portfolio only the supplemental employee paid benefit package, which individuals would be automatically enrolled with an opt-out option.

I'd be very interested in your feedback of the opt-out mechanism, the frequency or timing of the opt-out. There are at least two ideas, one being once a year during the annual open enrollment and the other at any point with changes effective the first of the following month. HCA is leaning toward proposing the opt-out option at any point with changes effective the first of the following month.

This presentation flushes out that one line item highlighted by me during Megan's and my presentation about the budget options presented and submitted to OFM earlier in

June. This is a more detailed explanation of that one line on that chart. It was not clear at yesterday's PEB Board Meeting that the proposal includes eliminating, retiring, ending - all of those words - the basic benefit. But that is inherently part of this current proposal.

Pete Cutler: This is a topic near and dear to my heart. I like this proposal from what I've seen so far. Getting away from having an illusory benefit provided by the employer to making it very clear the benefit is provided as an employee-paid option I think would be a good policy. I like the opt-out. I hope it can be made so people can opt-out not retroactively but prospectively, just so there's no sense of being trapped in a benefit. I think the premiums are small enough and I guess at the next Board meeting it would be good to know what kind of premiums we'd be looking at. If somebody is automatically enrolled, how much would be coming out of their paycheck? Anyway, I think it's a good idea.

I am curious with evidence of insurability. Now, if somebody does not enroll in the supplemental optional long-term disability benefit at the time they are employed, are they subject to evidence of insurability requirements if they wanted to enroll later?

Dave Iseminger: Yes. Right now if you don't elect during your initial 31-day window, you go through evidence of insurability. Sometimes people call it the Statement of Health. Basically, you answer questions about the current status of your health.

We can certainly work on describing a premium calculation, illustrative scenarios based on the current rate. But moving to an opt-out benefit, the rates people pay today wouldn't be the rates under this new idea. HCA is working with Standard on more details. We do know that with the anticipated higher participation retention, the rates would be lower because there will be more people enrolled in the benefit. I want to foreshadow that this idea would likely come with a reduction in the supplemental rates, as well.

Wayne Leonard: I assume, too, that with eliminating the basic benefit, it would be one of those benefits still under SEBB's authority so no one else would be able to offer it. It would only be allowed to be offered through the SEBB Program. Correct?

Dave Iseminger: Yes.

Wayne Leonard: I would echo some of Pete's comments about liking to see the rates. I've had a private policy for many years because the state plan I think is the same as it was when I first got married. It's really low so I got a private plan, but I think because of the evidence of insurability, my rates seem like they've been very good over the years compared to even the supplemental benefit we currently offer. It would be interesting to see their rates on a program like that. I don't know if you can tell us, typically, how much of the employee population cannot meet EOI?

Dave Iseminger: We will take that as additional follow-up.

2021 SEB Board Meeting Dates

Dave Iseminger, Director, ERB Division. Dave presented the 2021 SEB Board Meeting Schedule. These dates are filed with the Code Reviser. The meetings are scheduled from 9 a.m. to 2 p.m. However, meeting times may change based on the agenda.

Public Comment

Barbara Posthumus, Associate Superintendent of Business and Support Services, Lake Washington School District. We are the second largest district in the state. We serve over 31,000 students in Kirkland, Redmond, and Sammamish. I'm speaking on behalf of the School Alliance, which involves multiple school districts. We urge the Board to reject the proposed Resolution SEBB 2020-10 for the following reasons, and one of our main concern, of course is cost. This change is unanticipated, it’s not included in our district budgeting process. The increased costs, there's no funding provided by the Legislature to cover these costs. As you know, districts are already dealing with significant costs increases due to COVID-19, and this would just exacerbate that problem.

We believe lowering the threshold to 500 hours is arbitrary. There are many variations among school districts on days in the school calendar. Employees in schools may have more school days and more potential to achieve the 500 hours. There's no way to know which employees would have actually worked 630 hours had schools not closed early. Some may not have chosen to work these additional hours and others may work in districts that would not have permitted employees to reach the threshold.

It's important that we maintain the integrity of the SEBB Program and consistently apply rules, rather than create exceptions that only serve to address a lone irregularity. We urge SEBB to take a careful and balanced approach before modifying established resolutions in reaction to a specific SEBB situation. That concludes my comments. Thank you for giving me the opportunity to testify.

Matthew Knott, President, Washington Association of School Business Officials (WASBO) and Director of Business Services, Central Valley School District. I’m here today to speak on behalf of WASBO in opposition of the proposed amendment to SEBB Resolution 2018-36. Washington State has been dealt unprecedented economic impacts due to COVID-19. The 630-hour two-year lookback is the current policy and should remain as is. Amending the SEBB policy would place additional economic hardships on school districts throughout the state.

The recent revenue forecast has projected a significant deficit that, without a doubt, will impact Washington State schools for many years. Understandably, there will be entities that would like exceptions based upon the current situation. However, nobody could ever had predicted what 2020 would hold for all of us and our economy. In addition to the unknown economic factors, the current 630-hour rule does not provide all the necessary funding for districts to fully cover health benefits for its employees. The only way districts can currently pay for these additional costs without the funding for SEBB is with levy dollars which has been reduced due to the McCleary decision. Many districts across the state will be seeking a levy renewal approval next year. At this time, it is unknown how the voters will respond to these levies.

The unemployment rate is significantly higher and K-12 education has yet to be fully impacted by the increased unemployment rate. The voters may not approve or renew a levy at the same $1.50 rate, let alone an increase at the $2.50 rate based on the current economic situation. Instead, the ground on which districts will ask voters to approve levies next year will most likely negatively impact our financial situation.

Yesterday afternoon, WASBO surveyed its membership and so far, we've received feedback from over 30 districts in opposition of this draft policy resolution. Their comments showed a clear pattern of opposition. I will read a few of them now. "This is not the time for added cost to school districts. We are already facing layoffs for many of our staff." 95% of those responses indicated that if the changes in this resolution pass, it will cause further layoffs. "630 hours are already such a low number of hours, by lowering it further, it puts a heavier financial burden on school districts." "Please consider the time it will take to go back and recalculate the hours to find employees who qualify, as well as the costs for the administrative load this will place on districts. They're already strained with COVID-19 related expenditures and loss of revenue." And there are several more comments like that regarding the financial strain. I encourage the Board to follow the recommendation of the Health Care Authority and keep the 630-hour rule intact. Like Barbara, thank you for the opportunity to speak.

Julie Salvi, Washington Education Association. Two issues I wanted to touch on. First, I wanted to say that I do have some concerns with the state entertaining proposals to walk away from a basic disability benefit right after we just launched the SEBB Program. I will save further comment on that until more detail and information is available. And then of course, I wanted to speak on the policy being considered related to the hours for this prior school year that was disrupted by a pandemic.

We're in unusual times. I support all the background that Katy had provided and will not reiterate all of that. But I want to remind the Board that this is an employee protection. This is not changing or lowering a standard. It is one other way where districts would look back to see if employees have a history of, in this case, being on target to meeting a standard for a full year had the full year happened.

And then as you look at the Board policy in total, there's still a way for a district to come back and look at the two-year lookback, say, “Yep, you meet that standard, but yet we don't expect you to work the 630 hours this year.” That may get to some of Wayne's questions about we don't know what school will look like this year. While this is one employee protection, it gives a consistent standard across the state of how the districts should look at a very unusual year. It is not the complete and full protection for employees that I think many employees would want, but it is one way to introduce fairness into the situation. As Katy mentioned, we had individuals who were a day or two away from gaining eligibility and are looking at very disrupted benefits for the next two years because of a pandemic, and because of the very different ways districts have approached this eligibility.

In the end, we recognize as school districts become regular, 630 hours is the standard. It is out there. This is one way to take a step back, look at the impact of the pandemic, and look at what may be fair, at least for the district to come and really look at whether that person would be expected to work 630 hours next school year. Thank you for your time. I will put more comments in writing. That will be coming. Thank you.

Mitch Thompson, Battleground School District. Does the Board actually have the authority to change the hours? Hours are set by the Legislature for 630 hours for eligibility. I did send an email requesting an AG opinion as to whether the Board has the authority to change those hours for eligibility. I sent in my list yesterday at 2:22 p.m., so they probably didn’t make it to the Board yet, but I'm going to try to get through them all in the next two minutes and 20 seconds.

The state funding formula drives a number for full-time equivalent positions based on student enrollment and assumes a multiplier of how many individuals would be benefits eligible if they worked at least 630 hours. The multiplier is too low and does not adequately cover benefits eligibility associated with that threshold. Due to the organization of the school day, we can't simply hire fewer individuals and have those individuals we have work more hours.

For example, food service, you can’t serve lunch all day long. You only do it in the middle of the day. So, I can't just add more time to my food service employees. I need more food service employees. The same with bus drivers. I have a certain number of routes. I can't just add more routes to one driver because the drivers all have to have their kids to school at a specific time.

The substitute teacher state funding formula does not adequately cover the number of substitute teachers that must be deployed to cover the basic sick leave for permanent teachers. Further, for the substitute teachers that are assumed, the state funding and total dollar amount is inadequate to cover the cost benefit for substitute teachers who do qualify after working 630 hours. In the prototypical funding model, the calculation for subs is for four days, while teachers are given 12 annual days. In that same calculation, there's no allocation for medical benefits, retirement benefits, or even paid family medical leave, which are all required by law. Yet subs are eligible for retirement and medical after 630 hours.

Districts are also required to provide sick leave to our substitute employees and those costs aren't included in the state allocation either. These benefits are paid out of other district funds taking money from other programs. The more we're required to provide eligibility for our employees and our substitutes, the less money there is for other programs. If this goes through, we're going to have to look at other ways of reducing programs. It's after May 15. We can't simply lay off people at this point. By law, we had to notify them by May 15. There's a lot more in my document for you guys.

Fred Yancey, Washington Association of School Administrators (WASA) and AWST. First, I have a question regarding the long-term disability proposal. I don't need an answer today, but somebody raised the question about the rates and it would be nice to get a sense of what the rates would be. Secondly, would this be tiered rates depending on the amount an employee chooses or is it that $1,500 figure that was quoted as an example earlier? Different question. I'm not sure if that's the maximum amount. And then what about present employees? Do they have an opportunity to take advantage of it or would they be mandatorily opted in as well?

Regarding the resolution, I'll have more remarks next month at the meeting because you'll have the public comment as the Board moves to adopt it. A couple quick remarks. One is I would be interested in the answer to the question, "Does the Board have the authority to change the statute and change the number of hours?" They can certainly interpret and apply certain hours like sick leave, or vacation leave. They could count those towards the 630. But can they change that legislative base behind the 630. Just a question I'd be interested to know.

My concern for today, and I have a couple of them, but one is the issue of precedent. I agree that it's unusual times, and I agree that health insurance and benefits are critical for everybody. However, you've got the question of affordability, and more importantly, I think you have a question of precedent. I think next year, given the uncertainty, it's quite possible that the Board will be asked to say, "Hey, we're still in uncertain times. What about an employee for 500 hours, would you apply this again? What about 450? What about 300?" I mean, where do you draw the line? I think 630 is the line and you should hold that line, tragic though it may be for some employees. That's it for now and I appreciate the time. I'll have more next month. Thank you very much.

Brian Sims, Washington State School Directors' Association. I'm commenting about your consideration of Resolution 2020-10. If you think about it for a minute, the rationale for a presumptive eligibility scheme based on a two-year lookback is that the past is a reasonable prediction of the future in stable times. But I think it's safe to bet the 2021 school year is not going to be like the past. We've got a great deal of uncertainty. Facing a presumptive eligibility based on pre-pandemic behavior is irrational. The second problem about this is you've got districts who have been working within the eligibility rules of SEBB for intermittent employees, and part time by limiting those employees to a level of work that is below the threshold. For you to then potentially pull the rug out of those budget controls by saying, “Never mind, 630 doesn't matter anymore, it's 500.” It really is a -- I'm searching for the right word and remaining tasteful at the same time. It really pulls the rug out from under those budget people who thought they were trying to keep things balanced. The third is obvious. It is going to be an additional unfunded cost for the school districts. Thanks very much.

Anne Ellis: I am from the Seattle School District, a substitute. I would like to express my appreciation to the Board for their considered approach to this unusual situation and a very humane approach to an unusual situation. I am also gratified to hear the courage in contemplating that 2021 may also be an unusual school year and it may also be appropriate to make some modifications to the two-year lookback rule in terms of the hours.

I understand the comments of previous speakers. I really wonder, not having data in front of me, how much of an impact it’s going to be financially to change hours from 630 to 500. My personal situation is I receive my health insurance from my husband and his employer, so even though I work historically 85% of eligible days, I have not been accessing the health care to which I’m entitled. I am not an additional cost. I just wonder how many other people there are like me in terms of people being very concerned about the budget because this is a humane, decent approach in a very challenging time.

On a separate note, and this may be too far down in the weeds for the Board to be concerned about, but with respect to vision coverage, even though I’ve been opting out of medical, I opted into the vision and dental. When I called the vision insurance provider to see if my medical vision provider was on their plan, each insurance company I called said they could not tell me unless I was an enrolled member. I can’t imagine this is anything you guys intended to happen that we don’t know if our provider is on their list until after we’ve enrolled in their plan. They admitted it seemed rather illogical and didn’t make any sense, but nonetheless, that is the situation. And I’m done.

Lou McDermott: Thank you. We will look into that issue.

Shelley: Thank you. My question is whether the SEB Board is going to be offering guidance about ESSB 6189 as it relates to SEBB benefit eligibility going into the next school year. Specifically, the legislation states employees who are eligible for the employee contributions as of 2/29/2020 maintain that eligibility during the state of emergency under certain scenarios, one of which is during closures, or changes in school operations. And in the event our state of emergency extends into the next school year, which at this point looks pretty likely, how does this legislation affect benefit eligibility? For example, an employee eligible for SEBB benefits back on 2/29 who receives notification of an FTE reduction for the next school year. Normally that employee's benefits would end 8/31/2020. However, our question is, if the state of emergency extends into the next school year, does this employee's benefits eligibility also extend past 8/31? Thanks.

Lou McDermott: Thank you and we will address that at the next board meeting.

Peter Henry, Vice President, Seattle Substitutes Association. Thanks very much for taking my comments. I really appreciate it. I want to really thank the Board for considering a modification to the three proposals that were discussed last meeting about modifying the hours requirement. It's really hard for me not to get personal when I hear people talking about budget. No doubt there's a problem with district budgets, although none of the people who talked claiming there was going to be a severe cost impact had any information on how much the costs could be. None of those people, I'm sure, are going to be losing their benefits the next school year the way many subs may. We need to really think down to a personal level, how can we make sure that people don't lose their health care? And going down to 500 hours is a great step in the right direction.

In Seattle, the proportionate amount would actually be 402 hours, so we're about halfway there, but it's a real move in the right direction. And I want to really thank the Board for considering this. You know, it's the fault of the Legislature in the first place for not funding this. I completely get it, that districts are having to make cuts because they weren't given the adequate funding by the state and that needs to change. But right now, subs need to know they are not going to get their health insurance taken away for no fault of their own because they did not have the opportunity to work what they would have expected. Thanks very much. Take care.

Next Meeting

July 23, 2020
9:00 a.m. – 11:00 a.m.

Preview of July 23, 2020 SEB Board Meeting

Dave Iseminger, Director, Employees and Retirees Benefits Division, provided an overview of potential agenda topics for the July 23, 2020 Board Meeting.

Meeting adjourned at 11:52 a.m.