

School Employees Benefits Board Meeting

September 17, 2018

School Employees Benefits Board

September 17, 2018

1:00 p.m. – 2:30 p.m.

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

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TAB 1

Special Meeting
School Employees Benefits Board
September 17, 2018
1:00 p.m. – 2:30 p.m.
Sue Crystal Rooms A & B

Health Care Authority
 Cherry Street Plaza
 626 8th Avenue SE
 Olympia, WA 98501

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

Participant PIN Code: 60995706

1:00 p.m.*	Welcome and Introductions		Lou McDermott, Chair	
1:05 p.m.	Meeting Overview		David Iseminger, Director Employees & Retirees Benefits (ERB) Division	Information
1:10 p.m.	Vision Benefit	TAB 3	Lauren Johnston, SEBB Procurement and Account Manager, ERB Division	Action
1:20 p.m.	Disability Insurance	TAB 4	Betsy Cottle, Contract Manager SEB Section, ERB Division Cade Walker, Executive Special Assistant to the ERB Division Director	Information/ Discussion
2:20 p.m.	Public Comment			
2:30 p.m.	Adjourn SEBB Meeting			

*All Times Approximate

Special Meeting
COMBINED School Employees Benefits Board
and Public Employees Benefits Board
September 17, 2018
2:45 p.m. – 4:45 p.m.
Sue Crystal Rooms A & B

Health Care Authority
 Cherry Street Plaza
 626 8th Avenue SE
 Olympia, WA 98501

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

Participant PIN Code: 60995706

2:45 p.m.*	Welcome and Introductions		Sue Birch, Chair	
2:50 p.m.	Meeting Overview		David Iseminger, Director Employees & Retirees Benefits (ERB) Division	Information
2:55 p.m.	Retired and Disabled School Employees Risk Pool Analysis	TAB A	Kayla Hammer, Fiscal Information & Data Analyst, Financial Services Division Kim Wallace, SEBB Finance Manager, Financial Services Division	Information/ Discussion

4:25 p.m.	Public Comment			
4:45 p.m.	Adjourn Combined Meeting			

*All Times Approximate

Special Meeting

**Public Employees Benefits Board
September 17, 2018
4:50 p.m. – 5:00 p.m.
Sue Crystal Rooms A & B**

Health Care Authority
Cherry Street Plaza
626 8th Avenue SE
Olympia, WA 98501

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

Participant PIN Code: 60995706

4:50 p.m.*	Welcome and Introductions		Sue Birch, Chair	
4: 55 p.m.	Approval of Minutes for: March 21, 2018 Meeting April 25, 2018 Meeting May 21, 2018 Meeting June 7, 2018 Meeting June 20, 2018 Meeting July 17, 2018 Meeting	TAB 3	Sue Birch, Chair	Action
5:00 p.m.	Adjourn PEBB Meeting			

*All Times Approximate

The School Employees Benefits Board will meet Monday, September 17, 2018, at the Washington State Health Care Authority, Sue Crystal Rooms A & B, 626 8th AVE SE, Olympia, WA. The SEBB Meeting will start at 1:00 p.m.

The School Employees Benefits Board and Public Employees Benefits Board will meet in combined session on September 17, 2018, at the Washington State Health Care Authority, Sue Crystal Rooms A & B, 626 8th AVE SE, Olympia, WA. The Combined SEBB and PEBB Meeting will start at 2:45 p.m.

The Public Employees Benefits Board will meet Monday, September 17, 2018, at the Washington State Health Care Authority, Sue Crystal Rooms A & B, 626 8th AVE SE, Olympia, WA. The PEBB Meeting will start at 4:50 p.m.

Final disposition shall not be taken on any matter not listed on the agenda.

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

Direct SEBB e-mail to: SEBboard@hca.wa.gov. Materials posted at: <https://www.hca.wa.gov/about-hca/school-employees-benefits-board-sebb-program> by close of business on September 14, 2018.

Direct PEBB e-mail to: board@hca.wa.gov. Materials posted at: <http://www.pebb.hca.wa.gov/board/> no later than close of business on September 14, 2018.

SEB Board Members

Name	Representing
Lou McDermott, Deputy Director Health Care Authority 626 8 th Ave SE PO Box 42720 Olympia WA 98504-2720 V 360-725-0891 louis.mcdermott@hca.wa.gov	Chair
Sean Corry Sprague Israel Giles, Inc. 1501 4 th Ave, Suite 730 Seattle WA 98101 V 206-623-7035 sean.corry@siginsures.com	Employee Health Benefits Policy and Administration
Pete Cutler 7605 Ostrich DR SE Olympia WA 98513 C 360-789-2787 p.cutler@comcast.net	Employee Health Benefits Policy and Administration
Patty Estes Eatonville School District PO Box 1364 Eatonville WA 98328 C 360-621-9610 p.estes.sebb@gmail.com	Classified Employees
Dan Gossett 603 Veralene Way SW Everett WA 98203 C 425-737-2983 dan.gossett@comcast.net	Certificated Employees

SEB Board Members

Name	Representing
Katy Henry Spokane Public Schools 200 North Bernard Spokane WA 99201 V 509-325-4503 khenry@washingtonea.org	Certificated Employees
Terri House Marysville School District 4220 80 th ST NE Marysville WA 98270 V 360-965-1610 Terri_house@msd25.org	Classified Employees
Wayne Leonard Assistant Superintendent of Business Services Mead School District 608 E 19 th Ave Spokane WA 99203 V 509-465-6017 wayne.leonard@mead354.org	Employee Health Benefits Policy and Administration (WASBO)
Alison Poulsen 12515 South Hangman Valley RD Valleyford WA 99036 C 509-499-0482 alison@betterhealthtogether.org	Employee Health Benefits Policy and Administration
Legal Counsel	
Katy Hatfield, Assistant Attorney General 7141 Cleanwater Dr SW PO Box 40124 Olympia WA 98504-0124 V 360-586-6561 KatyK1@atg.wa.gov	

2/24/18



STATE OF WASHINGTON
HEALTH CARE AUTHORITY

626 8th Avenue, SE • P.O. Box 45502 • Olympia, Washington 98504-5502

2017-18 School Employees Benefits Board (SEBB) Meeting Schedule

The SEB Board meetings will be held at the Health Care Authority, Sue Crystal Center, Rooms A & B, 626 8th Avenue SE, Olympia, WA 98501. The meetings begin at 1:00 p.m., unless otherwise noted below.

October 23, 2017

November 6, 2017

December 11, 2017

January 17, 2018

January 29, 2018

March 15, 2018 - 9:00 a.m.

April 30, 2018

May 30, 2018

June 13, 2018

July 30, 2018

August 30, 2018 - 9:00 a.m.

October 4, 2018 - 9:00 a.m.

November 8, 2018 - 9:00 a.m.

December 13, 2018 - 9:00 a.m.

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: August 30, 2017

TIME: 1:26 PM

WSR 17-18-043

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

8/28/17



STATE OF WASHINGTON
HEALTH CARE AUTHORITY

626 8th Avenue SE • P.O. Box 45502 • Olympia, Washington 98504-5502

2019 School Employees Benefits Board (SEBB) Meeting Schedule

DRAFT

The SEB Board meetings will be held at the Health Care Authority, Sue Crystal Center, Rooms A & B, 626 8th Avenue SE, Olympia, WA 98501.

January 24, 2019 - 9:00 a.m. – 5:00 p.m.

March 7, 2019 - 9:00 a.m. – 5:00 p.m.

April 10, 2019 - 1:00 p.m. – 5:00 – p.m.

May 16, 2019 - 9:00 a.m. – 5:00 p.m.

June 12, 2019 - 9:00 a.m. – 5:00 p.m.

July 18, 2019 - 9:00 a.m. – 5:00 p.m.

July 25, 2019 - 9:00 a.m. – 5:00 p.m.

August 1, 2019 - 9:00 a.m. – 5:00 p.m.

August 22, 2019 - 9:00 a.m. – 5:00 p.m.

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

Updated 7/26/18

TAB 2

SCHOOL EMPLOYEES BENEFITS BOARD BY-LAWS

ARTICLE I

The Board and Its Members

1. Board Function—The School Employees Benefits Board (hereinafter “the SEBB” or “Board”) is created pursuant to RCW 41.05.740 within the Health Care Authority; the SEBB’s function is to design and approve insurance benefit plans for school district, educational service district, and charter school employees, and to establish eligibility criteria for participation in insurance benefit plans.
2. Staff—Health Care Authority staff shall serve as staff to the Board.
3. Appointment—The members of the Board shall be appointed by the Governor in accordance with RCW 41.05.740. A Board member whose term has expired but whose successor has not been appointed by the Governor may continue to serve until replaced.
4. Board Composition—The composition of the nine-member Board shall be in accordance with RCW 41.05.740. All nine members may participate in discussions, make and second motions, and vote on motions.
5. Board Compensation—Members of the Board shall be compensated in accordance with RCW [43.03.250](#) and shall be reimbursed for their travel expenses while on official business in accordance with RCW [43.03.050](#) and [43.03.060](#).

ARTICLE II

Board Officers and Duties

1. Chair of the Board—The Health Care Authority Director or his or her designee shall serve as Chair of the Board and shall conduct meetings of the Board. The Chair shall have all powers and duties conferred by law and the Board’s By-laws. If the regular Chair cannot attend a regular or special meeting, the Health Care Authority Director may designate another person to serve as temporary Chair for that meeting. A temporary Chair designated for a single meeting has all of the rights and responsibilities of the regular Chair.
2. Vice Chair of the Board—In December 2017, and each January beginning in 2019, the Board shall select from among its members a Vice Chair. If the Vice Chair position becomes vacant for any reason, the Board shall select a new Vice Chair for the remainder of the year. The Vice Chair shall preside at any regular or special meeting of the Board in the absence of a regular or temporary Chair.

ARTICLE III

Board Committees *(RESERVED)*

ARTICLE IV
Board Meetings

1. Application of Open Public Meetings Act—Meetings of the Board shall be at the call of the Chair and shall be held at such time, place, and manner to efficiently carry out the Board’s duties. All Board meetings shall be conducted in accordance with the Open Public Meetings Act, Chapter 42.30 RCW, but the Board may enter into an executive session as permitted by the Open Public Meetings Act.
2. Regular and Special Board Meetings—The Chair shall propose an annual schedule of regular Board meetings for adoption by the Board. The schedule of regular Board meetings, and any changes to the schedule, shall be filed with the State Code Reviser’s Office in accordance with RCW 42.30.075. The Chair may cancel a regular Board meeting at his or her discretion, including the lack of sufficient agenda items. The Chair may call a special meeting of the Board at any time and proper notice must be given of a special meeting as provided by the Open Public Meetings Act, RCW 42.30.
3. No Conditions for Attendance—A member of the public is not required to register his or her name or provide other information as a condition of attendance at a Board meeting.
4. Public Access—Board meetings shall be held in a location that provides reasonable access to the public including the use of accessible facilities.
5. Meeting Minutes and Agendas—The agenda for an upcoming meeting shall be made available to the Board and the interested members of the public at least 24 hours prior to the meeting date or as otherwise required by the Open Public Meetings Act. Agendas may be sent by electronic mail and shall also be posted on the HCA website. An audio recording (or other generally-accepted electronic recording) shall be made of each meeting. HCA staff will provide minutes summarizing each meeting from the audio recording. Summary minutes shall be provided to the Board for review and adoption at a subsequent Board meeting.
6. Attendance—Board members shall inform the Chair with as much notice as possible if unable to attend a scheduled Board meeting. Board staff preparing the minutes shall record the attendance of Board members in the minutes.

ARTICLE V
Meeting Procedures

1. Quorum—Five voting members of the Board shall constitute a quorum for the transaction of business. No final action may be taken in the absence of a quorum. The Chair may declare a meeting adjourned in the absence of a quorum necessary to transact business.
2. Order of Business—The order of business shall be determined by the agenda.
3. Teleconference Permitted—A Board member may attend a meeting in person or, by special arrangement and advance notice to the Chair, by telephone conference call or video conference when in-person attendance is impracticable.

4. Public Testimony—The Board actively seeks input from the public at large, from enrollees served by the SEBB Program, and from other interested parties. Time is reserved for public testimony at each regular meeting, generally at the end of the agenda. At the direction of the Chair, public testimony at Board meetings may also occur in conjunction with a public hearing or during the Board’s consideration of a specific agenda item. The Chair has authority to limit the time for public testimony, including the time allotted to each speaker, depending on the time available and the number of persons wishing to speak.
5. Motions and Resolutions—All actions of the Board shall be expressed by motion or resolution. No motion or resolution shall have effect unless passed by the affirmative votes of a majority of the Board members present and eligible to vote, or in the case of a proposed amendment to the By-laws, a 2/3 majority of the Board .
6. Representing the Board’s Position on an Issue—No Board member may endorse or oppose an issue purporting to represent the Board or the opinion of the Board on the issue unless the majority of the Board approve of such position.
7. Manner of Voting—On motions, resolutions, or other matters a voice vote may be used. At the discretion of the Chair, or upon request of a Board member, a roll call vote may be conducted. Proxy votes are not permitted, but the prohibition of proxy votes does not prevent a temporary Chair designated by the Health Care Authority Director from voting.
8. State Ethics Law and Recusal—Board members are subject to the requirements of the Ethics in Public Service Act, Chapter 42.52 RCW. A Board member shall recuse himself or herself from casting a vote as necessary to comply with the Ethics in Public Service Act.
9. Parliamentary Procedure—All rules of order not provided for in these By-laws shall be determined in accordance with the most current edition of Robert’s Rules of Order Newly Revised. Board staff shall ensure a copy of *Robert’s Rules* is available at all Board meetings.
10. Civility—While engaged in Board duties, Board members conduct shall demonstrate civility, respect, and courtesy toward each other, HCA staff, and the public and shall be guided by fundamental tenets of integrity and fairness.

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

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

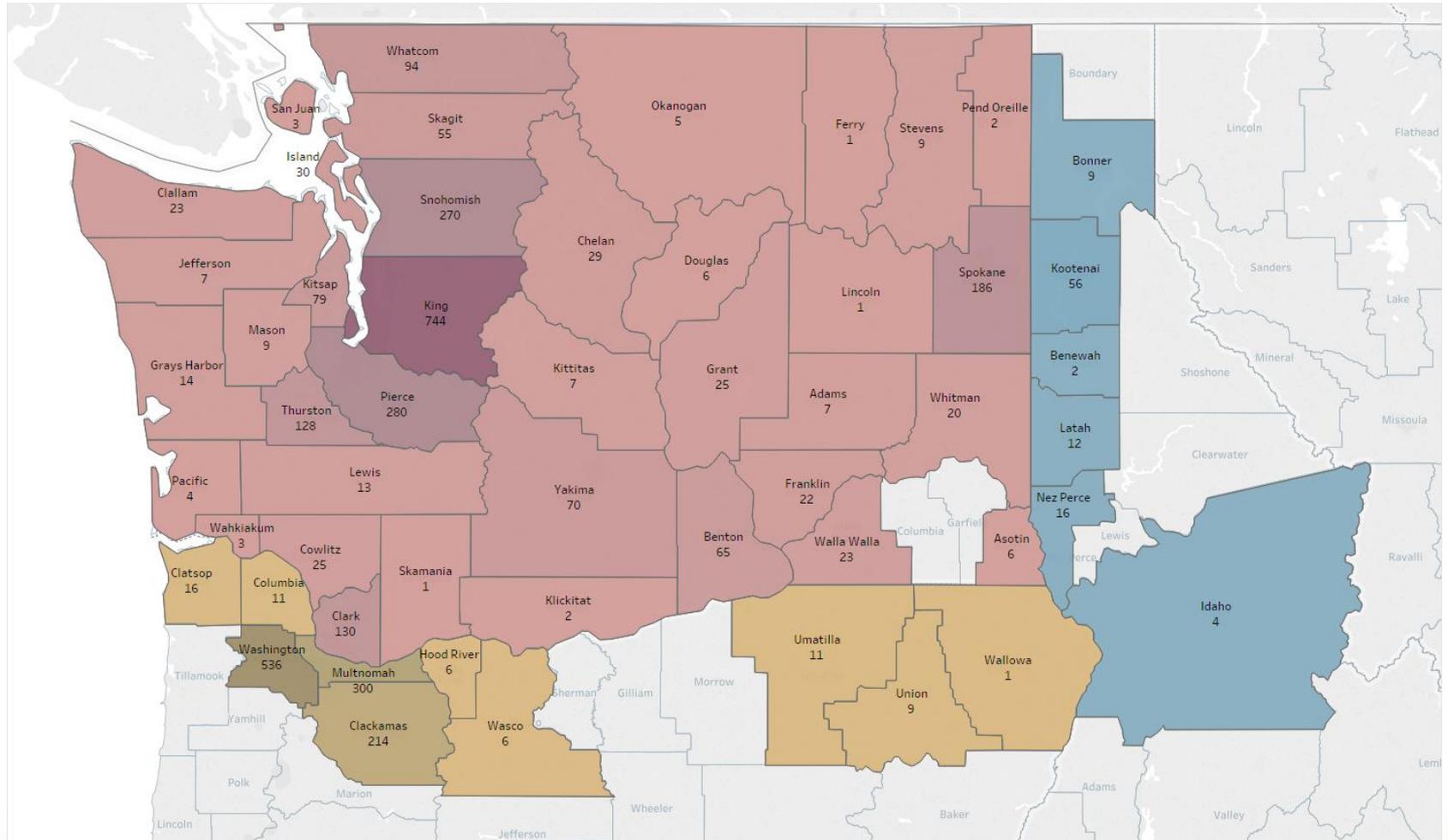
TAB 3



Vision Benefit

Lauren Johnston
SEBB Procurement Manager
Employees and Retirees Benefits Division
September 17, 2018

ASB* Proposed Provider Locations- Updated**



*ASB = Apparently Successful Bidder

**Unique provider numbers

Considerations

Group Vision Plan

Carriers who specialize in providing vision benefits

Purchasing hardware online using in-network benefits

Possible set copays for benefit options after allowance is met

School employees are already familiar with separate vision benefits

More purchasing option without the member submitting a reimbursement form

Higher visibility into plan costs and utilization

Mitigates future Cadillac Tax responsibilities under existing federal law

Embedded Vision Benefits

Regardless of service type, the provider bills one carrier for all services provided

Potentially more contracted providers (depending on the carrier)

Eye health services more likely to be integrated and managed with medical services

Policy Resolution SEBB 2018-35

Resolved that, the SEBB Program will offer a group vision plan(s) beginning January 1, 2020 that is separate from the medical plans.

Questions?

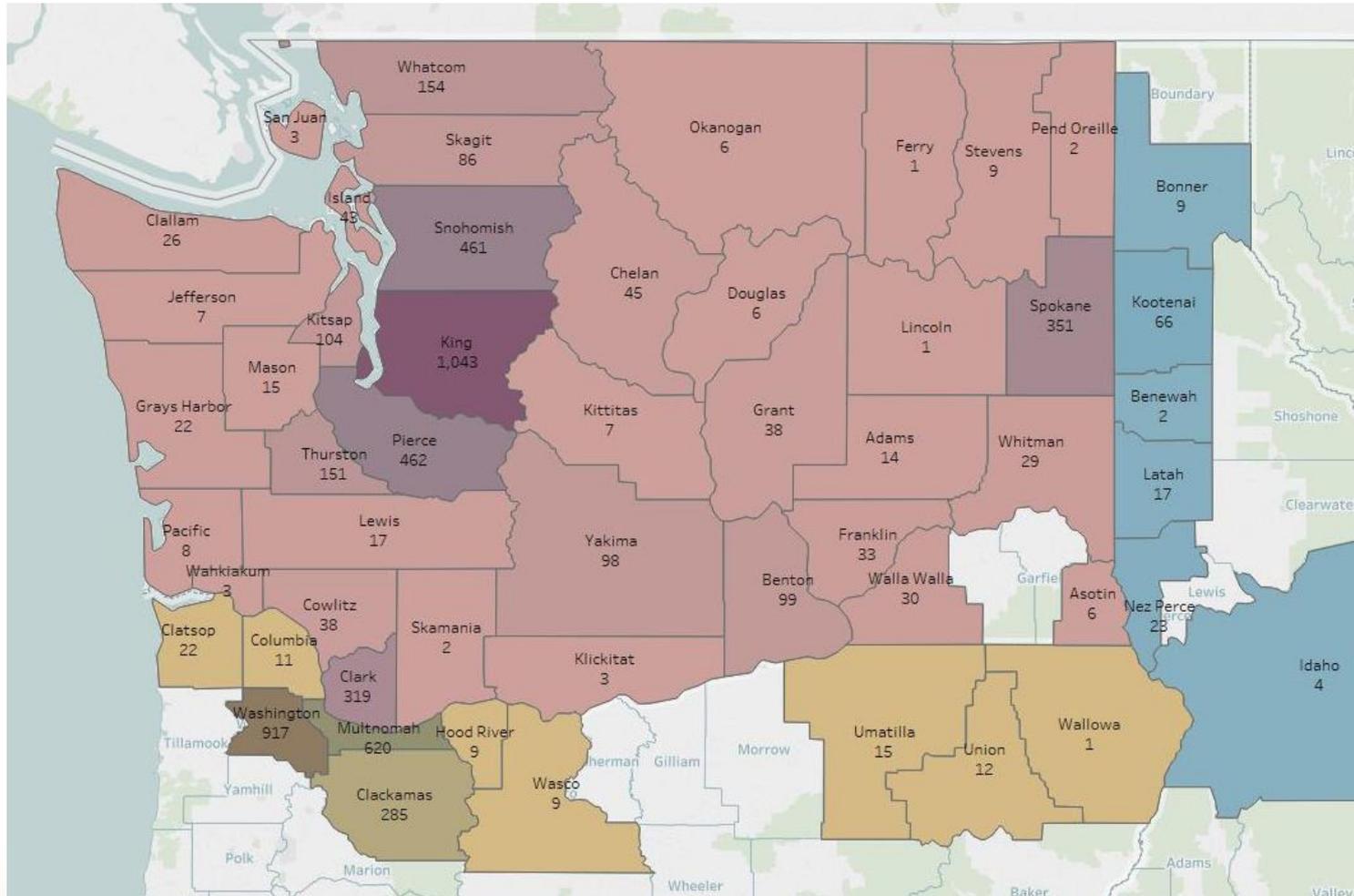
Lauren Johnston, SEBB Procurement Manager
Employees and Retirees Benefits Division

Lauren.johnston@hca.wa.gov

Tel: 360-725-1117

Appendix

ASB* Proposed Provider Locations



*ASB = Apparently Successful Bidder
As presented August 30, 2018

TAB 4



Disability Insurance

Betsy Cottle
Contract Manager
Employees and Retirees Benefits Division
September 17, 2018

Decisions for the SEBB Board

- Whether to offer a Short-Term Disability Insurance
- Long-Term Disability Plan design component decisions:
 - Base Waiting Period
 - Choice or No Choice Options for sick leave and pension
 - Opt In / Opt Out structure for supplemental disability insurance

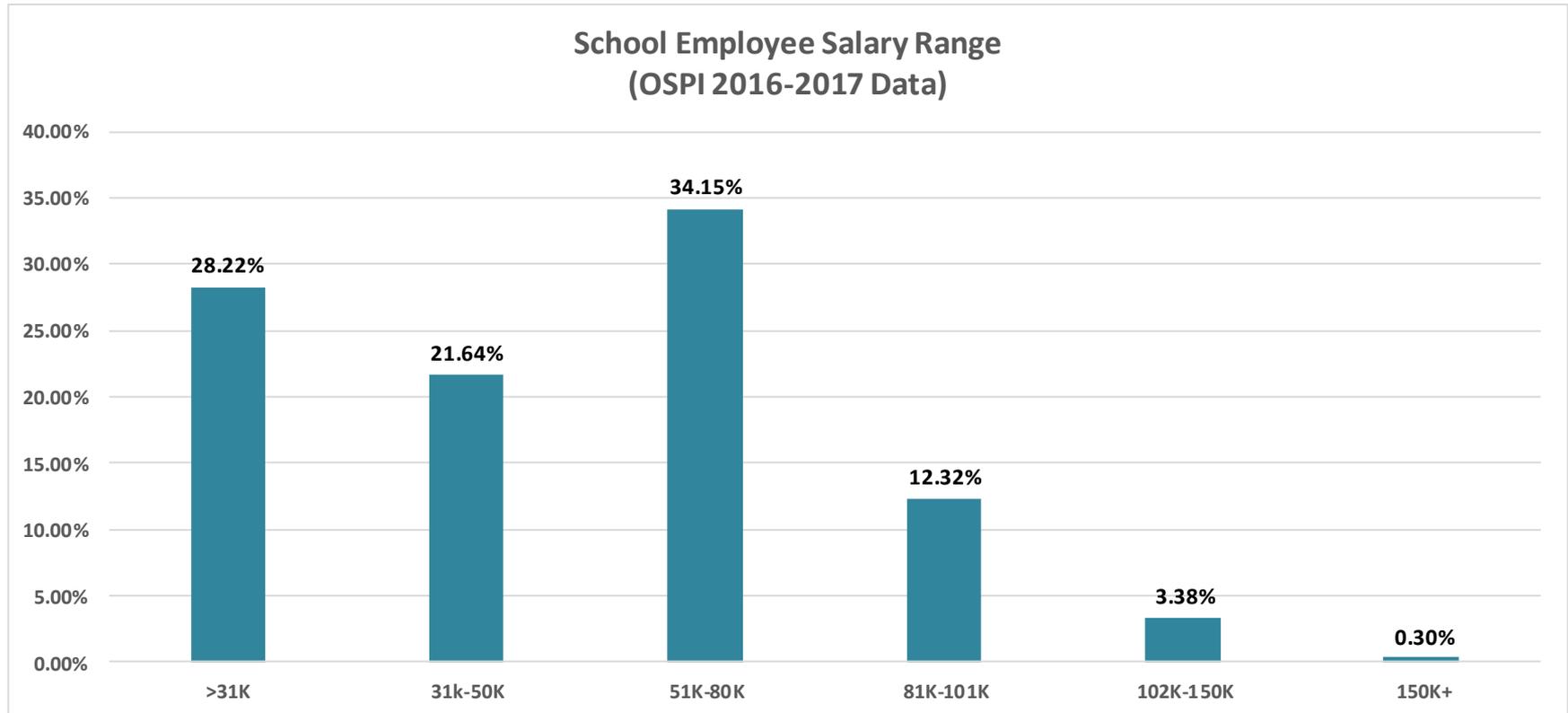
What is Disability Insurance?

- Disability Insurance is used to replace an employee's income when they become disabled and can no longer work in their usual job.
- Disability insurance replaces a portion of an employee's gross monthly income on a tax-free basis.

What is the definition of disability?

- Disability Insurance Industry Definition: A disability means being unable to perform with reasonable continuity the duties of your job as a result of sickness, injury, or pregnancy during the benefit waiting period and the first 24 months for which disability benefits are payable.
- Social Security Administration Definition: A disability is the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Washington School Districts – Income*



*OSPI S-275 2016-2017 Certificated and Classified Salary Data

Short-Term Disability Insurance

Washington Paid Family Leave Program

In 2017, Washington State passed Paid Family and Medical Leave (PFML). PFML is an insurance program funded through premiums paid by employers and workers in the form of paycheck withholdings.

Employers, regardless of size, are required to collect and remit these premiums. (Employers with fewer than 50 employees are not required to remit the employer portion.)

There are two parts to PFML: family leave and medical leave.

- Family leave covers events like the birth of a baby or the adoption or placement of a child younger than 18, the care for a family member, and some military-connected events.
- Medical leave covers self-care for the employee after a qualifying event. Medical leave is sometimes called short-term or temporary disability.

*More Information: <https://esd.wa.gov/paid-family-medical-leave>

Washington Paid Family Leave Program

- Almost all employees in Washington will contribute 0.4% of their income for this benefit beginning 1/1/2019.
- The program will begin accepting applications for benefits beginning 1/1/2020.
- This program is administered by the Employment Security Department (ESD).
- The program pays benefits weekly.
- There is a maximum benefit payment of up to \$1,000 per week.
 - The maximum benefit is reached if an employee makes \$1,405 per week or more.
- To qualify for the program, employees must have worked 820 hours during the past 5 quarters (or 15 months).
- There are 12 weeks of coverage available and up to 18 weeks under very specific circumstances.
- Employees are eligible for this benefit once every 52 weeks.

Washington PFML and Group Short-Term Disability Insurance

- Washington PFML insurance can provide up to \$1,000 per week of an employees' income.
 - Almost all employees in the state of Washington will contribute 0.4% of their income for this benefit beginning 1/1/2019.
 - This amount will be split 63% / 37% between employees and employers. (see next slide for example calculation)
- Short-Term Disability Insurance generally replaces up to 60% of an employee's salary while they are unable to perform the duties of their own job.
 - The premiums for this benefit are generally paid by the employee.
 - Any benefit payment received from the Washington PFML Program will be deducted from any short-term disability benefit.

*More Information: <https://esd.wa.gov/paid-family-medical-leave>

Washington's Paid Family Leave Program Premium Example

In this example, an employee has earned \$2,500 gross pay in a single pay period. The premium is 0.4% in 2019.

Total Premium	$\$2,500 \times .4\%$	\$10.00	
Employer Share (37% of total premium)		$\$10 \times 37\%$	\$3.70
Employee Share (63% of total premium)		$\$10 \times 63\%$	\$6.30

*Source: <https://esd.wa.gov/paid-family-medical-leave>

Washington PFML and Group Short-Term Disability Insurance Benefit Payment Examples

Annual Income	Weekly Income	PFML Weekly Benefit (\$)	PFML Weekly Benefit (%)	Short-Term Disability Weekly Benefit (\$)	Short-Term Disability Weekly Benefit (%)
\$30,000	\$577	\$519	90%	\$346	60%
\$50,000	\$962	\$778	81%	\$577	60%
\$80,000	\$1,538	\$1,000 (max)	65%	\$923	60%
\$100,000	\$1,924	\$1,000 (max)	52%	\$1,154	60%

- PFML payments are considered deductible income from short-term disability payments.
- In the first three examples, there is no reason to purchase short-term disability because the PFML benefit exceeds the short-term disability benefit.

Short-Term Disability Insurance Considerations

- There are potential coverage gaps between PFML and a typical short-term disability benefit:
 - First time employees and gaining eligibility for PFML.
 - Coverage for employees making above \$1,405 per week.
 - Eligibility for PFML requires an employee to have worked 820 hours in the previous 5 quarters; eligibility for SEBB benefits is “anticipated to work 630 hours” or having actually worked 630 hours. As such, an employee who does not work the required 820 hours for PFML could still be eligible for a short-term disability benefit if one were offered by SEBB.
- The historical enrollment numbers suggest a low uptake for short-term disability
 - K-12 employee uptake of short-term disability was between 1%-2%, according to WSIPC* and non-participating district data in 2018.

*WSIPC = Washington School Information Processing Cooperative

Short-Term Disability Insurance Recommendation

HCA recommends that the SEBB Program **does not** offer a Short-Term Disability benefit.

This recommendation is based on the following considerations:

- Offering a Short-Term Disability benefit would likely lead to confusion and redundancy. PFML is a required program that employees will already be paying for; offering Short-Term Disability insurance would largely be duplicative and would result in paying for a benefit that will be rendered almost nominal because of PFML.
 - There will be minimal gaps in coverage for employees who are either just starting employment in the state or exceed the maximum weekly salary.
 - As a result of PFML, it is assumed that the commercial STD market is going to constrict significantly.
- Uptake for Short-Term Disability Insurance has historically been very low, between 1%-2%.

Long-Term Disability Insurance

Disability Plan Design Components

All disability insurance products have several components that affect the value of the product and its cost. They are:

- Base Waiting Period (BWP) which is the length of time between the beginning of a disability claim and the first payment a member would receive.
- The value of the maximum monthly payment.
- Choice or No Choice options for both pension and sick leave.
 - **Choice** option allows a member to choose to receive payment from their employer for either sick leave or pension. If a member chooses to receive the benefit, it is deducted from their disability payment.
 - **No Choice** option deducts either sick leave or pension from the disability payment whether or not the member receives that benefit payment.

Employer-Paid Basic LTD* Plan Design

EMPLOYER-PAID BASIC LONG-TERM DISABILITY								
BASE WAITING PERIOD	Later of 90 days or End of Family/Medical Leave Paid							
PENSION	Choice							
SICK LEAVE	No Choice							
MAXIMUM MONTHLY BENEFIT	\$400	\$625	\$835	\$1,060	\$1,310	\$1,565	\$1,800	\$2,048
	60% of \$667	60% of \$1,040	60% of \$1,391	60% of \$1,766	60% of \$2,183	60% of \$2,608	60% of \$3,000	60% of \$3,413
PSPM COST	Same as PEBB	+\$1.00 PSPM	+\$2.00 PSPM	+\$3.00 PSPM	+\$4.00 PSPM	+\$5.00 PSPM	+\$6.00 PSPM	+\$7.00 PSPM
ANNUAL COST	~\$3.3M	~\$5M	~\$6.5M	~\$8M	~\$9.7M	~\$11.2M	~\$13M	~\$14.4M

*LTD = Long-Term Disability

Employee-Paid Supplemental LTD Plan Design

SUPPLEMENTAL EMPLOYEE-PAID LONG TERM DISABILITY								
Elimination Period	Later of 90 days or End of Family/Medical Leave Paid							
Enrollment Type	Opt In (employees must affirmatively elect benefit)							
Pension	Choice							
Sick Leave	No Choice							
Basic Maximum Benefit	\$400	\$625	\$835	\$1,060	\$1,310	\$1,565	\$1,800	\$2,048
Supplemental Maximum Benefit	\$10,000 (60% of \$15,667)							
	Estimated Monthly Premiums				Estimated Monthly Benefit (includes Basic Benefit)			
\$30K Annual Income	\$9.00 - \$15.00				\$1,500.00			
\$50K Annual Income	\$15.00 - \$25.00				\$2,500.00			
\$80K Annual Income	\$25.00 - \$40.00				\$4,000.00			
\$100K Annual Income	\$31.00 - \$51.00				\$5,000.00			

Long-Term Disability Considerations

- The proposed SEBB Employer-Paid LTD benefit design mirrors the PEBB benefit waiting period, pension, and sick leave design features, but offers a larger monthly benefit of \$400, a 67% increase from the PEBB benefit.
- HCA will continue presenting options in October for the Board to consider benefit trade-offs to potentially increase the Basic LTD benefit.

Draft Resolution #2018-38

Employer-Paid Basic Long-Term Disability

Resolved that, the SEBB Program will offer the following Employer-Paid Basic Long-Term Disability Plan to subscribers beginning 1/1/2020:

- Waiting Period - Later of 90 days or End of Family/Medical Leave Paid
- No Choice Sick Leave
- Choice Pension
- Maximum Monthly Benefit \$400 (60% of \$667)

Draft Resolution #2018-39 Employee-Paid Supplemental Long-Term Disability

Resolved that, the SEBB Program will offer the following Employee-Paid Supplemental Long-Term Disability Plan Design:

- Waiting Period - Later of 90 days or End of Family/Medical Leave Paid
- No Choice Sick Leave
- Choice Pension
- Maximum Monthly Benefit \$10,000 (60% of \$16,667)

Questions?

More Information:

- <https://esd.wa.gov/paid-family-medical-leave>

Betsy Cottle, Contract Manager
Employees and Retirees Benefits Division

Elizabeth.cottle@hca.wa.gov

Tel: 360-725-1098

Appendix

Washington's Paid Family and Medical Leave Program

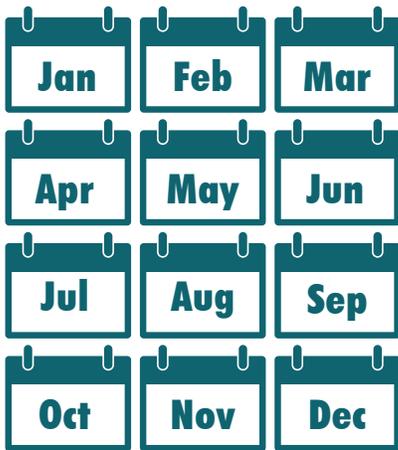
Paid Family and Medical Leave is a statewide insurance program to care for yourself or your family in life's most trying times. It is a statewide insurance program that will be funded by premiums paid by both employees and many employers.

What is covered?

-  Your own medical condition
-  Bonding with a child (birth, foster or adoption)
-  Caring for family members
-  Certain military-related events

How do I become eligible for benefits?

You become eligible once you have worked 820 hours for a Washington-based employer during the previous year. You can apply for benefits starting Jan. 2020.



What is my weekly benefit?

You are entitled up to 12 weeks of wage replacement with a weekly minimum of \$100 and a weekly maximum of \$1000, adjusted annually. Your exact benefit is determined by your earned wages, the state median income, and other factors.

Weekly wage	Weekly Benefit
\$480	\$432
\$576	\$524
\$961	\$764
\$1923	\$1000

Is my job protected while I take leave?

Employees covered by the state program are entitled to job restoration when returning from leave if they:

Work for an employer with 50 or more employees.



Have worked for that employer for 12 months or more.

Have worked at least 1250 hours for that employer in the past 12 months.



How much will it cost?

If your annual salary is \$50,000, you will pay about \$2.40 per week. The premium is 0.4% of an employees paycheck and is shared by the employee and employer. Premium assessment will begin Jan. 1, 2019.



PAID FAMILY AND MEDICAL LEAVE

How do I calculate the weekly benefit?

The weekly benefit is calculated by the Employment Security Department when an applicant files a claim. This document is meant to be a guide for estimating the benefit. **Employers are not required to calculate this benefit.**

Step 1 Calculate employee's average weekly wage

The employee's average weekly wage is the employee's total wages paid during the two highest paid calendar quarters during the qualifying period, divided by 26, rounded down to the nearest whole dollar.

The qualifying period is the first four of the last five completed calendar quarters or, if eligibility is not established, the last four completed calendar quarters immediately preceding the application for leave.

Step 2 Over/Under $\frac{1}{2}$ state average weekly wage

Determine if employee's average weekly wage is over $\frac{1}{2}$ State average weekly wage. The State average weekly wage is \$1,190*, and $\frac{1}{2}$ of that is \$595.



* State averages are calculated annually.
Updated 8/1/18.



Step 3: Calculate weekly benefit (2 categories)

1. If employee average weekly wage is LESS THAN $\frac{1}{2}$ state average weekly wage:

If the employee makes less than half of the state's average weekly wage (\$595*), the weekly benefit is equal to 90% of the employee's average weekly wage, rounded down to the nearest dollar with a minimum of \$100.

2. If employee average weekly wage is MORE THAN $\frac{1}{2}$ state average weekly wage:

If the employee makes more than half of the state's average weekly wage, there are two numbers to calculate, Part A and Part B.

To calculate Part A, take 90% of the employee's average weekly wage, capped at half of the state's average weekly wage.

To calculate the Part B, take 50% of the employee's average weekly wage that is above $\frac{1}{2}$ state average weekly wage.

The sum of Part A and Part B, rounded down to the nearest dollar with a cap of \$1,000, is the employee's weekly benefit.

Over for examples →

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PAID FAMILY AND MEDICAL LEAVE

Weekly benefit calculation examples

Example 1

An employee's average weekly wage is \$400. Since this amount is less than half of the state's average weekly wage (\$595), the employee receives 90% of their weekly wage.

The weekly benefit in Example 1 is **\$360**.

Example 2

An employee's average weekly wage is \$950. Since this number is more than half of the state's average weekly wage (\$595), calculate Part A and Part B, then add them together.

Part A is equal to 90% of the employee's total average weekly wage with a cap of half the state's average weekly wage. 90% of \$950 is \$855. Since \$855 is higher than \$595, Part A is \$595.

Part B is equal to 50% of the amount of the employee's average weekly wage that is higher than half the state's average weekly wage. The amount of the employee's average weekly wage that is higher than half the state's average weekly wage is \$355 ($\$950 - \595). 50% of this amount makes the Part B \$177.50.

Add the two numbers together. The weekly benefit in Example 2 is **\$772**.



Example 3

An employee's average weekly wage is \$2,100. Since this number is more than half of the state's average weekly wage, calculate the Part A and Part B, then add them together.

The Part A is equal to 90% of the employee's total average weekly wage with a cap of half the state's average weekly wage. 90% of \$2,100 is \$1,890. Since \$1,890 is higher than \$595, the Part A is \$595.

The Part B is equal to 50% of the amount of the employee's average weekly wage that is higher than half the state's average weekly wage. The amount of the employee's average weekly wage that is higher than half the state's average weekly wage is \$1,533.50 ($\$2,100 - \595). 50% of this amount makes the Part B \$752.50.

The weekly benefit in Example 3 is **\$1,000**, since the sum of Part A and Part B is \$1,333.25, which is greater than the maximum benefit amount of \$1,000.



**Employment
Security
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WASHINGTON STATE

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**COMBINED
School Employees
Benefits Board Meeting
and
Public Employees
Benefits Board Meeting**

September 17, 2018

SPECIAL MEETING

School Employees Benefits Board

September 17, 2018

1:00 p.m. – 2:30 p.m.

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

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School Employees Benefits Board

Public Employees Benefits Board

September 17, 2018

2:45 p.m. – 4:45 p.m.

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Retired and Disabled School Employees Risk Pool Analysis	A
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TAB A



Retired and Disabled School Employees Risk Pool Analysis

Kayla Hammer
Fiscal Information & Data Analyst
Financial Services
September 17, 2018

Overview

- Background
 - What is the report?
 - Purpose
 - Risk and risk pools
- Anticipated 2020 risk pools
- 2018 PEBB Program enrollment
- PEBB Program Non-Medicare risk pool data & info
- PEBB Program Medicare risk pool data & info
- Retired and disabled school employee risk pool scenarios and implications

What is the Report?

- RCW 41.05.022(4) requires that the Health Care Authority, in consultation with the PEB and SEB Boards, complete and submit an analysis of the most appropriate risk pool for the retired and disabled school employees.
- This analysis is due to the Legislature on December 15, 2018.

Purpose

- HCA is responsible for reporting on the most appropriate risk pool for retired and disabled school employees
- Comments and feedback from Board consultations will be documented
- Appropriate risk pool considerations:
 - Cost impacts
 - Member experience
 - State and federal laws and regulations
 - Implementation and administration complexity

Insurance Risk

The likelihood that an insured event will occur, requiring the insurer to pay a claim.



What is a Risk Pool?

- A group of individuals whose medical risks and costs are combined and evaluated to calculate premiums
- Regardless of personal circumstances if you are part of a risk pool, you pay the same rates for the same plans as everyone in your pool
- Pooling risks allows costs of the less healthy to be offset by the relatively lower costs of the healthy
- The amount of risk impacts the premiums

Risk Pool Dynamics

- Risk pool changes would not result in aggregate cost savings
- Risk pool changes could impact individuals differently
- Combining people with different levels of health risk into a single risk pool increases the level of subsidization from the relatively healthy to the relatively unhealthy; combining people with the same level of health risk has the opposite effect

Anticipated 2020 Medical Risk Pools

PEBB Program Non-Medicare Risk Pool

*State Employees

Non-Medicare
*State Retirees

Non-Medicare
School Retirees

PEBB Program Medicare Risk Pool

Medicare *State
Retirees

Medicare School
Retirees

SEBB Program Risk Pool

School Employees

*State also includes other groups: political subdivision, etc.

Anticipated 2020 Risk Pool Considerations

- PEBB Program Non-Medicare risk pool combines state* employees with state* and school retirees not eligible for Medicare
 - The risk pool is community rated across plans
 - Rates are based on the level of risk within the entire pool
 - State active premium contributions are a portion of the community rate
 - Non-Medicare retirees pay the community rate
- PEBB Program Medicare risk pool combines all state* and K-12 retirees eligible for Medicare
 - Plans are not the same as the Non-Medicare pool
 - Plans are rated separately based on experience
 - State premium contributions are a portion of the plan rate up to a monthly limit

• *State employee includes: political subdivision, K-12, COBRA, etc.

• *State retiree includes: state and political subdivision

2018 PEBB Program Enrollment Data

PEBB Program Member Enrollment

Group	Associated Risk Pool	Approximate Member Count
*State Employees	PEBB Program Non-Medicare	275,000
*State Retiree Non-Medicare	PEBB Program Non-Medicare	5,300
*State Retiree Medicare	PEBB Program Medicare	46,000
School Retiree Non-Medicare	PEBB Program Non-Medicare	4,000
School Retiree Medicare	PEBB Program Medicare	48,000
Total		380,000

- PEBB Program approximate member counts as of August 2018
- *State employee includes: political subdivision, K-12, COBRA, etc.
- *State retiree includes: state and political subdivision

Subscriber Enrollment

Group	Associated Risk Pool	Approximate Subscriber Count
*State Employee	PEBB Program Non-Medicare	133,000
*State Retiree Non-Medicare	PEBB Program Non-Medicare	3,000
*State Retiree Medicare	PEBB Program Medicare	34,000
School Retiree Non-Medicare	PEBB Program Non-Medicare	2,600
School Retiree Medicare	PEBB Program Medicare	34,000
Total		207,000

- PEBB Program approximate subscriber counts as of August 2018
- *State employee includes: political subdivision, K-12, COBRA, etc.
- *State retiree includes: state and political subdivision

2017 PEBB Program Non-Medicare Risk Pool Data

What is a Risk Score?

- A calculated number that is reflective of the risk within a population, or morbidity
- Calculation based on:
 - Demographic information
 - Diagnosis Codes
 - Drug Codes
 - Utilization
- Populations with higher average risk scores are expected to have higher claims costs

Non-Medicare Relative Risk Scores

Group	Associated Risk Pool	Avg. Risk Score
State Employee	PEBB Program Non-Medicare	0.968
State Retiree Non-Medicare	PEBB Program Non-Medicare	1.853
School Retiree Non-Medicare	PEBB Program Non-Medicare	1.682

- 2017 PEBB Program claims data
- Relative to statewide average of 1.0

Average Monthly Non-Medicare Paid Claims

Group	Associated Risk Pool	Approximate Paid
State Employee	PEBB Program Non-Medicare	\$520
State Retiree Non-Medicare	PEBB Program Non-Medicare	\$873
School Retiree Non-Medicare	PEBB Program Non-Medicare	\$678

- 2017 PEBB Program claims data
- Relative to statewide average of \$535
- Dollar amount is per adult unit per month
- Cost based on utilization and plan selection

Annual Non-Medicare Risk Pool Paid Claims

Group	% Member Enrollment	Total Paid Claims
State Employee	62%	\$1,171,262,071
State Retiree Non-Medicare	13%	\$48,968,744
School Retiree Non-Medicare	14%	\$35,958,026

- 2017 PEBB Program claims data

PEBB Program Medicare Risk Pool

Medicare Risk Pool

- Medicare risk pool information shared separately for numerous reasons:
 - The risk pools are currently separate
 - The insurance plans are different
 - Reimbursement is different
- PEBB Medicare plans are either secondary to Medicare or Medicare Advantage plans

Medicare Risk Scores

- K-12 Medicare retirees are slightly more healthy than the Medicare risk pool as a whole
- K-12 Medicare retirees have significantly higher risk scores than active employees and early retirees
- There are challenges comparing the Medicare Retirees to Non-Medicare

Annual Medicare Risk Pool Medical Benefit Costs

Group	% Member Enrollment	Medical Benefits Cost
State Retiree Medicare	46%	\$181,572,064
School Retiree Medicare	52%	\$186,340,420

- Medical benefit cost based on: paid self-insured claims, administrative fees, and fully insured premiums

Scenarios: Implications & Considerations

Create SEBB Program Non-Medicare Risk Pool

PEBB Program Non-Medicare Risk Pool

State Employees

Non-Medicare
State Retirees

PEBB Program Medicare Risk Pool

Medicare State
Retirees

Medicare School
Retirees

SEBB Program Non-Medicare Risk Pool

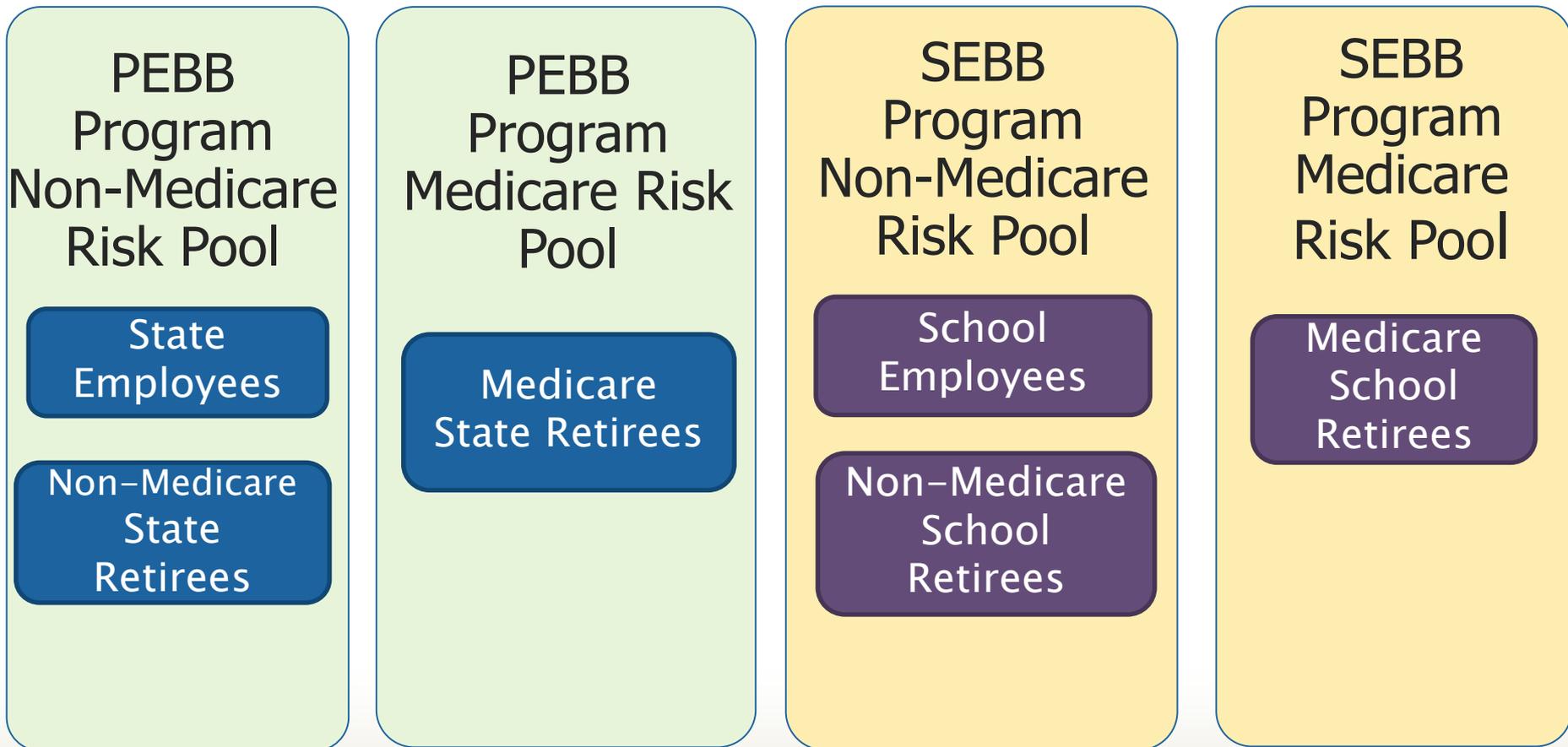
School Employees

Non-Medicare
School Retirees

Considerations

- Requires changes to state legislation
- Non-Medicare school retirees could have the same plan options they used prior to retirement
- Non-Medicare school retirees currently participating in PEBB benefits would likely have to switch insurance plans
- Impacts to the employee populations:
 - Possible decreased premiums for state employees
 - Possible increased premiums for school employees

Create SEBB Program Non-Medicare and Medicare Retirees Risk Pools



Considerations

- Same considerations as previous scenario
- HCA may need to procure a Medicare portfolio for SEBB; requires board review and approval
 - All current PEBB Program Medicare school retirees may have to select new plans (34k subscribers)
- Potential divergences of rates, plan offerings, members costs, and subsidy amounts
- Additional administrative Program costs
- Implications for Medicare retiree rates:
 - Possible decreased premiums for school Medicare retirees
 - Possible increased premiums for state Medicare retirees

Create Two Additional SEBB Program Risk Pools

PEBB Program
Non-Medicare
Risk Pool

State
Employees

Non-Medicare
State Retirees

PEBB
Program
Medicare
Risk Pool

Medicare
State
Retirees

SEBB
Program
Employee
Risk Pool

School
Employees

SEBB Program
Non-Medicare
Retiree Risk
Pool

Non-Medicare
School
Retirees

SEBB Program
Medicare
Retiree Risk
Pool

Medicare
School
Retirees

Considerations

- Similar considerations as previous slides for the Non-Medicare and Medicare risk pools
- There is likely small impact to employees in PEBB and/or SEBB Programs based on the risk pool in which Non-Medicare school retirees are assigned
- A small risk pool for Non-Medicare retirees would be very expensive
 - Estimated premium increase of 58% - 60% assuming no legislated subsidy is in place for Non-Medicare retirees

One SEBB Program Risk Pool

PEBB Program Non-Medicare Risk Pool

State Employees

Non-Medicare
State Retirees

PEBB Program Medicare Risk Pool

Medicare State
Retirees

SEBB Program Risk Pool

School Employees

Non-Medicare
School Retirees

Medicare School
Retirees

Considerations

- Further verification needed on legality
- Could not function as a community-rated risk pool
 - Distinct difference between Medicare and Non-Medicare plans
 - Medicare subscribers in PEBB or SEBB Programs buy Medicare plans
 - Cannot create community-rated pricing
- Would essentially function like slide 25

Questions?

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