School Employees Benefits Board
Meeting Minutes

July 30, 2018
Health Care Authority
Sue Crystal Rooms A & B
Olympia, Washington
1:00 p.m. – 5:00 p.m.

Members Present:
Lou McDermott
Dan Gossett
Sean Corry
Patty Estes
Terri House
Katy Henry
Wayne Leonard
Pete Cutler

SEB Board Counsel:
Katy Hatfield

Members Absent:
Alison Poulsen

Call to Order
Lou McDermott, Chair, called the meeting to order at 1:03 p.m. Sufficient members were present to allow a quorum. Board and audience self-introductions followed.

Agenda Overview
Dave Iseminger, Director, Employees and Retirees Benefits (ERB) Division, provided an overview of the agenda.

Approval of January 29, 2018 SEB Board Meeting Minutes
Lou McDermott: Pete Cutler moved, and Terri House seconded the motion to approve the January 29, 2018 SEB Board Meeting minutes as written. Minutes approved by unanimous vote.

June 13, 2018 Meeting Follow Up

Dave Iseminger: Pete Cutler asked for claim information comparing international claims versus domestic claims. I will prepare a slide for the next Board Meeting. Then the entire Board will have the information in writing.

During the vision presentation, there was a request to get both self-insured plan information and fully insured plan information on the upcoming procurement. We did modify the procurement in a way that allowed us to get information for both of those options.

There were several requests for the fiscal impacts of different benefit modifications, as well as insight on the Per Subscriber Per Month (PSPM). We use the word "subscriber," which you may think of as the employee (PEPM). We made sure that information is addressed in Kim Wallace's presentation today.

I also want to provide a pharmacy update. In the May meeting, we presented the current Uniform Medical Plan Pharmacy benefit design, as well as changes we're going to take before the PEB Board for a possible change to the pharmacy benefit for calendar year 2019. We did not ask you to take action on Proposed Resolution SEBB 2018-24 because we thought it would be appropriate for you to know what the PEB Board did with that information because they've had a long, multi-year discussion about pharmacy benefit design. At the June 20 PEB Board meeting, the Board split on their vote on whether to implement a change for 2019. The vote was 3 to 3. We will go back, make some changes to the proposal, and bring it back to both Boards for discussion at future meetings. We will work on educating this Board by building the framework and understanding of overall drug cost impacts in the US and to SEBB Program members. We will modify the proposed PEB Board resolution and bring it to both Boards for evaluation. Proposed Resolution SEBB 2018-24 is in a holding pattern.

The 2019 SEB Board Meeting schedule is at the end of TAB 1. There are several meetings in the months of July and August. Once the Legislature finishes with the operating budget, we work with the Board to set the premiums. We have a limited amount of time to complete the process in order to get communications out before the beginning of open enrollment. This information comes from various sources, including the Collective Bargaining Agreement and the operating budget. You're here in rapid succession next summer in order to complete the process. Although this is the first time this Board has met since June 13, we've had three meetings with the PEB Board since our last meeting here with you. This is actually our eighth meeting in ten weeks, between the two Boards. This time of year is very heavy with Board meetings.

Regarding the K-12 Retiree Report due to the Legislature, statute requires that the agency work and consult with both the PEB and SEB Boards about the final report. We will call a special joint meeting of both Boards on September 17 to ensure we provide the same information. That will give us an opportunity for a discussion on the information we're sharing, provide time to finish the draft, and get it through our review process in order to submit it to the Legislature on time.

Agenda Item: Life and AD&D Insurance

Scott Palafox, Deputy Director, ERB Division: Slide 2 – Resolution SEBB 2018-10 was approved on March 15, 2018. It allows the Board to leverage the offerings under the Public Employees Benefits Board Program Life and AD&D Benefit.

Slide 3 – Current PEBB Program Life and AD&D Benefit. I provided some background information on our current Life and AD&D benefit in December. HCA did a procurement in 2016, and the MetLife Insurance Company became our vendor, effective January 1, 2017. We have a group term life policy, which is typically what an employer offers its employees and it's usually issued for one year, and renewable annually. Group life coverage remains in place until the employment terminates, or until the specific coverage terms end. You may have the option to convert your coverage to an individual policy if you leave employment.

Pete Cutler: For employee term life, is that a voluntary or employer paid?

Scott Palafox: Optional coverage is employee paid. Basic coverage is employer paid.

Slide 4 – Why do we Need Life Insurance? Purchasing insurance is a financial protection when we experience a financial loss. There are different kinds of insurance products that protect our assets and our families, like homeowners and automobile insurance. We have short-term and long-term disability insurance to replace income if we become disabled.

Life and AD&D insurance products are purchased to: replace or substitute lost income, especially if the person that dies is the primary wage earner, or the sole source of wage earnings for the family; asset protection; funeral costs - a funeral averages between $8,000 - $10,000; financial protection - for outstanding debts; and, simply, peace of mind.

Slide 5 – Facts. According to Life Insurance Statistics and Facts, a report by the life insurance industry, 43% of the population does not own a life insurance policy in any amount. In 2018, of the people who already have a life insurance policy, one in five admit that they don't carry enough. 50% of the people admit they would likely buy life insurance if they could do it without a medical exam. Approximately 40% of millennials would feel more comfortable if their partner or spouse carried more coverage. For the older generation, this is not the case. They more than likely have paid off student loans, paid their mortgages down or even off, so the need is less for them as it is for those still acquiring assets. One in three families admit it would be in a financial disaster within a single month should the household's breadwinner suddenly pass. 46% don't have cash to cover a hypothetical $400 emergency.

Beth Heston, PEBB Procurement Manager, ERB Division. Slide 6 – Life Insurance 101. We take life insurance for granted. We have it or we don't. Life insurance is to protect the people that depend on you. Life insurance products usually fall into two categories - term life and accidental death and dismemberment.

Term life insurance is based on group coverage. The whole group is insured and it is one of the least expensive. It lasts for a certain amount of time with renewals available. The largest term is the period of your employment. As long as you're state employed and benefits-eligible, you receive this benefit. Some plans offer portability, which allows you to take it with you when you leave employment and some have age restrictions.

Accidental death and dismemberment is inexpensive. It's unlikely you're going to die in an accident. The most recent statistics from 2015, from the Centers for Disease Control, indicate only 5.4% of deaths occur in accidents.

Slide 7. There are two methods of paying premiums: basic, which the employer pays, and supplemental, which the employee chooses and pays.

Pete, you mentioned “early voluntary.” Some people call supplemental life insurance voluntary, or optional. HCA uses the word "supplemental" across all benefits.

The term "life insurance" is a pure life insurance. The policyholder pays the premiums and if he or she is killed or dies while it's in effect, the beneficiary or beneficiaries get the death benefit. It's straightforward and easy to understand. It's also the most affordable life insurance. You can cancel the term policy before it expires and you don't lose anything because it has no money value.

There are two methods of determining rates. There is: 1) a blended rate or 2) the traditional tobacco user or non-tobacco user. The blended rate puts everyone in the same pool and tends to be more expensive because the safer members and less safe members are paying the same rate. The traditional rate is divided by tobacco users and non-tobacco users.

HCA’s rates are currently the traditional-tobacco users and non-tobacco users. We have a strong push with our health plans to incentivize people to stop using tobacco. This method of rating encourages people to stop. It also rewards those who have already stopped or never smoked at all.

Evidence of Insurability (EOI) and Guaranteed Issue (GI). Medical underwriting is usually required for life insurance. When an employer has a large group, they can negotiate a guaranteed issue amount that allows the member to avoid any medical exam.

Pete Cutler: On the negotiated guaranteed issue, is that usually just for a window period? Like when you first come on employment?

Beth Heston: Yes. Normally, on initial hiring, you can get 31 days to choose an amount of life insurance without having to undergo underwriting, which extends to whomever is being insured. There are special open enrollment circumstances, but it is normally upon hire.

Pete Cutler: It's just a window, okay, thank you.

Lou McDermott: And also when you're switching from one vendor to another vendor.

Beth Heston: Yes. In the PEBB Program, it was a new open enrollment with a new guaranteed issue amount for all PEBB Program subscribers when the new plan went into effect January 1, 2017.

Dave Iseminger: This highlights how different Board decisions come together. There is a prior resolution that this Board has passed that set the election period for new employees. As we negotiated with the carrier about this plan, we talked about guaranteed issue for the same period the Board established as the initial new employee election period, which was the 31-day period. This shows how different things come together.

Patty Estes: How is that going to work with open enrollment for the SEBB Program? Does everybody have that guarantee?

Beth Heston: During open enrollment, everyone will be joining a new group and allowed to sign up for the new guaranteed issue amount.

Slide 8 – Decision Point #1. Does the Board want to authorize a basic term life and a basic AD&D benefit paid by the state?

Dave Iseminger: Just to be clear, there are still funding questions. This is the perennial question of "how do we make a decision about what to offer when we don't know what the answer to the funding question is?" There are many different moving parts. I've asked the Board to do 90% of the homework now, and when the funding questions are answered next July, we'll talk about how the funding matches the benefit design. If more funds are available than that benefit design supported, we'll give you ideas and options for how you could spend the rest of the allocated money. If there's less money, we would present information on the different options you have for meeting the funding that was allocated by the Legislature. That's one piece.

I also think of the Board in a relay race as both the first and the anchor. You're lead and anchor because you're going first in describing generally what you think is the way forward for the benefit design, but then you're also the anchor because you have that refinement that's necessary on the back end once the funding question is answered.

That will be a theme. That's the approach we will take to create a general framework of benefits. Complete 90% of your homework now and refine when funding is clear.

Beth Heston: Slide 9 – Employee Basic Term Life and AD&D. Because you agreed in the earlier resolution to leverage the existing contract that HCA has with MetLife, negotiations have begun. We shared the data about the SEBB Program population with MetLife and worked with them to design a basic life benefit that also included basic

AD&D. We negotiated $35,000 for basic term life and $5,000 for basic employee AD&D. These terms are valid as long as an employee is benefits eligible and could be ported when leaving employment. The basic premium is employer-paid.

Pete Cutler: Just to be real clear, this is what was negotiated for the PEBB Program and is what is offered currently, or provided actually, to a state employee currently. Did that contract also include explicitly any commitment by MetLife to extend similar rates or anything for the SEBB Program population?

Dave Iseminger: When we negotiated that contract, we foreshadowed that if there was another large group of 20,000 lives or more that came in, we would enter negotiations and leverage that procurement and contract for a future discussion. There was not a guarantee.

Pete Cutler: It was subject to negotiations, great.

Dave Iseminger: We actually had our carrier, MetLife, do a census review. They obviously found some differences in the census review of the SEBB population from the PEBB population. There was a different average age and gender mix. They actually came back to us, and our actuaries reviewed their assumptions, that those two differences offset each other. They canceled each other out in the two programs. They felt they could give us the same rate and benefit design.

When we moved to MetLife on the PEBB Program, there were premium reserves built up under the prior carrier that we were able to use to stabilize the rates. For the SEBB Program, there are no reserves. That was another factor in working on benefit design, building a system with no influx of reserves to stabilize premiums. It is great that, even though the demographics canceled each other out and there were no premium stabilization reserve (PSR), they were able to offer the same rates and benefits. It is the same on a Per Subscriber Per Month (PSPM) basis. We're still finalizing the rates, but it's looking like we can have a comparable PSPM for the basic benefits that would be employer paid that exists in the PEBB Program.

Pete Cutler: How long has the state offered the AD&D as a basic benefit?

Beth Heston: Since 1977.

Pete Cutler: I don't remember AD&D being a basic benefit before, but okay, I'll go back and check. Thank you.

Beth Heston: Slide 10 – Concierge Services with Basic Life. Our life insurance offers concierge services that would also be available in the SEBB benefit. Those include access to legal services with WillsCenter.com, Portability, Funeral Assistance, Grief Counseling, Accelerated Benefit Option, and Travel Assistance.

I want to talk about our accelerated benefit option. If someone receives a terminal diagnosis, and been told you will not live more than 24 months, you can take out up to 80% of your life insurance to use for expenses. You can pay your house off, pay medical bills, travel, whatever you wish. The benefit becomes immediately accessible. The other 20% is available for post-death expenses.

Pete Cutler: On the accelerated benefit option, if you're married, does your spouse have to agree to that if they're going to be the beneficiary?

Beth Heston: No. And if your spouse is insured, they can also take a portion of their benefit as well.

Pete Cutler: I was going to say if it were a retirement benefit and you were going to draw a lump sum payment, then the federal tax code requires there be a spousal consent. This is not treated like a retirement benefit. Okay, great.

Beth Heston: No, it's not. All the benefits are taken post-tax. There's no tax taken out of the benefit amount when it's paid. There are no tax implications to the beneficiaries.

Slide 11 – Value Added AD&D Features. With AD&D, we have other value-added features, which include amounts that are given to either the surviving person who was in the accident who was dismembered in some way, or the beneficiaries. Those include a seat belt benefit. If someone is injured, killed in a car accident, there's an extra payment if an airbag deployed or if they were wearing their seatbelt at the time. There is also a spouse or state-registered domestic partner education benefit available. If that person needs to be retrained or was in the process of doing something educationally, they will get additional money towards their tuition. There's a child care benefit to care for children while you, your spouse, or state-registered domestic partner are finishing that education. There's also a child education benefit. If you're paying tuition for your kids, this will assist with that. And lastly, a rather new addition to AD&D, if you are permanently or irreversibly brain damaged in the accident and you survive, there's a payment to cover that irreversible brain injury.

Dave Iseminger: Beth, just to be clear, from your prior slide, it was described as a $5,000 basic benefit. Then, depending on if you were wearing your seatbelt and whether you had kids in child care or in school, it'd be on top of that $5,000. There's a bonus, a couple thousand dollars for this or a couple thousand dollars for that. It's on top of the underlying $5,000.

Beth Heston: Exactly. So much around life insurance is based on how the death certificate is filled out, and your circumstances, which you will have if you enrolled for this insurance, will be in the system and it will tell the insurance vendor what to pay. They will investigate and pay the appropriate extra amounts.

Slide 12 – Decision #1 – Considerations. Under RCW 41.05.740, the Board is authorized to offer life and accidental death and dismemberment insurance. The key to

these basic coverages is that all employees are covered the moment they start working for the state. This gets the most vulnerable employees, those who cannot afford or choose not to enroll in any other kind of coverage.

When the PEBB Program changed vendors in 2017, we had an astounding re-enrollment because this life insurance product had been closed for so long and had been very rigid, since 1977. We went from 32% of our population participating in the benefit to 51% of our population. That's a huge jump. It even surprised MetLife. However, 49% of the population still only has basic coverage. We gave them the opportunity to sign up for a supplemental benefit and they chose not to or they couldn't afford to. The basic benefit covers everyone.

Dave Iseminger: I do want to highlight one other nuance with the first bullet. Not only does the Board have the authority, but it has exclusive authority with regards to Life and AD&D benefits. If the Board doesn't exercise its authority to authorize a benefit, the way the law is written, the local school district cannot step in and offer a benefit. If you did not create a life insurance benefit, there would be no life insurance benefit in the K-12 system because local districts do not have the authority to create a benefit.

Beth Heston: Slide 13 – Decision #1 – Recommendation. The staff recommendation for employee basic life is that you authorize $35,000 in term life and $5,000 in employee basic AD&D.

Dave Iseminger: I want to provide context to the Board. One is the incremental cost of different changes within these benefits. We feel it's best to put forward a single recommendation, but, I do want to describe what the different costs would be if you were to exercise and create a different benefit design. Although we are still in negotiations with MetLife, I want to give you a general snapshot of what the rates could look like and use this as an example of how you can alter different benefit designs across your portfolio.

For example, the employee basic life insurance, essentially $10,000 worth of life insurance, equates to roughly $1 in per subscriber per month (PSPM) costs. Later in Kim’s presentation, that is also an example of $1 in PSPM to increase chiropractic, acupuncture, and massage limits to 24. It’s an example of how a dollar given here could be used to give a dollar there across the portfolio.

On accidental death and dismemberment, the entire cost for the SEBB population, using PEBB as a proxy, the entire annual premium would only be somewhere around $100,000 - $125,000, which equates to about a nickel PSPM.

I'm not revealing specific rates, again we're not completely done, but I’m talking in general.

We’re starting chapter three with the Board across all benefit design. We don’t know what the Legislature is going to fund, but, we do know from Senate Bill 6241, there was

an expressed intent to have the same, or more funding, put into the system as exists in the PEBB population. We have been using that intent as a grounding point as we bring forward benefit designs to you. This recommendation is a representation of that. We will use the core structure of PEBB benefits and recommend changes along the way. For example, when we bring forward the disability benefit, it will be a different benefit than exists in PEBB. First, there's no short-term disability in PEBB to be able to stack and dovetail with the long-term disability. We also know that the PEBB long-term disability basic benefit was not something the SEB Board was interested in pursuing as a possible benefit design for the SEBB Program.

There is more information to come and ways for you to alter different parts of the benefit design. Our recommendation at this point is that you have the $35,000 benefit as basic life and a $5,000 AD&D. As we go forward and learn more about the funding, you can then consider how to make different changes.

Sean Corry: Thanks for that, Dave. We've already discussed, and are working on, the pricing of various medical tweaks to the plans. And, similarly by implication just now, you framed it as "there's a dollar here that could be maybe paid for by this dollar over here," as if it's currently a fixed dollar amount that we have to play with. But, it's actually not yet. I just like to make that observation. But, I do appreciate the opportunity to have within each benefit perhaps a spectrum of choices that we've asked for. Not only for us to consider, but to see the pricing and what that dollar is. It will be very helpful, to me at least, to get clear information about not only here, but to raise the disability benefit to something that's closer to what school districts now offer their employees. I would like to see that kind of thing, so we can see, for me to pretend that it's a zero sum game, but, also knowing that maybe we can choose as a Board to request effectively more cash, more money for this, because we want to have better benefits for the school district population as a whole. With all of that, I really look forward to getting good information on paper about what these costs would be to enhance life insurance coverage so that we can put that in the spectrum of choices that we can consider. And, maybe we'll reject all of the enhancements that I can imagine as possibilities in my mind. But, I'd love to be able to reject them, as opposed to not be able to at all. Which then brings me to a couple of other things.

One of the things I personally would like to see regarding the take up rate of the voluntary life, I'd love to see that stratified by income levels for state employees. My guess is that it is not a straight-line comparison there. That might help me understand how much I should be concerned about that aspect of it.

And, lastly, more broadly, we have a proposed resolution that, by its words, would lock us in. I mean, we could change it later, but I do have concern about the proposed resolution as it's written now because I'm not there yet. I think it's premature to lock into a benefit design without seeing what the alternatives are and what the pricing would be. So, however that plays out over the constricted time that we have, I think it's important for us to be able to see that information and be able to evaluate it. I have trouble with endorsing a resolution that, in effect, locks us into something, when at the same time,

we're asking for alternatives to that very same level of benefits. I'd like us to somehow figure out how to avoid voting on something that maybe shortly thereafter, we as a Board, might want to modify. I don't know how to go about doing that, but it's difficult for me to see that path.

Dave Iseminger: Sean, I'd just respond quickly that I can appreciate how the Board might feel that every time you vote on a resolution you're at this precipice, and it's the last time you'll talk about it. I try to reassure you that this is an iterative process. The agency is asking you, because of where we are in the process, to put together a range for the benefits, and then refine after the next legislative session.

We'll talk this afternoon about treatment limitations because the Board had questions. You took a step forward at the last meeting and passed resolutions. We can bring language to refine those. The process of amending a resolution is certainly fine with us. We can make sure we tee up the things you want to amend in those resolutions. I think giving more structure along the way to bring some pieces of the puzzle together, even if you are refining them later, is something that can only help give clarity to this program as it is launched.

Sean Corry: One last follow-up question then. If amending is a possibility, why is it that we would be asked to vote for locking in that it will be essentially the PEBB benefit for SEBB enrollees, when we could look at choices first, come up with a recommendation, and then have a resolution based on that work after the fact?

Lou McDermott: From my perspective and where I sit in the agency, and as I've watched the SEBB Program unfold, I think one of the difficulties is you have to start somewhere. Where there's give and take between the different benefits, as Dave said, you could have a little bit more of this and a little bit less of that, it almost creates a situation of the chicken and the egg. Do you wait until the very end when every single program has been vetted to its full extent? You could have this level of benefit, or this, or this, etc., and then at the end, do a juggling act and take a little here and add there.

Conceptually it's possible. But, from a programmatic standpoint, and the number of staff we have working on the Program, it becomes extremely difficult to juggle multiple procurements and negotiations at the same time. What I believe Dave is trying to do is nail down one thing at a time; and at the end, review what's been done and how the Board feels about it in its totality. Are there things we want to change?

I don't know how to create that assurance that that's what we're trying to do. It is partly a workload issue of not being able to put it all on the table at once. I think that's where the Board, through its relationship with the agency and the process we're going through, will need to trust that if we're saying there's flexibility, there will be flexibility. It's difficult to present it all today and say here it all is!

Sean Corry: Thank you for that, Lou. What popped into my head now is not a resolution that we shall have this benefit that we might amend later, but perhaps the

resolution should be, and the previous one should have been, we shall use these as benchmarks. We'll use these as our targets for pricing and discussion, locking in later. I don't know how that practically would be any different, but it doesn't effectively compel us to say this is the benefit we are going to have, the benefit we are targeting. There is a subtle difference, but I think gives us some room and some comfort to look at alternatives without having to reverse ourselves in the future.

Dave Iseminger: We're always looking for feedback on the wording of the resolutions and you're giving us some feedback, Sean. I'd be interested in other Board members' feedback, as well. As a reminder, we put forward this resolution in its initial proposed state in order to discuss what the resolution is like. We'll take it to stakeholdering as Barb does with the eligibility resolutions, and bring back something in the future for action. Do other Board members have thoughts about this particular resolution?

Pete Cutler: I actually share Sean's preference that if the resolutions really are intended to say for now as a baseline we are considering, or assuming we will proceed with whatever the benefit is at this level, subject to review and confirmation at some point in the future. If that's really the intent, I would like that to actually be in the resolution. It's a little bit awkward to have a resolution that says flat out, we are making a decision; and then say, “well, but verbally, you're not really making a decision now. You have the ability to adjust it later.” I would feel more comfortable with something that more clearly stated that this is tentatively the decision, the policy approach. And subject to such refinement or adjustment as the Board may find desirable.

Even on that, you could have some kind of deadline. I earlier heard that November for some of the benefits we were dealing was considered a drop dead date. Personally, I would like to wait on making, locking in decisions until after October 1 because the statute says, “in theory, by October 1,” we will know what the collective bargaining agreement, what the two sides, both the state governor's office and the employer organizations, have agreed upon as a funding level. That would bring a certain, at least if not the final number, because obviously the Legislature could change it, but it's very, very, very hard to change what's been included in the budget as part of implementing the Collective Bargaining Agreement. I think that would be a time when we would have key information, and the questions of tradeoffs would be more real, in terms of, if we go on that this is the size of the box we're operating within, assuming the Collective Bargaining Agreements are ratified. I definitely would like to have financial information at least weeks before being asked to lock into a decision, although that may be months down the road, if that's really what the intent is. But, I do not want to get something a couple days before a Board meeting and be asked to lock in a policy decision. Thank you.

Katy Henry: I would support what both Sean and Pete have said. I don't think I have anything else to add, but I did want to voice my support.

Beth Heston: Slide 15 – Proposed Resolution SEBB 2018-30 - Basic Term Life Insurance and Accidental Death and Dismemberment Insurance. I think our discussion has wrapped that up.

Slide 16 – Decision Point #2. The Board could authorize a supplemental term life insurance for eligible employees and a supplemental AD&D insurance. Supplemental means employee paid. The state would pay nothing, but we would use the group buying power to negotiate low rates and keep those rates stable.

Slide 18 – Agency Recommended Employee Supplemental Plan Design. We have negotiated with MetLife and come up with a supplemental term life and a supplemental AD&D. As with basic, they last as long as you are benefits eligible and can be ported if you leave employment. Negotiated rates are in $10,000 increments. A guaranteed issue, no medical underwriting, up to $500,000. If you want more than $500,000, you would get that in $10,000 increments with evidence of insurability. It is usually brief evidence of insurability, not a complex one. If the person passed medical underwriting, they would be able to have up to a million dollars of insurance. For the supplemental AD&D, it would start at $30,000, again in $10,000 increments, up to $250,000. This would all be guaranteed issue.

Dave Iseminger: AD&D is all guaranteed issue because you can't underwrite for an accident. It took a long time for that to stick in my head. The lower end of coverage is $30,000 instead of $10,000 because when you get to such a small dollar amount, at some point it becomes such a fractionated penny that it's challenging to quantify.

Beth Heston: Slide 19 – Decision Point 3. Does the Board want to authorize supplemental term life and supplemental AD&D insurance for spouses or state-registered domestic partners and dependent children? Dependent children could be covered from ages 2 weeks to 26 years.

A supplemental term life insurance plan for spouses/state-registered domestic partners would allow a subscriber to also insure his or her spouse/state-registered domestic partners' income. If the employee is the second breadwinner in the family, they have the ability to protect themselves against loss of their partner and the greater breadwinner. The employee must have supplemental life insurance on themself, and then the spouse/state-registered domestic partner can have 50% of what the employee has. It's tied to the subscriber's amount. AD&D does not have the same requirement.

Dave Iseminger: I want to clarify for the record. You mentioned your spouse's employment. There is not an employment requirement in order to have spouse coverage. I want to make sure that's clear. The subscriber is the one who owns the policy. If I took out an insurance policy on my state-registered domestic partner, it doesn't matter whether he's working or not and he doesn't have any control over the coverage level because I'm the one owning it and paying the premium out of my paycheck. It's all controlled by the subscriber and there is no work requirement for the individual you're insuring.

Beth Heston: The same with the children.

Lou McDermott: One quick point. As we get into this discussion about benefit design and why is it $500,000 and not $480,000? Why is it a million, why isn't it $600,000? One of the things that's hard to articulate to the Board is when we negotiate with a vendor, we are looking at what we have and gathering information from our consultants and others on what's out in the world. Then we're trying to get the best deal for our members, to get the highest numbers possible. That guaranteed issue of $500,000, if we could have gotten our way, it would have been unlimited. But, remember, you're sitting across the table from someone else who doesn't want to give you that. What you're seeing in these designs, when you ask why we landed on $30,000, it's all one big negotiation.

We go into negotiations with a list of things we really want. Many employees and their spouses/state-registered domestic partners unable to get insurance due to health conditions that have developed over time. We heard that message over and over again, anecdotally, and people coming up to us inside this building saying, "we hear you're negotiating for life insurance; please try and get as high a guaranteed issue as you can because my spouse has X. Or I have Y. And we're unable to get insurance." A few people in the building had spouses with terminal illnesses. That resonates with us as we go through the negotiating process. We try to get the best value we can while holding down the cost. Trying to get the guaranteed issue. This life insurance procurement was the best deal we could secure on that day with that company.

Dave Iseminger: You are using a lot of analogies from the state employee experience, but we have every reason to believe that the same thing would happen with school employees. When I started with state employment, I have my original enrollment packet and I wrote on my life and LTD packet "look at this later" because I was focused on my $1,000 a month student loan payments, not whether I was going to have a diagnosis in ten years and not be able to pass underwriting. It's the human nature of life cycles and where you are when you're starting employment and what you're able to take advantage of with your salaries at different points in your life and your employment career and your aversion to risk for insurance purposes in general.

Lou McDermott: Dave, do you remember the total amount of optional coverage we had insured among the population?

Dave Iseminger: Our total coverage for state PEBB Program employees, before our open enrollment and switch to MetLife, was just under $9 billion in total coverage. After open enrollment, it was over $18 billion. The entire population, in addition to the roughly 20% increase uptake in optional, also doubled the volume of insurance they had between themselves and the spouses and children they were covering.

Lou, earlier you made a point of saying the best deal we can get on this day. I wanted to remind the Board that in this context, 'that day' wasn't that long ago. This benefit design that was described to you today was launched on the PEBB side about two

years ago. This is partly why we brought the request to proceed with contract negotiations with the vendor to you because we didn't anticipate that we would learn much from the market by going back out again.

Pete Cutler: I'm quite sympathetic to insurance companies for their concerns about adverse selection dynamics and whether it's in life insurance as in situations that Lou mentioned, or health insurance, or disability insurance. The more you open up and say, "you can wait until your house is on fire and then apply for your fire insurance," the higher the premiums will be for fire insurance. That goes for life insurance, disability, whatever. So, I'm quite sympathetic for that concern of the idea to provide the opportunity for protection, but also have it in a way that does not cause the decision making of a few to raise the cost of coverage a lot for others. From what I've seen in terms of the supplemental options, they all seem perfectly reasonable to me. Thank you.

Beth Heston: Slide 21 – Agency Recommended Supplemental is a visual look at this recommendation.

Slide 22 – Dependent Child Term Life. When I first took over the life insurance plan for the PEBB Program, there was a $2,500 child life insurance option. We worked hard to expand the child life and AD&D benefit. Slide 23 is a result of that effort. It is the Health Care Authority's recommended plan design. The supplemental dependent child term life benefit is in $5,000 increments starting at $10,000 up to $20,000. The supplemental dependent child AD&D benefit is also in $5,000 increments starting at $10,000 up to $25,000.

Slides 24 and 25 – Decisions 2 and 3 – Considerations. We've talked about employee supplemental, spouse/state-registered domestic partner supplemental, and child supplemental. These plans are optional for the employee and employee paid. They are the property of the employee.

Dave Iseminger: If an employee wants coverage for a spouse/state-registered domestic partner that required medical underwriting, obviously they need their spouse's permission in consultation. But, up to the guaranteed issued amount, technically the subscriber can just enroll them and get the coverage.

Patty Estes: I grabbed a copy of the benefit plan from the hallway display and it actually says that the basic AD&D is not portability eligible.

Beth Heston: That's for the PEBB Program.

Patty Estes: So, this is something negotiated differently for SEBB?

Beth Heston: Yes, under SEBB it would be portable. And I wanted to mention that all these deductions from payroll will be taken post-tax. The claim benefits to survivors is not taxable. Again, supplemental coverage is optional.

Individual life insurance can be more expensive than group term. Offering this group supplement for spouses might be the only source available to them. And as Lou mentioned, not everyone can pass underwriting. When the SEBB Program goes live, employees would get a new open enrollment and the chance to insure those that might not otherwise be insurable.

During our recent re-enrollment for calendar year 2017, there was an increase of spousal coverage of almost 50%. We went from 19,900 spouses insured to 37,000 spouses insured. Children's insurance is very inexpensive, but often overlooked, so, we wanted to make that available as well.

Slides 26 and 27 – Decisions 2 and 3 – Recommendations. The Health Care Authority's recommendations are to authorize:

- Employee supplemental term life benefit from $10,000 up to $500,000 with a guaranteed issue, and up to a maximum of $1,000,000 in $10,000 increments. Evidence of Insurability (EOI) would be required for increments over $500,000.
- Supplemental accidental death and dismemberment benefit starting at $30,000 up to $250,000.

Under the employee supplemental life benefit, authorize:

- Supplemental term life and AD&D insurance benefit to a spouse/state-registered domestic partner.
- Child term life and AD&D insurance benefit.

Slide 28 – Proposed Resolution SEBB 2018-31 – Supplemental Term Life Insurance Plans.

Dave Iseminger: Does the Board have similar sentiments about locking in a benefit design on supplemental employee paid, as was expressed for the employer paid? They're fundamentally different.

Pete Cutler: I can only speak for myself, but, they are different for me. I am comfortable, since there's no trade-off involved in terms of offering the supplemental, i.e., employee-paid benefits. I'm comfortable moving ahead with locking in something. I'm comfortable with the amount of information I have now that I could make a decision and vote next month, but I would also be open to hearing whether other Board Members have concerns or questions.

Sean Corry: I do see a connection, in that if we were to agree to approve a more robust basic life benefit, that would inform our numbers here. If we were to go to – I'll make something up - a quarter million dollars of basic life, which I suspect we would not do, but, using that number as an example, I think that would affect our decisions about the supplemental. I personally would tie them together and treat them similarly, which is not to commit yet, except for maybe as a target for the purposes of our conversation for discussion, but, have a wording that somehow does not require us to rescind a previous resolution. That's basically where I am.

Lou McDermott: So, are you saying if the basic were to be much larger, then we could bring the optional downward to relieve the rate pressure?

Sean Corry: I would think that as a natural decision point, something to consider. Because, in this employee supplemental death line, coverage is for the employee - the employee purchases it. But, if we have a more robust basic life and there's some consideration from the company on the rate for that bringing down this, perhaps then there would be a reason to change these numbers. I don't know that they would be changeable. I got nods here when I suggested that these numbers might be something we would reconsider if we had a more robust plan. But, if that's certainly not the case, I'd like to hear why that wouldn't certainly not be the case.

Dave Iseminger: I want to make the Board aware of a couple of things. First, there's no cross-subsidization between employee-paid and employer-paid benefits. Any premiums, reserves that build up on either side, would be separate. There isn't necessarily that interchange between the two benefits, especially because they are tracked as separate funding pots. This is highly germane to the conversation here. Just because there would be a benefit increase on a basic side doesn't mean the financial underpinnings of the optional would change.

Second is a reminder. Let’s say I am in the PEBB Program and I have $500,000 life insurance on myself. If I die, my partner gets $535,000. I want to make sure that it's clear it's the basic plus the optional that's the payout. It's not $500,000 with $35,000 coming from basic and $465,000. It is an additive effect.

Sean Corry: I do appreciate that. Maybe I want to restate my cloudy thinking here. If MetLife can confirm that costs associated with these opportunities for employees would not be affected by different levels of basic life, I have no problem with it.

Dave Iseminger: I think we can confirm that at the next meeting.

Lou McDermott: Let's say, for example, the basic is $35,000. And, we have a guaranteed issue of $500,000. So the total amount would be $535,000. But, let's say we negotiate a basic of $135,000. To achieve the $535,000 you would only need $400,000 as the guaranteed issue. If we drop the guaranteed issue, it could provide some rate relief. So, there is a loose connection between the two.

Dave Iseminger: I think that's Sean's question. We can talk with the carrier about that and bring information back to the Board. I try to answer your questions in real time, but, I think I’ve set an unreal expectation of myself.

Beth Heston: Slide 29 – Agency Recommended Life Insurance Plan, is a visual slide of the options in stair step fashion.

There is a correction on the bottom of this slide. In the second bullet from the bottom, for AD&D, the supplemental spousal AD&D is in $5,000 increments for the

spouse/state-registered domestic partner. The employee is in increments of $10,000, which makes it easier to split since it's based on the 50% rule.

Slide 30 – Supplemental Life Rates is very vague because we are currently in rate negotiations with the contracted carrier and we wanted your input. It's assumed the rates will be similar to those in the PEBB Program because the demographic variation, as Dave explained, results in slightly different costs. They almost cancel each other out. We will have the specific rate information available for you, hopefully before the August 30 meeting.

Dave Iseminger: We will make sure to provide examples of what the math looks like to give you a sense of what an employee would actually be paying on a monthly basis with those rates. Behind the goldenrod sheet in your Briefing Book are the comparator slides previously presented to the Board at December's meeting. They show the benefit structure back when we were originally doing comparisons of benefits across the K-12 system with the WEA select plans, Lynden School District, and the Seattle Public Schools. You can see the comparison points of what is being proposed versus what existed in that example.

Retired and Disabled School Employees Risk Pool Analysis Legislative Report

Kayla Hammer, Fiscal Information and Data Analyst, Financial Services. In this presentation, we will discuss what is the legislative report; the current retired and disabled school employee risk pools; an overview of PEBB retirees; their benefits and subsidies; legislative requirements for the report; proposed approach to the analysis; and timeline.

What is the legislative report? RCW 41.05.022(4) requires the Health Care Authority, in consultation with the PEB and SEB Boards, complete and submit analysis of the most appropriate risk pool for retired and disabled school employees. This analysis is due to the Legislature on December 15. Currently, when an eligible school employee retires, they have the option to join the PEBB Program and utilize the employee benefit offerings. They would become part of one of the two legislatively mandated risk pools managed by the Health Care Authority, the non-Medicare risk pool, or the PEBB Medicare risk pool.

Slide 7 – Current PEB Board Risk Pools, is a diagram to help illustrate the risk pools under the PEBB Program. The non-Medicare risk pool is a community-rated risk pool of state employees, employee groups in school districts that voluntarily purchase PEBB benefits, eligible retired and disabled school employees, and state retirees not yet enrolled in Medicare Parts A & B. The blue bars are the state employees and the state retirees that are non-Medicare. It also has the employer groups, or the political subdivision groups, that opt into PEBB Program benefits. The purple bar is the school Medicare or non-Medicare retirees.

School and state retirees that utilize PEBB benefits are offered the same benefits at the same rates. The non-Medicare retirees can purchase the PEBB non-Medicare plans,

and Medicare retirees can purchase the PEBB Medicare plans. Both school and state retirees receive the same subsidies to help offset the cost of those benefits. Per the RCW I mentioned earlier, the report will include the size of the non-Medicare and Medicare retiree enrollment pools, the impact on costs for both state and school retirees for any proposed risk pool changes, the need for and the amount of an ongoing retiree subsidy allocation, and the timing and approach for any risk pool changes.

Slide 7 – Legislative Report Requirements. Slide 8 – Retiree Enrollment Pools. The first requirement is the size of the enrollment pools. The report will include total retirees enrolled in PEBB, the number in school versus state retirees; how many are Medicare versus non-Medicare.

Slide 9 – Enrollment Data, is an enrollment data table of the current PEBB Program as of June 2018. It is approximate enrollment counts by group. The blue bars are state employees, or the non-Medicare or Medicare retirees. The purple rows are the schools and the green rows are the political subdivision groups.

Sean Corry: Can you tell us the percentage of retiree enrollees as a percent of total employees? There's a dramatic difference in the numbers between schools and state employees and I know that the population of employees is different, but is it proportionate? We've got about 380,000 in the blue enrollment and about 60,000 in the purple. Is that about the same percentage of the active employees for these two populations? Or, is it substantially different? I don't know how many employees are school district employees and how many employees are state employees.

Kayla Hammer: In the current PEBB pools? I want to make sure I'm understanding your question.

Sean Corry: What I'm thinking about is how school district retiree programs have worked over the years, and whether it's been somehow different, so much different that the actual uptake of retirement coverage through the PEBB is substantially different with school district employees as it has been with state employees. And, if you could tell me how many employees are in the school district population and how many are in the state active employees right now, I can do the math.

Dave Iseminger: We'll follow up with the specific number. What you see on the top blue line is actually subscribers and their dependents, and you're asking for just the subscriber/employee count. Correct?

Sean Corry: What I'm really asking for is how many employees were in each of the two groups because I can do the math.

Pete Cutler: I can see Sean's point. It's just a data point that wouldn't be in your data so far because it's just the number of school employees. Just to get a sense of how many school employees are there compared to school retirees. That's all. And, it's not something you would have had in the PEBB numbers.

Lou McDermott: Didn't we have that in the previous presentation?

Kayla Hammer: We have estimated numbers for what we think will be eligible under the SEBB program.

Dave Iseminger: There are numbers we could throw out that may not be accurate, so we'll follow up with the correct numbers. I think we understand the question you're asking.

Sean Corry: Just a curiosity, if it's not any trouble.

Dave Iseminger: It's no trouble.

Kim Wallace: I think you're making the point, Sean, that K-12 retirees currently have the option of coming into PEBB, but they don't have to, as a retiree. I think you're asking for not just the number of K-12 retirees that have come into PEBB, but, those others that, as of these counts, are not represented.

Sean Corry: That's essentially right. It just gets to what percentage of the school district's employees are actually taking advantage of this program and if it's a substantially different percentage than with state employees. It may lead to the question, why is that?

Kim Wallace: Exactly. Coming into the PEBB Program and choosing PEBB retiree benefits.

Pete Cutler: Since we're on the topic of numbers, for a future meeting, can we get the average claims cost for the different groups, for the different categories that you have here? I no longer remember what the average claim cost is for the Medicare retirees and how that compared with the non-Medicare retirees. For the Medicare retirees, the state pays secondary, whereas we're primary for the non-Medicare retirees. If we could get average claims I would appreciate that.

Kayla Hammer: Absolutely. We do have some information on cost relativity for each group that I plan to share with everybody, but not today.

Slide 10 – State and School Retiree Impacts. The second requirement is to address the possible impacts on costs for both the state and school retirees should any risk pool changes occur. There are several options that will be considered for the school retirees which are listed on this slide.

Slide 11 – Create SEBB Program Non-Medicare Risk Pool. In this scenario, we would create a SEBB Program non-Medicare risk pool. You would remove the non-Medicare school retirees from the PEBB Program under the SEBB Program and merge what is the employee pool that will exist in 2020, with the non-Medicare retirees into one risk

pool under the SEBB Program. All Medicare retirees would stay in PEBB, in this particular scenario.

Slide 12 – Create SEBB Program Non-Medicare and Medicare Retirees Risk Pools. In this scenario, we would create the non-Medicare risk pool and a SEBB Program Medicare risk pool under the SEBB Program. We would remove the school non-Medicare retirees and Medicare retirees from the PEBB Program entirely. For this scenario, with the addition of the Medicare enrollees, we would need to procure Medicare plans and design new benefit offerings. That would require SEB Board approval of plans.

Slide 13 – Create Two Additional SEBB Program Risk Pools. In this scenario, three risk pools are created under the SEBB Program: Employee Risk Pool, Non-Medicare Risk Pool, and Medicare Retiree Risk Pool. This also requires an additional procurement activity and SEB Board approval of plans.

Slide 14 – One SEBB Program Risk Pool. This scenario creates one risk pool under the SEBB Program. It would combine the employees, Non-Medicare school retirees, and the Medicare school retirees.

Each scenario requires an analysis of the impacts on costs and the legality. The current risk pools are legislatively mandated. Any changes to what currently exists and what will exist in 2020 would require legislative action. Furthermore, outside of Washington State law, there are federal regulations with Medicare and the IRS when it comes to employee and retiree benefits. These issues would all need to be considered.

Slide 15 – Other State Examples. As of 2017, I found 19 states that allow the pooling of public employees and school employees. Each program varies across the country. Most programs appear to offer continued coverage to early retirees, much like we do in the PEBB Program. There would be no employer premium contribution after they had retired. The Medicare risk pools are usually handled separately from those pools.

Pete Cutler: On that comment where the programs allow the non-Medicare retirees to continue accessing benefits available to employees, is it clear from the data you have, in addition to having the same benefits, which is what we have in the PEBB Program, is it clear whether the rates are based on the total experience of that total pool? Or, do they sometimes allow the same benefits, but have two different premium rates, one that reflects the higher claims experience of higher retirees versus active employees?

Kayla Hammer: Based on my research, I don't want to say yes to either of those scenarios for sure. It seemed like not a ton of data or deep research was done, but there were some that had the blended premium like they do in the PEBB Program now. Some of them seemed like it might be slightly different rates. I would need to do further research to answer that.

Pete Cutler: Okay, thank you.

Kayla Hammer: I can provide examples today. I used Oregon and New Jersey. In Oregon, they have the Oregon Educators Benefits Board (OEBB) and the Oregon Public Employees Benefits Board (OPEBB). In Oregon, the state purchases the health benefits for both programs. The non-Medicare retirees in both OEBB and OPEBB have the option to continue coverage within the same pool from which they retired, but they also have the option to purchase retiree benefits through the Oregon PERS health insurance program. The Medicare risk pool is managed separately from the OEBB or OPEBB. They're managed by the Oregon PERS program and are no longer part of either of those programs, after they become Medicare eligible.

In New Jersey, the state offers self-insured medical plans only. They also have two separate programs for education versus state employees. Early retirees can continue coverage with no employer contribution, much like Washington and Oregon. The Medicare retirees are separately pooled and offered Medicare advantage plans, also through the self-insured products. I also briefly looked through different financial analyses of alternative risk pool options that other states have, and it does seem that most of them didn't find significant financial impacts by either separating out or further combining different risk pools. It seemed that most states were embracing more value-based purchasing strategies, or switching to more self-funded options as a way to deal with growing health care costs.

Slide 16 – Retiree Subsidy. Another legislative requirement of the analysis will include consideration of possible impacts to the retiree subsidy allocation, the need for an ongoing subsidy allocation, and the amount of that allocation.

Slide 17 - Timing and Approach. Each possible change to the current scenarios has a different set of challenges that can affect the amount of time needed and the approach. Factors such as required changes to legislation as the risk pools are legislatively mandated. Any change will require legislative action. There are implementation and administrative considerations. Many work streams go into the management of risk pools. Each work stream has its own set of regulations and timelines, all of which can affect the timing and implementation. Some examples are benefit design and procurement. Any changes to risk pools would potentially require us to procure new benefit options and go through the Board approval process. Contract management goes hand in hand with procurement activities. Each contract has its own set of guidelines. Rate development is needed if we purchase new plans. Member communication is key to success.

Slide 18 – Timeline is the current timeline for completing the report.

Pete Cutler: Something that has been a source of confusion and somewhat controversy over the years has been what I was taught to refer to as the employee carve-out, which has to do with the structure by which the state currently drives dollars out to districts for funding for employee insurance benefits. A portion of those dollars then gets sent back to the Health Care Authority to cover the cost of the subsidies provided to school retirees. That framework has befuddled many a person working in this field. I'm at least

curious about how, under the current legislation, if there is no agreement on a statutory change, what would go forward in terms of those mechanics? Is there any change in the bill that passed? What kind of changes would come to that process under these different pooling arrangements? Off the top of my head, it's not clear to me how the different pooling arrangements would affect how much should be sent back by the school districts or mechanically how that would be handled. So that, just that area, generally of the carve-out, would be something I would be interested in having more information about, either in a Board Meeting or as a separate briefing paper that's available to Board Members.

Kayla Hammer: Absolutely. I can say that for 2020 there won't be any changes. But, mechanically, I imagine there will be some changes to the way it's collected.

Kim Wallace: When you say employee carve-out, I think you're referring to the K-12 remittance?

Pete Cutler: Yes, otherwise known as the K-12 remittance.

Kim Wallace: In addition to what Kayla said about the status quo plan for 2020, ie., no switching of risk pools for 2020, we're not looking at a change there. But, certainly as early as 2021, or whenever a change would become effective, then our analysis is going to be looking at the impacts to that process. Especially impacts to the actual amounts as they're derived currently in the PEBB model. That's absolutely a part of the definition and the plan for the content of the report.

Pete Cutler: Great. As long as it's really in the report, I think, obviously that's a key place for policy makers to be able to see that discussion. Thank you.

Dave Iseminger: This slide shows the special meeting on September 17 that I previewed at the beginning. Today was level setting as to what the report is about. We're anticipating by mid-September that we'll be bringing information back to both Boards at the same time. Kayla, tell them what we think we'll have in September?

Kayla Hammer: We're going to be sharing more defined enrollment counts; relative risk scores for each group; cost relativity showing how different the costs are between different groups and how that could potentially impact the overall cost for each grouping; and if there are impacts to the K-12 remittance.

Dave Iseminger: I do want to be clear that the Board doesn't need to take a position on the report. Statutorily, the agency is supposed to make a recommendation and get consultation from both Boards. I'm sure that there are many different opinions. We're going to capture your feedback and your sister Board's feedback and find a way to wrap that up into the report, providing your insights collectively. We wanted to level set for now this core information and then bring back detailed information to you in September as we finalize the report.

Kayla Hammer: Slide 19 – Discussion. HCA is interested in your opinions regarding the retiree risk pool analysis, this report, risk pools, subsidies, the implementation and administrative considerations mentioned earlier, or anything else you want to share.

Policy Resolutions

Barb Scott, Policy, Rules, and Compliance Section Manager, Employees and Retirees Benefits Division. Today there are four policy resolutions for action. These resolutions were introduced at the May SEB Board Meeting. We've been working with stakeholders on them since. Proposed Policy Resolution SEBB 2018-28 is missing off of the slide. It was also introduced at the May meeting, but we're continuing to work with stakeholders on that policy, and will bring it back to you in August.

Pete Cutler: What was it about? What is the general topic?

Dave Iseminger: The stacking of hours is the topic of SEBB 2018-28.

Barb Scott: I'm going to cover SEBB 2018-25 and SEBB 2018-26 out of order. It will be easier for you to follow. In addition, staff have examples available to you; and in at least one instance, we added a new example. We've also changed a few.

Slide 3 - RCW 41.05.740(6)(c) & (d). We've included this RCW so you have it available to you during our discussion today. The electronic RCW has been updated by the Code Reviser's Office, and the amendments made to it from Engrossed Substitute Senate Bill 6241 have been incorporated.

Slide 4 – Policy Resolution SEBB 2018-26 addresses when eligibility is established for an employee whose anticipated work pattern is changed during the school year. We did receive stakeholder feedback regarding this policy. One stakeholder recommended that eligibility align to when the change in the work pattern actually occurs rather than when anticipated to occur. RCW 41.05.740(6)(d)(ii) limits the Board to establishing eligibility criteria that is no more restrictive than requiring that a school employee be anticipated to work at least 630 hours per school year to be eligible. To align the eligibility to when the change in work pattern actually occurs, rather than when it's anticipated to occur, would delay an employee from receiving benefits. That would be considered more restrictive.

As introduced, Policy Resolutions SEBB 2018-26 and SEBB 2018-25 were logically aligned. Both resolutions had a change occurring based on the anticipation rather than when it actually occurs. Our policy recommendation on SEBB 2018-25 has been revised. That's why I'm putting them in this order so you'll be able to see how, although there was a logic originally, what we're actually bringing to you today breaks that logic. We did not make changes to Policy Resolution 2018-26.

Slide 7 - Policy Resolution 2018-25 would address under what circumstances eligibility for the employer contribution toward SEBB benefits ends. We have three different times when that would end. One would be an employer-initiated termination notice,

when that is effective; when an employee's resignation is effective; and the employee's work pattern is changed such that they are no longer anticipated to work 630 hours during the school year. We received a lot of feedback on this particular policy proposal. Generally, stakeholders were concerned with this third bullet. They were concerned with the idea that eligibility would end when the employer anticipates a change, rather than when it actually occurs. Based on stakeholder feedback, the policy we're recommending is revised. The revision is to the last sentence of the third bullet. The policy shift is to align eligibility for the employer contribution toward SEBB benefits to end with the change in work pattern, when it actually occurs, rather than when it's anticipated to occur. Examples three and four will reflect this shift.

Slide 10 – Example #3 is revised to reflect that the change in eligibility for the employer contribution toward SEBB benefits occurs in the same month, October, that the employee's change in work pattern occurs.

Dave Iseminger: The change on Slide 10 is the words in bold towards the bottom that says "effective immediately." That's the clarity added to this slide. What Barb has described is by changing the employer contribution end date to align with when the change is effective, conveying the work pattern is effective immediately, gets you to benefits ending in October, which is going to contrast with the next slide.

Barb Scott: Correct. Slide 11 – Example #4 is revised to reflect that the change in eligibility for the employer contribution toward SEBB benefits occurs in the same month the employee's change in work pattern occurs. In this example, the employee's change in work pattern occurred on January 4, so benefits will end January 31.

Dave Iseminger: My understanding is part of what drove stakeholders to provide feedback resulting in this change is, in this example, although the employer might anticipate on October 13 the para-educator was going to lose Johnny Student in January and won't be providing services to them anymore, Suzie Student might enter the picture between October and January creating no change in the work pattern. This would allow some of that flexibility for those circumstances that overcome and override the original anticipation. If that never came to fruition, there's no loss of benefits. Is that a good understanding?

Barb Scott: I think that's a good understanding. The example we heard was the bus driver example where additional routes are added and they end up having the right number of hours anyway. To wait until the change actually occurs allows them to not lose benefits when often times additional work is added anyway. The policy we're bringing to you reflects a change occurring when the actual change in work pattern occurs. The eligibility would align to that. That is a disconnect from the earlier policy where we're saying, "it's aligned to when it's anticipated to occur" in order to gain benefits. For your benefit, we have included the original policy resolution introduced in May.

Lou McDermott: **Policy Resolution SEBB 2018-26 – SEBB Eligibility for the Employer Contribution Based on a Revision to the School Employee's Anticipated Work Pattern.**

Resolved that, if a school employee's work pattern is or will be revised such that he or she is now anticipated to work 630 hours for the school year, the school employee establishes eligibility for the employer contribution toward SEBB benefits as of the date the school employee is anticipated to work 630 hours for the school year.

Terri House moved and Pete Cutler seconded a motion to adopt.

Voting to Approve: 8
Voting No: 0

Lou McDermott: Policy Resolution SEBB 2018-26 passes.

Policy Resolution SEBB 2018-25 - When the Employer Contribution for SEBB Benefits End

Resolved that, the employer contribution toward SEBB benefits ends the last day of the month in which the school year ends. The employer contribution toward SEBB benefits will end earlier than the end of the school year if one of the following occurs:

- The SEBB Organization terminates the employment relationship. In this case, eligibility for the employer contribution ends the last day of the month in which the employer-initiated termination notice is effective;
- The school employee terminates the employment relationship. In this case, eligibility for the employer contribution ends the last day of the month in which the school employee's resignation is effective; or
- The school employee's work pattern is revised such that the school employee is no longer anticipated to work 630 hours during the school year. In this case, eligibility for the employer contribution ends as of the last day of the month in which the change is effective.

Terri House moved and Katy Henry seconded a motion to adopt.

Brian Sims, Washington State School Directors Association. I think this is difficult. We largely support this, but there may be one additional consideration you might want to make, considering what you are putting in front of the Board. I think it's 2018-32, which we are also supporting, but the point is that, I think eligibility should be symmetrical to whatever makes someone eligible. The reverse of that would make them ineligible. In 2018-32, you're going to make someone eligible who is hired full time mid-year, let's say April, and even though they're not going to be working for 630 hours, the test is, are they working essentially full time during the months? And, next school year, they will be

working sufficient hours. With respect to 2018-25, if you have, let's say a full-time employee, a teacher who changes the employee relationship from a full-time person to a substitute, for example, and school districts have challenges with respect to recruiting qualified substitutes, under this policy that change would not affect their SEBB eligibility. Even though on a monthly basis, and if they continued that way for the next school year, they wouldn't be eligible for SEBB. That's asymmetrical with respect to 2018-32.

Lou McDermott: I want to make sure I understand. If you have a school teacher who is full-time employed during the school year and they decide to become a substitute teacher and work a certain number of hours a month, doesn't the last bullet cover if they say, "I'm only going to work 10 hours a month, or one shift, or whatever?"

Brian Sims: Let's say that happens in March and they have already met the 630.

Barb Scott: Policy Resolution SEBB 2018-32 is a policy resolution that the Board is not taking action on today. It is a policy resolution being introduced and is yet to be worked through with stakeholders. I am trying to follow Brian's example. On the fly, it sounds to me like a termination of the employment relationship would have occurred and then they would have started as a substitute teacher. But, I think that on this one I would want to walk through the details before I answered the question on the record.

Lou McDermott: I haven't seen this policy resolution. Is Policy Resolution SEBB 2018-32 a refinement of SEBB 2018-25? Does it add some nuance to SEBB 2018-25 or is it completely separate?

Barb Scott: I would say that Brian is right in that, to some degree, they all work together. All of these are pieces of a bigger puzzle, but, if there is a direct connection, I'm not seeing it yet.

Brian Sims: Let me try another example. A classroom teacher, I'm not sure the actual transaction, whether that teacher would quit, terminate, and then get hired as a substitute, or whether it's just a change in the employment relationship from full-time classroom teacher to substitute part time. If it's the latter, they would continue to be eligible here, under Policy Number 25.

Lou McDermott: That part confuses me. When you said the latter, if the relationship isn't contract terminating and a new contract starting, you're saying if it is the same contract but they're working from this many hours to this many hours, you're saying they would continue to be eligible?

Brian Sims: Yes, I'm raising that as a possible concern. First, we don't want to make it easier for a regular classroom teacher to quit midyear. That's a really challenging thing. If they believe they can carry their health insurance clear until the end of August, that makes that decision a little easier. I think it's an open question about what the nature of that change would look like. Your advisors in WASBO could help inform that. I'm just raising it as a concern. It may be something you want to revisit at another time. So, I'm

not saying hold up the adoption of this policy, but it is a concern and it's part of that symmetry nature that I've mentioned. If it's okay to consider that kind of a thing to make someone eligible, then it ought to work on the other side and make them ineligible.

Barb Scott: I have a presentation later today that will include the policies we're introducing, which will be sent to stakeholders. Typically, we try to send them out within a day or so of your meeting, and then we begin to work through those with stakeholders. My team is learning a lot through this process. We are trying to form policy resolutions based on conversations we've had. Policy Resolution 2018-32, when I get to that later this afternoon, I believe was a policy brought forward based on some hiring needs that WASBO identified. SEBB 2018-32 is trying to resolve that. If it creates another issue, I suspect stakeholders will help us to understand that. If it needs to be refined, typically we're bringing those back to you. I'm trying to call out those refinements. SEBB 2018-32 hasn't been broadly stakeholdered yet. It will be, post today. I'll work with Brian and others to determine if it needs to be refined prior to bringing it back to the Board. Part of what it will be trying to deal with is some of these difficult hiring situations identified by WASBO.

Dave Iseminger: I know we're jumping into what is 2018-32, and trying not to talk about 2018-32 until we get to 2018-32, but that policy is about gaining eligibility, whereas this is talking about the backend. That's where it's not directly related, but the symmetry piece or the internal logic is what I think Brian's raising. As we've learned in a lot of these resolutions as we stakeholder, it generates the next one that comes two months later, which then generates the next one two months later. We keep building the eligibility framework together with you.

Wayne Leonard: I do think that Mr. Sims is correct though, with a scenario if a teacher retires at semester, they've already reached their 630 hours. Then, because of a substitute teacher shortage, they continue to sub and continue to get medical benefits. It would go to the stacking resolution, too. If you start including hours from both positions they've had, they would continue to remain eligible for medical benefits for the remainder of the school year, just from substituting occasionally in the second half of the school year.

Lou McDermott: As we make our rules, I would imagine the system is going to respond by making changes within its own structure. If there is an issue for the school districts that differs from their historic practice, I would imagine there would be some practice changes if they want to work within the eligibility structure that's set. I'm not suggesting they're gaming it, I'm suggesting they're going to change their business practices.

Pete Cutler: I think the key issue here is that with the language put in the statute last session, it says the eligibility standard can be no less than providing coverage for persons who work 630 hours in a school year. In effect it's interpreted by the agency as once you've hit that 630 hours, as long as you maintain an employment relationship of any type with that employer at any level of hours, your eligibility for the health benefits continues. That is consistent with the retirement systems. There are provisions that

provide once you hit a certain amount of hours, you're eligible for a year of service credit. It doesn't matter, as long as you maintained an employment relationship, whether you continue to work at a high enough level that would have normally been associated with earning a month of retirement credit for every month.

And it's also the Affordable Care Act. There's something about if you use this approach and the person's eligible, the employer's got to make them eligible for the whole year regardless, as long as they're still an employee, regardless of how much they work. That is what we have to deal with. We apparently have a statutory provision that says once they've hit 630 hours of work, and they continue in employment, they continue to be eligible for the health coverage. I would also say though, if they retire in the sense of applying for a retirement benefit, they have severed the employment relationship because the IRS will not allow a person to collect benefits from a qualified retirement plan unless they have severed the employment relationship. That would be a limit there.

In terms of changing from "I want to" and the employer saying "yes, I'll let you work two days a month instead of full time," as I understand the statute and the agency's interpretation, once they worked 630 hours in the year, that two days of employment would come with health benefit coverage until the end of the school year.

Brian Sims: Thank you very much.

Patty Estes: As far as the first bullet, with the employer terminating the employment relationship, I want to point out layoffs that are effective as of the next school year. As an example, if a classified employee gets a letter in June saying they're laid off as of September 1, the wording says they're eligible for that benefit until the end of September, with that effective date of September 1. On Lou's point, it's probably going to change some business practices when these all become effective. I just wanted to point out that is something that can happen as well.

Barb Scott: So are you asking for a change to the slide?

Patty Estes: No, I was just pointing out that's another example.

Wayne Leonard: I have a question on the last one. We've had situations where a teacher may work the first semester and be above the 630 hours, and then the second semester they request a leave, parenting leave or some other kind of leave, where they don't continue to work the rest of the school year. I'm assuming that, at some point, the benefits would end. We would hire a new employee to teach the second semester, and that new employee would also be covered by medical benefits and the employee that is on leave – at some point would their benefits end?

Barb Scott: We are working on some leave-related policy resolutions. I will admit that I am struggling with them, which is why they're not in front of you yet. We'll see if they make it by September. Part of the difficulty is there is no hours requirement for

maintenance under SEBB in the legislation that I've found. At this point, if they're still your employee and they have satisfied the 630 hours, I don't know if I could bring a policy resolution to the Board that would be more restrictive. I legally may not be able to do that. That would require a legislative change rather than something this Board could address. We're working on them with WASBO and others in trying to understand the different things that actually occur as they're trying to do business I have had your exact issue explained to me as well. If the employee satisfied the 630 hours, it would be very difficult to say they hadn't already earned their benefits for the school year based on not having an hours requirement for maintenance, without a change in the employment status.

Wayne Leonard: The request for an approved leave wouldn't change the employment status?

Barb Scott: I'm still looking at that piece. Are there certain leaves that would make a difference? If so, what does the leave have to look like? WASBO has given us a list of the different types of leave they're used to, maternity being one of those. We're still working through those to see if there's any effect on the eligibility based on leave, or if it's a certain duration of leave.

Voting to Approve: 8
Voting No: 0

Lou McDermott: Policy Resolution SEBB 2018-25 passes.

Barb Scott: Policy Resolution SEBB 2018-27 addresses eligibility being established when an employee is not anticipated to work 630 hours in the school year actually works 630 hours. It will create an expectation that eligibility be re-evaluated for those employees not anticipated to work 630 hours in the school year. Stakeholder comments received on this resolution supported it as written. There is no change to the resolution as it is written from the way it was introduced to you. However, we added an additional example based on stakeholder request, example #2. The stakeholder wanted it to be clear that once eligibility is earned, the employee maintains that eligibility unless the employment relationship ends. Staff took example #1 where an employee not anticipated to work 630 hours in the school year actually worked 630 hours as of February 9, resulting in SEBB coverage beginning effective March 1. They then added that the employee's hours are reduced on April 5 and addressed the question the stakeholder wanted us to address, whether or not this would have an effect on the employee's eligibility. They added the last bullet, does the employee keep SEBB coverage? The answer is yes, through August 31, 2021, the end of the school year.

Dave Iseminger: That's actually a really good example of the entire discussion we just had with the Board.

Wayne Leonard: Did we ever answer the question about dual enrollment? If there's a retired teacher that's enrolled in PEBB, whether they would become eligible under SEBB?

Barb Scott: We did not address any prohibition on dual enrollment. That resolution hasn't been brought back to this Board. We have not broached the subject of dual enrollment under both SEBB and PEBB. If an employee were eligible under SEBB, then they would need to receive benefits. As far as the employer contribution toward benefits, they would have been eligible for it and it would need to be paid to the Health Care Authority.

Dave Iseminger: That's as it currently stands, but that's an area we've described that we need to evaluate and have conversations with the Board. Maybe that will be Resolution SEBB 2018-40.

Lou McDermott: **Policy Resolution SEBB 2018-27 - SEBB Eligibility for the Employer Contribution Based on Actual Hours Worked.**

Resolved that, a school employee who is not anticipated to work 630 hours in the school year, but actually does work 630 hours, establishes eligibility for the employer contribution toward SEBB benefits as of the date the school employee worked 630 hours.

Pete Cutler moved and Patty Estes seconded a motion to adopt.

Voting to Approve: 8
Voting No: 0

Lou McDermott: Policy Resolution SEBB 2018-27 passes.

Barb Scott: Policy Resolution SEBB 2018-29 would require employees to provide evidence of a dependent's eligibility in order to enroll the dependent in SEBB coverage. We did receive stakeholder feedback on this policy proposal. One stakeholder supported it fully. Another stakeholder wanted transition rules in order to help with the wave of dependent verification documents that we expect when SEBB goes live. We are currently looking at options to address transition rules. We also had a stakeholder who was concerned about the workload for payroll and we're also looking at ways that we might be able address some of the impact to payrolls. There is no change to the resolution from it's introduction in May. The only other note I had on stakeholder feedback was we did answer the question for those employees currently in bargaining units purchasing benefits through the PEBB Program. Because we did the dependent verification on those dependents, they would not have to be re-verified and would transition over.

Pete Cutler: Am I correct that with this resolution the SEBB Program or PEBB Program or whatever, PEBB, or HCA, would be able to provide a timeline of when documents are due? This doesn't lock it in to what date the documents need to be provided. It would be within the administration of the benefit or of the enrollment and up to HCA in terms of how quickly the documentation has to be provided?

Barb Scott: We haven't come up with transition rules for the initial go live. When we did the PEBB Program dependent verification, it was significant. We had special transition rules for the initial push where we were more generous. We also made sure that our communication plan was tailored in order to help employees through that. As far as dependent verification post-go live, this policy would help to shape those rules that will be used after that. We could come back with some grace period for transition, things like that. But, typically, with a special open enrollment event, for example, marriage, there's a special open enrollment window that is dictated somewhat because we do run benefits under a cafeteria plan. Dependent verification would need to come in with that, adding the spouse or adding the state-registered domestic partner. For go live transition, we can look at some grace period or other things like we have with PEBB.

Pete Cutler: You could do that even if we adopt this resolution exactly as it is?

Barb Scott: Yes, absolutely.

Pete Cutler: This would not lock you in to or block you from go live transition period? Great, thank you.

Lou McDermott: When we do these activities that affect someone's eligibility or affect them fiscally, such as the smoking surcharge, we're always trying to make sure that we give the member the benefit of the doubt, give them as much time as we can, communicate as many times as we can, give them that opportunity. It can have a very negative impact on their families if a person were to be kicked off insurance and not able to get back on. There'll be a lot more to come on that topic.

Pete Cutler: I'm fully supportive of that. I'm also supportive of the concerns for the school districts, with all the changes going on, it would be better not to have this documentation requirement be jammed into a short period. It would be better if some flexibility for the initial transition was provided understanding that once the SEBB Program is up and running, you would want prompt, shorter time periods for new individuals. I wanted to make sure we aren't accidentally locking you into a tighter framework than you might want six months from now.

Patty Estes: Can I ask what the current time frame is for a school district that is enrolling in PEBB?

Barb Scott: I could not answer that question. I don't do the employer group work. I don't know if they're using a transition today for bargaining units joining us under the

current process. Are you talking about if school district A chose to start purchasing benefits through PEBB, if there's a transition? I don't know if one exists today.

Dave Iseminger: Generally, Patty, the dependent verification process that exists is somewhere between 30 and 60 days after the original enrollment. When somebody sends in documentation that isn't adequate, it's communicated back to them that wasn't quite enough support, here's another bite at the apple, because here's what was missing. There's a little bit of a rolling example for them, or period for them to fulfill or correct inadequacies in the dependent verification process. But, there is a starting timeline that's either 30 or 60 days, and then extra if they've made an attempt but didn't quite provide the proper documentation.

Patty Estes: I think I remember it was 60. We just went through that as a school district a couple of years ago. I was just trying to get at what there was currently, because it does say the HCA's required time frame, not our required time frame.

Lou McDermott: **Policy Resolution SEBB 2018-29 - School Employees are Required to Provide Evidence of a Dependent's Eligibility to Enroll the Dependent.**

Resolved that, the school employee who wants to enroll his or her dependent is required to provide evidence of the dependent's eligibility. If the school employee does not submit the required evidence to verify his or her dependent's eligibility within the HCA's required timeframe, the dependent will not be enrolled.

The school employee's next opportunity to enroll the dependent, if eligible, would be the next eligible open enrollment.

Terri House moved and Pete Cutler seconded a motion to adopt.

Voting to Approve: 8
Voting No: 0

Lou McDermott: Policy Resolution SEBB 2018-29 passes.

Barb Scott: Our next steps will be to incorporate your policy decisions into program rules.

SEBB Program Self-insured Medical Plans Treatment Limits and Benefit Costs

Kim Wallace, SEBB Finance Manager. I am going to share information in follow-up to requests made at the May meeting. Specifically, information with regard to potential cost impacts of different treatment limits for chiropractic services, acupuncture, massage, and the therapies. I will also share broader cost information putting the

treatment limit cost impacts in context of the overall cost that the SEBB Program medical plan is likely to experience.

Slide 3 – Illustration – Changes in Visit Limits. With regard to treatment limits, this illustration is based on 2017 PEBB UMP Classic state employees. It's important to consider the numbers listed in this context are an historical estimate of what would have been true for this particular PEBB UMP Classic population of employees in 2017 had the treatment limits been different. I want to emphasize that, because it's important not to see these numbers as a prediction or projection of what the costs in the SEBB Program will be. But, they do provide clarity regarding an order of magnitude impact for the different treatment limits listed here.

We have prepared four options. We have the current state in UMP Classic which is the 10, 16, 16, and 60. As you move to the right in the table, the number of treatments goes up. For comparison purposes, if this particular population of covered UMP PEBB employees had option one treatment limits, our actuaries estimated there would have been an approximate 60 cents per subscriber per month (PSPM) increase in cost paid. That means plan-paid cost. As you move to the right, as the visit limits go up, there is an increase from up to $1.00 PSPM, an increase of $1.30 PSPM, and then $2.30 for option four, with the highest treatment limits. I will note that this increase in plan-paid PSPM is an increase on top of an approximate $40 plan-paid PSPM for these services. In 2017, the plan paid for these services, approximately $40 PSPM. Had the limits increased, the $40 would have gone up by the 60 cents, the $1.00, the $1.30, and the $2.30.

Slide 4 – Data and Methodology. You requested clarification regarding the data and the methodology behind these numbers. I want to make some very important points. First, these figures are based on the 2017 experience, and that 2016 and 2015 did show similar results. Again, for the PEBB UMP Classic state active employees, a stable situation. The second bullet, a small percentage of UMP members actually use those chiropractic, acupuncture, and massage services. Of those who did use those services, most did not reach the existing limits. In fact, for chiropractic services, 75% of those who did use the service didn't reach the limit. For acupuncture, it's 90% and for massage, 93%. People stepped into the benefit, started using the services, but for this population, did not reach the existing maximum number of treatments. However, the estimated increases in the plan-paid amounts in the table did assume both increased utilization by members who had hit the existing limits and new claimants due to the increased limits, which we refer to as benefit-induced utilization. The modeling included that "welcome mat" kind of dynamic. It's not terribly significant in terms of the dollar values. If we strip out the benefit-induced utilization, you see a very small decrease in those numbers. We believe in benefit-induced utilization, so we are showing you the numbers that included that.

Last on this slide are a couple of really important notes. The amounts shown are really a view to order of magnitude. We can't emphasize enough that these numbers do not represent an estimate of the costs under the SEBB Program. The amounts shown are

well within the margin of error that is in our SEBB Program modeling currently. That's a fancy way of saying you can get a sense of the cost impact that treatment limit changes would likely have under the SEBB self-insured medical plan. But, quoting numbers or assuming that $2.00 means $2.00, or $11.00 means $11.00, etc., is a dangerous business. There are many unknowns in our SEBB financial modeling currently, and it's not clear that we will see behavior and cost, etc., in SEBB just like we see in PEBB.

Slide 6 – Breakdown of Total Allowed Costs. This slide shows the bigger picture. Not just chiropractic, acupuncture, massage and the therapies. It looks at all the costs. It is a breakdown of total allowed costs in the medical plan. On the left are the major categories of costs - inpatient, outpatient, other professional, physician core, and prescription drugs, all totaling $488.36 per member per month (PMPM). That actually translates to about $855 per subscriber per month. The main point on this slide is that therapy and chiropractic, acupuncture, and massage (CAM) services represent less than 5% of the total allowed costs. In the tan bar labeled "hospital outpatient," of the $133.11, $2.49 of that was for therapy services. You add that together with 4.1% or $20.09 of the light purple, other professional cost - $2.49 and $20.09 is the $22.58, or 4.6%. The breakout of that 4.6%, or the $22.58, is on the right in the shades of orange.

Lou McDermott: Kim, just a clarifying question. The $22 turns into $40 when you get to a subscriber. That's where the $40 came from.

Kim Wallace: Correct. You're connecting all those dots. Yes, the $22.58 per member per month is $40 per subscriber per month. We realized we needed a crosswalk between the treatment limit table and the overall cost breakdown. You'll notice the shaded stacked orange bar on the right is a total value of $22.58 compared to the one on the left, which is $488.36. If we were doing this completely proportionately, the stacked orange bar would be much shorter. We wanted to make it readable so it really is only a value of $22.58, or 4.6% of the total allowed. Again, this is actual costs for PEBB 2017 UMP non-Medicare active employees.

Slide 7 – Overall Cost Drivers and SEB Board Considerations. When we think about total overall costs and the decisions you're making, this slide is a review. We'll go through the overall big picture cost drivers, how they relate to the Board decisions you're making, and the policies you're considering. Number one, of course, is eligibility and enrollment. Who is eligible and who enrolls drives costs. A medical plan with 500,000 people costs more than a medical plan with 100 people. Thinking in total costs, not cost per person.

Number two on the list is the utilization of services. Utilization is affected by a number of things. A leading benefits design decision that affects utilization of services is the levels of member cost sharing. What people are facing when they choose to use the services. We have talked a great deal about the levels of member cost sharing in the self-insured medical plans that you are designing. Treatment limits do affect utilization as well. You're trying to make decisions about that. Accountable care strategies affect how much health care is received. We have made a strong commitment to value-based

purchasing strategies and accountable care because the focus is not just on less care to save money, but on the most appropriate care at the most appropriate time.

I don't have a lot of comments for number three and number four. I want to acknowledge that the unit cost, the amount of money you're paying for a service or for a day in the hospital, affects cost significantly. We've talked about the contracted provider rates and fees we have in place, by leveraging the contract that PEBB UMP uses. Covered services and exclusions also have an affect. It's number four on the list, however, because with the Accountable Care Act, much is defined, dictated, and mandated in terms of what covered services must be. There are decisions that can be made, but the essential health benefits are defined and required.

Slide 9 – Amount of SEBB Program Funding is Unknown. What does all this mean going forward? As the SEB Board, you are developing eligibility policy and determining medical plan designs prior to knowing the amount of employer funding. Richer plan designs and benefits are likely to result in higher costs, but specifically in higher monthly employee premium contributions as well. I know we are all keeping an eye on affordability. The SEB Board is making tradeoffs in an effort to spend all of those monies and the contributions from the employer and the employees wisely. Refining the eligibility or benefits next year in the spring or summer in response to legislative budget decisions could occur, and there could be some difficult choices to make at that time.

Slide 10 – Considerations. Eligibility, member cost sharing, and treatment limits are going to impact costs. Those total costs will be borne in part by employees and, of course, there's a balancing act between strong benefits and total cost.

Slide 11 – Recommendation – Align with Current State for 2020. Our recommendation is that the benefits be aligned with the current state for plan year 2020. That's the green column. We do acknowledge that there may be a desire to increase the limits. If so, we would suggest that you consider options #1 or #2. Mainly, because of the likely cost impact. Again, I'm not saying it's 60 cents and I'm not saying it's a dollar, but the order of magnitude cost impact increases as the limits go up.

Lou McDermott: Kim, has there been analysis of the SEBB data to look and see how their actual utilization looks compared to the various options?

Kim Wallace: Not of the CAM and the therapy services specifically. One of the challenges, of course, is that the current K-12 employees have many different benefit design options and have different family members enrolled in those plans than is likely to occur under the SEBB Program.

Katy Henry: Is that possible to look at?

Kim Wallace: We can look at the data we do have available. We would share whatever we could, with as much clarity as we could. And then, qualify, or caveat, as needed.

Lou McDermott: I think it's always helpful to know what's happening today if you're trying to set this amount. If people are, on average, using less than the current state, or on average, using more than the current state, that would be important to know. Then you know what kind of impact it's going to have on people. People are going to discover they have less available to them than they did previously, and that may be an issue. I understand with benefit design there are different plans, but it'd be nice to know on average.

Kim Wallace: We will need to be careful when we compile and share the K-12 claims data, when we project/predict, what that would mean under these benefit designs. I'm not sure how confident we can be in that prediction. But, we can certainly report what we see in the data, and then any reasonable guesstimates about what could happen with the different limits. Is that what you're asking for?

Lou McDermott: Yes, just trying to understand where people who are receiving chiropractic services, what's the spectrum of utilization? Are there people getting 20 visits during a year? Are there five of those and the rest of them getting no more than eight? Or, are there tons of people getting 12 or 14? Understanding the population and what they're doing today. I understand there's the caveat of benefit design and different things going on, but there's got to be some underlying numbers that let us know in general where they are.

Kim Wallace: We use the 2017 PEBB UMP Classic PPO employee data because it's very recent and that population's very large with relatively similar demographics. It's not likely that the utilization would be drastically different with similar benefit design.

Lou McDermott: I've wondered about that because when you're dealing with your average state employee, you're looking at a 12-month cycle. You have time off for holidays. You have sick leave and vacation leave. But, with school teachers, I've always wondered if utilization is different. If they hit it hard during the summer months when they're off. I don't know. I have wondered if the populations are different in nature.

Kim Wallace: And it would show up in benefits utilization.

Lou McDermott: It would show up in the benefits, right? Just a thought.

Sean Corry: Kim, a couple of minutes ago you said something that I want to ask about. It was sort of casual going past this thought. It was something about how there will be fewer people who will be in the PEBB - SEBB Program than are currently enrolled in districts. It seemed like there is going to be fewer people enrolled than are currently enrolled in school district coverage. Did I hear that correctly? What did you mean by that?

Kim Wallace: I think you are referring to a comment about members. It was the opposite, or what I meant to say is that we are anticipating that there will be more dependents actually enrolled under the SEBB plans than are currently enrolled in the K-12 medical plans. That's what I meant to say. That's what I have in my head about the number of people enrolled.

Pete Cutler: I don't think any of us disagree. What I'm curious about is having been involved with the collection of data, the K-12 tried to collect the claims data from insurance companies back in 2012 or whenever this began, that there were great challenges in getting data reported at a granular level and in a consistent manner. I have no idea what's going on, but that would be useful at least for me, and hopefully the other Board Members, to understand just maybe a summary of how consistently is the data reported for all the different school districts and different carriers that cover school employees. I certainly know back in 2012 you would not have been able to answer questions at all about how many visits in a year did employees of district one have compared to district two. I don't know whether the way data is being collected now, whether that gives you the ability to provide answers with confidence, or whether it still varies depending on which carriers' data you're looking at, or which data set you look at. Any kind of background explanation for future meeting just to give us a sense of how reasonable is it for us to ask what happens in the K-12 world now related to this versus what kind of data do you not have access to?

Dave Iseminger: That's on the list, Pete. We're not going to conjecture to describe it now. We'll bring that back.

Dan Gossett: The recommendation that you're making here is that for self-insured plans and fully insured plans? Or, is it going to be different?

Kim Wallace: This is specifically with respect to the self-insured medical plans that you are designing for SEBB.

Dave Iseminger: Dan, we'll wait to talk about fully insured. Procurement responses are due this Thursday. We'll be in evaluations scoring mode, and that will be a significant portion of the conversation for the October and November meetings.

Lou McDermott: The reality, though, is that a lot of the fully insured plans try and have comparable benefits to the self-insured. A lot of them mirror those. Not 100%, but close.

Dave Iseminger: I will say that our procurement, at least the non-scoring part of the procurement, asked for proposed benefit design variances from UMP Classic and covered services. I pledged at the last meeting that whenever they came, if a fully insured carrier comes back with something that is covered, they would recommend covering that's on the exclusion list of UMP, that we would evaluate, bring it to the Board, and talk about those variances. You eventually have to make that decision

about allowing benefit variance across the pool or maintaining benefit similarities across all of the products. That will be up for discussion eventually with the Board.

I do want to make sure that I'm clear. We brought this recommendation without a proposed resolution. We have language that if the Board wants to proceed with some sort of modifications to the resolutions they passed in June to make changes, we can certainly bring that information and those slides to the Board. That might make sense because we are talking about different trades that the Board could make between benefits. We'll see if there's other information we can bring, from claims information, continue this dialogue, and then have the Board convey to us what you want to see in resolutions later this fall. I did want to make sure that we were being responsive to the Board's request to see this type of information at the very next meeting. Just know that this is still part of that ongoing discussion as we march towards November.

Eligibility and Enrollment Policy Development

Barb Scott, Policy, Rules, and Compliance Section Manager, ERB Division. I am introducing three proposed policy resolutions.

Slide 4 – Proposed Policy Resolution SEBB 2018-32 – Mid-year Hires for Positions that are Anticipated to Work 630 Hours in the Next School Year. This policy would create eligibility that is more generous than the requirement for an employee anticipated to work 630 hours in the school year. It's our understanding that a number of positions, superintendents for example, are hired by districts effective July 1 and expected to work full time. The more generous eligibility standard is within this Board's authority, and the resolution that is in front of you is one that folks are telling us they will need in order to secure these positions that they're used to providing benefits to, and that are typically hired around July 1 each year. It's my understanding that today, these employees would have benefits. Because this is a difficult one to work through, we ended up with school employees who are not anticipated to work the 630 hours within the current school year because of the time of year that they are hired, would establish eligibility for the employer contribution if they meet two conditions. The first condition is anticipated to work at least 52.5 hours per month in the remaining months of the current school year. We arrived at 52.5 by taking the 630 hours and dividing it by 12.

The second condition is anticipated to work at least 630 hours in the upcoming school year. We did apply two conditions in order to make sure it resolved the problem that was brought forward to us without creating new ones. Im looking for your thoughts on these resolutions. I'll incorporate those prior to sending them out to stakeholders.

The example is of a new school employee hired toward the end of the school year. The employee is not anticipated to work 630 hours during the current year because of the time of the year they're hired. They are anticipated to work at least 630 hours during the upcoming school year. Their first day will be on July 1, 2020, and they're anticipated to work at least 52.5 hours in the months of July and August. In this case, SEBB coverage would begin August 1, 2020, first of the month following, based on paragraph number two of SEBB Policy Resolution 2018-12, which you already adopted.

We recognize the employee will have a one-month gap in coverage. Coverage begins August 1. The first of the month following the employee's first working day, leaving a gap of one month based on when we apply SEBB Resolution 2018-12. In this example, staff specifically noted that it's a new employee, and that's how that is being applied. Proposed Policy Resolution SEBB 2018-34 would resolve this for an employee who is moving between SEBB Organizations by requiring the new SEBB Organization to begin coverage effective the first day of the calendar month in which an employee transfers. We recognize that for a new employee, coverage would begin August 1, 2020. Very different from a transfer employee, which I have a resolution I'll introduce to you to address that.

Proposed Policy Resolution SEBB 2018-33 – Returning School Employees with Uninterrupted Eligibility Get Uninterrupted Coverage. This resolution allows a school employee who has already established eligibility for the employer contribution toward SEBB benefits to have uninterrupted benefits if the employee is returning to the same SEBB Organization and is anticipated to work at least 630 hours. Without this policy, an employee would have a gap if they return on September 5, the first day of school for their SEBB Organization, based on paragraph number one of SEBB 2018-12 as adopted. The example for this resolution is of a school employee who works for a SEBB Organization for the 2020-2021 school year and was receiving the employer contribution on August 2021. The school employee will continue to work for the SEBB Organization in 21-22 school year in a position anticipated to work at least 630 hours.

Dave Iseminger: Barb, just to be clear, this resolution is trying to address that situation where a school district's first working day is not September 1, and you have a returning employee year over year. It's to avoid that couple of days of lack of coverage.

Barb Scott: It is. The clarity I would add is this policy resolution, the uninterrupted, really is taking care of employees who go from year to year. The next one that I'm going to share is taking care of employees who transfer. Policy Resolution SEBB 2018-12 was how we treat employees who are new and when does coverage begin? In introducing that, we've talked through a lot of questions that different folks have, and I'm bringing those to you now as resolutions so that we can be clear as to how we're applying it. In this case, an employee who goes from year to year, we don't want them to have a gap. I don't believe you would have intended for them to have a gap of four or five days, if they're coming back every single year to the same district. This policy will make it clear to everyone that's not how it works for an employee who is returning. In the same way, I knew we would need to deal with transfers, and so we're bringing forward a policy that clearly addresses if I were an employee who transferred from one SEBB Organization to another. I would also not end up with a gap in benefits. But, recognizing that if I'm brand new, coming from Oregon or California to work here, benefits for a new employee starts based on Policy Resolution SEBB 2018-12.

Proposed Policy Resolution SEBB 2018-34 – School Employee's Eligibility When Transferring SEBB Organization is intended to resolve the issue described earlier when I covered the example related to proposed Policy SEBB 2018-32. It would remove the

gap that would otherwise occur for an employee who transfers from one SEBB Organization to another, provided the employee is eligible for the employer contribution toward SEBB benefits in the position they are leaving, and is anticipated to be eligible for the employer contribution toward SEBB benefits in the position they're moving to. Based on our conversations with stakeholders, these employees would be eligible today. For employees who currently have PEBB benefits, there is a transfer rule in place that allows for this.

Example 1 is an employee who works for SEBB Organization A as a teacher, and is eligible for the employer contribution toward SEBB benefits. She takes a position with SEBB Organization B as a teacher, where she is anticipated to work 630 hours in the upcoming school year. The school employee's last day with employer A is August 31, and the school employee's first working day with B is the first day of school, September 7. She is eligible for the employer contribution September 1 and coverage for SEBB would begin September 1 based on the application of proposed Policy Resolution SEBB 2018-34.

Example 2 is the school employee works for organization A and is eligible for the employer contribution toward SEBB benefits. He takes a position with SEBB Organization B as a principal where he is anticipated to work 52.5 hours a month in the months of July and August. He is also anticipated to work at least 630 hours in the upcoming school year. His last day with employer A is June 30. His first day with employer B is July 1. He is eligible for the employer contribution July 1. His SEBB benefits coverage would begin on July 1. The example shows how proposed Policy Resolution SEBB 2018-34 will eliminate a gap in eligibility for employees who transfer from one SEBB Organization to another mid-year.

Patty Estes: For the examples, if that was July 3 and not July 1, that would be the gap that's needed for them to be a new employee? Or, how does that work?

Barb Scott: Are we on example 2?

Patty Estes: Any of them. Because all of them have been literally his last day is this day, his first day is the very next day. What if it was two or three days later?

Dave Iseminger: Patty, go back to example 1. I think that example might better describe what you're talking about , where the last work day is at the end of August but the first day for the next organization is - there's that little bit of a -

Patty Estes: But that would be their first day of school. Correct?

Barb Scott: Even if I took a different example, and it wasn't a teacher but someone working in nutrition, their first day literally was on September 7, and they were transferring from one to the other, they would get benefits effective September 1 in order to alleviate no gap because they are transferring from one SEBB Organization to another.

Patty Estes: I'm having trouble working that through with the word "transfer." I saw a lot of confusion back behind you with that "transfer because it's from one school district to another school district. Say I work in nutrition and my last day is August 31 regardless of what organization I'm going to. A lot of the “welcome back” things you will actually get paid for so it's a first day of work, but it’s before August 31 for a different school district.

Katy Henry: That's my exact same question.

Terri House: They're called days one and two for us.

Katy Henry: Your first day of work, well, I was going to say, too, that even in our school district, we start before the kids come. So, whether you're a teacher or a classified employee, your first day of work is in the same month that you've left your previous district and started in your new district. So, then who is providing coverage for that month?

Dave Iseminger: I don't know that I'm going to have Barb answer that question on the fly right now. This is exactly what we're asking the Board to do as we're bringing proposed resolutions to you. As you highlight things, we’ll see if there's anything that we can accommodate with it before we release it out to stakeholders. That also gives us the heads up to be working on that piece. That's exactly what this is designed to do.

Barb Scott: Katy, we have a rule today that we apply for the PEBB population. For state agencies, transfers and employments occur on the first of the month or sixteenth of the month. There's this issue of partial eligibility in one organization, and then partial eligibility in another. We have a policy in place that requires payment from the organizations based on if you're leaving an organization and I was employed by them even the first day of the month. That organization is responsible for payment for the entire month. Because, we only deal in full month's payments. The organization I'm moving to would be responsible for the payment for me for the next month of coverage. Rob has been working with me to determine whether or not we'll need a similar policy proposal for you to take action on in order to resolve the same type of issue within the SEBB environment.

Dave Iseminger: To be clear, Barb wasn't announcing that was what she thought she was going to be bringing forward. She was giving an illustrative example of how it could be solved and it's on the radar for resolution.

Barb Scott: Our next step will be to get them out to stakeholders and bring policy recommendations back to you.

Public Comment

Julie Salvi, Washington Education Association. I want to touch a little bit on the discussion around the treatment limits and encourage the Board to keep discussing this over time. My reading of this is without any Board action, then it is by default the

agency recommendation because that is what you adopted previously. So, to make any change, you will need to keep discussing this. I appreciate the discussion at the end where there's interestingly more data on utilization. I think that will be very helpful to the Board going forward.

The presentation itself was very heavy on the fiscal impact and the fiscal consideration, and I didn't hear much discussion about the change management and the changes that educators in the field are facing in systems that they have been used to for years on end, which have had broader treatment limits. And, when I look at the fiscal impact, while yes, there is some fiscal impact within a margin of error, that fiscal impact is relatively small in the scheme of your total health benefit expenditures. I think the expectations in the field are very high and people historically over time in a system that has been run by educators has placed value on higher limits. And, I encourage you to continue that discussion.

And then, I just had one brief comment on number 33 that was just discussed. We have appreciated these continuation, the effort at looking at continuation. We would like to see more of a default on continuation. If someone has been eligible in one school year, and they are continuing essentially in that same position, their hours are unchanged, we'd like to see it worded more as a default rather than having to go back to the anticipated to work 630 hours. If they are essentially doing the same thing year in, year out, if we could just get more to a default of continuation unless and until their schedule changes, I think that will be helpful probably for all involved. Thank you.

Dave Iseminger: We actually were trying hard to have a resolution similar to what Julie was just describing in the packet for today. We just couldn't get over the finish line for today, because as we start, we find a lot of things in our own wording as we're trying to vet it. I just wanted the Board to know that something in that vein is on the horizon for bringing to the Board for consideration. We just couldn't get it there today.

Next Board Meeting

August 20, 2018
12:00 p.m. – 5:00 p.m.

Preview of August 30, 2018 SEB Board Meeting

Dave Iseminger: Potential agenda items for the August meeting are: Policy resolutions for action and introduction; begin discussion about dental benefit designs; recommendation on vision as a standalone benefit versus an embedded benefit within medical; a presentation about the Centers of Excellence bundled payment program; an ethics presentation; data about treatment limitations; and information related to the dual enrollment resolution.

Going forward we may have longer Board Meetings. It will be a busy fall. Our meetings will transition from the Monday meetings to later in the week. We'll also be planning to get you the Board materials on the same schedule that we have been getting them to you, so you'll have more time for review.

I also want to acknowledge the things staff are doing with the SEBB Program. I know it's been five weeks since we saw the Board, and I wanted to give you a snapshot as to a lot of work that staff have been doing behind the scenes. It's been a busy five weeks. We received, evaluated, and announced a disability vendor through the procurement process for long- and short-term disability, and that was The Standard Insurance. Since the last meeting, we released the vision RFP, which has responses due today. We held a bidder conference and answered 60 questions from vendors in two rounds of questioning.

On the fully insured medical procurement that was released, we held a bidder conference and answered 87 questions from the carriers as part of that procurement. We have ongoing and kicked off negotiations with MetLife on life insurance and AD&D, which resulted in the presentation today, and with dental benefits, which will result in a presentation in August.

There has been a significant amount of work done on rules based on resolutions the Board has passed. We will soon be releasing them for external stakeholder review as we move into the formal rulemaking process. Collective bargaining kicked off and we had our first collective bargaining session. On top of that, the same staff were supporting the PEB Board, which had three meetings and set rates for 2019.

It's been a really heavy amount of work and there's a lot of pieces that are going into launching the program beyond the presentation of two inches of materials to go over in four hours with the Board. I just wanted to take a moment to highlight the hard work the staff is doing on behalf of the Board and on behalf of the agency.

Meeting adjourned 4:45 p.m.