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Trying to De-Mystify Health Insurance

KANSAS ASSOCIATION OF SCHOOL BUSINESS OFFICIALS 2018

SIMPLE GUIDELINES FOR TODAY

- I welcome *(sometimes reward?)* participation & discussion during the time we have together! I don't bite.
- If you are thinking it – I guarantee you others are as well. SPIT IT OUT & SHARE!
- I'm not perfect, I don't have all the answers and I'm not covering all the angles here. These are MY opinions only.
- I'm here to learn from you as well!

MOST IMPORTANT GUIDELINE

I like wine!

Not whiners

SORRY, THERE IS NO "SILVER BULLET" TO SOLVE "AFFORDABLE HEALTH INSURANCE".

BUT, LET'S BREAK SOME IDEAS DOWN!

QUICK DEFINITION CLARIFICATION!

HEALTHCARE DEALS WITH THE ACTUAL DELIVERY OF HEALTH/WELLNESS

HEALTH INSURANCE IS A WAY TO HELP PAY FOR IT

TOPICS TO DISCUSS

- Fully Insured vs. Self-Insured
  - PPACA Fees and Risk Transfer Philosophy
- Employee Eligibility
- Marketplace/Exchanges vs. Employer
- Employee Contributions
- Defined Contribution – Private Exchanges
- Wellness Activities – Participation vs. Outcomes Based
- Associational Trust/Pools
- Community Based Plans
- Let's discuss some current/future issues!

BOTTOM LINE (LET'S READ THE BACK OF THE BOOK FIRST)

For most Districts – even 100+ employees – YOUR CLAIMS EXPERIENCE IMPACTS YOUR PREMIUMS AT SOME LEVEL!

- Level of "credibility" (Larger the more predictable)
- Rolling 12; 24 or 30 months claims costs
- Large Claim impact/Pooling Levels (Stop Loss)
- Provider cost trends (zip, competition)
- Rx trends (Tier, retail/mail; new drugs)
- Member Demographics
- Wellness MATTERS!

INSURED VS. SELF-INSURED PLANS

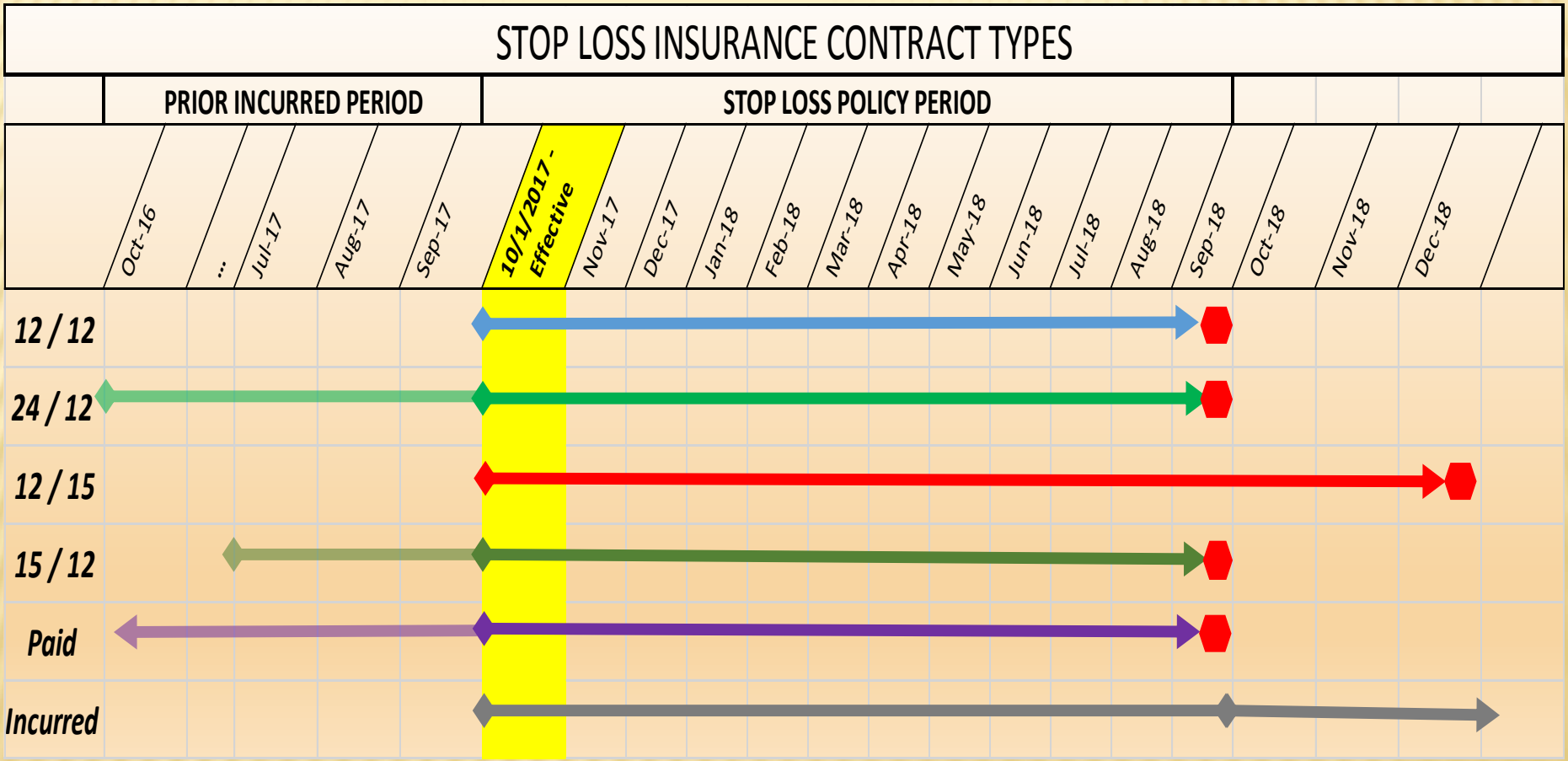
- Benefits of Fully Insured
  - True Risk Transfer – somewhat budget/payment friendly
  - PPACA Fees (taxes)
    - Insurance User Fees at 3.4% PPO and 1.1% HMO in 2018
    - Legislation change to 0% for 2019 (that's consistency for you)
- Benefits of Self-Insured (actually "partially" self-insured)
  - TPA vs. Insurer *(15% of small firms;79% larger firms self-insure)*
    - Providers and their discounts
    - Plan Designs
    - Claim Payments (cash flow)
    - Stop Loss program
  - PPACA Fees (taxes)
    - Insurance Tax – generally only on the Admin/Stop Loss
    - Reinsurance Assessment ended for 2016 year
    - PCORI scheduled to end after 2018 calendar year (plans ending 10/2017 thru 12/2017 fee is $2.39PEPY)
  - Terminal Risk / Reserve Funding (Lag report?)

SAMPLE "LAG REPORT" EXHIBIT

Incurred Month	201707	201708	201709	201710	201711	201712	
Paid Month	Paid	Paid	Paid	Paid	Paid	Paid	TOTAL
201107	$105,916						**$105,916**
201108	$168,382	$157,157					**$325,539**
201109	$13,781	$129,024	$130,025				**$272,830**
201110	$6,445	$19,422	$167,953	$191,010			**$384,830**
201111	$369	$1,420	$10,183	$151,098	$161,853		**$324,923**
201112	($19,633)	$78,236	$1,057	$59,666	$130,991	$140,595	**$390,912**
TOTAL	$275,260	$385,259	$309,218	$401,774	$292,844	$140,595	**$1,804,950**

				Average
% 1st Mth	38%	41%	42%	**40%**
% 2nd Mth	100%	74%	96%	**90%**
% 3rd Mth	105%	79%	100%	**95%**

STOP LOSS PROGRAM PERIOD VARIABLES



"NEW" INSURER SELF-FUNDED/LEVEL PREMIUM PROGRAMS

- Have both individual and aggregate stop-loss protection so that a plan sponsor will never be asked to pay for unanticipated, high claims.
- When claims are lower than anticipated, 2/3 of any surplus at the end of the plan year is credited back to the plan sponsor (varies by insurer).
- Level monthly payments provide predictability and cash-flow planning.
- Plans are not subject to health insurance premium tax.
- Everything is administered by the "Insurer" on one consolidated platform with one monthly bill.
- Monthly fund and enrollment reports are provided to help keep track of account and claims activity.
- Still face "renewal" funding negotiations (watch the first-year immature plan year issue).

EMPLOYEE ELIGIBILITY – ANY CONCERNS?

- Age 26 Children
- 30 Hour Rule
- Issues with Adjunct Staffing & Plan Design (if grandfathered)
- Spouses as Dependents (PPACA issues)
- Domestic Partners (not necessarily same gender); Any impact with DOMA ruling?
- Retirees – Terminate at Age 65 per KS Statute; how does one "tactfully encourage" post 65 employees to Retire? Do you want them to retire?

MARKETPLACE VS. EMPLOYER

- KS uses Federal Marketplace – probably not an option for this group due to penalties under "Pay or Play".
- Anyone here thinking of getting out of this and just paying the penalty? What do EE's want in return? Pre vs. Post Tax premium payments.
- Calculated at $2,000/FT employee (less the first 30 employees).
- Impact on recruitment & retention
- Key may be the 9.56% Employee Rule for 2018

EMPLOYEE CONTRIBUTIONS

- Key is 9.56% Rule at non-participating wellness contribution levels (changes slightly each year)
- **Safe-harbor level for 2018 is $98.06**
- How many "Tiers"? Some looking at **5 Tiers**
  - EE; EE/Spouse; EE/Child; EE/Children; Family
- ***Do you modify based on employee Pay Scale?***
- QHDP at 28% of covered workers (2017 Info)
- FROM THE KAISER FAMILY FOUNDATION – (2016 KFF - Kansas)
  - PPO - $5,844/yr Single; $16,784 Family Rate total ($6,690 S/$18,764 F nationally)
  - **EE paid 21.5% of Single Rate; 28% of Family Rate**
  - Average Deductible $1,505 for Single
  - 62% of Health Insurance is provided through Employers
- For many Mid-West Public Schools - On average premium contributions?
  - District Pays 90% of EE Cost & 0% for adding Dependents.
  - A few Districts contribute about 15% of the added Dependent Cost

EMPLOYEE CONTRIBUTIONS (CONTINUED)

- Spousal Surcharges / Exclusion
  - "IF" the employee's Spouse is "eligible" for their employer sponsored health benefit plan, they are either:
    - Given a Surcharge to be allowed onto the Employee's Plan as a Spouse
    - Excluded all together (how do you monitor?)
  - HOW DOES THIS REALLY IMPACT YOUR PLAN??
  - DOES IT REALLY HELP THE "EMPLOYERS" CONTRIBUTION IF THE EMPLOYER ACTUALLY CONTRIBUTES SOME DOLLARS TO SPOUSAL COVERAGE?

I NEED ONE OR TWO VOLUNTEERS QUICKLY, PLEASE!

HEALTH BREAK!

SEATED SIDE STRETCH

Inhale as you extend the arms overhead. As you exhale, stretch to the side while keeping the palm turned down toward the ground.

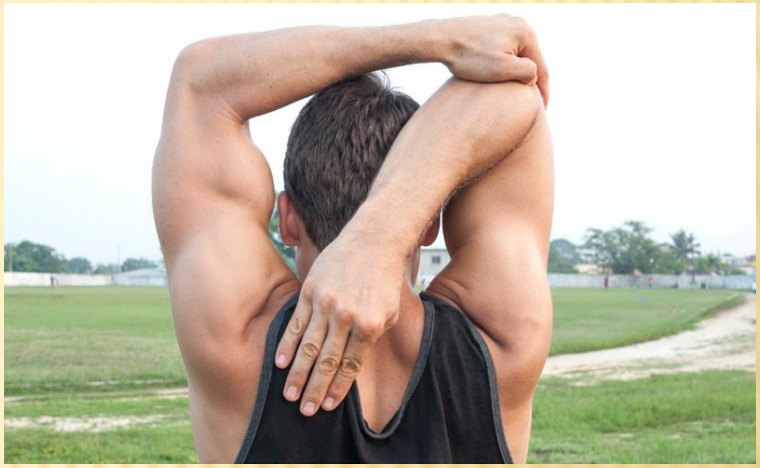
LEVATOR SCAPULA

Place one arm behind the body while the opposite hand pulls your head in the opposite direction. Hold for five seconds. Switch sides and repeat.

HEALTH BREAK!

TRICEP STRETCH

Reach up and over with one arm and place your behind your head on the neck. With the opposite arm, hold the elbow to assist in the stretch.



WRIST STRETCH

Start with the arm stretched out in front of you, turning the wrist down, then up while keeping the arm straight. Bend the arm at a 90 degree angle and move the wrist side to side. Make a fist with your hand and turn the wrist inside and out.

FOR YOU OVER-ACHIEVERS……

DEFINED CONTRIBUTIONS/PRIVATE EXCHANGE
(TIED WITH TRUE CAFETERIA PLAN)

- Employer picks the monthly flat contribution per employee. *(many schools use a variation of this concept in some fashion)*
- Employer picks a Private Exchange (which may have up to 5 insurers with 5 different plans each)
- Employee picks the plan
- Employer pays the flat contribution and payroll deducts the balance due
- Very Budget Focused
- Not typical H.R. recruiting bait
- Opinion - Key success for national programs with lower paid employees overall (Walgreens, USPS, Arby's Bob Evans, Domino's, Darden Restaurants, etc.) *5% OF EMPLOYERS PARTICIPATE IN ONE CURRENTLY PER KFF 2017 INFO*

WELLNESS ACTIVITIES

- Participation Based
  - Who has on-site biometric screening and health risk assessment participation programs?
  - How much to "encourage" participation?
  - **Are Spouses/Domestic Partners included/required?**
  - Watch Tobacco costs – even if they participate in cessation, they get discounted rate. 30% max contribution rule.
  - **Watch upcoming EEOC rulings on accommodations and what may constitute genetic protections**
  - Many moving to "gather 1000 points" (ex.) to receive premium discount – include screening, webinars, activities, etc. Employer just gets "number of points" information.
  - **Some beginning to waive on-site screenings to "must see PCP"!**
- Outcomes Based – ***WHO USES?? EXAMPLES??***
  - Watch HR's role from handling (confidentiality issues)
  - Accommodation may be key to success

ASSOCIATIONAL POOL/TRUST?

Why don't you just form your own "marketplace" and pool your financial resources?

- ***The Good:***
  - Law of large numbers – more predictable (notice I didn't say always "cheaper")
  - Some economies of scale, but not as dramatic as you may think
  - Creativity in plan design, steerage, information, etc.
- ***The "Be Cognizant of":***
  - Assessable (typically if a "self-funded" trust)
  - Joint & Several Liability
  - Added cost of "Trust" administration
  - Group makes the decision on plans, funding, etc. – may take away from some "local control/decision making", even for future Board of Education's.
  - Watch incoming/outgoing of member entities and financial responsibility of terminal claims
  - Spread of risk all across the State/Area
  - Provider Discounts may not be as great as direct with Carrier based programs.

(*) Tried to create one in Missouri School Heath Insurance Trust (MOSHIT)..didn't get going ☺

PURCHASING GROUPS/TRUSTS?

A few in Kansas for schools already:

- **Greenbush program**
  - Work with BCBS of Kansas
  - Save in “retention expenses” as a larger group
  - Fully Insured Trust – 2-year commitment
  - 4 Plan Designs
  - Composite rating method
  - Fee to the plan Administrator
- **Midwest Public Risk**
  - Self-Insured Trust – use mostly Cigna programs
  - More prevalent on the MO side for Schools
  - Several Plans/Rates – no loss data provided
  - Terminal conditions to be cognizant

PURCHASING GROUPS/TRUSTS?

A few in Kansas for schools already:

- **ESSDACK (58 schools in the group, not necessarily group health plan)**
  - A BCBS of Kansas program (appears fully insured)
  - Three plans noted
  - Group submits application by February 1st for an October 1st inception; medically underwritten
  - 70% Minimum participation; School pay at least 90% of lowest cost single option
- **KEIT (Kansas Educational Insurance Trust)**
  - A BCBS of Kansas program
  - Each Group's demographics reviewed
  - Fully insured/4-Tier premium structure
  - 7 Plan Designs
  - Pool rating for Renewal Groups

WHAT ABOUT THE STATE OF KANSAS PLAN?

- Absolutely an alternative – (Non-State EE Health Plan)
- Has a wellness feature embedded
- BCBS of Kansas and Aetna networks (5 plans noted)
- Watch minimum Employer Contributions (also H.S.A. contribution provisions for Employer)– can be a huge issue for most Public Schools :
  - 90% Single (**$721.50 ER**/$79.56 EE Plan A 7/1/2018)
  - 60% Family (**$1,264.03 ER**/$810.63 EE Plan A 7/1/2018)
- Watch termination provision
- Used to publish entities enrolled – mostly SMALLER public entities – why? Tired of seeing the wild swings of premium in the small employer silo in the insurance community.

COMMUNITY BASED PLANS/CONSORTIUM/TRUST

- Focus on City, County, School, Public Hospital and Community College.
- Perhaps upwards of 1,000 Employees+ key to min. size
- Local Hospital steerage, in exchange of greater provider discounts.
- Probably need to use a TPA, but Cigna, UHC/UMR or Aetna may be able to handle this in Kansas. BCBSKS typically a purchasing group concept, but who knows about the future.
- Pool funding or perhaps just Inter-local Agreement for combined purchasing power?
- Hospital to provide Wellness as well as Off-Hours Clinic support? Why are Hospitals not offering such as an income resource for their own entity, and working with the local public employers?

Put your thinking cap on – and pull out the Ouija Board!

Or do your best impression of CARNAC THE MAGNIFICENT (i.e. Johnny Carson)

Oh how I'm showing my age……

WHAT THE FUTURE HOLDS

- Obstacle #1
  - State Funding – may need to re-focus on employee contributions
- Obstacle #2
  - Plan Designs – steerage to more Qualified High Deductible Plans with H.S.A.'s.
  - Concern over Transparency to really promote consumerism
  - Any more employees signing on? May have run it's course except for older employees?
- Obstacle #3
  - Concentric type plans for specific provider steerage.
  - High Performance Provider Networks
- Obstacle #4
  - Narrow Networks (full circle to Closed Panel HMO's of old?)

WHAT THE FUTURE HOLDS

- Obstacle #6
  - Change in Health Insurance Taxes hard to budget (3.4% PPO; 1.1% HMO +/- is sizable; waived for 2019 mostly impacting fully insured plans)
- Obstacle #7

  Retirees Impact
  - Remaining Employed Longer
  - Continuing to pay premiums even after retirement to Age 65.
  - Does District add up to the possible **25% premium** as allowed?
  - Early Retiree Incentives – do they work?
  - **Cash In Lieu Of Benefit (some carriers don't allow**)
- Obstacle #8
  - On-site / Near-site clinics
  - Shared or Owned by??
- Obstacle #9
  - Concierge Doctors for Tertiary and wellness care
- Obstacle #10
  - Direct Contracting (surgical centers that no longer file claims)

WHAT THE FUTURE HOLDS

- Obstacle #11
  - Small “ER” facilities and “no-pay” Insurer owned care centers
- Obstacle #12
  - Tele-doc Services for Tertiary care - huge benefit if used!
- Obstacle #13
  - RX Issues (10%+ trends)
    - Opioid Crisis
    - Rx Rebates
    - Formulary Changes
- Obstacle #14
  - Reference Based Pricing Models (what provider really likes this? Perhaps only “if” it’s a higher reimbursement than from an Insurer?)
  - Some plan TPA’s pay providers quickly including Employee Amounts, thus Employer/TPA needs to collect deductibles and coinsurance dollars.

WHAT THE FUTURE HOLDS

- Obstacle #15 – DEPENDENT AUDITS
  - Fiduciary Duty?
  - True ROI?
- Obstacle #16 – WHAT DO THE EMPLOYEES WANT?
  - Wellness Activities at one of the schools (yoga, swim, etc.)?
  - Discounts at health clubs or YMCA?
  - Food prep services for healthy meals?
  - Financial Wellness Classes?
  - T-shirts for participation?
  - Payroll deducted payday loan programs? ***(go ahead, surprise me with a stranger one)***

WHAT THE FUTURE HOLDS

- Obstacle #17 – MARKETPLACE CHANGES!
  - Cigna agrees to by Express Scripts ($67B)
    - (Cigna try to buy Anthem - $54B, but called off)
  - Walmart looking to purchase Humana
  - CVS/Target looking to purchase Aetna ($69B)
  - UHC has 30,000 physicians in their Optum Care program and own OptumRX as PBM.
  - Amazon/Berkshire/JP Morgan Chase – Health insurance company for their employees
  - Apple investing in on-site employee health clinics
  - ***State of Kansas Mandate to have District's join the State Plan?***
  - National Healthcare? (Washington Post 4/12 – 51% of poll support such: 74% D for; 80% R against)

YOUR PREDICTIONS?

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