Employee Benefits Advisory Committee

Minutes from the August 10, 2006 Meeting
MCC, Room 443

In attendance:

Chris Arab (Chairperson)
Ron Allen (APC)
Belinda Palmer (Career)
Mark Peeples (Faculty)
Karl Schmidt (Career)
Jack Spears (Retirees)
Marcella Washington (Faculty Alt.)
Steve Bowers (Resource)
Janet Meigs (Minutes Recorder)
Sonya Polke (Resource)
Judy Robbins (Resource)
Dawn Swed (Resource)
Elaine Tisdale (Resource)
Jo Vosefski (Resource)

Absent:

Yvonne Horner (Resource)
Larry Snell (Resource/APC Alt.)
Ken Whitten (Faculty)

The meeting opened at approximately 1:34 p.m. Chris Arab requested that Betsy Davis be contacted regarding the filling of the vacant APC position and that Judy Robbins be added as an official resource.

Approval of Minutes (6/8/06)

Motion: Approve the minutes as presented with amendments. (Motion made by Ron Allen and seconded by Marcella Washington.) Discussion included whether or not the motion made under “Other Items for Discussion” (page 3, paragraph 2) was an action item. The response was that this will be deferred to the next meeting. (The referenced motion was to recommend College administration identify funding for a continuation of providing College matching funds against employee 403(b) contributions for one more year.)

The motion was approved by unanimous vote.

Health Insurance Overview – Cost Trends/Projections
Discussion of Optional Offering – Year Two
Financial Summary

Steve Bowers distributed a handout indicating a summary of the presentation appears on the front page. Discussion points included:

- A year ago the Committee agreed to move our insurance plans into the middle of the market and move out of a custom plan over the course of 2 years. After the first year market trends were to be checked to confirm our plans made sense. This has been done and our plans have been validated. (Specific cost trends were reviewed.)
- The initial review indicates employee premiums will increase approximately 9.5% for 2007. More work needs to be done on trends and experiences.
- A review of the market indicates traditional PPO plans are being phased out and nontraditional PPO plan are being introduced.
- The nontraditional PPO plans include sorting medical providers (hospitals primarily) by cost structure as well as the introduction of high deductible plans coupled with an HSA/HRA.
- Premiums are reported to be approximately 40% lower with a nontraditional PPO plan than with a traditional. The premium savings could go into an HSA/HRA. (Contribution comparisons were reviewed in detail.)

The discussion continued with the following points made:

- The Consortium is dropping their traditional PPO for 2007.
- The market has moved prescription copays to 15/30/50 but the College will not address that until 2008.
- Regarding HMO coverage, the College will continue to maintain a limited out-of-network option.

The discussion turned to HSAs versus HRAs with the following points made:

- HRAs are employer contribution only. Therefore, when an employee leaves, the money reverts back to the College.
- With HSAs the employee has control of the account and contributions can be employee and/or employer based. When an employee leaves, they can, for example, roll the money into an IRA, a 403(b), etc., and use it for retirement money. Additionally, money in HSAs can roll from year to year as opposed to FSAs.

Ron Allen made the following points:

- With a higher deductible plan, premiums are at a lower rate.
- With FSAs, contributions are pretax so employees are getting a tax benefit.
- Regarding HSAs, if the premiums of major medicals can be reduced by 41%, the employer would be able to take the amount of reduction and place it into an HSA for the employee’s benefit.

- What an employee would put into their FSA would also be put into this account.
- HSAs grow tax deferred over time by earning interest and carry over years.
- Money can be taken out tax-free to pay medical expenses.
- When an employee retires, any money left in an HSA can be rolled into an IRA to help with retirement.
- This type of plan is the most beneficial for younger, healthier employees.
- An HSA does not eliminate the need for an FSA as FSA is not just for health. FSA dollars would actually be used first as they don't roll over.
- Ron Allen has a paper on HSAs and will forward to Committee members. It should be noted that the paper is one person's opinion.

The question was asked about the impact to the traditional plan experience if involvement by younger, healthier employees moved from the traditional to the nontraditional PPO plan. We need to be concerned about adverse selection. However, the College needs to move to a more involved consumer mode to allow for better costs.

Mr. Bowers noted that preliminary rates are $545 for PPO and $409 for HMO. Premiums for the nontraditional plan are unknown at this time. If there is interest in pursuing the nontraditional plan, more research will be done.

Retuning to the handout, the chart on page 6 shows "none" as the employee premium contributions for Duval County Public Schools. Jo Vosefski will investigate this further as State law requires a premium to be established.

Karl Schmidt advised UNF has an HSA option where the employer makes a $500 ($1000 for family plan) contribution and employees can contribute more. This money can be used to pay deductibles and copays.

The following points were discussed regarding the handout:

- BCBS is only offering a nontraditional plan through their BlueOptions plan.
- Coinsurance limits go from $2000 to $5000, $10,000 for family.
- Deductible goes from $500 to $1250 per year.
- The annual savings in premiums for employees would be $2400.

Examples of a high deductible PPO plan were presented and reviewed. However, the examples do not take into account that the money is pretax which equates to it not being as big of a hit as it appears. Chris Arab interjected that the point being made is that this is consumer driven health care which is a sophisticated process. <u>It has been difficult to get employees to take free money. When we start looking at this we're going to have to develop the easiest of use plan so people can understand it. There is a high potential for liability if the training is not thorough</u>.

When asked whether the College would be making a contribution as well as the employee, the response was that the College already subsidizes the premiums.

The additional points were made regarding the handouts:

- Our claims experience is relatively low this year based on reports reviewed to date.
- Predictions are for a minimum of a 9% increase in premiums next year.
- This year the College spent $6M. Next year we will be spending $7M which is over budget.
- Retiree premiums are going down.

At this point Judy Robbins distributed a corrected page of the handout. Discussion points included:

- A 9.5% increase in employee premiums is being proposed.
- The Board has placed a $1M cap on premium subsidization.
- Projected costs for 2007 far exceed the $1M cap.
- The Board needs to hear that the EBAC is working to redesign the 2008 plan to help us return to the $1M cap.

Steve Bowers advised FCCJ is currently the best funded college in the system. The State funding formula will merge everyone to the mean. When that happens the best funded schools get a small increase in their budget. If the State doesn't have a wonderful year, we might only get a 1% increase in our budget. (We had a 3% increase in a good year). This makes it difficult to keep pay and benefits at current levels…something has to give. However, we can get through this year.

When Chris Arab asked what action needed from the Committee today, Steve Bowers replied that the schedule would be to have a Discussion Item to the Board regarding the plan design changes. Additionally, he would like support to explore a nontraditional PPO plan. By September, the EBAC will be asked for approval of the plan design.

To clarify the offerings for 2007, Chris stated that the College will have the 2nd year of the HMO and PPO plans and that a nontraditional PPO with an HSA will be offered. The nontraditional PPO offer can't just be "placed on the table". All contingencies will need to be explored but must be completed by open enrollment.

At this point Chris Arab stated there appeared to be a consensus to go forward with the discussion with the Board and to bring back to the September EBAC a specific plan for discussion.

Ron Allen asked whether the College would be continuing their match of 403(b) contributions. Chris Arab replied that it's a discussion/action item for EBAC's consideration. Steve Bowers interjected that it was taken out of the budget adding if it's put back in, another way to balance the budget needs to be identified.

There being for further business, the meeting adjourned at 3:07 p.m. The next meeting is scheduled for September 14.