Employee Benefits Advisory Committee

Minutes from the September 7, 2006 Meeting
MCC, Room 462

In attendance:

Chris Arab (Chairperson)
Ron Allen (APC)
Belinda Palmer (Career)
Karl Schmidt (Career)
Jack Spears (Retirees)
Marcella Washington (Faculty Alt.)
Kenneth Whitten (Faculty)
Steve Bowers (Resource)
Yvonne Horner (Resource)
Janet Meigs (Minutes Recorder)
Hugh Morris (APC Alt.)
Larry Snell (Resource)
Dawn Swed (Resource)
Elaine Tisdale (Resource)
Jo Vosefski (Resource)

Absent:

Mark Peeples (Faculty)
Sonya Polke (Resource)
Judy Robbins (Resource)

The meeting opened at approximately 2:04 p.m.

Chris Arab started the discussion by stating the Committee looked at premium structure/plan design at the last meeting and saw that subsidies are going to break the $1M cap imposed by the Board. We will be up in the $1.3 million range. However, we have been asked to go back to the drawing board and look at alternatives.

Steve Bowers stated that regarding the anticipated 40% savings from implementing a nontraditional PPO plan, BCBS advised savings will more likely be 10-15%. It's a consumer driven health plan and consumers will probably not change their behavior. On premiums, every time costs go up the College absorbs the employee cost increase completely. On the dependent side, we've been splitting that increase. If the College continues to absorb the cost to employees, the dependent subsidy level must freeze and any extra costs will be passed on to employees. So, if the cost of dependent coverage goes up $30, the cost to employees goes up $30. A handout was distributed with the following points made:

- Right now we're looking at raising the dependent premiums for both HMO and PPO 17%.
- The reduction in the HMO premium for employees is based on the last 12 months of claims history. At this time every year we make a projection for the next 12 months.

- The claims history on the PPO side will result in an increase in premiums.
- Whatever the dollar cost increase is to the College is passed on to the employee. If we subsidize 50% of base, we'll keep subsidizing at the same level but pass additional cost onto others.
- Other colleges have zero subsidization.

Ron Allen interjected that if we keep going at this rate the cost to the employees would double every five years. Steve Bowers replied that over five years, the percent of subsidization will decrease every year.

Additional discussion points made were:

- FCCJ is the only college carrying a traditional PPO plan next year.
- The Consortium will be carrying a high deductible PPO.
- Without any better knowledge, we will price the voluntary high deductible option the same knowing that we will at least be competitive.
- By following this logic, the third page of the handout shows what the dependent premium subsidy would be ($1,087,690).
- Data is based on July figures; August data is not available.

Chris Arab stated that when we went over the plan design at the last formal meeting, the projection was a 9.5% increase putting us at $1,224,000. With the proposal, we will be talking about $.08M above the budget cap. Steve Bowers added that while the percentage increase is in double digits, the rationale is to keep the subsidy at the same level.

Ken Whitten asked what caused the subsidy to be lower 2 years ago to which Steve Bowers replied we had very good claims during that time (i.e., surgical strike).

A brief discussion ensued regarding when premiums were lower.

Steve Bowers continued by stating that every institution adjusts premiums based on their loss rate. Chris Arab asked if we indexed to the State funding formula, what would that represent. Steve Bowers replied that while he hasn't done the math, it would vary between 1 and 3 percent depending on appropriations. Continuing, Mr. Bowers noted:

- We need to revitalize PPO with the BlueOptions plan or a high deductible plan.
- This type of plan is good for younger people which will help with claims experience.

Discussion ensued with the following points made:

- Duval County Schools went to one plan: BlueOptions.
- HMO discounts are deeper.
- The discount for a procedure is less if HMO.
- If the BlueOptions plan is comparable to the cost of the HMO, there is no reason to have an HMO plan.

The clarification was made that the current discussion revolves around 2008 as we are committed to the second year of the plan design for 2007. However, we want to introduce the high deductible plan on a voluntary basis for 2007 with the thought that by 2008 the traditional PPO plan goes away.

The features of the nontraditional PPO plan were reviewed again:

- If you are young/healthy without many claims, you can save money on premiums without fear of spending a high deductible.
- The premium savings could be put into a tax savings account for use when actually needed.

Additional points made were:

- While employees *should* put the money into an HSA, it's not mandatory.
- There would be no employee premium on the new high deductible. The offering would reduce the PPO participation level.

Emphasis was made that a formal decision is not being made at the meeting today but a direction is being agreed to.

Additional points included:

- Insurance carriers are anticipating seeing a decrease in high deductible plan premiums. However, without experience, they are hesitant to dramatically lower premiums.
- Rates will come down in the long range. A short range fix has to involve deciding what level of coverage to provide employees.
- Offer a basic plan with additional offerings if an employee wants to put bells and whistles on.
- Our decision is where do you draw the line in what to offer employees.
- Traditional HMOs are going broke; we can't afford traditional PPOs.
- People object to one plan alone.
- The HSA concept has got to be the answer for the future.
- There is only a certain amount of money in the budget.

At this point Chris Arab stated that the hard work we'll be doing for 2008 has to start within the next 6 weeks. For today's discussion, we cannot go into the Board meeting on 9/12 and put in a Discussion Item with the proposed percent increases that go against the cap. We now must look at a 17% increase versus the 9.5% discussed last week. The savings anticipated with a voluntary enrollment into a nontraditional PPO is not going to be the 40% anticipated.

Steve Bowers made the following points regarding the nontraditional PPO plan:

- For full family coverage, the monthly premium would be $527 with the single employee fully absorbed by the College.
- A tiered family structure would still be offered: $307/$351/$527 (spouse/children/family).
- The savings for employees would be realized by not having to pay the $50 monthly premium ($600 annual savings).
- HMO is still the bargain of the industry. The problem is the State funding formula will not be able to continue to support it.

The discussion continued with the additional points made:

- The plan offering may result in adverse selection; if employees have health problems they'll want out of HMO quickly.
- Sign-up will be small this year but we will have a full year to educate employees.
- If the only two plans being offered are the nontraditional PPO and the HMO, we will probably see a huge increase in HMO participation.

Chris Arab made the following points:

- We need to separate the employee education from open enrollment and voluntary high deductible HRA/HSA education.
- If we were to place it under professional development, we could design a series of workshops on the state of health industry, the state of benefits, what is real/not real, trends, etc., and start building a real understanding of how traditional benefits plans are going away.
- As an employee group we have to start thinking in smarter ways regarding the benefits dollar.
- It's time to come together again in a retreat setting, learn about the variety of options, and move into the discussion and planning stages.

Steve Bowers stated if we go this way we have a lot to learn. There needs to be different financial offerings. For this first year we'll probably use the BCBS BlueOptions offering. We can use this product and learn from it. We'll have to review the experience with the tiered hospital and physician offerings. The nontraditional PPO plan still has the out-of-pocket maximum. We will need information on this plan prior to open enrollment. Premiums will be based on the same pattern (i.e., spouse is at 17%).

In summary, Steve Bowers stated we will tell the Board about 2-3 major points. We are going to fulfill our second year commitment. We'll tell them the traditional PPO plan doesn't appear to exist any more so we're going to offer the nontraditional PPO option to include a voluntary HSA with an internal plan to revisit 2008 benefits. We have been subsidizing dependent premiums but we've reached the budget cap. This will influence how we price dependent premiums for 2007.

There being no further business, the meeting closed at 2:55 p.m.