Washington State Health Care Authority

School Employees Benefits Board
Meeting Minutes

May 5, 2021
Health Care Authority
Sue Crystal Rooms A & B
Olympia, Washington
9:00 a.m. – 12:15 p.m.

The Briefing Book with the complete presentations can be found at:
https://www.hca.wa.gov/about-hca/school-employees-benefits-board-sebb-program

Members Present via Phone

Lou McDermott, Chair
Dawna Hansen-Murray
Dan Gossett
Katy Henry
Terri House
Wayne Leonard
Kerry Schaefer
Pete Cutler
Alison Poulsen

Member Present

Alison Poulson

SEB Board Counsel

Katy Hatfield

Call to Order

Lou McDermott, Chair, called the meeting to order at 9:01 a.m. Sufficient members were present to allow a quorum. Board introductions followed. Due to COVID-19 and the Governor's Proclamation 20-28, today's meeting is via Zoom only and will address only those topics necessary and routine to complete the regular cycle of activity in our Board season.

Meeting Overview

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

Southwest Washington's Cowlitz County and Clark County were highlighted. Between the PEBB and SEBB Programs, 6% - 7% of each county's population is within the commercial part of the Health Care Authority's work. Another 33% of the population in

Cowlitz County is covered by Medicaid, and another 24% of Clark County is covered by Medicaid. At an aggregate level for PEBB, SEBB, and Medicaid in Cowlitz County, HCA covers 40% of the population in Cowlitz County with its programs. About 30% of the population for Clark County is covered.

The unemployment rate for Cowlitz County is higher than the statewide average but Clark County is the same as the statewide average. For uninsured rates, Cowlitz County has a higher-than-average uninsured rate compared to the state, whereas in Clark County, it has a lower-than-average uninsured rate. What's unique in this region is it is largely a commuter population, a suburb of Portland. There are a lot of additional health care infrastructures just across the river, more flexibility and accessibility for a wide range of services because of that access to another major metropolitan infrastructure for health care. There's a lot of cross pollination between Oregon and Washington at that part of the state.

We discussed some time ago the Live or Work criteria for being able to access health plans. I highlighted that somewhere between 750 to 1,000 school employees live in Multnomah County but come into the Vancouver School District or surrounding school districts in Clark County. There is a lot of cross pollination that happens at that border, which we see in the data.

I typically highlight things about opioid prescription, substance abuse disorder treatment, and other behavioral health numbers. Interestingly, in this region, compared to statewide average numbers, we see lower than average on all those typical metrics that I've reported about. Another insight about the health demographics of that part of the state.

I want to remind people and do an opening land acknowledgement statement. Our meeting here is being physically supported in Olympia on the traditional territories of the Coast Salish people, and specifically the Nisqually and Squaxin Island people. Olympia and the South Puget Sound region are covered by the Treaty of Medicine Creek signed under duress in 1854. We continue to acknowledge the tribal governments and their roles in taking care of the land that we're on today.

2021-23 Biennial Budget Update

Tanya Deuel, ERB Finance Manager, Financial Services Division. Today's update is on the final conference budget for the next biennium in the SEBB Program. Last month I updated the Board on a comparison between the Governor's proposed budget and the Senate and House proposed budgets. Both the Senate and the House were aligned in their budgets.

Slide 2 – Final Funding Rate. The school year funding rates are $968 for 2021-22 and $1,032 for the 2022-23. These numbers are the same that I presented last month and matched the proposed House and Senate budgets. We see no changes to any underlying assumptions and still feel comfortable with these proposed funding rates.

Slide 3 – Final Conference Budget Funding on our decision packages. For our Third-Party Administrator Fees, this is to provide the spending authority we need to be able to spend out of a specific account to pay our administrators for our self-insured dental and medical plans.

For UMP Member Support we received one FTE to provide UMP specific support for member escalated issues to catch up with higher enrollment in our self-insured uniform medical plans.

The Scheduling Tool Replacement item received $15,000, which is part of a larger decision package with the majority being attributable to the PEBB Program. Five percent of that decision package was for the SEBB Program to help support COBRA members.

Benefit Administrator Customer Support received two and half FTEs for the SEBB Program for our Outreach and Training Unit staff to help support our school districts. This helps with responding to members through the FUZE system. This was also a larger decision package with a total of three FTEs with half an FTE for the PEBB Program.

Slide 4 – Collective Bargaining. The items on this slide remain the same between the three proposed budgets.

Wayne Leonard: Last year, I asked a question if the board would be getting more financial information. I didn't have anything in mind per se because this is the same information we got last year, what the Legislature did and that it's sufficient to maintain current benefit levels. I emailed Megan questions and she got back to me with the answers to some of those. I'm wondering if you would mind sharing some information with other Board Members. I also had questions about the future and the overall operations of the plan. Will we get to see information like overall revenues, expenditures, administrative costs? Would we be able to see how much of the cost is being funded by the state allocations, as opposed to additional contributions from the local K-12 districts?

I had a chance to go through a statewide summary of the apportionment data. Just off the top of my head, it looks like the state formula funds about $1.3 billion of the total SEBB Program costs, which I understand is about $2 billion. If my estimate is close, that would mean about $700 million is funded by the local K-12 school districts. I know even prior to SEBB, K-12 funded a lot of the medical benefits locally. I don't know if it was the same amount because we didn't have statewide data to look at. I think the difference under that old model is each individual district was setting eligibility criteria and now we, as a Board or the Legislature, is setting eligibility criteria. Under this pandemic, there's been a lot of additional requirements in terms of what is health coverage and that sort of thing. I was curious if we would ever get information like that or if that information is even available?

Tanya Deuel: Wayne, we received your email yesterday and we've gone through it. I think we do need to discuss internally what that presentation would look like. I'm not sure what crosses the line for a public meeting versus an Executive Session, because some of that would be deemed proprietary and confidential when we get into things like risk scores and trends of our fully insured carriers. We do acknowledge that is a request and something we can provide. We need to just discuss logistics of how we would get that back to you.

Dave, Megan, and I will discuss when the best timing would be. Obviously, with the first year of the program being in a pandemic, things are a little hard to measure versus a baseline of what we projected versus what happened. This first year is a little harder to give you some of those responses. We can answer many of your questions. I do agree that it would be a good conversation.

Dave Iseminger: I do think there's a place for at least some of that to be a public Board presentation. I don't want to sound like we wouldn't discuss that with the public because obviously a lot of this is taxpayer funded dollars. There's certainly a portion of it that is clearly fair game for a public meeting. We can work on something that we can describe at a high level, like revenue and expenditures that talk about the status of building up the reserves. The Board will remember that piece was highlighted as part of the original funding rate setting needed to build up reserves.

There's the large administrative loan that needs to be repaid and the status of that repayment process. There are certainly some high-level pieces that would be amenable to a public session, and there would be some aspects that might squarely fall under Executive Session. Wayne, I want other Board Members to know that's some of what were in those questions along with other pieces. We can talk about the large program financial picture and work on a presentation for later this Board season.

Wayne Leonard: Thanks Dave and Tanya. I know that I neglected to follow up on my questions last year. I'm sorry for the last-minute email, but thanks for your information.

Dave Iseminger: We still have five more Board meetings this season. But this presentation at least covers what happens for the next biennial budget for that funding piece.

Pete Cutler: I just want to go on record also requesting the kind of broad financial overview analysis that Wayne has apparently been asking for. As such a time that you can pull that together, I'd second that request. The reason I put up my hand was I was curious what the employer contribution is for this upcoming school year.

Dave Iseminger: Do you mean the Employer Medical Contribution (EMC)?

Pete Cutler: Yes.

Tanya Deuel: Pete, I don't have what the EMC target would be handy. I can bring that back to the next meeting. As you know, we take that as a target and always try to meet or beat it. I'll get that back to you. We haven't gotten into procurement yet with rate development so it's not on the top of my mind.

Pete Cutler: Thank you.

Dave Iseminger: I want to tell the board that Tanya's presentation highlighted receiving several new staff positions. We are already in the hiring process and excited to bring on those resources. One has already been hired.

2021 Legislative Session

Cade Walker, Executive Special Assistant, ERB Division, provided the capstone of the 2021 legislative session. Slide 2 – Number of 2021 Bills Analyzed by ERB Division shows we completed 161 bills this year, with 55 being high priority and 106 being low priority. Thank you to all the analysts.

Slide 3 – 2021 Legislative Session - ERB High Lead Bills. Two high priority bills we were tracking made it through and were signed by the Governor.

Slide 4 – Upcoming Session – Agency Request Legislation. Senate Bill 5322 – Prohibiting dual enrollment between SEBB and PEBB Programs was signed by the Governor. Senate Bill 5169, the provider PPE reimbursement, was also signed by the Governor.

Slide 5 – House Bill 1052 – Group Insurance Contracts did not make it past cut off. It wasn't necessarily an issue with the bill topic, but a legislative timing issue. Dave is working with the Office of the Insurance Commissioner to determine what HCA will do during the interim on this topic.

Dave Iseminger: HCA will continue to track HB 1052 next year. Passing the bill won't fundamentally change anything we're doing at this point. It clarifies technical concerns with existing law that should be cleaned up in legislation. HCA will continue to muddle through for another year as needed. We will work hard to get this over the finish line next year.

Cade Walker: Slide 6 – Topical Areas of Introduced Legislation. The two pieces of legislation we were tracking related to Paid Family and Medical Leave, HB 1073 and SSB 5097, were signed by the Governor.

Senate Bill 5195 – Opioid Overdose Medication also passed but is yet to be signed by the Governor. This bill expands access to the medications that reverse opioid overdoses like Naloxone.

Slide 7 – Topical Areas of Introduced Legislation (*cont.*). Second Substitute Senate Bill 5313 - Health Insurance Discrimination passed and is awaiting the Governor's signature.

House Bill 1196 – Audio-only Telemedicine passed with minimal impact to the program.

This session is over and sine die was April 25, 2021.

One last thing I want to mention is there was a new report. Dave, any other updates about that?

Dave Iseminger: There is a new report required on the PEBB side on impacts in the retiree setting. The report relates to this concept on the retiree window. I bring it up because we've had K-12 retirees in the PEBB Program for decades. The report will try to quantify what it would look like if eligibility were reopened for another opportunity for former state and school employees who did not elect and sign up for PEBB retiree benefits at that initial opportunity. There have been various bills over the years potentially opening retiree eligibility for that population that hit different pension systems, sometimes all of them. There are parameters in those bills in the past and the agency will be working on this report.

ESSB 6189 Legislative Report: Variable Funding Rates

Molly Christie, Fiscal Information & Data Analyst, ERB Rates and Finance. Slide 2 – ESSB 6189 - Legislative Report, addresses a report due September 1, 2021, concerning a variable funding rate for waiving SEBB benefits. It asks HCA to analyze the estimated impacts to the projected future funding rates and the amounts billed to each school district allowing SEBB Organizations to pay variable funding rates based on benefits employees elect. For example, for employees waiving medical only, employees waiving coverage for employer-paid benefits, and other options considered by HCA or the SEB Board.

Slide 3 – Historical Pooling Arrangements provides a history of what districts or local bargaining units could do before the SEBB Program.

Slide 4 – The SEBB Program Approach redistributes funds for waived benefits through a single funding rate which is collected for every eligible employee, regardless of whether an individual employee waives benefits. The rate calculation includes an assumption for how many employees will waive based on historical trend. In the SEBB Program, the historical data used was from the PEBB Program. Moving forward, when there is data, SEBB Program historical trend will be used.

Slide 5 – Waiving Doesn't Mean Saving. The SEBB Program must collect enough revenue to insure everyone who enrolls. This slide walks through that process and shows why the formula HCA uses to establish the funding rate assumes a certain percentage of employees in the SEBB Program population will waive.

Slides 6 – 8 – Scenario A: Medical Waivers, walks through the approach, findings, and illustrations of medical waivers. The legislative report directs HCA to consider the estimated financial impacts of allowing districts to pay a lower funding rate for employees who waive medical.

Slides 9 and 10 – Scenario B: Employer-paid Benefits Waivers, walks through the approach and general findings. The Legislature asked HCA to look at what would happen if employees could waive any SEBB benefits, medical, dental, vision, life, AD&D, and LTD. It gets complicated quickly. Modeling these rates becomes more complex because we don't have historical data because it's not currently allowed.

HCA's approach was to interview carriers to estimate waiver rates for employer-paid benefits and any potential pricing impacts of waivers, then use this information to model two funding rates, one for medical only and one for full benefits. There is no financial credit for waiving fully employer-paid benefits because they are state paid benefits.

Dave Iseminger: Molly, I want to drive home one key point. The funding rate under the SEBB Program represents the *average* cost. It's not the *actual* cost attributed to *each* *individual member*. That is a key difference between the pre and post SEBB funding models for K-12 benefits. The funding rate used by the state is *average*. The average person is a mythical person, and the money attributable to each person the Health Care Authority charges the district for is the average cost per employee. Waiving doesn't mean saving because it was part of the calculation of the funding rate up front.

Although we're saying we would anticipate a low waiver rate, that's not the same as saying we anticipate no waiver. Even though they're employer-paid benefits, we know the size of our program and we have estimates on the possible decisions that can be made within the Program on an individual and programmatic basis. Individuals will waive benefits for a variety of reasons. Some will believe if they waive benefits, somehow their local pooling arrangement they've had for decades will benefit their colleagues, coworker, or neighbor. Some will waive a government program because they don't want a government program even if it's through their employer, a governmental entity. If a waiver is allowed for each of the employer-based benefits, there will be people who waive it and the administrative complexities of 32 funding rates would be realized. We don't believe the waiver rate would be zero because we know our population is large enough that there will be reasons people waive benefits.

Pete Cutler: Having dealt with administrative simplification in the health care arena, the idea of having 32 funding rates sounds like an absolute nightmare to me. But be that as it may, I'm curious whether there's been any thought given to the *McCleary* court decision and the type of impacts on what the state would have to pay if it did go with this kind of structure, where some districts were funded at less than the level needed to pay for their employee contributions because the assumption of the example given prior was that dollar for dollar, every district got basically a windfall because they had more waivers than average or predicted would be offset by some other district having a dollar less than needed to pay for their state funded, presumably basic education employee insurance contributions. It would seem to me just off the top of my head, if I were one of those school districts, I would argue that the state was obligated under *McCleary* to provide whatever level of funding was going to be required for insurance benefits since I was mandated to get those benefits through the SEBB Program, something I suggest being considered in whatever discussion is presented to the Legislature.

Dave Iseminger: I think you're right, Pete. There are a lot of possible policy and/or legal debates to be had about this whole concept once our report is out. I'm sure we'll have a robust discussion in many circles for years to come.

Molly Christie: Slide 11 – Implementation & Other Considerations. These items will be considered in addition to the financial analysis for our report. Implementing this change would require both one-time and ongoing costs for actuarial assistance, retrofitting Pay1, updating SEBB My Account, preparing special communications to employees regarding this new policy, and costs to both HCA and the school districts to accommodate new billing procedures.

To Pete's point, HCA assumes the Office of Financial Management (OFM) would adjust the prototypical school funding model. These are assumptions. We don't know exactly how this would work to accommodate variable funding rates. OFM determines how much money each district needs for benefits for state funded positions and then distributes those funds to OSPI and then to districts. This would be challenging to do prospectively because neither OFM nor OSPI will know how many employees in each district will waive benefits, what benefits they'll waive, and which of the 32 funding rates to apply for that employee. It gets very complicated.

If the Legislature decides, at some point, to consolidate the PEBB and SEBB Programs, this will present additional complexity. Today, the legislative report asks HCA to consider SEBB specifically.

Dave Iseminger: To be clear, these are the two approaches HCA is looking at. On Molly's original Slide 2 it had a third prong for other ideas. We don't intend to recommend a third scenario.

Wayne Leonard: I know from our discussions on the Board, various districts pre-SEBB had pooled health insurance dollars very differently. I think in most districts, even in the pooling scenarios you describe here, there wouldn't have been savings to the district. The primary savings, if people waived those benefit dollars, stayed in the pool and it was used by coworkers to lower premiums in certain groups as you mentioned. There was some pre-SEBB local pooling support in my district, and people appreciated helping their coworkers rather than the SEBB Program as a whole. I personally think the SEBB rates are very reasonable what I pay for out of pocket. But to some of our groups that was an increase if you can believe that.

Dave Iseminger: I appreciate that. HCA is aware of that dynamic. That's a piece Molly tried to emphasize at key points. This doesn't change the state or the employee costs, it's a different way of distributing money to the districts. Even here in this alternative scenario world with 2 or 32, or some other number beyond just a single funding rate, it does not trickle up to the overall state expenditure and it doesn't trickle down to the individual employee in the same way local pooling did pre-SEBB. That is an important point. This report will help level-set on understanding and knowing that this is one of the top three questions that comes in various forms from all stakeholders, whether it's an employee or a school district. They struggle through this concept because it is such a different way of thinking about program expenses and individual expenses pre-2020.

Pete Cutler: Thank you. Is the plan to include a full discussion of Pay1 impacts of trying to go to multiple premium contribution rates or funding rates? Am I correct that Pay1 is still written in Cobol or some other archeological type of computer coding?

Molly Christie: Yes, we are quantifying the cost impacts of retrofitting Pay1 because it would be complicated. They're currently working on a narrative for me in layman's terms, because I don't know Cobol. I should be able to explain at a high level what they would need to do in the program, what that would involve, and put some dollars to it.

Pete Cutler: I think there will be big dollars. Pay1 is a very, very complex and not a flexible system. Good luck on that.

Molly Christie: Thank you. I appreciate that.

Dave Iseminger: To those Board Members not familiar with Pay1, it's our accounting backend system that our eligibility and enrollment information flows into from SEBB My Account. The Pay1 accounting system is as old as the LTD benefits the Board just changed. It was built roughly in 1977. Imagine a computer programming system whose foundation was built in 1977. You quickly start to imagine the complexities and risks associated with systemic changes to that accounting system. Pay1 was created before the personal computer was put on the market for purchase by anyone and everyone. You can start to get the idea of the system's functionality and limitations.

<u>COBRA Subsidy Support for Benefits Administrators and Members</u>

Jesse Paulsboe, Manager, Employer Outreach & Training Unit; **Stacy Grof-Tisza**, Manager, Customer Service Operations Unit provided a two-part presentation on COBRA subsidy implementation and support for both Benefits Administrators and assistance-eligible individuals.

Jesse Paulsboe: Slide 2 – Overview of the American Rescue Plan Act of 2021 which passed March 2021 by the federal government to provide almost two trillion dollars in Covid-19 relief funding, which includes provisions affecting health care coverage, including a 100% subsidy of the COBRA monthly premium for assistance-eligible individuals (AEIs) from April 1 through September 30, 2021. For these individuals, the federal government will pay their monthly premiums and applicable premium surcharges for up to six months of COBRA coverage.

Slide 3 – Outreach & Training (O&T). This Unit is the primary support resource for Benefits Administrators (BAs). It consists of a reactive customer service element to assist BAs when responding to employer questions and concerns that come to us via phone and FUZE, our secure online correspondence program. O&T also has a proactive service component comprised of staff who engage BAs by developing and delivering program training, webinars, materials, and guidance. Together, these efforts ensure employers achieve accurate eligibility and enrollment decisions for employee accounts.

Slide 4 – Implementation of the COBRA Subsidy. As administrators of this subsidy, HCA is required to send a letter notifying all AEIs of their eligibility no later than May 30, 2021, explaining both their options and how to apply for the subsidy if they choose. In the initial planning, we realized the information HCA's system of record does not offer the level of detail necessary to accurately reflect who is subsidy eligible versus who is not. In our day-to-day administrative practices, there's typically no operational need to ask employers whether an employee's termination was voluntary or involuntary. As such, to satisfy the federal requirements of this Act, the ERB Division partnered with employers to obtain this information.

SEBB Organizations received a pair of spreadsheets, one with a list of all former employees within our system of record listed as having lost benefits within the subsidy eligible window, which contained fields to help them determine whether the employee was voluntarily or involuntary terminated. The Benefits Administrators were asked to complete the spreadsheets and return to the Health Care Authority via FUZE, our primary method of communicating with BAs. Once the spreadsheets were received, HCA completed the notification process.

Slide 5 – Timeline of COBRA Subsidy Implementation. Our goal is to have 100% interaction with the SEBB Organizations to ensure the process is completed timely.

Dave Iseminger: This activity is happening for both the PEBB and SEBB Programs and with all state agencies and higher education institutions. There are roughly 750 employers between the two programs, all of whom have some level of work related to this because this data field, as Jesse indicated, isn't something that's been historically needed. It's not unique to SEBB Organizations.

Approximately 20,000 individuals need to be checked because the subsidy-eligible window goes back to November 2019 – that's about every month for the last 18 months, 800 employers in the two programs. It's a large volume of work.

Stacy Grof-Tisza: Slide 6 – COBRA Subsidy Readiness. I will share how the Customer Service Team plans to implement the COBRA subsidy portion of the American Rescue Plan Act. Jesse's team will work with the Benefits Administrators and my team will use that information to determine AEI eligibility. If individuals have further questions about their COBRA eligibility, they can reach out to our Customer Service Team at our 1-800 toll free line.

Slide 7 – COBRA Subsidy Customer Service Implementation. Customer Service Unit staff will process COBRA and continuation coverage forms, which is occurring outside our busier times of the year, so we don't expect delays in processing the applications.

Slide 8 – COBRA Subsidy Eligibility. Three scenarios have been identified of continuation coverage where individuals would be eligible for the subsidy: those currently enrolled, individuals eligible but not currently enrolled, and those newly eligible.

Slides 9 – 12 – COBRA Subsidy Eligibility Scenarios. These slides provide information for each scenario of COBRA subsidy.

Slide 13 – Deadlines. HCA must receive all required forms no later than 60 days from the date of the initial subsidy eligibility letter.

Public Comment

Fred Yancey: Thank you, I'll be brief. I always enjoy the opportunity of showing my ignorance. I appreciate the opportunity. First, I will make a comment if I could about the retiree window, a study that the Health Care Authority is going to do. It's important for Board Members to realize part of the impetus for this study is the fact that the Medicare Advantage plans came on, the United plans recently brought on through Health Care Authority were not options for many retirees in Eastern Washington where they only could choose Uniform, which they deemed potentially as too expensive. Now there are three plan options available throughout Washington State.

Anyway, two questions. Was there not a study and a conclusion to recommend moving retirees into SEBB? Is there any action on that issue?

And the last question, I'm a little confused. In the COBRA presentation, I would be covered in terms of the cost to be reimbursed for me, assuming I'm eligible. Would those same costs related to covering dependents be reimbursed too? I think there was an earlier slide that said they wouldn't but then the following slides kept talking about the individual and dependents for reimbursement. Just not sure if my costs would be reimbursed for myself and dependent costs or just for me. And that's it.

Dave Iseminger: I can provide insight on the first question. Normally we don't do Q&A through public comment, but that first question is fairly easy to address quickly. In the April Board Meeting, I believe, we had a brief presentation that while we had intended to act and move K-12 non-Medicare retirees to the SEBB risk pool effective January 1, 2022, we identified that there's another statutory change needed before that move can happen. We anticipate discussing that in the next legislative session. There is an intent to continue moving that forward, but we need the statutory change first. It's on pause while we go back to the Legislature for the statutory fix necessary to implement that recommendation. So, status quo for now.

We will take your question on dependent subsidy coverage back and make sure that, as we finalize materials, it's clear and get back to you outside of the meeting.

Fred Yancey: Thank you.

Next Meeting

June 3, 2021
9:00 a.m. – 1:00 p.m.

Preview of June 3, 2021 SEB Board Meeting

Dave Iseminger, Director, Employees and Retirees Benefits Division, provided an overview of potential agenda topics for the April 7, 2021 Board Meeting.

Executive Session

Pursuant to RCW 42.30.110(1)(l), the Board met in Executive Session to consider proprietary or confidential nonpublished information related to the development, acquisition, or implementation of state purchased health care services as provided in RCW 41.05.026.

Meeting adjourned at 11:01 a.m.