



Lake Havasu Schools Employee Benefit Trust (LHSEBT)

Clinic Discussion

August 29, 2018

Background

- Cerner Clinic one of six (6) vendor contracts found to be void due to Open Meeting Law (OML) issues:
 - Cerner Clinic
 - Gilsbar
 - American Health Group
 - Ameritas
 - BCBSAZ
 - Wisconsin/Rx – CVS/Caremark
- Engaged in negotiations with Cerner with 08/31/18 target date for completion:
 - Keep?
 - Re-negotiate pricing and other terms of the contract
 - Bring back to Trustees for approval
 - Close?
 - Phase out operations by 12/31/18
 - Re-design benefits effective 01/01/19
 - Parallel process of pricing alternative benefit structures with actuary:
 - Benefits through June 30, 2019; and
 - Benefits July 01, 2019 – June 30, 2020

Cerner Clinic – Keep or Close?

- August 20, 2018 LHSEBT Trust Meeting:
 - Presented Cerner's final offer
 - Trustees requested extension through 09/30/2018
 - Cerner declined via email 08/23/2018
- Decision today:
 - Keep or close the clinic

Budget Background

- 2018-19 LHSEBT budget includes a projected deficit of \$472,000
- 2018-19 LHSEBT budget for H&W Clinic (Annualized):
 - Management Fees - \$663,000
 - Clinic Operations - \$86,000
- Final Offer Budget Impact (Annualized):
 - Projected Management Fee Savings – (\$150,000)
 - Reduces staffing to 1 NP and 2 MA's
 - Cuts hours to 40 per week
 - Modifies Saturday hours to one Saturday per month and staggered hours during the week to accommodate early and late hours
 - Operations - \$86,000 (assumes no impact)

Budget Background

- Keep the clinic?
 - 2018-19 budget projected deficit reduces from \$472,000:
 - To \$322,000 (annualized)
 - To \$397,000 (half year)
- Close the Clinic 12/31/2018?
 - The projected deficit:
 - Becomes a projected surplus of \$190,000 (annualized)
 - Reduces to \$140,000 (half year)

Discussion Points

- Current building lease expires 03/2020:
 - This offer runs to same date
- Community visits versus clinic philosophy
- Benefit structure (today) anchored around clinic:
 - Lower costs to participants using clinic (higher to Trust when compared to “community” visits)
 - Co-pays
 - Higher costs to participants outside of the clinic
 - Co-pays
 - Deductible
 - Out of Pocket Maximums

Discussion Points

- Benefit structure without the clinic:
 - Re-design to lower out of pocket cost to members using freed-up dollars
 - With an eye toward developing options for:
 - Reducing or eliminating the current projected deficit; and
 - Offering members more than one benefit option medical plan
 - While mindful of the District's current effort to reduce the dependent subsidy

Next Steps?

- Decide:
 - Keep clinic?
 - Close clinic 12/31/2018?
- Keep the Clinic?
 - Recognize budget impacts relative to projected deficit funding
 - Negotiate final terms with Cerner
- Close clinic 12/31/18?
 - Employee education and communication
 - Agreement on wind-down terms with Cerner
 - September 6th meeting on benefit re-design
 - Gilsbar reprogramming time for changes
 - Stop-Loss renegotiation
 - Mid-Year Open Enrollment
- Communication with District/Board:
 - Budget impacts through June 30, 2019
 - Budget impacts July 01, 2019 forward

Questions?