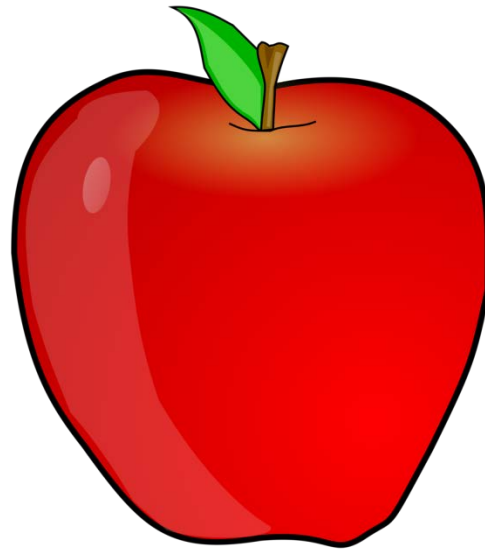


Lake Havasu Unified School District #1  
Employees Benefit Trust



# Lake Havasu Unified School District #1 Employee Benefit Trust

Why do employers self fund their employee benefit plans?

A self funded plan allows control of costs by providing:

- ▶ Local control of plan design and appeals.
- ▶ Local control of *incurred but not reported* (IBNR) claim funds.
- ▶ Interest on IBNR funds flows to the Trust not the carrier. (\$162,661.92-to date)
- ▶ Avoidance of some Affordable Care Act (ACA) requirements, i.e.
  - ▶ 2-3% insurance tax.
  - ▶ Exempt from certain ACA pricing and coverage requirements.
- ▶ Reduced administrative expense (-5 to 15%)
- ▶ PPO network selection for maximum access and provider discounts.
- ▶ Reduction of insurance tax (-2.5%)
- ▶ Reduction in insurance company profit (-25% to 30%)
- ▶ Increase management reporting on loss history allowing better plan design to meet the needs of the covered members.

# Lake Havasu Unified School District #1 Employee Benefit Trust

Has self-funding the District employee benefit plans saved the District money? You be the judge:

District contribution, per employee, to EBT, for last ten years\* (health, life, RX, dental, vision, employee assistance program):

<u>Year</u>	<u>Employee Only</u>	<u>Spouse Only</u>	<u>Child only</u>	<u>2+Children</u>	<u>Sp&amp;Child(ren)</u>	<u>Total</u>
▶ 2016-17	\$7,540	\$5,554	\$4,165	\$7,636	\$11,801	\$19,341
▶ 2015-16	\$5,300	\$4,776	\$1,464	\$2,736	\$5,592	\$10,892
▶ 2014-15	\$4,800	\$4,435	\$1,651	\$2,974	\$5,960	\$10,760
▶ 2013-14	\$4,800	\$4,435	\$1,651	\$2,974	\$5,960	\$10,760
▶ 2012-13	\$4,800	\$4,435	\$1,651	\$2,974	\$5,960	\$10,760
▶ 2011-12*	\$4,800	\$4,224	\$1,572	\$2,832	\$5,676	\$10,476
▶ 2010-11	\$4,800	\$3,480	\$1,320	\$2,280	\$4,680	\$9,480
▶ 2009-10	\$4,800	\$3,480	\$1,320	\$2,280	\$4,680	\$9,480
▶ 2008-09	\$4,650	\$3,480	\$1,320	\$2,280	\$4,680	\$9,330
▶ 2007-08	\$4,650	\$3,480	\$1,320	\$2,280	\$4,680	\$9,330

\* Center opened in May 2012

# Lake Havasu Unified School District #1 Employee Benefit Trust

Source: Kaiser/HRET Survey of Employer Sponsored Health Benefits:

Year	2015	Adjusted for Inflation for 2017	
PPO-Single	\$5,430	PPO-Single	\$6,081
PPO-Family	<u>\$13,253</u>	PPO-Family	\$14,843
Total	<b>\$18,683(1)</b>	Total	<b>\$20,742(1)</b>

Rates reflect medical costs only. (1)Family assumes Spouse and child or children.

# Lake Havasu Unified School District #1

## Employee Benefit Trust

National health spending hits \$3.2 Trillion in 2015

*Written by Emily Rappleye - December 05, 2016*

- ▶ National health spending in the U.S. hit \$3.2 trillion in 2015, or \$9,990 per person, according to an analysis from CMS' Office of the Actuary published Friday December 2, 2016 in [Health Affairs](#).
- ▶ Spending in this category grew at a faster clip than years prior, growing at a rate of 5.8 percent in 2015 compared to 5.3 percent in 2014, according to the report. The authors largely attribute this accelerated growth in healthcare spending — which comes after a period of historically low growth from 2009 to 2013 — to coverage expansions under the ACA.
- ▶ "Over the last 55 years, the largest increases in health spending's share of the U.S. economy have typically occurred around periods of economic recession," Anne Martin, an economist in the CMS Office of the Actuary and first author of the report, said in a statement. "While the 2014 and 2015 increases occurred more than five years after the nation's last recession ended, they coincided with 9.7 million individuals gaining private health insurance coverage and 10.3 million more people enrolling in Medicaid coverage. An additional contributing factor is the rapid growth in retail prescription drug spending."
- ▶ After private health insurance, hospital spending was the second-biggest ticket item on the national healthcare bill. Growth in this sector was attributed to greater utilization in services. The number of inpatient days increased 1.8 percent in 2015 and hospital discharges increased 1.2 percent. However, hospital price growth was down to 0.9 percent in 2015, from 1.3 percent in 2014. This is the slowest hospital price growth rate since 1998, according to the report.
- ▶ Health spending accounted for 17.8 percent of GDP in 2015, and this share is expected to increase over the next 10 years as the population ages, medical prices rise and other economic conditions come into play, according to the report.

# Lake Havasu Unified School District #1 Employee Benefit Trust

Here is a breakdown of total expenditures and their growth rates in 2015.

- ▶ Private health insurance spending: \$1.1 trillion (7.2 percent growth over 2014)
- ▶ Hospital spending: \$1 trillion (5.6 percent)
- ▶ Medicare spending: \$642.2 billion (4.5 percent growth)
- ▶ Physician and clinical services: \$634.9 billion (6.3 percent growth)
- ▶ Medicaid expenditures: \$545.1 billion (9.7 percent growth)
- ▶ Retail prescription drugs: \$324.6 billion (9 percent growth)

# Lake Havasu Unified School District #1 Employee Benefit Trust

## Challenges:

- ▶ Average medical rate of inflation of 6% per year for the past 10 years.
- ▶ Mandates from the Affordable Health Care Act increased cost in the 5 to 8% range.
- ▶ Prescription drug costs increased 9% in 2015 alone, and show no sign of slowing down.
- ▶ LHUSD annual average turn over in employees is 50 to 60 which brings new risks to the Trust every year. We are aware that a good % of our employees are working "just" for the insurance.
- ▶ Challenge was exacerbated by a lack of school funding from the State
- ▶ The traditional medical care model is "reactive" VS "proactive" which often results in higher medical claims due in large part, to a delay in treatment resulting in higher medical claims.
- ▶ *"For the first time in human history, preventable chronic disease is killing more people worldwide than infectious disease." CDC National Health Report: Leading Causes of Morbidity and Mortality and associated Behavioral Risk and Protective Factors-United States, 2005-2013*
- ▶ **Retention:** SHRM surveyed 738 HR professionals in 2016. The survey found "that among all categories of employees, health care most impacts retention"
- ▶ Recognizing this trend as unsustainable for the district or its employees, the Trustees felt a need to find ways to reduce or reverse this trend

# Lake Havasu Unified School District #1 Employee Benefit Trust

## The answer/solution

- ▶ In 2010 the Trustees engaged a respected and, experienced in onsite clinics, actuarial firm to evaluate the potential savings of an onsite/near-site health and wellness center.
- ▶ Based on the actuarial study the Trustees, with the approval of the Governing Board, opened a Near Site Medical Center to deliver proactive care VS. a "reactive care" with the goal in mind of:
  - ▶ Improving the health of the covered members by early detection of medical conditions, and a more focused care management, preventing more serious medical conditions.
  - ▶ Better health = Reduced medical claims;
  - ▶ Reduce absenteeism, presenteeism, and **more affordable primary healthcare** for the covered members.
- ▶ In May of 2012 the EBT Board of Trustees opened the Lake Havasu Unified School District Health and Wellness Center, dedicated solely to the covered members of the LHSEBT. LHSEBT was the very first school district to adopt the new model of "proactive health and wellness" VS. "reactive care", or the treatment of already ill individuals.
- ▶ The center offers primary care, urgent care, and minor emergency care.
- ▶ In addition, through Cerner, the LHSEBT offers a robust wellness program. Studies show that in-house wellness programs do not achieve the same high level of participation and improved health as when these services are outsourced. The primary reason given in the studies for low participation with in-house programs is the "fear of loss of privacy" and retaliation.



# Lake Havasu Unified School District #1 Employee Benefit Trust

- ▶ Since the Health & Wellness center opened, it has met the expectations of the Trustees and, for the most part, has been embraced by covered members. For the 2016-17 plan year, 71% of covered members have chosen the providers at the Center as their Primary Care Providers.
- ▶ As evidenced in upcoming slides, the Trust has seen an improvement in the overall health of EBT members who utilize its services.
- ▶ A culture of wellness has been embraced by most employees and covered dependents to achieve better health by accepting the proactive VS reactive model.
- ▶ Because the center offers early morning, late afternoon, and even Saturday appointment times, covered members enjoy much less absenteeism and presenteeism, less time away from activities of daily living, and less waiting time to see a provider, when seeking medical services at the center.
- ▶ Members enjoy a more individually focused and less rushed delivery of medical care rather than the traditional 5 minute Doctor visit.

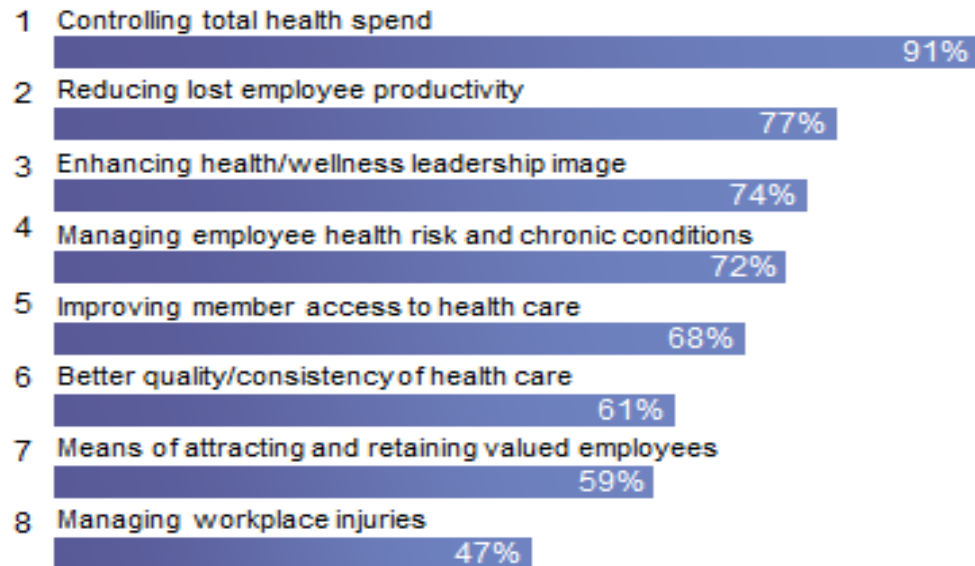
# Lake Havasu Unified School District #1 Employee Benefit Trust

Additional benefits available to the covered members:

- ▶ No out of pocket expenses for employees and dependents for:
  - ▶ Primary Care office visits, urgent care, and some emergency room expenses.
  - ▶ Most commonly used generic prescription drugs: (at significantly reduce cost through Cerner)
  - ▶ Childhood Immunizations
- ▶ Mobile Onsite Mammography at no cost to members (extremely popular by covered members)
- ▶ **School site flu shots** (avoiding trips to the EBT Center, doctor, pharmacy)
- ▶ Employee Assistance Program allowing employees and family member access to counseling for stress and a host of other issues of daily living.
  - ▶ Regular group EAP classes on selected topics for all members
- ▶ Wellness classes/Work On Wellness (W.O.W.)
- ▶ Healthy cooking classes.
- ▶ Voluntary worksite programs
- ▶ Walking groups
- ▶ Skin Screening Days
- ▶ Monthly news letter

# Lake Havasu Unified School District #1 Employee Benefit Trust

Figure 2  
Important objectives in establishing a worksite clinic  
Percentage of employers with a general medical clinic rating  
reason 4 or 5 on a five-point scale



# Lake Havasu Unified School District #1 Employee Benefit Trust

- ▶ Since the EBT center opened in 2012, there has been a 40% increase of companies and government entities that have opened facilities and embraced the proactive VS reactive model. i.e:
- ▶ 2012 Lake Havasu Unified School District EBT: **484 covered** lives (2016). (First school district to open Health and Wellness Center in AZ)
- ▶ 2015 NAPEBT in Flagstaff: City, County, college and Schools
- ▶ 2016 Colorado River Area Schools EBT. **420 employees.**
- ▶ 2014 Polk County, FL with **450 employees.**
- ▶ <https://www.youtube.com/watch?v=rcVOOJ-JCYQ&t=129s>

# Lake Havasu Unified School District #1 Employee Benefit Trust

Some well known businesses and governments offering onsite/near site health and wellness centers are, to name a few:

- ▶ States of New Mexico, and Missouri
- ▶ Cities of Lenexa, KS; Wichita Falls, TX; Kirkland, WA
- ▶ Kohl's, General Mills, Frito Lay, Toyota, Target, *Stihl*, and many more
- ▶ A number of vendors, in addition to Cerner, now offer management of these centers:
- ▶ Premise Health, QuadMed, Medcor, Health Stat, and many others. It is estimated that well over 2,000 onsite or near site clinics are in operation in the US alone.

# Lake Havasu Unified School District #1 Employee Benefit Trust

- ▶ Cerner presentation.

# Lake Havasu Unified School District #1 Employee Benefit Trust

EBT Member Testimonies

# Lake Havasu Unified School District #1 Employee Benefit Trust

*"When we promote the health and well-being of students, staff, classrooms and schools we are developing the environment which is also most conducive to the effective teaching and learning."*

Superintendent of Public Instruction, Diane Douglas

[www/azed.gov/weheardyou](http://www/azed.gov/weheardyou)