

Lake Havasu Schools Employee Benefit Trust (LHSEBT) Status Update

March 29, 2018

Introductions

- Trustees Present
- Governing Board Present
- District/Administration Staff Present
- ECA Staff Present:
 - Erin Collins, President
 - Jaime Schulenberg, Senior Account Manager
 - Elena Lacy, Group Benefit Specialist

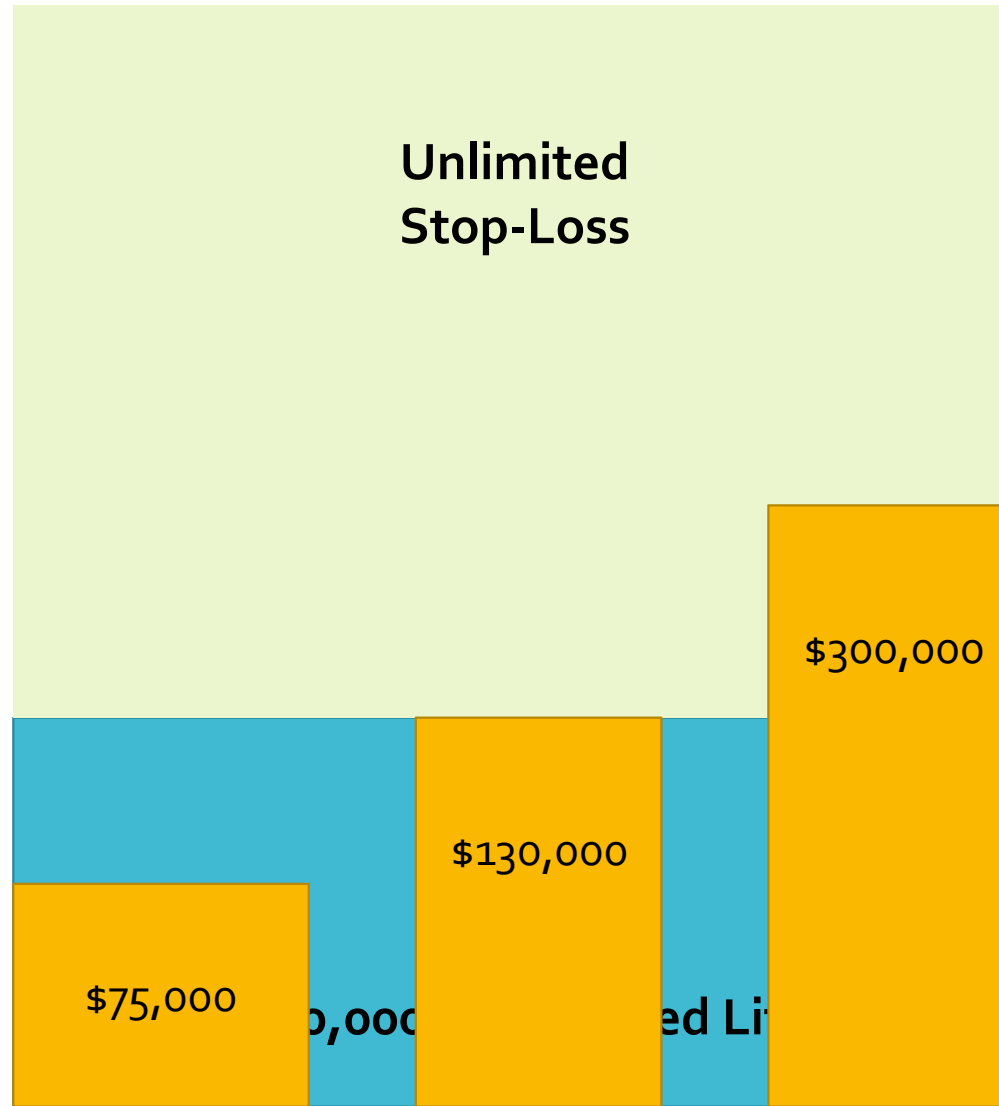
Purpose and Ground Rules

- Purpose:
 - Provide an overview of the LHSEBT's history, operations, current status and items under review
- Ground Rules:
 - Cell phones silenced
 - Questions and answers
 - Limitations on legal issues and Personal Health Information (PHI)

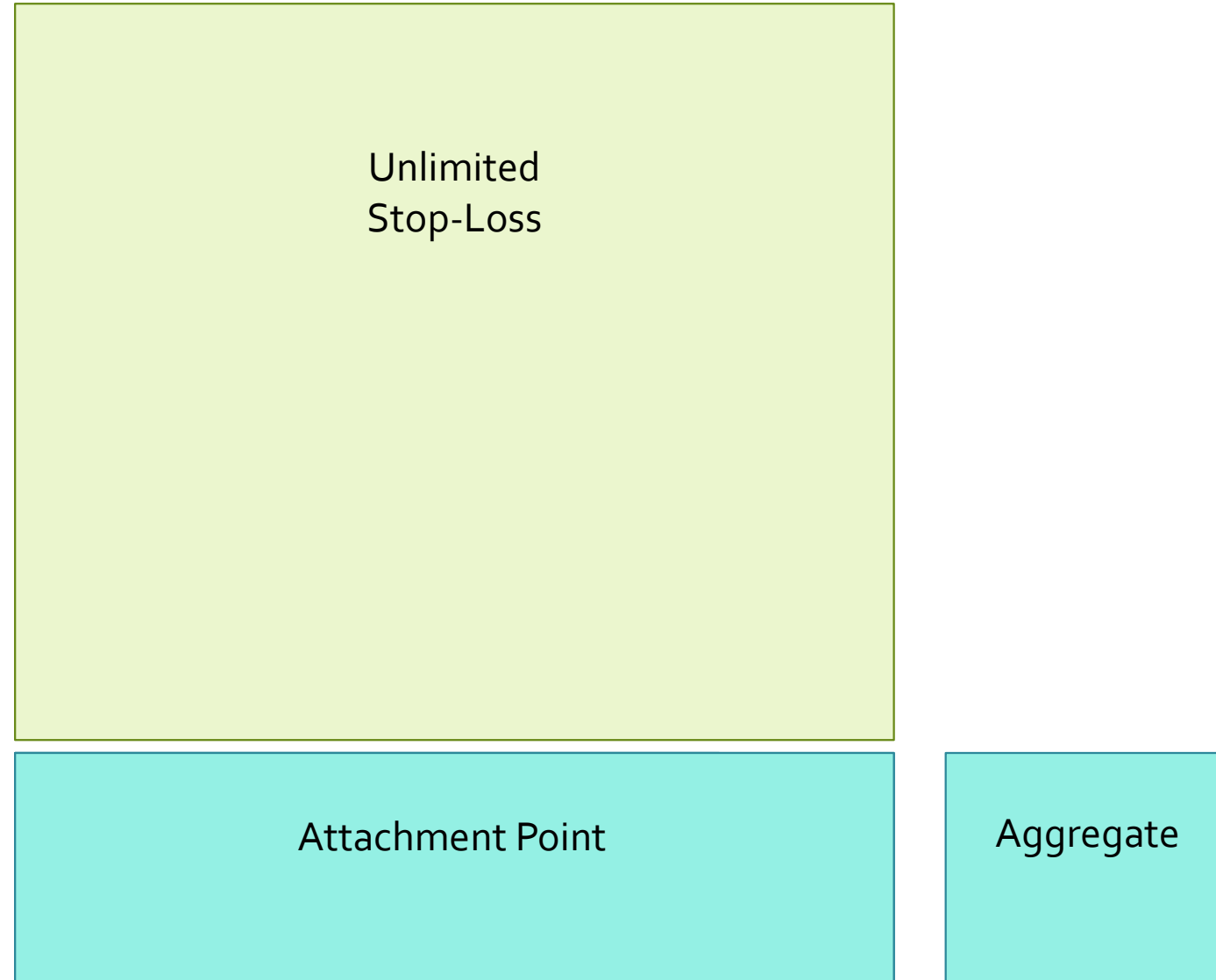
LHSEBT Overview

- Formed in 1986 under provisions of ARS § 15-382 and 15-502 to provide self-insurance programs to eligible district employees
- Administered by a local Board of Trustees:
 - Kari Thompson, Chair
 - Marcia Cox, Vice Chair
 - Dr. Fadi Atassi, Trustee
 - Hal Christenson, Trustee
 - Sam Scarmardo, Trustee
 - Pat Rooney, Non-Voting Trustee
- LHSEBT currently provides:
 - Medical/Rx – Self Funded
 - Health & Wellness Clinic
 - Wellness Program (WOW)
 - Dental – Self-Funded
 - Vision - Insured
 - Life Insurance – Insured
 - Short-Term Disability - Insured

How Self-Funding Works Specific Stop-Loss



How Self-Funding Works Aggregate Stop-Loss



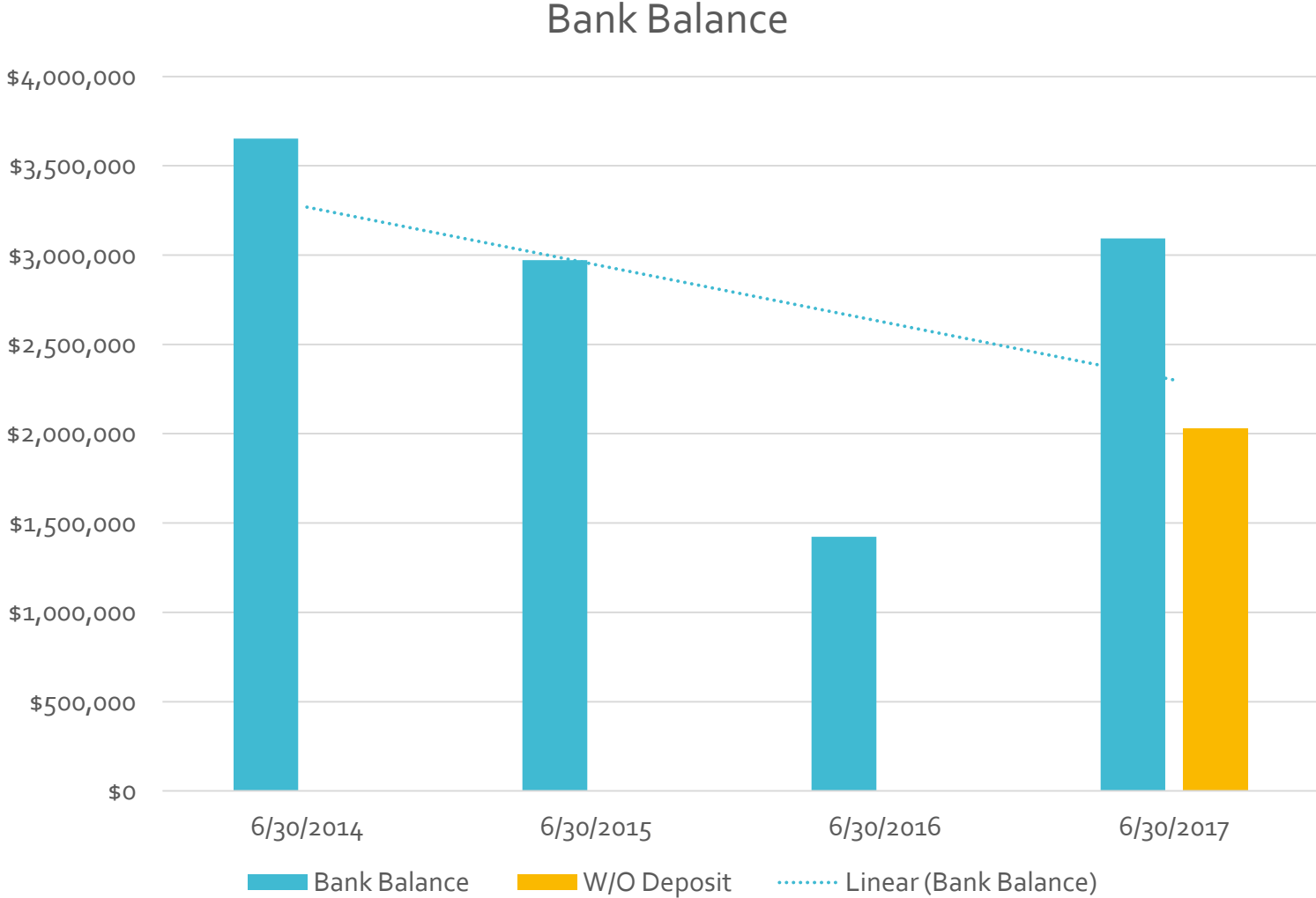
Trust Structure and Service Providers

- “Unbundled” Structure – All elements purchased separately. Key providers:
 - Cerner – Clinic Management
 - Blue Cross Blue Shield of Arizona – Medical Network
 - Wisconsin Rx/CVS Caremark – Prescription Benefit Management (PBM)
 - Gilsbar – Third Party Administrator (TPA)
 - American Health Group (AHG) – Pre-Certification and Medical Case Management
 - Ameritas – Dental Network
 - Guardian – Life Insurance & Short-Term Disability
 - United Health Care – Vision Insurance

Current Benefit Design of LHSEBT

- Built around the Health & Wellness Clinic
- This, taken with the size of the workforce, creates inherent plan option limits:
 - High Deductible Health Plans (HDHP's) with Health Savings Accounts (HSA's)

Current Financial Position of LHSEBT



July 01, 18 – June 30, 19 Benefit Changes

Gold Plan (Medical/Rx)

- Increase Deductible from \$2,000/\$4,000 to \$2,500/\$5,000
- Increase Max Out-of-Pocket from \$6,000/\$12,000 to \$6,500/\$13,000
- Cover Non-Routine Colonoscopies @ 80% after deductible
- Cover Outpatient Behavioral Health w/ \$55 co-pay
- Add Limitation to “Minor Surgery Performed in Physician’s Office” of \$1,000
- Increase Retail Generic Rx Co-Pay from \$5 to \$10 and Generic Mail Order Rx Co-Pay from \$15 to \$25
- Add Specialty Rx Co-Pay of 20% to a max of \$300
- Add Oral Specialty Rx Partial Refill

Health & Wellness Clinic

- Add \$20 Co-Pay for Non-Preventive Clinic Visits
- Use of BCBSAZ Contract for Labs (No Additional Co-Pay)
- Add \$10 Co-Pay for Rx
- Eliminate OTC Meds/Supplies

July 01, 18 – June 30, 19 Benefit Changes

Silver (Medical/Rx)

- Increase Deductible from \$3,000/\$6,000 to \$3,500/\$7,500
- Increase Max Out-of-Pocket from \$6,850/\$13,700 to \$7,150/\$14,300
- Cover Diagnostic Testing at 80% after Deductible
- Cover Non-Routine Colonoscopies @ 80% after deductible
- Cover Outpatient Behavioral Health w/ \$100 co-pay
- Add Limitation to “Minor Surgery Performed in Physician’s Office” of \$1,000
- Increase Retail Generic Rx Co-Pay from \$25 to \$30
- Add Specialty Rx Co-Pay of 20% to a max of \$600
- Add Oral Specialty Rx Partial Refill

Health & Wellness Clinic

- Add \$40 Co-Pay for Non-Preventive Clinic Visits
- Use of BCBSAZ Contract for Labs (No Additional Co-Pay)
- Add \$10 Co-Pay for Rx
- Eliminate OTC Meds/Supplies

July 01, 18 – June 30, 19 Rate Changes

Gold Plan	Actuarial/Adopted Rates	Funding Rates	Variance
Employee	\$751.89	\$667.70	(\$84.19)
Employee + Spouse	\$1,292.81	\$1,202.30	(\$90.51)
Employee + Child	\$1,158.38	\$1,068.10	(\$90.28)
Employee + Children	\$1,468.81	\$1,424.50	(\$44.31)
Employee + Family	\$1,896.13	\$1,804.00	(\$92.13)
Silver Plan	Actuarial/Adopted Rates	Funding Rates	Variance
Retiree	\$678.57	\$599.55	(\$79.02)
Retiree + Spouse	\$1,160.87	\$1,078.35	(\$82.52)
Retiree + Child	\$1,041.13	\$958.65	(\$82.48)
Retiree + Children	\$1,314.83	\$1,258.95	(\$55.88)
Retiree + Family	\$1,698.20	\$1,618.05	(\$80.15)

Anticipated Funding Gap 2018-19 Plan Year

Gold Plan	Census*	Variance	Annual Shortfall
Employee	330	(\$84.19)	(\$333,392)
Employee + Spouse	51	(\$90.51)	(\$55,392)
Employee + Child	20	(\$90.28)	(\$21,667)
Employee + Children	24	(\$44.31)	(\$12,761)
Employee + Family	64	(\$92.13)	(\$70,756)
Gold Plan Total			(\$458,002)
Silver Plan	Census*	Variance	Annual Shortfall
Retiree	6	(\$79.02)	(\$5,689)
Retiree + Spouse	1	(\$82.52)	(\$990)
Retiree + Child		(\$82.48)	(\$0)
Retiree + Children		(\$55.88)	(\$0)
Retiree + Family		(\$80.15)	(\$0)
Silver Plan Total			(\$6,680)
Grand Total Projected Shortfall			(\$464,682)

*Census as of January 2018 – Includes 34 retirees enrolled in the gold plan.

Operational, Structural and Financial Issues to be Reviewed

Financial Controls, Tracking and Reporting of Results

- Rate making process and rate adequacy
- Payment verification and accuracy
- Transparency in vendor compensation

Measuring and Reporting Liabilities

- Incurred But Not Paid (IBNP)
- Retirees

Operational, Structural and Financial Issues to be Reviewed

Measuring Costs

- Premium costs for Lake Havasu Schools vs. other plans in the area
- Fixed versus variable costs
- Clinic operations
 - Cost per visit at the clinic vs. through community providers
 - Lab costs through clinic vs. BCBSAZ contract
 - Costs of Rx's dispensed at the clinic vs. through Wisconsin Rx
- Rx costs
 - Wisconsin Rx vs. other PBM's

Management Controls

- Trustee education
- Vendor contracting
- Trust meetings

Operational, Structural and Financial Issues to be Reviewed

Structural Alternatives

- “No changes”
- Single or Multi-plan offerings:
 - Preferred Provider Organization (PPO) – in- and out-of-network benefits?
 - Exclusive Provider Organization (EPO) - in-network benefits only?
 - High Deductible Health Plan (HDHP) with Health Savings Account (HSA)?
 - Flexible Spending Accounts?
 - Full Purpose?
 - Limited Purpose?
 - Dependent Care?
- Other changes?

Questions and Answers