

A stylized graphic on the left side of the slide. It features two dark green mountain peaks in the background. In the foreground, there is a dark green wavy shape representing a forest or a middle ground, and a blue wavy shape at the bottom representing water. The entire graphic is composed of solid-colored, rounded shapes.

Central HR: Employee Benefits and Wellness

Employee Benefits Strategy

Travis Graves,
Central HR Director

Steve Herron,
Labor Relations Director

Mark Campbell,
Chief Financial Officer

Abbey Hendricks,
Benefits & Wellness

- Guiding Values and Program Objectives
- Overview of Current State
- Cost Trends
- Cost Containment
- Impacts of the Affordable Care Act
- Labor Relations Perspective
- Future Considerations



- **Guiding Values and Program Objectives**
- Overview of Current State
- Cost Trends
- Cost Containment
- Impacts of the Affordable Care Act
- Labor Relations Perspective
- Future Considerations



Employee Benefits Strategy // Guiding Values and Program Objectives

Guiding Values for Benefits Package

- Provide affordable family coverage for employees
- Steward financially sustainable coverage for County
- Promote employee/family Wellness
- Support recruitment and retention
- Acknowledge varied employee needs with options
- Ensure equity of cost share and benefit package across benefit units
- Preserve accessibility for employees and retirees

Program Objectives

- Respect collective bargaining obligations
- Long-term sustainable Health & Welfare benefits structure
- Integrated Wellness components in Health & Welfare plans
- Health Insurance cost containment
- Efficiency of benefits administration



- Guiding Values and Program Objectives
- **Overview of Current State**
- Cost Trends
- Cost Containment
- Impacts of the Affordable Care Act
- Labor Relations Perspective
- Future Considerations



Employee Benefits Strategy // Overview of Current State

11,255

=

Approximate number of
Employees, Retirees and
Dependents on County
health insurance plans

HMO

60%

PPO

40%

=

Medical plan enrollment:
3 HMO Plans (Fully-insured)
4 PPO Plans (Self-insured)

Source: December 2013 Employee Benefits Office census



- Guiding Values and Program Objectives
- Overview of Current State
- **Cost Trends**
- Cost Containment
- Impacts of the Affordable Care Act
- Labor Relations Perspective
- Future Considerations



Employee Benefits Strategy // Costs Trends

- Employee Healthcare Expenses a Major Cost Driver
 - Medical/Dental Accounts for Approximately 22% of Total Payroll Costs
- Total Cost Has Increased by 132% Since 2001
 - CPI Since That Time Has Been Approximately 30%
- Hybrid of Funding
 - Kaiser – HMO Plan, Fully Insured, Kaiser Trend
 - Self-Insurance Plans – Premiums Reflect Estimated Trend
 - County Departments Pay a “Composite Rate”
- Trend is Not Sustainable



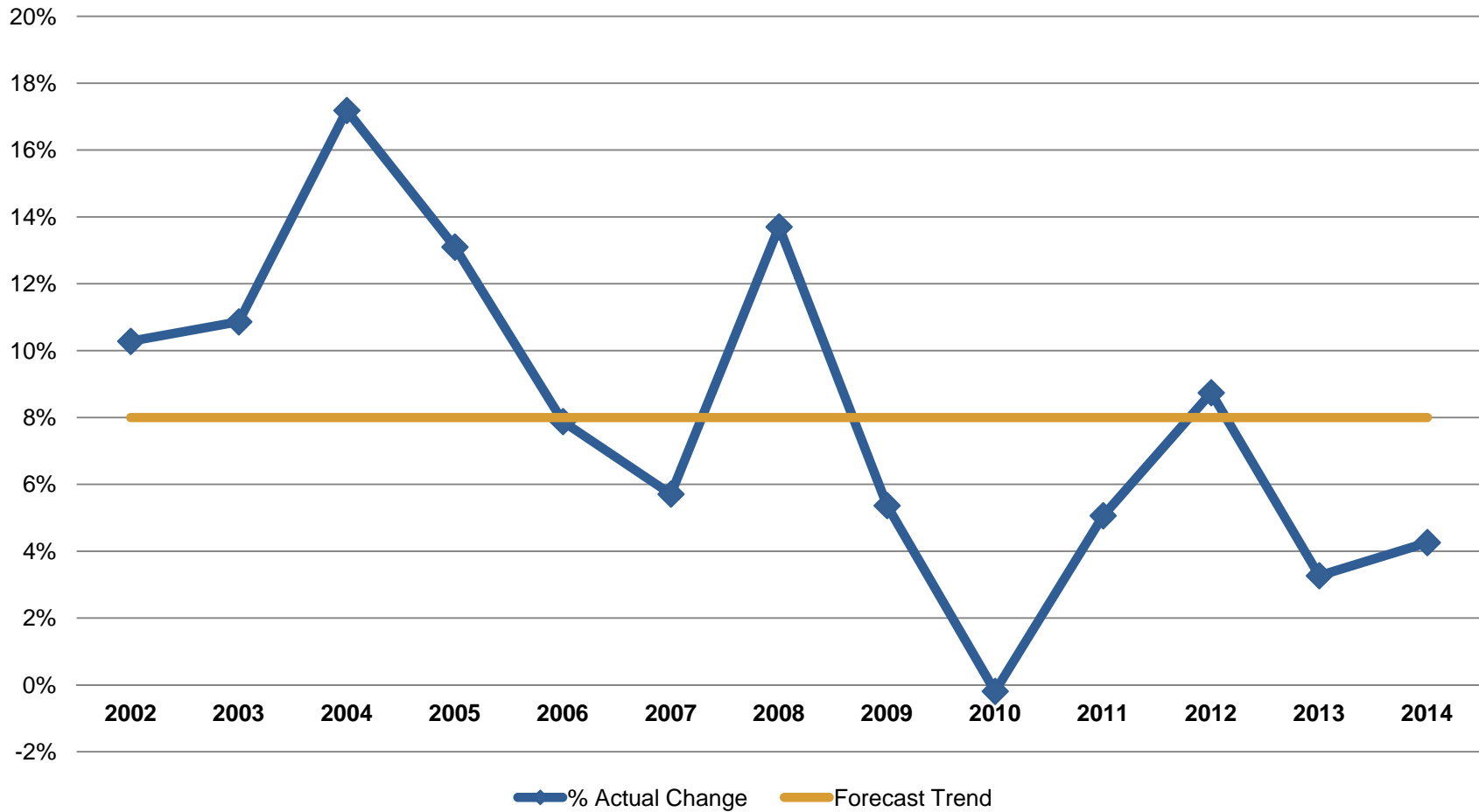
What do participants pay for coverage?

- Active employee cost shares are specified by union
 - Full-time: average share is 7%
 - Part-time: prorated
- Retirees
 - Subsidy-eligible Retirees: 0%-50% of premium
 - Other Retirees: self-pay
- Continuation coverage
 - self-pay



Employee Benefits Strategy // Costs Trends

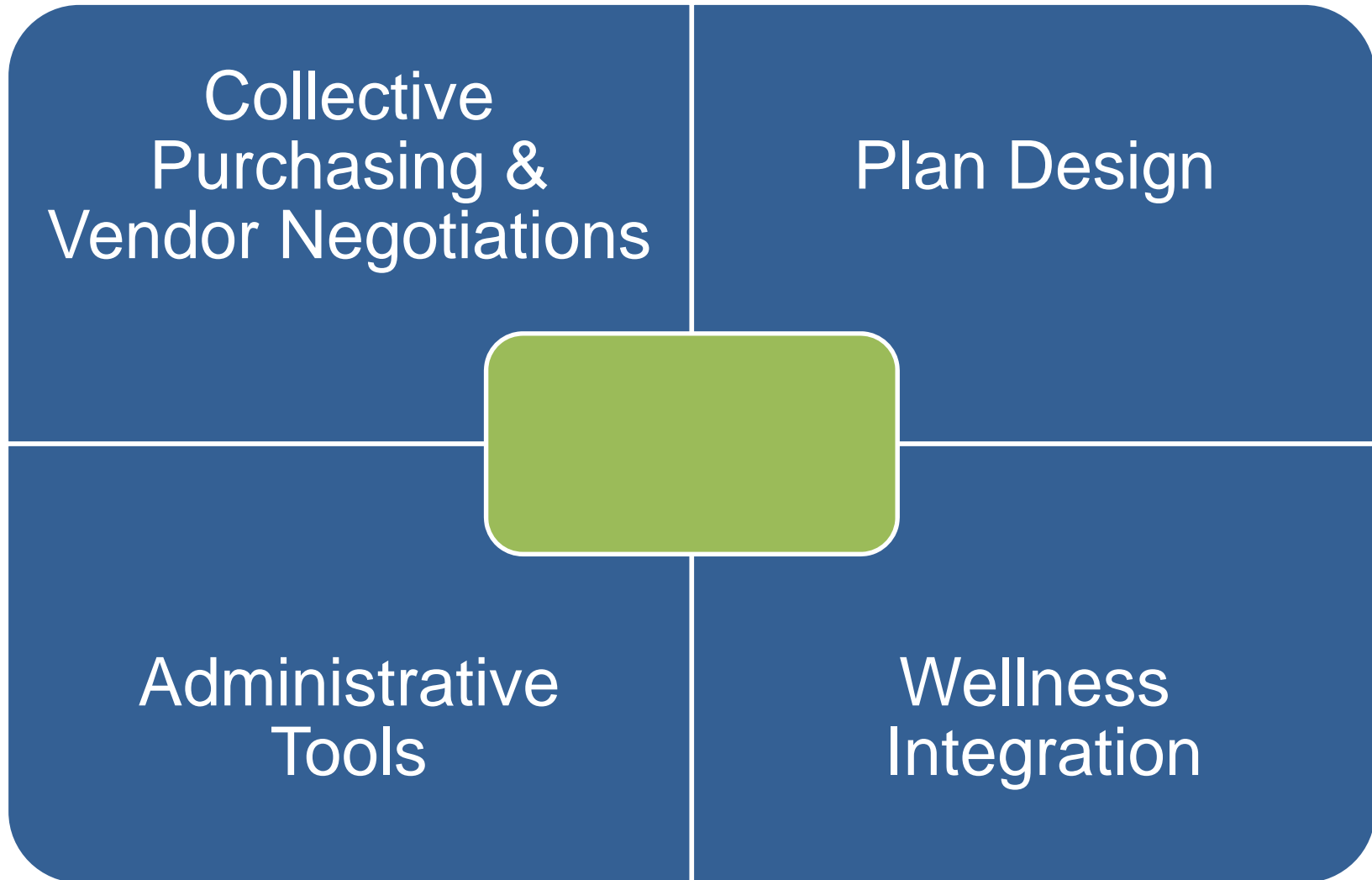
% Change in Employee Healthcare Costs
Cost per FTE (FY 2002 - FY 2014)



- Guiding Values and Program Objectives
- Overview of Current State
- Cost Trends
- **Cost Containment**
- Impacts of the Affordable Care Act
- Labor Relations Perspective
- Future Considerations



Employee Benefits Strategy // Cost Containment



Collective Purchasing & Vendor Negotiations

**\$545,000
saved in
the first year**

Joined the Northwest
Prescription Drug Consortium
in 2012 for self-insured plan
prescription administration
with lower negotiated drug
pricing

Other past projects:

- Negotiated with disability carrier in 2013 to enhance plan provisions for eligible employees on leave of absence without causing premium increases.
- Employ benefits consultant to negotiate vendor discounts on annual rate renewals.

Source: Mercer Analysis of NPDC Transition Savings, July-1-2012 through June-30-2012



Employee Benefits Strategy // Cost Containment

Plan Design

Introduced Value-Based plan design elements in 2013 for prescription coverage including evidence-based formulary tiering and a Value Rx Tier on the Platinum PPO plan

Cost per script
dropped
8% in 2013

Other past projects:

- Introduced mandatory review for high-end diagnostic imaging (CT, MRI etc.) in 2010 to exclude costly, unnecessary imaging procedures from plan coverage.
- Beginning in January 2014, require organ transplants to be performed at an exclusive Center of Excellence facilities to achieve successful health outcomes and minimize costly complications

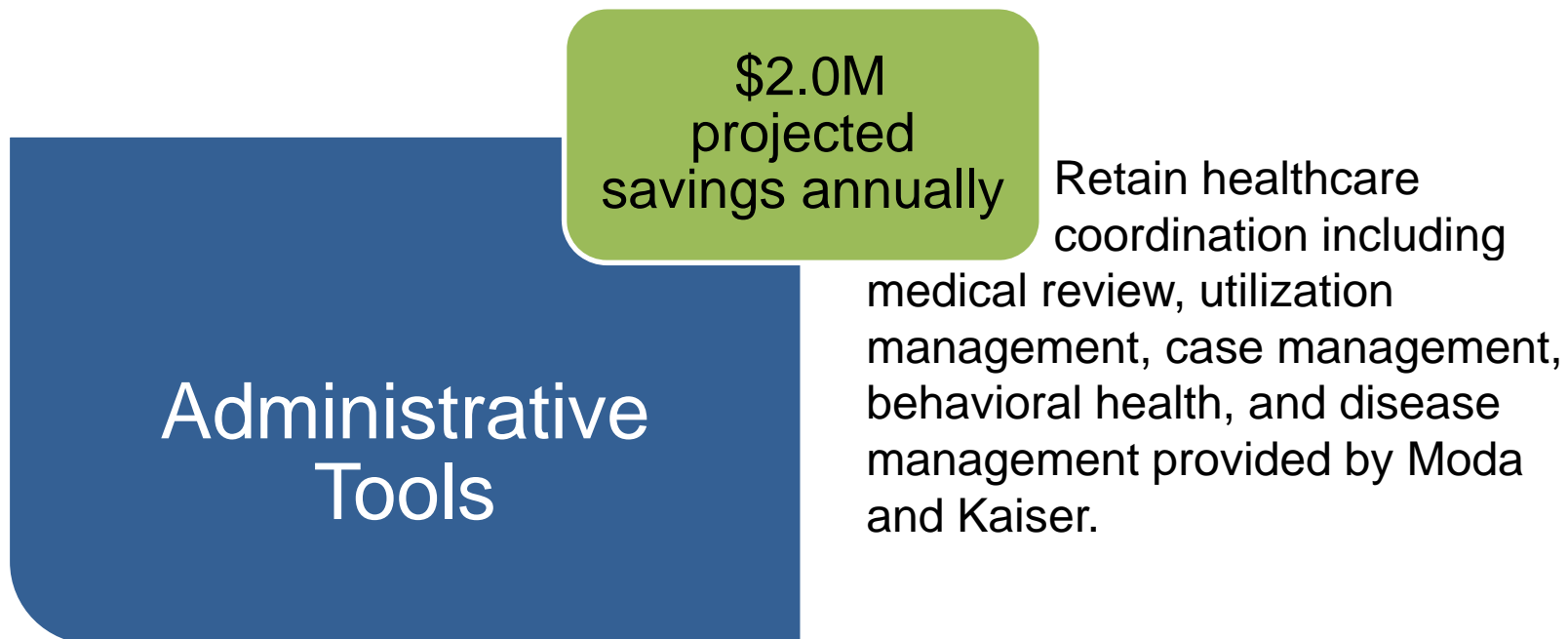
Source: MedImpact and Moda Health Analysis; 2013 Plan Year



Employee Benefits Strategy // Cost Containment

Other past projects:

- Marketed and realigned stop-loss coverage for 2013 plan year, following recommendations from County Chief Financial Officer to include prescription coverage and expand coverage terms. Reduces risk to County for high-cost claims.
 - New claims auditor (Aon Hewitt) selected for PPO claims audit to be conducted in 2014. Claims audit is performed by third-party audit firm every three years.
-



Source: Kaiser Chronic Conditions Management estimated savings measurement period Oct -1-2011 through Sep-30-2012; Moda Healthcare Coordination report 2012



Employee Benefits Strategy // Cost Containment

Other past projects:

- Strategically adopt Affordable Care Act enhanced coverage for preventive services on County medical plans
- Wellness campaigns designed to address most significant preventable health risks

Reinvested in County
Wellness programming in 2013
to foster a Countywide culture of
wellness

Best practice wellness
programs can slow
medical cost growth by
8-25% by the 5th year

Wellness
Integration

Source: Buck Consultants, *Working Well: A Global Survey of Health Promotion and Workplace Wellness Strategies.*, 2010



- Guiding Values and Program Objectives
- Overview of Current State
- Cost Trends
- Cost Containment
- **Impacts of the Affordable Care Act**
- Labor Relations Perspective
- Future Considerations



Employee Benefits Strategy // Impacts of the Affordable Care Act

2011

- Expand Dependent coverage for adult children
- Eliminate annual and lifetime limits on medical plans
- Participate in the Early Retiree Reinsurance Program

2012

- W-2 reporting of value of employee health coverage
- PCOR fees begin
- Creation of new Summary of Benefits and Coverage (SBC)

2013

- Begin relinquishment of grandfathered status for Kaiser Standard plans
- Expand preventive care benefit for many plans
- Modify FSA (MERP) annual maximum election



Employee Benefits Strategy // Impacts of the Affordable Care Act

2014

- Continue relinquishment of grandfathered status for Kaiser Standard plans
- Continue to expand preventive care benefit for many plans
- New plan design for HRA VEBA
- Reinsurance program fees begin

2015

- Shared Responsibility provisions take effect (sometimes called the Employer Mandate)
 - Requirement for employers to offer health insurance
 - Minimum value requirements
 - Affordability standards
- Data reporting requirements



2018

- Excise tax on “high cost” coverage, aka the “Cadillac tax”
 - 40% excise tax on coverage exceeding \$10,200 single or \$27,500 family for active employees; retiree limits are higher
 - Tax is calculated on an individual basis (per employee/retiree)
 - Coverage includes full-cost of medical plans, FSA contributions and HRA contributions, may include dental
 - Threshold amounts are adjusted by CPI+1% in 2019 and CPI in 2020 and beyond
- Discussions have begun with union representatives to explore strategies to avoid and/or mitigate tax



- Guiding Values and Program Objectives
- Overview of Current State
- Cost Trends
- Cost Containment
- Impacts of the Affordable Care Act
- **Labor Relations Perspective**
- Future Considerations



Labor Landscape

- **Eleven unions plus the non-represented employees¹**
 - 5 Strike-prohibited and 6 Strikable units
- **Medical Benefits**
 - Historically, a “backbone” issue for Labor
 - Mandatory subject of bargaining
 - Threshold expectation: cost neutrality
- **Collective Bargaining Agreements**
 - Change of plans & providers (consider State Insurance Pools)
 - Maintenance of benefits levels
 - Health & Welfare Reopeners

¹ Certain Retiree rights may be vested and the County’s alternatives limited



Collective Bargaining Agreements – Management Rights

- Unilateral change powers
 - Carrier/Plan language
 - State Insurance Pools language
- Health & Welfare Reopeners



What are other employers doing?

- Not much, yet
- Common plan changes made as a result of Health Care Reform:
(public entities)
 - Changes to contribution structure = 60.2%
 - Eligibility changes = 28.9%



Employee Benefits Advisory Team (EBAT)

- Formerly, Employee Benefits Board (EBB); disbanded in 2007/2008
- Contractually maintained benefits committee with AFSCME Loc. 88
- EBAT established in 2011
- 9 Unions plus Non-Represented currently at the table
 - Anticipate addition of final union this year
- Consensus model (“collective learning, individual bargaining”)
- Work load for 2014: alternatives and planning
 - Framing problem (slowing cost increase, Excise Tax threshold)
 - Identifying alternatives, developing phased implementation plan
 - Implement phases of plan
 - Relatively minor changes for Plan Year 2015



Employee Benefits Strategy // Agenda

- Guiding Values and Program Objectives
- Overview of Current State
- Cost Trends
- Cost Containment
- Impacts of the Affordable Care Act
- Labor Relations Perspective
- **Future Considerations**



Incorporate Value-Based Benefit Design

VBB design encourages consumers to use high-value healthcare by reducing cost for high-value services, and increasing cost for low-value services.

Increase Use of Medical Homes

A medical home is a coordinated care delivery model that focuses on the patient. Payment model may not be based on fee-for-service.

Plan Design



Build Narrow Networks

Narrow networks create a smaller pool of in-network providers based on quality and price. Incentives or disincentives are placed on the consumer.



Employee Benefits Strategy // Future Considerations

Promote Effective Health Care Utilization

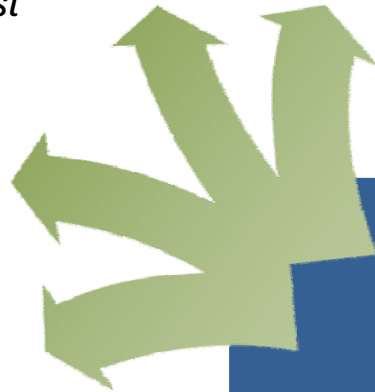
Help members make the right choices by increasing healthcare literacy, providing decision support tools, and building cost transparency.

Consider Participation Requirements

Some wellness programs require participation at a basic level in return for lower premiums or richer benefit levels. Others build integration through a referral or advocate structure.

Continue to Emphasize a Culture of Wellness

Many employers have built successful programs through phased integration of benefits. Support for integration is derived from a supportive workplace culture of wellness.



**Wellness
Integration**



Collective Purchasing & Vendor Negotiations



Consider State Marketplace or Private Exchange

Large employers expected to be able to purchase through state marketplace in 2017. Guidance forthcoming. Private exchanges already available.

Consider Joining a State Pool

Legislation passed in 2013 permits local governments to join PEBB or OEGB. The County has completed preliminary research to evaluate these options.

PEBB may not be viable because of eligibility restrictions; additional legislative changes would be required.

Both PEBB and OEGB disallow enrollment for Medicare-eligible County retirees.

Both Boards retain full authority over plan design.



Employee Benefits Strategy // Thank you for your support

Questions?

