



Kenosha Unified
School District

KUSD Board Meeting

Medical Insurance / Plan Design Discussion

June 27, 2018

TABLE OF CONTENTS

- Benefits 101
 - Terminology
 - Narrow Networks
 - Insurance Funding Options
 - Self-funded and Fully-insured Considerations
- Current Medical Plan Options
- 2018-19 Medical Plan Premiums and Contributions
- Benefit Benchmarks – School Districts
- Medical Plan Considerations
 - Background
 - Current State
 - Future Strategic Concepts
- KUSD School Board Feedback and Responses
- Proposed Medical RFP Timeline
- Next Meeting
- Questions



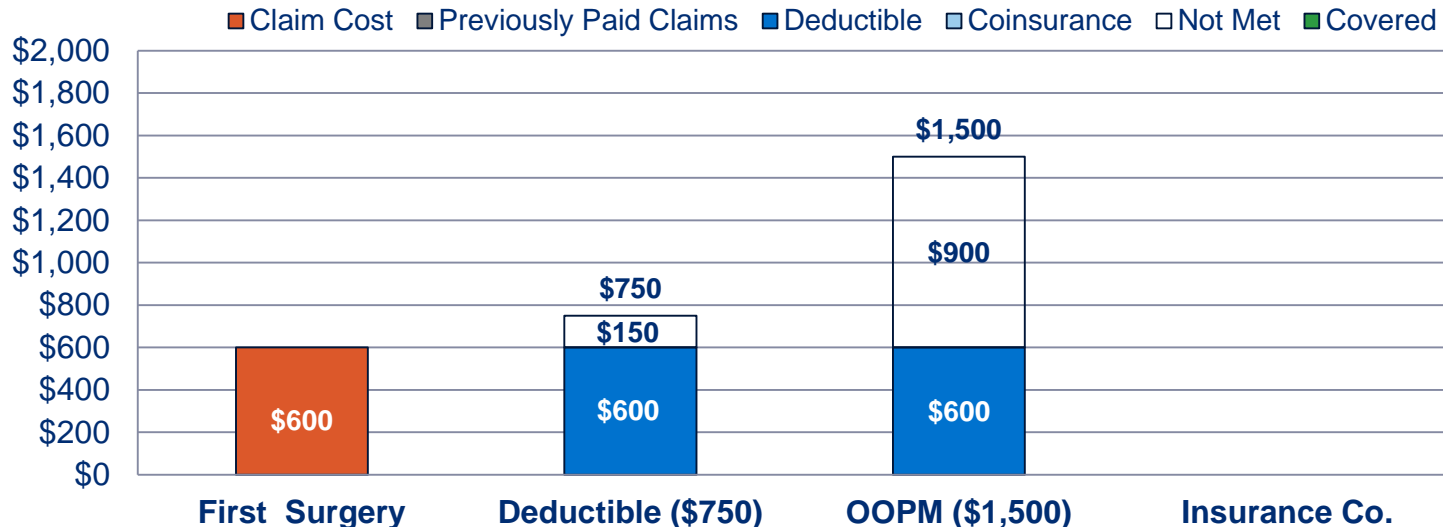
BENEFITS 101 – DEDUCTIBLE

Definition

- The amount employees owe for health care services each year before the insurance company begins to pay.

Example

- John enrolls in the KUSD **Base Plan** (Single Coverage), which has a \$750 annual deductible. John falls off his roof and has to have shoulder surgery, which costs \$600. Because he hasn't paid anything toward his deductible yet this year, and because the \$600 surgery doesn't exceed the deductible, John is responsible for 100% of the surgery.



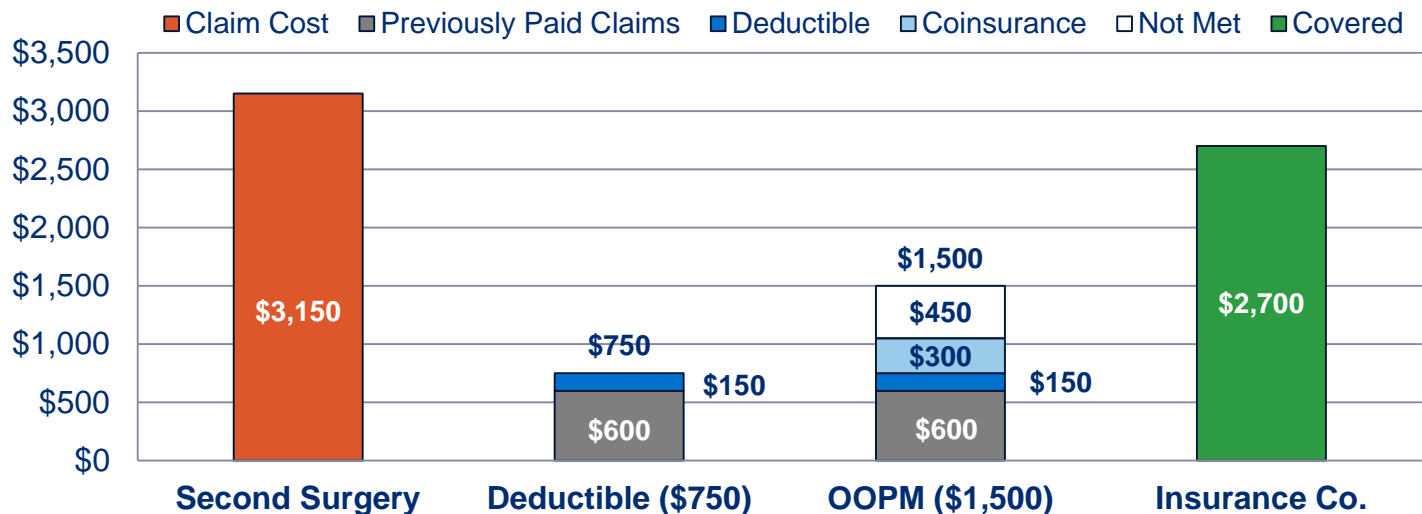
BENEFITS 101 – COINSURANCE

Definition

- The share of the costs of a covered health care service calculated as a percent of the allowed amount for the service.

Example

- John's health plan pays 90% of the cost once he has met his deductible, and John is responsible for the other 10%. He has another surgery in the same plan year as his first, which costs \$3,150. Since he has already paid \$600 toward his \$750 annual deductible, John is responsible for the first \$150 of the second surgery. After that, John's medical plan will cover 90% of the remaining cost, a total of \$2,700. John will still be responsible for 10%, or \$300, of the remaining cost. The total John must pay for his second surgery is \$450.



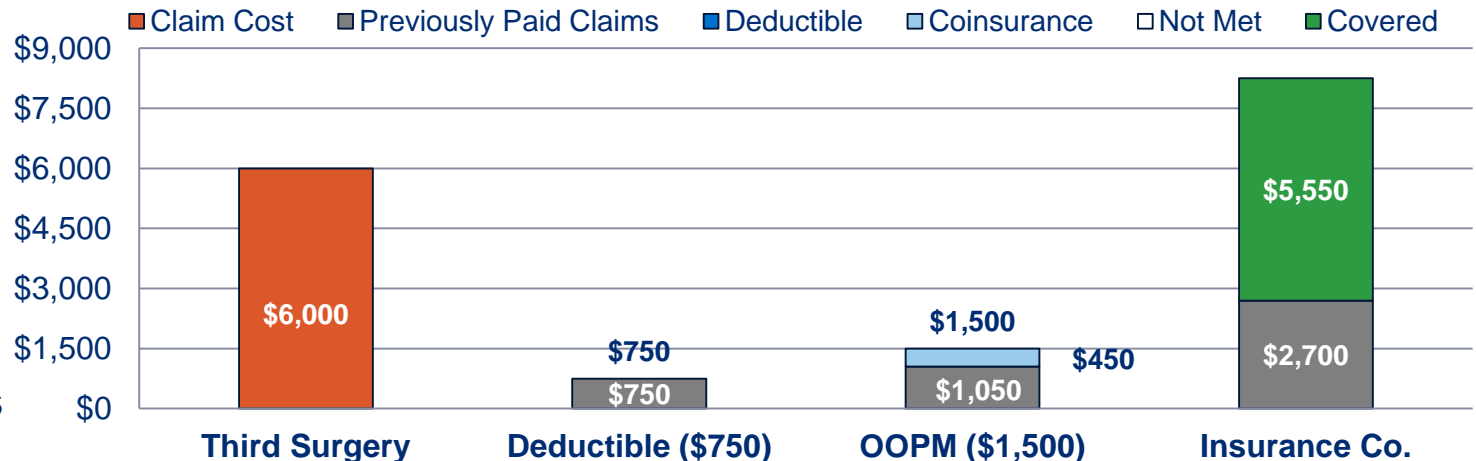
BENEFITS 101 – OUT-OF-POCKET MAXIMUM (OOPM)

Definition

- An OOPM is the most you should have to pay for your health care during a year, excluding the monthly insurance premium. After you reach the annual OOPM, your health insurance begins to pay 100% of the allowed amount for covered health care services or items for the rest of the year.

Example

- John's third surgery occurs in the same plan year as his first two and costs \$6,000. John has already met his deductible, so he only needs to pay the coinsurance on this surgery, up to the plan's OOPM of \$1,500. Because John has already spent \$1,050 on previous claims this year, he only needs to spend \$450 before he reaches his OOPM. Once he reaches the OOPM, insurance covers the remaining costs. Therefore, John's coinsurance total for the third surgery is \$450—the 10% coinsurance cost, up to the \$1,500 maximum—and his insurance covers the remaining \$5,550.



BENEFITS 101 - NARROW NETWORKS

- What is a narrow network?
 - A health plan that offers its subscribers a limited choice in health care providers.
 - Health plans contract with a small group of doctors, specialists and hospitals, and those entities are then considered in-network.
- How can a narrow network reduce costs?
 - Because all plan participants are directed toward certain facilities and physicians, these providers can then reduce the cost for each visit and service which results in lower premiums for the consumer and cost savings for insurers.
 - However, members may be more restricted in provider options because of the narrower network which may be perceived as a disadvantage.



BENEFITS 101 – INSURANCE FUNDING OPTIONS

- Self-funded vs. Fully-insured Basics
 - Self-funded
 - Employer assumes all or a portion of the financial risk for health benefits
 - Third-party administers claims
 - Stop loss coverage used to reduce risk of large claims
 - Fully-insured
 - Insurance carrier assumes all or a portion of the financial risk for health benefits
 - Employer pays a monthly premium to the insurance carrier



BENEFITS 101 - SELF-FUNDING CONSIDERATIONS

- Advantages of Self-funding
 - Able to unbundle and seek least expensive/best service for each component (network, PBM or Pharmacy Benefit Manager, administration, etc.)
 - Improved cash flow as company holds own reserves
 - No margin, premium taxes or fully-insured ACA fees
 - Ability to take advantage of “good” experience within the claims
 - Improved plan design flexibility
- Disadvantages of Self-funding
 - Claims may exceed expected level in a “poor” experience period and negatively impact budget
 - Spikes in claims on a monthly basis could impact cash flow
 - Employer may have ultimate “final say” for claims appeals, perhaps putting the plan administrator in an uncomfortable position
 - Cumbersome to switch administrators due to run out claims
 - Additional internal administration (Human Resources and Finance departments)



BENEFITS 101 - FULLY-INSURED CONSIDERATIONS

- Advantages of Fully-insured
 - Level premium regardless of “poor” claims experience
 - Ability to switch carriers as reserves are included in paid premium
 - Easy to budget on annual basis
 - Administration is generally simplified (depending on number of locations and plans offered)
- Disadvantages of Fully-insured
 - Unable to retain money when claims experience running better than expected
 - Subject to state mandates which may make plan more expensive
 - Bundled and unable to interchange “broken” parts (network, administration, etc.)
 - Must pay fully-insured fees, taxes and margin on top of administrative and claim expenses
 - Less plan design flexibility



CURRENT MEDICAL PLAN OPTIONS

	WEA \$750 Deductible Plan	WEA \$500 Deductible Plan	WEA \$250 Deductible Plan
	Base Plan In-Network	Buy-up 1 Plan In-Network	Buy-up 2 Plan In-Network
Annual Deductible			
Individual	\$750	\$500	\$250
Family	\$1,500	\$1,000	\$500
Coinsurance	10%	10%	0%
Out-of-Pocket Maximum (OOPM)			
Individual	\$1,500	\$1,125	\$250
Family	\$3,000	\$2,250	\$500

Current Enrollment

354 employees
12.7%

603 employees
21.6%

1,837 employees
65.7%

Total Estimated Annual Premium 2018-19:

\$61,195,617

=

\$7,688,805

\$12,787,083

\$40,719,728

Data as of May, 2018



2018-19 MEDICAL PLAN PREMIUMS AND CONTRIBUTIONS

PLAN	PERIOD	COVERAGE	TOTAL PREMIUM	***12%		**10%		*6%	
				Employee	Employer	Employee	Employer	Employee	Employer
\$750/\$1500	Monthly	SINGLE	\$ 1,021.04	\$ 122.52	\$ 898.52	\$ 102.10	\$ 918.94	\$ 61.26	\$ 959.78
Base Plan	Annually		\$ 12,252.48	\$ 1,470.30	\$ 10,782.18	\$ 1,225.25	\$ 11,027.23	\$ 735.15	\$ 11,517.33
\$500/\$1000	Monthly	SINGLE	\$ 1,056.48	\$ 157.96	\$ 898.52	\$ 137.54	\$ 918.94	\$ 96.70	\$ 959.78
****Buy-Up Plan 1	Annually		\$ 12,677.76	\$ 1,895.58	\$ 10,782.18	\$ 1,650.53	\$ 11,027.23	\$ 1,160.43	\$ 11,517.33
\$250/\$500	Monthly	SINGLE	\$ 1,106.16	\$ 207.64	\$ 898.52	\$ 187.22	\$ 918.94	\$ 146.38	\$ 959.78
****Buy-Up Plan 2	Annually		\$ 13,273.92	\$ 2,491.74	\$ 10,782.18	\$ 2,246.69	\$ 11,027.23	\$ 1,756.59	\$ 11,517.33

PLAN	Period	COVERAGE	TOTAL PREMIUM	***12%		**10%		*6%	
				Employee	Employer	Employee	Employer	Employee	Employer
\$750/\$1500	Monthly	FAMILY	\$ 2,290.52	\$ 274.86	\$ 2,015.66	\$ 229.05	\$ 2,061.47	\$ 137.43	\$ 2,153.09
Base Plan	Annually		\$ 27,486.24	\$ 3,298.35	\$ 24,187.89	\$ 2,748.62	\$ 24,737.62	\$ 1,649.17	\$ 25,837.07
\$500/\$1000	Monthly	FAMILY	\$ 2,370.12	\$ 354.46	\$ 2,015.66	\$ 308.65	\$ 2,061.47	\$ 217.03	\$ 2,153.09
****Buy-Up Plan 1	Annually		\$ 28,441.44	\$ 4,253.55	\$ 24,187.89	\$ 3,703.82	\$ 24,737.62	\$ 2,604.37	\$ 25,837.07
\$250/\$500	Monthly	FAMILY	\$ 2,481.66	\$ 466.00	\$ 2,015.66	\$ 420.19	\$ 2,061.47	\$ 328.57	\$ 2,153.09
****Buy-Up Plan 2	Annually		\$ 29,779.92	\$ 5,592.03	\$ 24,187.89	\$ 5,042.30	\$ 24,737.62	\$ 3,942.85	\$ 25,837.07

* Employees currently paying 6% are : Educational Support Professionals (ESP) and Food Service.

**Employees currently paying 10% are: Interpreters and Secretaries.

***Employees currently paying 12% are: AST, Carpenters, Painters, Teachers, and Service (Custodial, Maintenance, and Grounds).

**** Buy-Up Options are voluntary plan upgrades. Employees pay the base plan contributions in addition to the full premium difference.



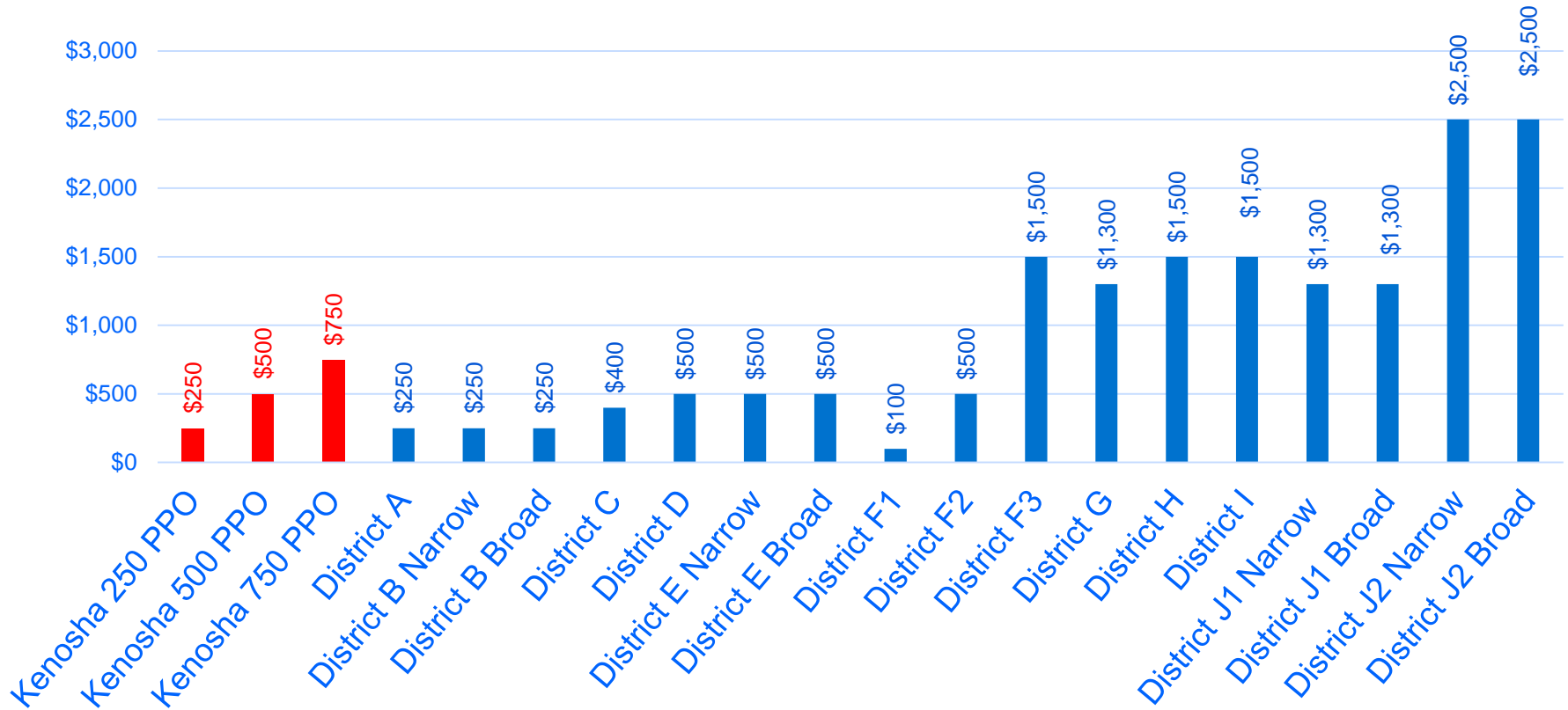
BENEFIT BENCHMARKS - SUMMARY

- KUSD Compared to 10 SE Wisconsin School Districts
- Individual Benchmarks Important, but Plan Designs, Employee Contributions and Salary Should Be Considered in Totality
- Trends
 - Plan designs to promote consumerism
 - Increasing employee benefit cost share
 - High-deductible health plans



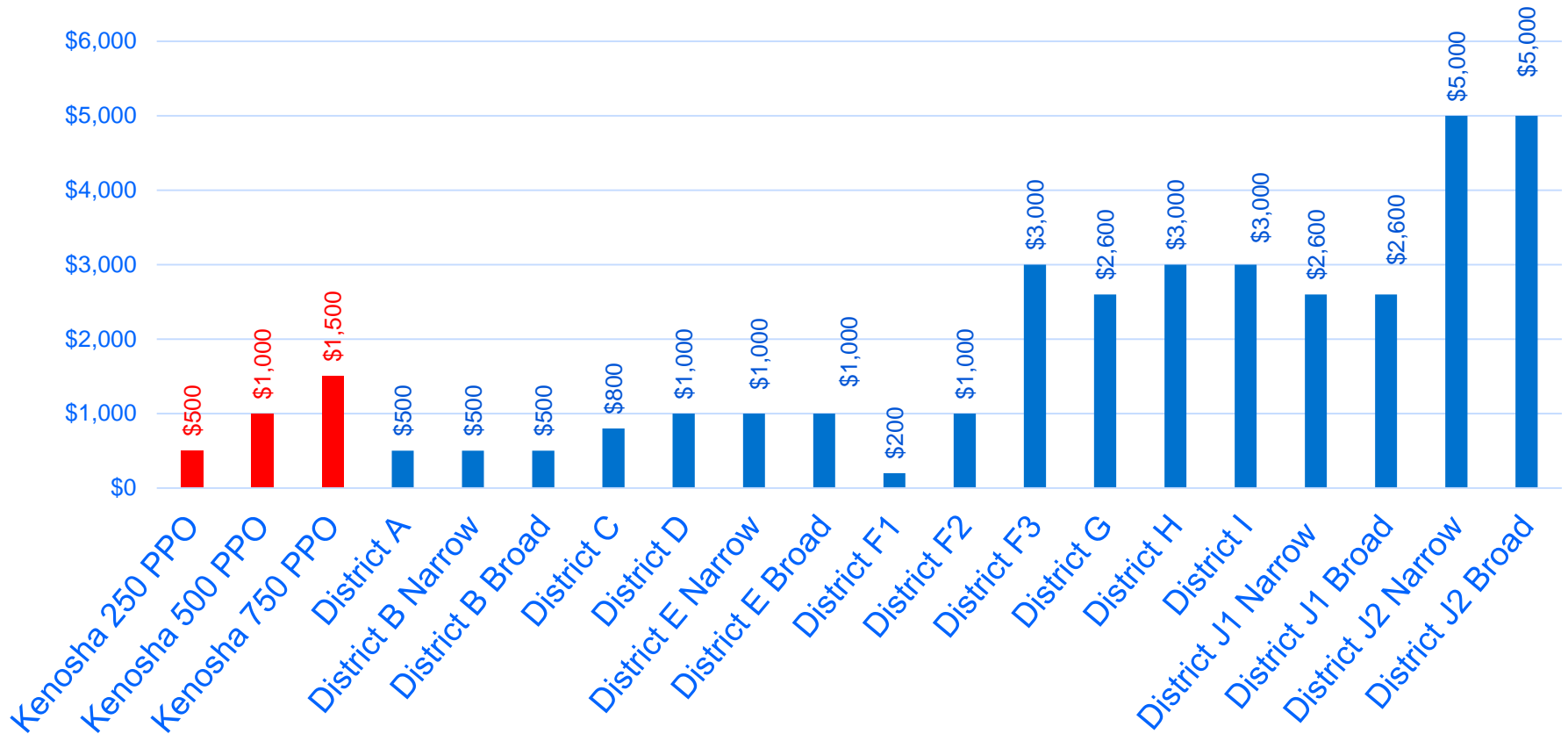
BENEFIT BENCHMARKS – MEDICAL PLAN DESIGN

IN-NETWORK DEDUCTIBLE - SINGLE



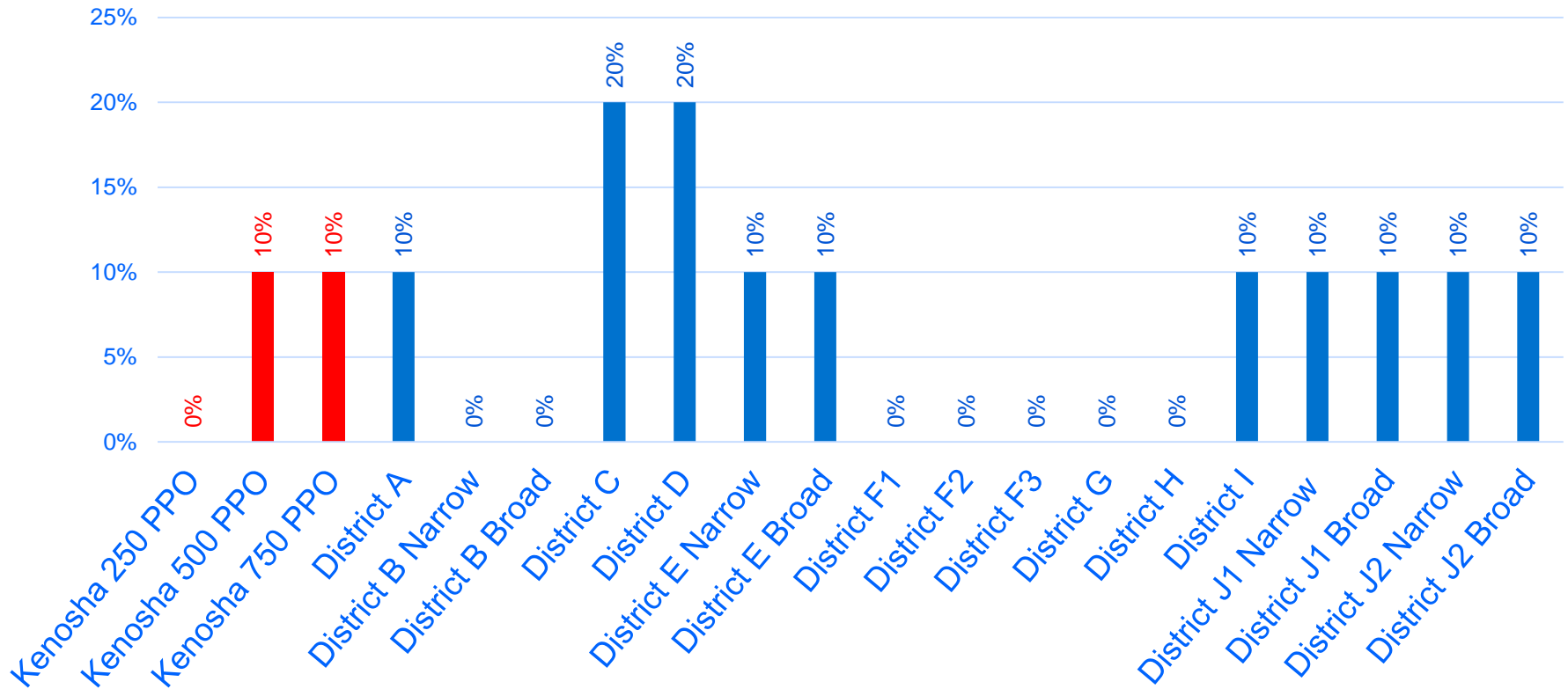
BENEFIT BENCHMARKS – MEDICAL PLAN DESIGN

IN-NETWORK DEDUCTIBLE - FAMILY



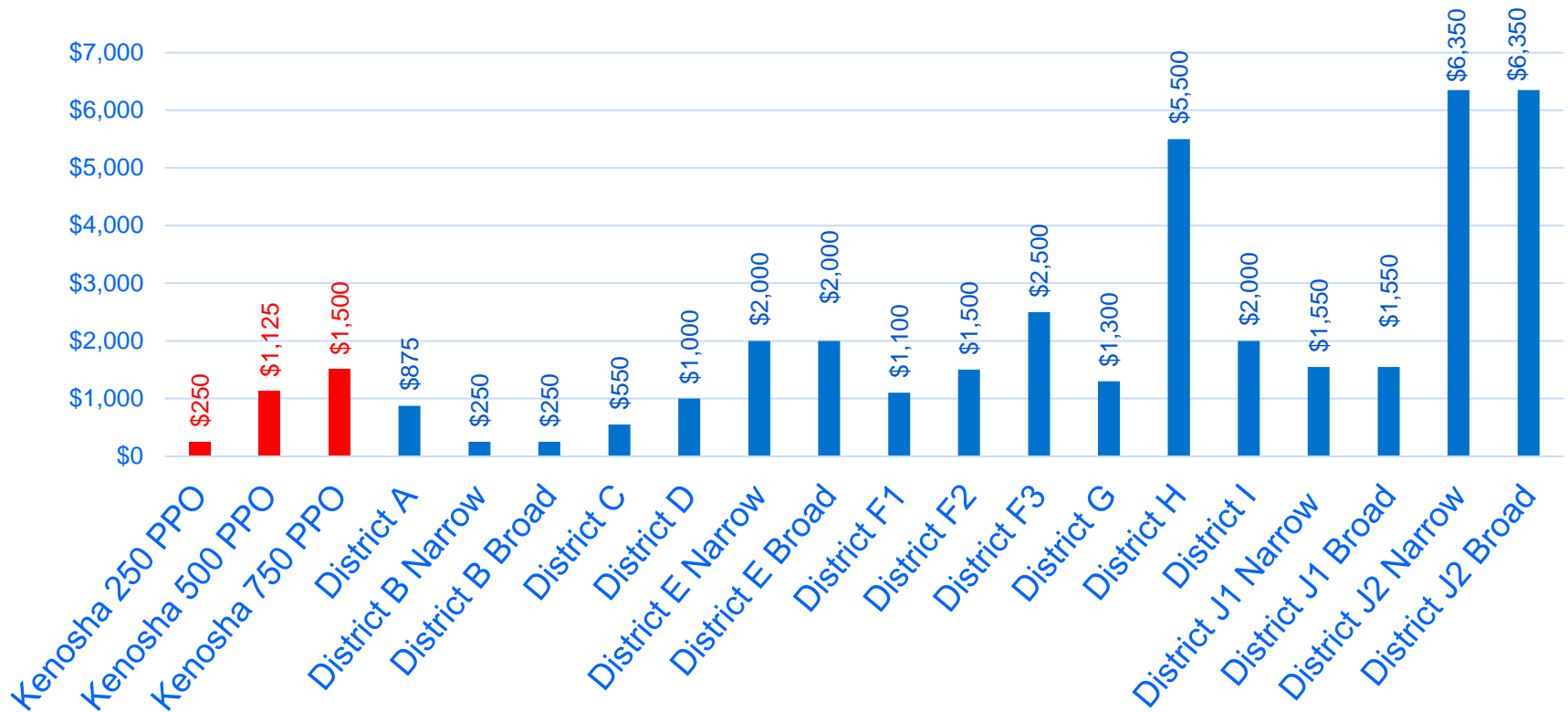
BENEFIT BENCHMARKS – MEDICAL PLAN DESIGN

IN-NETWORK COINSURANCE



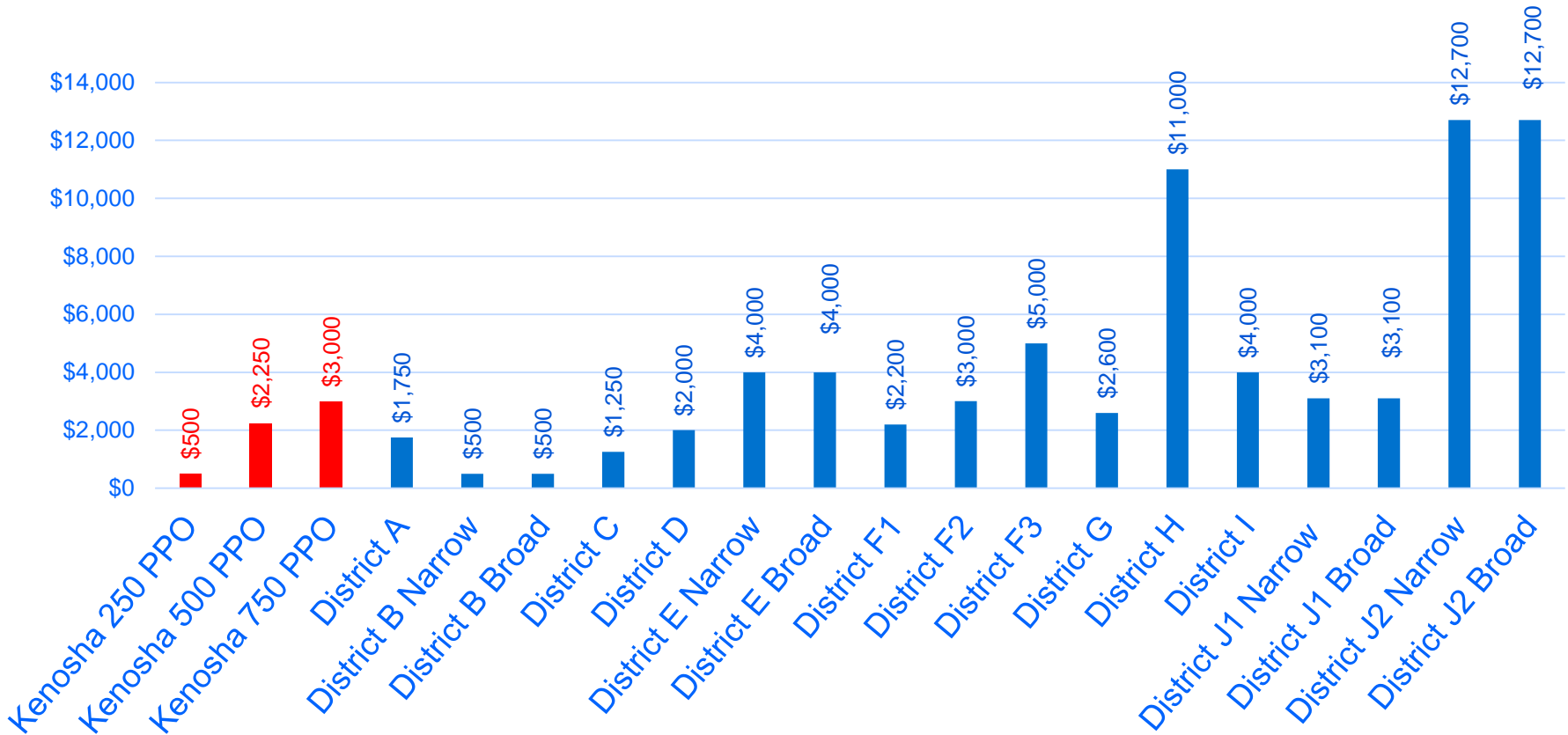
BENEFIT BENCHMARKS – MEDICAL PLAN DESIGN

IN-NETWORK OUT-OF-POCKET MAXIMUM - SINGLE



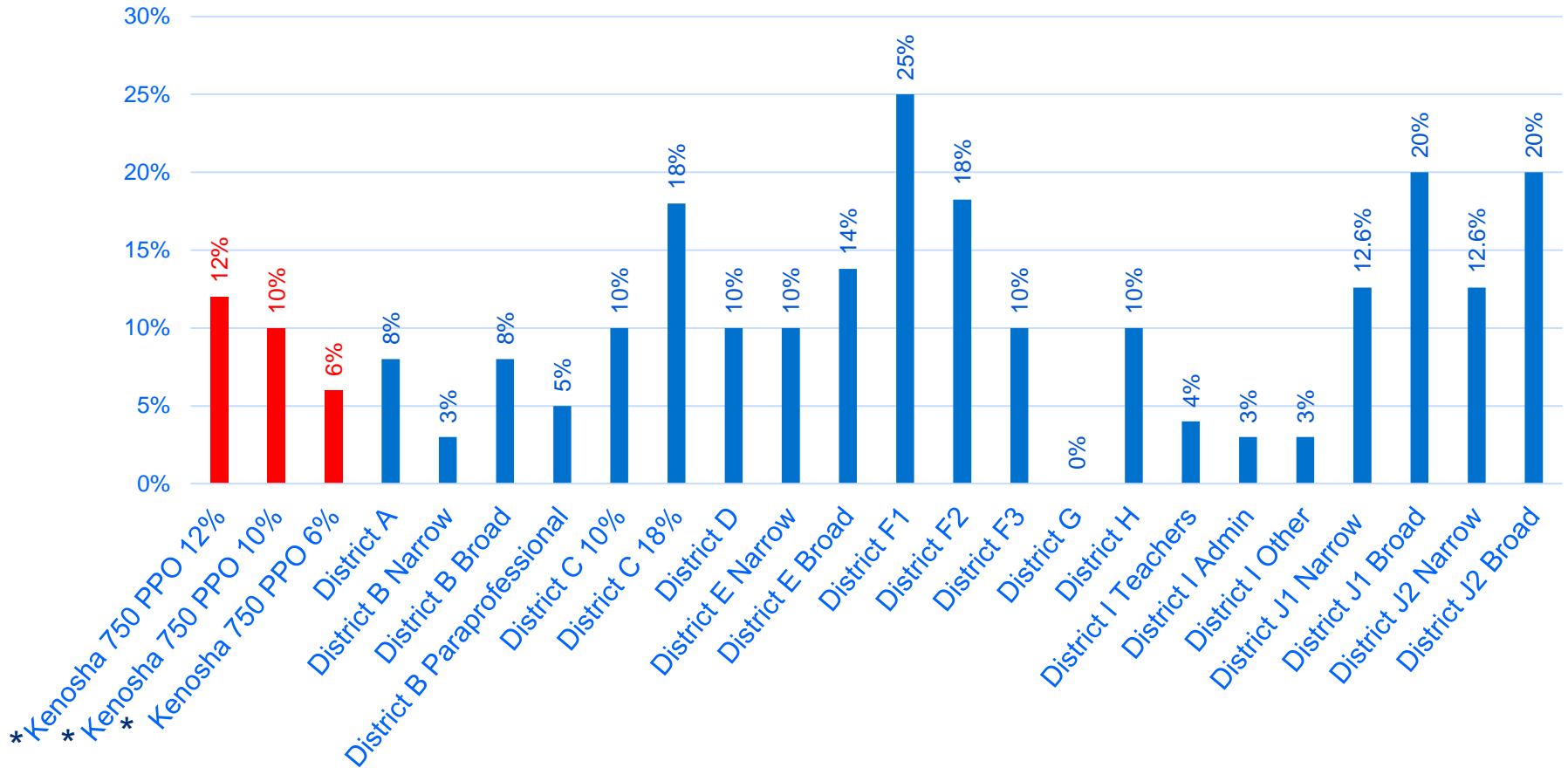
BENEFIT BENCHMARKS – MEDICAL PLAN DESIGN

IN-NETWORK OUT-OF-POCKET MAXIMUM - FAMILY



BENEFIT BENCHMARKS – MEDICAL PLAN COST

EMPLOYEE PREMIUM CONTRIBUTIONS – PERCENT OF TOTAL



*Employee contribution percentages for Buy-up 1 and 2 plans are higher.



MEDICAL PLAN CONSIDERATIONS - BACKGROUND

- Insured medical plan
 - Analyzed and compared self-funding vs. fully-insuring at last medical RFP (July 2016)
- Three medical plan options
 - Historically have had one option (\$100 deductible plan)
 - July 2012 replaced \$100 deductible plan with an HRA plan option
 - July 2013 offered \$250 deductible and \$500 deductible plans – more choice
 - July 2016 offered third plan option (\$750 deductible plan) – KUSD Board requested \$750 deductible plan to offer lower premium cost for District and employees
- Two-tier rates currently offered through WEA
 - WEA's current renewal was two-tier
- Consumer driven plans (HRA, HSA)
 - Offered HRA in July 2012
 - \$2,000 / \$4,000 deductible
 - \$1,800 / \$3,600 HRA
 - Lower than expected savings and additional administration issues – moved back to traditional plan



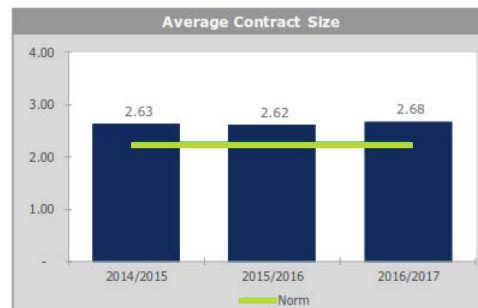
MEDICAL PLAN CONSIDERATIONS – BACKGROUND

- On-Site Clinic
 - Offered through WEA with July 2014 renewal
 - Eliminated July 2017
 - Low utilization
 - Rich plan designs did not encourage clinic usage – majority of employees in \$250 deductible plan
- Wellness
 - Health risk assessments / biometrics in July 2012
 - Low participation – no incentive
 - Could not add incentive due to budget constraints
 - Re-visited in July 2016 through WEA
 - Low incentive



MEDICAL PLAN CONSIDERATIONS – CURRENT STATE

- July 1, 2018 Medical Renewal
 - Final year of 3-year rate guarantee - WEA Trust contract ends 6/30/19
 - 8% rate guarantee
 - Actual renewal calculation called for approximate 19.5% increase, but capped at 8% because of guarantee
 - Three medical plans offered (**Base** \$750, Buy-up 1 \$500, Buy-up 2 \$250)
- Cost Drivers / Utilization
 - High Membership
 - Average contract size is 2.68 (norm is 2.2)

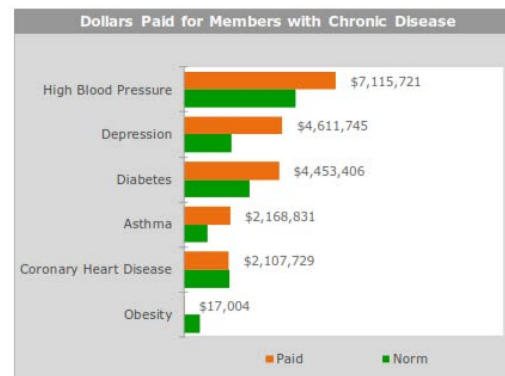
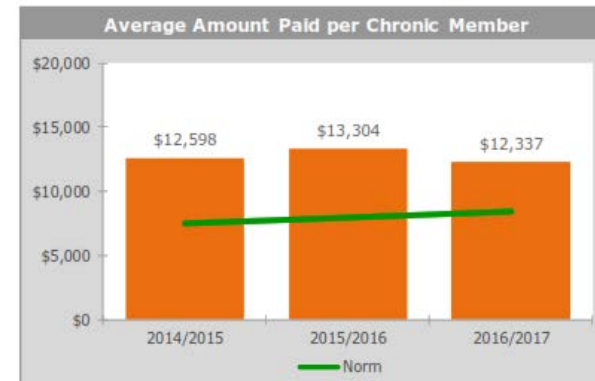
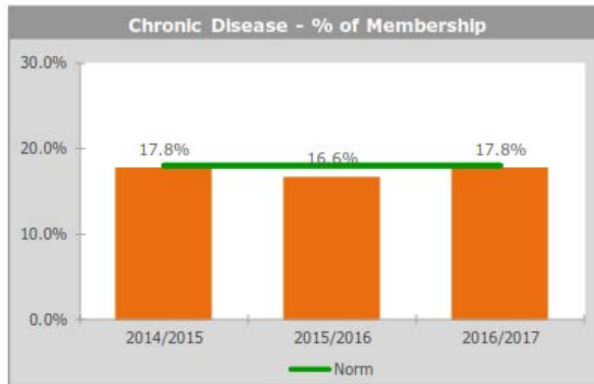


- High utilization of services (outpatient, ER, radiology, prescription drug, etc...)



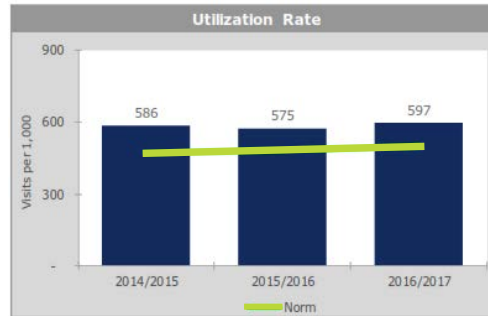
MEDICAL PLAN CONSIDERATIONS – CURRENT STATE

- High Cost Claims (most recent 12 months)
 - 6 claims over \$250,000 = \$1.84 million (3.23% of total claims)
 - Last year – 6 claims over \$250,000 = \$2.99 million (5.9% of total claims)
- Chronic Conditions
 - Average annual cost per chronic member is \$12,337 vs norm of \$8,391



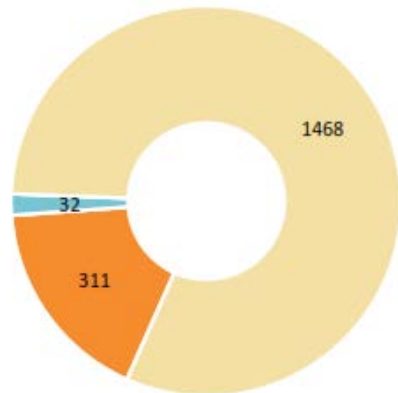
MEDICAL PLAN CONSIDERATIONS – CURRENT STATE

- Positive Utilization
 - Wellness / Routine Visits are above the norm



- Amwell – WEA Trust (most recent 12 months)

Health Care Encounters



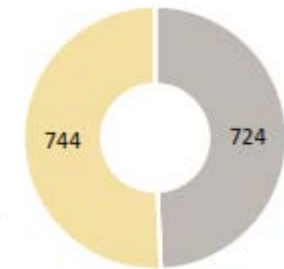
Amwell Urgent Care ER

Total Urgent Care



Amwell-Appropriate Visits

Total Emergency Room



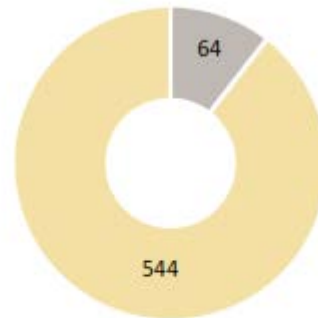
Amwell-Appropriate Visits



MEDICAL PLAN CONSIDERATIONS – CURRENT STATE

- SmartChoice – WEA Trust (most recent 12 months)
 - Every MRI, \$600 or less
 - Cost of scan, any contrast needed and radiologist interpretation of results
 - GE MRI technology
 - All exams are interpreted by board-certified radiologists from the Cleveland Clinic
 - **\$100 VISA** incentive card when you choose SmartChoice MRI

SmartChoice MRI Scans



▪ Smart Choice MRI ▪ Other

Average Savings Per Visit

\$1,001



MEDICAL PLAN CONSIDERATIONS – FUTURE STRATEGIC CONCEPTS

- Medical Plan Marketing
 - Broad vs. Narrow Networks
 - WEA
 - UHC
 - Anthem
 - Humana
 - Network Health Plan
 - Other
 - Fully-insured vs. Self-funded Arrangement
 - Compare short-term vs. long-term costs for KUSD



MEDICAL PLAN CONSIDERATIONS – FUTURE STRATEGIC CONCEPTS

- Plan Design Alternatives
 - Reduce the number of plans from 3 to 2
 - PROS: Improves administrative efficiency and reduces complexity for employees
 - CONS: Reduces employee plan options
 - Adjust copays, deductibles and/or out-of-pocket maximums
 - PROS: Potential cost savings; promotes consumerism and encourages improved health care utilization
 - CONS: Increases up-front out-of-pocket expenses for employees and members
 - Add separate Rx (Prescription Drug) accumulators
 - PROS: Potential costs savings; promotes consumerism and encourages improved health care utilization
 - CONS: Adds complexity; increases up-front out-of-pocket expenses for employees and members
 - Assess additional Rx (prescription drug) copays, formularies, and clinical programs
 - PROS: Potential costs savings; promotes consumerism and encourages improved health care utilization
 - CONS: Adds complexity; increases up-front out-of-pocket expenses for employees and members



MEDICAL PLAN CONSIDERATIONS – FUTURE STRATEGIC CONCEPTS

- Plan Design Alternatives (cont'd)
 - Consider a consumer driven health plan (High-deductible health plan with Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA))
 - PROS: Potential costs savings; promotes consumerism and encourages improved health care utilization; employees can take HSAs with them or use to save for future medical expenses; employer may provide some HSA funding
 - CONS: Increases up-front out-of-pocket expenses and potential deterrent to seeking care; employees would need to fund HSA; some HRA's do not roll-over from year to year
 - Potential Wellness program
 - With more consumer driven plans wellness programs become more valued and appropriate
 - Biometrics
 - Health Risk Assessment



MEDICAL PLAN CONSIDERATIONS – FUTURE STRATEGIC CONCEPTS

- Increasing rate tier structure from 2 to 3 or 4
 - Employee
 - Family
 - Employee
 - Limited Family
 - Family
 - Employee
 - Employee / Spouse
 - Employee / Child(ren)
 - Family
- Streamlining employee medical contribution levels
 - 6%, 10%, 12%
 - Majority of employees are paying 12% (teachers, AST, carpenters, painters, and service (custodial/maintenance))
 - 1,860 employees at 12% (66% of population)
- Evaluating generous benefit eligibility requirements
 - Current ACA requirements for health insurance is 30 hours per week
 - KUSD offers health insurance to employees working 17.5 hours per week
 - Other Districts tend to be closer to the 30 hours per week



SCHOOL BOARD REVIEW AND INPUT

- Draft presentation shared with School Board for review
- Requested feedback by close of business on Friday, April 27, 2018
- Feedback received from the School Board with requests for additional information
- Presentation updated to incorporate additional information based on feedback received



SCHOOL BOARD: QUESTIONS PRESENTED

- What is the KUSD vs. employee cost share for monthly or annual medical insurance premiums?
 - Insurance premiums and cost share were reviewed earlier in this presentation.
 - Employee cost share is determined by three primary factors: (1) employee group, (2) selected medical plan and (3) single or family coverage.
 - KUSD makes a defined medical insurance premium contribution which is calculated based on employee group and the **Base Plan**.
 - Employee pays 6%, 10% or 12% of the **Base Plan** medical insurance premiums, meaning KUSD contributes 94%, 90% or 88% of the **Base Plan** premiums, respectively.
 - KUSD's defined contribution is determined based on this calculation.
 - Whether an employee selects the **Base Plan**, Buy-up 1 Plan or Buy-up 2 Plan, KUSD contributes the same dollar amount.
 - Therefore, if employees select the Buy-up 1 or Buy-up 2 Plan, employees pay the cost difference between plans and contribute more than 6%, 10% or 12% of the premiums.



SCHOOL BOARD: QUESTIONS PRESENTED

- Does KUSD do anything to encourage employees to have their spouses/family members obtain insurance from another employer, if available?
 - No
 - Fully-insured school district plans are prohibited from “carving out” spouses, or requiring them to take coverage elsewhere if available.
 - Other strategies to consider:
 - Spousal surcharges
 - Increasing the number of coverage tiers
 - Employee
 - Family
 - Employee
 - Employee / Spouse
 - Employee / Child(ren)
 - Family



SCHOOL BOARD: QUESTIONS PRESENTED

- Should KUSD consider offering a high-deductible health plan that may result in insurance premium reductions?
 - Employers, including school districts, are frequently now either considering or implementing high-deductible health plan options.
 - Such plans may result in reduced insurance premiums and will also require employees to pay a larger portion of expenses up front through deductible and out-of-pocket maximums.
 - Up-front expenses can be offset by contributions to an HSA account.
 - Unused HSA balances:
 - Grow over time
 - Tax free
 - Remain with the employee
 - No use-it-or-lose-it rules (FSA).
 - High-deductible health plans can also be paired with other insurance benefits, like Critical Illness or Accident plans that may provide cash payments that can offset out-of-pocket maximums.



SCHOOL BOARD: QUESTIONS PRESENTED

- Is the summary of the medical plan available for review?
 - Yes, and this document (Summary of Benefit and Coverage) has been shared with the School Board.
 - Also available via the HR Portal.



SCHOOL BOARD: QUESTIONS PRESENTED

- Has a self-funded vs. fully-insured analysis been performed and will it be again?
 - Hays previously provided such analyses which concluded KUSD has, and continues to, benefit from being fully-insured.
 - Hays will provide another analysis prior to the completion of the insurance RFP. Results will be shared at that time.



SCHOOL BOARD: QUESTIONS PRESENTED

- What percentage of employees reach their out-of-pocket maximum expenses during the year?

OOPM	Single Count	Single %	Family Count	Family %
\$250 Plan	378	59.2%	866	71.6%
\$500 Plan	38	15.6%	56	15.4%
\$750 Plan	11	8.3%	18	8.2%
Total	427	42.1%	940	52.5%



SCHOOL BOARD: QUESTIONS PRESENTED

- Majority of employees are in Buy-up 2 plan (\$250 deductible). Consideration should be given to adjust benefits, increase contributions, eliminate an option, or replace option with a high deductible plan?
 - All of the above options will be considered in the RFP process.
 - Particular attention will be made toward reviewing the feasibility of a high deductible option.



SCHOOL BOARD: QUESTIONS PRESENTED

- KUSD offers health insurance coverage to eligible retirees up to age 65 (with 15 years of service). Can eligibility or contributions be adjusted going into the future?
 - Yes, there are myriad options Board can consider.



SCHOOL BOARD: QUESTIONS PRESENTED

- What percentage of services are going out-of-network?
 - Number of claims
 - 95.6% in-network / 4.4% out-of-network.
 - Paid claims
 - 99.2% in-network / 0.8% out-of-network.



SCHOOL BOARD: QUESTIONS PRESENTED

- Should KUSD consider adjusting their prescription drug copays? Should the “value drug” copay be moved to \$5 instead of \$0? Should other adjustments be made to the tiers and mail order programs (mandatory)?
 - During the RFP process options will be reviewed to adjust various prescription drug copays.
 - Each quoting carrier and pharmacy benefit manager (PBM) will also propose various clinical, formulary, and other related programs with the prescription drug benefit for KUSD – all options will be considered.



SCHOOL BOARD: QUESTIONS PRESENTED

- For the office visit copays, KUSD should consider alternatives to the \$10 copay and the \$25 specialist copay. How many office visits and specialist visits occurred in the most recent 12-month time period?
 - Primary Care Physicians (PCP) = 14,577 (34.4%)
 - Specials = 27,759 (65.6%)



SCHOOL BOARD: QUESTIONS PRESENTED

- Is the Delta Dental plan insured or self-funded? Do preventive services count towards the annual maximum?
 - The Delta Dental plan is insured
 - Preventive services do count towards the annual maximum



SCHOOL BOARD: QUESTIONS PRESENTED

- Currently KUSD uses both the Delta Dental PPO network and the Delta Dental Premier network. Is there a disincentive to using the Premier network?
 - The Delta Dental plan typically offers both networks to employees who are in the Delta Dental plan. Some employers have tiered the benefits so the better benefit is available to those employees who use the PPO network
 - PPO network is smaller, but offers better provider discounts
 - The disincentive in using the Premier network over the PPO network is the employee will pay a higher overall cost of services when using the Premier network. Therefore, as services accumulate towards the annual maximum, the employee will not get as many services using the Premier provider when compared to the PPO provider.



SCHOOL BOARD: QUESTIONS PRESENTED

- Is there an estimate on what the cost of insurance will be at next year's renewal, 7/1/2019?
 - As noted earlier, the calculated renewal increase for July 1, 2018 was 19.5%. However, KUSD has a rate guarantee which is 8%.
 - This difference between projected and guarantee was evident at last year's renewal (July 1, 2017) also.
 - Assuming no changes, we would estimate the renewal will come in at approximately the 19.5%.
 - However, KUSD is going to RFP for the medical plan next year which will bring in new competition for their business. Depending on how the market evaluates the KUSD risk, rates could come in more competitive than the 19.5%.
 - Additionally, the projected increase would be impacted by any changes KUSD makes in plan design, number of plans offered, narrow networks, or introduction of a high deductible health plan, etc...
 - Self-funding could also have an impact of the projected costs for next year

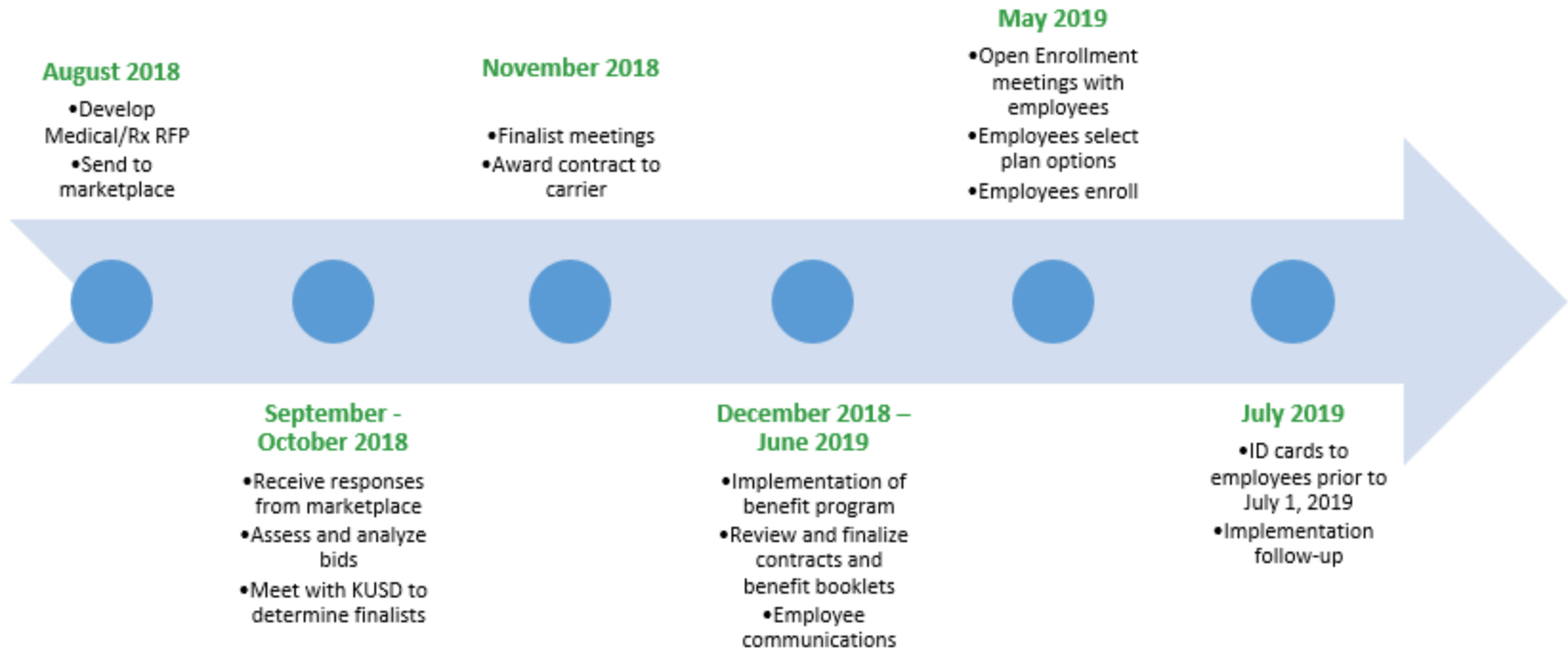


SCHOOL BOARD: QUESTIONS PRESENTED

- How often can hearing aids be replaced, and is there a maximum allowed per hearing aid?
 - For dependent children under age 18, WEA Trust reimbursement is limited to one hearing aid per ear in each three-year period.
 - For adults, the reimbursement is limited to one hearing aid per ear per lifetime.
 - WEA Trust covers examinations, tests, or services for prescribing or fitting a hearing aid or device covered under the contract



PROPOSED MEDICAL RFP TIMELINE



NEXT STEPS

- Board Meeting – Working Session (July)
 - RFP Planning meeting
 - HRA and HSA discussion
- Medical RFP
- Other Considerations?





Questions?

