

FEA All-District Health and Welfare Meeting Notes

Monday, January 14, 2013, 3:30pm to 5:00pm

Cupertino High School Theatre

Attendees: Jason Heskett (FEA President), Ben Eloy (FEA Vice President), Jon Fey (FEA Treasurer), Jon Stark (Chief Negotiator), Karl Hansen (VITA), Matt Lundsten (VITA), Leslie Robledo (CHS Site President)

NOTE FROM BEN ELOY (taking notes): I tried my best to capture what people were saying, but this was often difficult due to fast speaking rates and multiple parties speaking at once. If I have not captured your comments completely, I apologize in advance. Also, I didn't know the names of everyone present so I used names as I knew them.

Jason's introduction:

1. Pay \$1750 increase
2. Plan changes – deductibles, co-insurance
3. Look at possible increases to our contributions

Unnamed Member: with the deductible and co-insurance change, would that only apply to Anthem, or to both Anthem and Kaiser?

Matt Lundsten: Kaiser does have that option.

Karl Hansen: Kaiser would insist on parity between the two plans.

Ken Iams: You just mentioned we had three options. It was said the purpose of the past meetings was to collect feedback, but it seems the decision has already been made. I thought the whole purpose of this was to gather information from members, educate members so they could make an informed decision for the membership going forward.

Jon Fey: I think the process is that the Health & Welfare committee needs to be educated, so that it can make an educated proposal to Rep Council.

Ken Iams: So you are comfortable with the fact that there is no voice for those who may disagree with the Health & Welfare committee. Health & Welfare committee is a closed-door meeting with no minutes.

Jon Fey: I'm here as a member of the committee to hear information from members.

Jon Stark: Rep Council decides what the ballot is, they can select whatever they want.

Jason Heskett: These are the options that seem reasonable. We are listening to what people want to see, we are surveying. Would you like to present your idea?

Ken Iams: I presented to Rep Council in the past about CVT. I have the presentation I gave a couple of years ago. The main thing that is frustrating to some of us is that we all know we have a big pie.

My name is Kenny Iams, and I am responsible for the blue papers that were in people's mailboxes. My wife works for the district, and I want to be clear about my status. We have our portion of the pie, which is our 66% that comes to us. Out of that, we pay for our benefits. There has finally been an acknowledgement, we get to pay our benefits, we get to choose how it is allocated. Just for example, if we, hypothetically, got rid of all our benefits together, my calculations were that (as a block) we would all receive \$17000. Per employee, that amount has been growing over the years. That portion of our benefits has been growing, the benefits

portion has been going up. Benefits is a larger and larger part of our overall compensation. Everyone has different financial priorities. For some people, healthcare is the number one priority. Others have different priorities, e.g., student loan payoff, saving for a downpayment. I want to acknowledge that there are inequities, there are people whose spouses opt out of benefits on their company plan and then join our plan for \$1200 per year. A very large portion of our population contributing 3% of our cost. ~500 people are contributing \$8 million dollars. 223 Non-FEA spouses are contributing \$1200 each. Even some other teachers at other districts, can opt out of benefits, get extra take home pay, and then are getting benefits from our plan without paying their "true statistical cost." Let's look at those inequities, and how can we deal with that. Well, why can't we contribute the amounts. It's my understanding from VITA in the past that our group isn't large enough to have tiered rates from Anthem or Kaiser. The tiered rate for family would be \$24,000, but that employee is only paying \$17000 (from dividing total cost by number of employees). Singles tiered rate is \$9000. Is it equitable to keep subsidizing the Cadillac Plan for families when some of us, all of us, haven't gotten a cost of living increase in years. We are diverting our salary allocation to health care. If you advocate for health care expenses that's OK, if you advocate for taking one time money, then you're demonized... That's the big picture, that's the big philosophical thing. We have benefits and take home pay, a portion here and a portion there, these are the tiered rates. This is a couple of years ago, but the tiered rates for Anthem and Kaiser at the time. It's frustrating for a lot of people at our site, an acknowledgement that Kaiser is less expensive than Anthem. That's something that's come up at our site, that hasn't been brought up to the rest of the membership. Why people like CVT, is because they give them flexibility. They feel like it's more equitable. Whether it's cost-effective, well, Cadillac plan, it gives each employee flexibility. Then you have the option, if you feel healthcare is a great priority for your family, you can allocate your money towards health care, then you can do that, but if you have other priorities, you can choose a plan with deductibles, etc., that is less expensive, can have more take-home pay. You can boost your salary pre-retirement, increase CalSTRS. A current family, if they wanted the current Cadillac plan, would have to pay more.

Jason Heskett: I've heard from some who are in the classified staff, who are priced out of paying for health care on the plan. Someone has to pay their entire paycheck to cover healthcare.

Ken Iams: We could have CVT come to give a presentation. Let's have a larger, broader discussion, it is salary, it is benefit. Some people definitely benefit. Some of our administrators may be covered under our plan at the current contribution rate. Some spouses are self-employed. However, my wife works here, and she is contributing \$17,000, and if someone is self-employed... everyone could pay exactly the same as everyone else on the plan. Should I be working and foregoing cost of living to provide his healthcare during his retirement? I don't think it's right for us to provide cost of living increases to other spouses if they choose not to work. We would still provide benefits to these non-FEA spouses if they contribute at the \$17000 rate. Also not fair for people who are on Kaiser. People on Anthem should be paying more.

Matt Lundsten: Kaiser 6% increase this year, Anthem 17%.

Ken Iams: Assume gap between Kaiser and Anthem still exists in terms of tiered statistical costs. Anthem has gone up quite a bit, \$24000 for family. We don't know who's going to be hurt in any one given year. The actuarial number is that one given by the plan.

Ken Iams: I'm the only employee in the district who has a health care sales license, but have been denied access to the health committee.

Karl Hansen: I'm Karl Hansen from VITA, we do presentations like this all the time. Right now we're allocating an equal amount of money to each person in the group. You're saying some people would pay more or less.

Ken Iams: Is there a way for us to structure it so that we would have tiered rates?

Karl Hansen: Oh yeah, you could structure it that way, but it would have a big effect on your group. The key issue is that 25 year olds would leave, 60 year olds would stay, healthy would leave, sick would stay, costs would skyrocket. If we were to switch to a totally tiered model... I will get back to that. Do we assign actual costs to the employee, and how far do we go?

Ken Iams: My idea was to try to bridge the gap. Let's not differentiate between old and young, let's take the total cost of the plan and divide by the number of people...

Karl Hansen: If we take this first step, we'll have the youngest male, arguing with the oldest male, it's not \$600, it's \$300 and \$900. And then we'll talk males and females. And ladies, you cost more when you're 25 and less when you're 55 than men. Insurance is about balance, and we have this conversation, why are we paying for families? We want your plan to be viable, and in this world today, like, we haven't had salary increases. No, they're all going to the doctors. The amount that the doctors have gone up in your plan is where the money is going – the insurance companies are not making big profits on your plan. Do we want to pay for spouses, do we want to pay for children? We beat up your committee, every year, Apple, HP, they love your district, you're paying for their employees. It took us years to get the \$100 contribution, now \$120. We need to be looking at that \$120 and make sure it's staying high enough so that if your spouse has an opportunity to be covered by their employer. We do need to index that, how do we set that number so that it's actually in motion. The average PPO contribution is about \$100 right now.

Unnamed Member: You said the average PPO contribution was \$100, was that for employee, spouse, children?

Karl Hansen: The average right now for a member is about \$100 per month. Spouse contributions from employers are around \$200. When we go to fixed-dollar contributions, the group implodes, because, we have to be very careful. I wanted to explain the 80-20 rule, where did my magic marker go.

Jon Stark: I had just a couple of comments about equity. Kenny wants us to disclose our personal situation, so I will disclose. I have a self-employed spouse who has no other option for health care, she's on the plan, \$1200 per year. I've looked at all my statements in the last five years, combined we've never cost more than \$500. My wife is past having kids, not going to happen. She's a vegetarian, does yoga, does triathlons. She's not likely to cost us very much. I bike everywhere, climb mountains, I'm healthy. I've paid more in spouse contributions in the last five years than I've cost. Are people on Kaiser subsidizing me (on Anthem)? No, if you have cancer on Kaiser, I'm subsidizing you. If we encourage people to move to Kaiser, Kaiser will become more expensive. Healthy people on the plan subsidize sick people, whether on Anthem or Kaiser. I don't think it's fair to talk about one group subsidizing another group. We have a situation where the healthy people, pay the cost of the sick ones, and are then covered if they get sick. Changes in rates on Kaiser and Anthem are noisy, depends on who is sick on which plan. Hard to get a clean cost comparison. With respect to the blue sheet, in terms of equity and making things fair, we need to talk about keeping competitive so the incentives are right, but under the blue plan, my wife's coverage would go from \$1200 to \$12000. For our membership, the mere idea that you would ask people's contribution to go up that much seems unbelievable.

Unnamed Member: We're not talking about the healthy subsidizing the sick, it's who is paying the subsidy. From our perspective, if it was a \$2000 decrease in salary, that would represent a \$4000 pay cut for our household, to keep spousal pay affordable. It seems unfair for me to take a salary cut to subsidize somebody else's health care.

Ken Iams: With the blue proposal, some would pay more, but there would be savings for the membership as a whole.

Ed Puccinelli: Percentage increases, Anthem vs. Kaiser. What is the percentage change referring to? Percentages don't mean anything unless you know the base cost. To say Kaiser costs \$1000 versus Anthem costs \$1100, then I could make sense as to which is more expensive.

Karl Hansen: Anthem is much more expensive. If you have a tumor, and you're under Kaiser, and open enrollment comes around, you will switch to Anthem, and go to Mayo Clinic, UCSF, etc. Kaiser has a very highly efficient delivery system, it's second-to-none. I at VITA, am covered by both Kaiser and Blue Shield. I get to see both of them, yes, I pay two premiums. Why? I want to see the delivery system. Non-profit? The health plan is non-profit, but the physician side is for-profit. Blue Shield is a non-profit. Anthem Blue Cross is for-profit. Both cost the same, because Anthem is more efficient, because there is pressure on them as a for-profit, public corporation.

Adverse selection is the 1st. The most important difference between Kaiser and Anthem/other plans, is uncompensated care. 16% of our Anthem premium is for uncompensated care, which medical providers push onto paying customers. Not so for Kaiser, which only treats life-threatening situations for non-covered members. Under Kaiser, they manage your care. Under Anthem, you manage your own care. We are the problem. I just got a drug, \$624 for 7 grams, \$2500 an ounce, more than gold. Kaiser will not generally give me that drug. It's a different delivery system, because they don't have to. I get to consume the cutting-edge drug.

Unnamed Member: I've been a Kaiser patient since 16, parents moved to that plan as a cost-savings measure. Parents treated at Kaiser, Kaiser sent them to other private hospitals, Stanford, etc. I think Kaiser gives excellent care. I would not change medical insurance because I got cancer. Have I changed physicians, yes?

Karl Hansen: As I said, Kaiser has an excellent medical delivery system. They have excellent contracts with Stanford, other centers of excellence, they pre-pay for their members for these unique situations.

Jason Heskett: Incentives wise, if we offered an incentive for members to go from Anthem to Kaiser, what effect would that have on our group?

Karl Hansen: I would argue that Kaiser would be cheaper generally. Kaiser doesn't cover some drugs, treatments that are very expensive. By the way, I think that's smart. We have to realize that we don't have an endless checkbook. We can't have this conversation forever. As an employer, the cost of health care is outrageous. We have to draw the line. By the way, one of the proposals. I think it's important that we move away from your Cadillac Plan, and talk about having a moderate deductible. The rule is never insure what you can self-insure. The whole conversation has shifted, but I do want to get to this really quickly.

As we make contribution decisions, and what Kenny's proposed, balance is what's critical. In our world, 86/14. We have 350 members on Anthem. 14% of that is 49 members, who are responsible for 86% of total plan costs, \$4million+, or \$85,000 for each of those 49 members on average. The other 301 people, are responsible for 14% of costs, or about \$2252 per each of those members. When you go to pure cost averaging, all kinds of things happening. The younger people will instantly leave the group, which increases the average, which causes more people to leave, which causes an increase in the average, which causes a death spiral, and the plan implodes. If you have an imbalance between Kaiser and Anthem, young healthy people will transfer over to Kaiser.

The potential for adverse selection is what requires that we have balance. I personally would recommend to you that children shouldn't necessarily be for free. Matt's wife works for a union situation, he gets coverage for himself and children.

Jason Heskett: Say we're just looking at the spouses, and we increase contributions, who will stay and who will go?

Karl Hansen: Our goal is to keep the person who needs the insurance. But not to drive the healthy spouse out of the plan. Let's say we increase spouse contribution to \$300 per month, \$3000 per year. In corporate America, 86% of employees pay more than they cost in health care. We want to keep people who are contributing in the plan. We need to try to keep our group intact, relatively speaking. Today, the average employee is contributing about 15% or 16%. Big picture, we need balance.

Let's focus on spouse and children, since employees are required to be part of the plan. Instead of a flat dollar amount, start talking about percentages, a fixed percentage, so we'll stay at 12% of premiums. Would automatically adjust based on increases.

Charles Mosher: I really appreciate the discussion here, and everyone talking and thinking about it. Second, I love the slide that said, of our total compensation, last year there was so much % for HC and this year so much % for HC. In the past, these percentages were low, my family was covered, but now encroachment is happening. I don't know what level, 18%, 12%, 15%, what is our mutual contribution and what is individual contribution. Then how do we go about the details. That fundamental issue is coming because costs aren't going down. Third thing, if my income is fixed, and HC increasing, then we need to talk about shorter school year so that we can work a summer job, and show the community that they need to spend more on child care, and then go to them and ask for more money for teachers.

Karl Hansen: You are a separate group on Anthem. Your claims are credible, your price is based on you. I always use PERS as an example. A lot of people think it's cheap; no, PERS will always be more expensive. Why? Groups like you will look at it, and if it's cheaper, you will join it. Why would they be cheaper? Because you're older than average age of people in PERS, or your claims are higher than people in PERS. So the old, sick group will always join PERS. Then when PERS spits out its renewal, every group that is healthier and younger, and can negotiate a lower price outside, will do so.

You are your own group. By the way, the role I play at VITA, we are very close to the insurance companies. We created a spreadsheet of your profits to Anthem over the last 10 years, we showed Anthem that you've been a great customer. Last year, 9% increase, previous year, no increase. Why? Claims were under control. The idea of co-insurance, you're going to have to pay 10%. When you go from 90% benefit to 100% benefit, usage goes up 12%. Insurance companies pay nothing; they just take our money, take 6-7% in administrative costs, then pay the doctors. If you think you're beating the insurance companies, in a plan like this, you're going to see it next year. We have blood tests for our employees at VITA twice a year, so our employees know about their blood chemistry.

Committee should get proactive on the plan design, bump deductibles, include co-insurance features, and that will help keep the plan in check.

Unnamed Member: I've been in the district for 5 years, young and healthy. Feel that I am "pre-paying" so that I can have excellent benefits available later. I don't think that we as a group should look at abandoning some of the great things we have, that we got into this group with the intention would be available.

Karl Hansen: I'm suggesting, go from \$250 to \$500 deductible. Go from 100% plan to 90% plan, up to \$2000. Why do that? For a single person, we're going to lower yearly premium by \$900. The people who actually going to use the plan, are going to pay more out of pocket. A \$900 savings, that goes right into pay.

Unnamed Member: I would rather pay the \$900 to bank that I'm going to have everything covered when I have children, if I have cancer. I would rather put that up front.

Unnamed Member: I can get insured through my husband's company, the co-pay at Kaiser through that plan is lower than our co-pay. Ten years from now, who's to know what medical care is going to look like? I don't think you can really bank on having that '56 Cadillac ten years from now.

Karl Hansen: We also have a wellness plan, which allows Matt to earn that money. The more we can make all of you a consumer, yes, I would love to have 100% plan. But back to that balance conversation, we can save the district \$570,000 just on the Anthem side if we add the deductible and co-insurance. We're teaching responsibility to all of our kids, we've got to actually save money for that deductible. If you all vote and say, we want first-dollar benefits, and we're willing to pay for them, then that's what you do and you go forward.

Charles Mosher: Part of what I hear, is an equality thing, between money paid by the unit for health care.. everytime we look at the numbers, we need to adjust for the impact to taxation and retirement.

Karl Hansen: You're right, if we put \$570,000 back in your pockets, that would be a taxable increase, but maybe you can increase into your retirement that amount.

Jason Heskett: Or you can put money into your FSA.

Karl Hansen: Where does that FSA money that's unused go to? We just process the paperwork. Actually, there probably is no money left over, we send reminders.

Ed Puccinelli: Is there a feasible way to distinguish between spouses who have an option for other insurance, and those who do not?

Jon Stark: We can ask, but we have no investigative power, or enforcement.

Karl Hansen: You could make non-FEA spouses ineligible for your group insurance if they are eligible under other plans. Chapter 1 of HIPAA, defines defrauding an insurance companies. Large companies are auditing their contributions.

Unnamed Member: If we increase the deductible, and/or the co-insurance, wouldn't it cost less to insure a spouse?

Karl Hansen: The savings on a spouse, with the deductible/co-insurance changes, would be \$1000 per year, vs. \$900 for employee, because maternity component is loaded onto spouse component. Why do spouses cost more than employees? Spouses may not be working full-time, have time to go to the doctor more.

Jason Heskett: Let's look at the 223 spouses, and we had a \$10,000 annual contribution. What possible effects could be on our group? Are we going to shed the ones not using the plan, and keep the ones using?

Karl Hansen: We'll probably lose 60% of spouses, but keep all older ones and the sicker ones, because \$10,000 a year is a bargain compared to market rates. You want the contribution to be reasonable, so that

everyone who needs insurance will stay on the plan, except those who can leave the plan for their own employee coverage. If we charge them \$10,000, the people who remain and are paying \$10,000 still won't be paying their actual costs (probably be more like \$30,000). This is a corporate argument. In a corporation, the CFO says, we're spending \$17,000 per employee. I'm going to give every employee \$17,000. All dependents fall off plan. Fixed budget, single dollar amount per employee, those plans all fall apart during the first two years.

Unnamed Member: What would be a good recommendation, not anything drastic?

Karl Hansen: We should look back, when we passed the \$100, it was X percent of average premium. We recognize that that's not enough cost-sharing, we're going to increase it to X percent (30% would be on the high side). In this sector of the market, 20% would be high. Maybe we set a goal, and then gradually increase contributions to target percentage. I think children should have a small contribution, similar to the spouse. I also personally feel there should be co-insurance on the plan.

Unnamed Member: Question more on information, would you be able to provide us what that would look like on the new plan? The deductible, co-insurance. I just looked at our FEA website, what we currently we have, it's listed really clearly. Could we have that? I don't know what 10% of what. Whatever it is, other than doctor's office visit and Rx, would have to pay 10%.

Karl Hansen: I had a cyst, \$13,500 cost to remove. I would pay the \$500 deductible, then I would pay \$1350 (10%) for the cyst removal. Then I get another cyst, \$13,500 to remove, but co-insurance is limited to \$2000, so would only pay \$650 for the second cyst. (Capped at \$2000 for the year per person)

Ken Iams: Can you talk about the HIPAA provision?

Karl Hansen: Under HIPAA, we cannot discriminate based on underwriting on an individual basis. Examples: if you WORK AT CIGNA, you would be required to take a full-blown HRA (Health Risk Assessment), otherwise cannot participate in their health plan. CIGNA can't see this, but information goes to the individual. This lowers long-term costs as people are more aware of their health situation. We would need to put energy behind this. There are lots of things to be doing, but at the core level, the coinsurance discussion, and deductible. Otherwise people have no personal involvement in the health care decision.

Ed Pucinnelli: What impact of excluding people who can be covered otherwise?

Karl Hansen: We don't know how many spouses have other insurance available. Committee has been working hard, by the way. I don't have another corporate client that has the level of thought put into this process. I know you're used to this thing that's very expensive. We had a big claim, by the way, those claims get re-insured. Internally, we're capped at \$100,000 for these claims. When Charlie has a liver resection that cost \$400,000, no more than \$100,000. FEA pay a fixed cost so that claims over \$100,000 get pooled. Committee has been meeting, has done a great job. In this pool, your cost is based upon your cost of claims.

Joe: I came into the district 21 years ago, attracted by the health care, but you do say, if I stay with the district for the full term, then I'm expecting to get those benefits some day.

Karl Hansen: Maybe another idea the committee could have would be to retain a top-tier plan, whatever is top-tier in the current climate. You are on an ancient system.

Matt Lundsten: Could never get back to the old platform.

Karl Hansen: Moving onto the new platform would be beneficial.

Ken Iams: Any other benefits from changing to the new platform?

Matt Lundsten: Current plan has a \$50 ground transport limit, \$200 air transport, which would not cover anything.

Karl Hansen: It's the will of the group that we look at what's in the market, and try to stay in the top 25% of plan design. Today, our typical plan is 80% covered in-network, 60% out of network. We're not trying to sell you anything. They've been doing a ton of work, no pay for being on the committee.

Jason Heskett: The Discussion Board is open, you can post to the board, Ben created a thread. E-mail your local reps, your site presidents, please complete the survey by 3:00pm tomorrow. Notes will be posted to the website. The Committee is going to look at the Survey results, talk on Wednesday this week, come up with a ballot that can be proposed at Rep Council on Jan. 23rd, for membership vote weekend of 25th, open enrollment starting 28th of January. Questions on process?

Unnamed Member: Will the HIPAA spouse issue be discussed since was not on survey?

Jon Fey: We definitely will discuss this.

Jason Heskett: We will discuss everything, use the surveys to get tolerance levels from membership.

Karl Hansen: Corporate America is moving to \$2000 deductibles. You will have a handful of unhappy spouses who are used to your very generous plan that will not be happy. Some among you are saying, why are we paying for the spouses anyway? That's the uphill battle. The better answer, from my perspective, would be to make your contribution for spouse so rich, not 100%, move it up to the 20% area. Spouses who have to pay that much compared to their employer, will move over to AT&T. Competitive rate.

Unnamed Member: Are there any statistics, projections, if we put these changes in place, who's to say that 5 years down the road, we're not having the same conversation? Our costs have gotten too high, we're not getting paid enough?

Karl Hansen: You will be here again in a few years. The more you can build your plan to automatically adjust, makes it easier so not having to have same conversation again. The only problem with PPACA is it has done nothing to contain costs. We're still crippled by costs, but co-insurance, so you ask the doctor, "How much does that cost? Do I really need this procedure?" Make sure people know: Anthem doesn't pay for your health care, we do!

(Discussion of what information we have about excluding spouses who are otherwise covered)

Jon Fey: If you have a way of getting coverage somewhere else, use that.

Ed Puccinelli: I trust that you guys will consider the possibility about excluding spouses who have the option to be covered under another group health insurance plan.