

## **Benefits Committee Meeting – First Meeting – February 19, 2014**

**Facilitators: Charles Dupre, Superintendent & Steve Bassett, CFO**

### **Benefits Committee Kick Off**

The 2014-2015 budget preparation continued at the District's first Benefit Committee meeting. The District was well represented with more than 100 committee members present. Mr. Dupre began the meeting by welcoming the participants and discussing the role of the committee.

- The budget committees will focus on financial efficiency, operational efficiency and student achievement within FBISD.
- Mr. Bassett outlined the goal of FBISD budget process and the goals for the committee:
  - "Fort Bend ISD's goal for 2014-15 is to fund activities that support the District's Mission and Vision while achieving a balanced budget that does not require a tax increase."
  - "Goal is to support the budget process for 2014-15 that supports the District's Mission and Vision while balancing the need to improve employee benefits while achieving a balanced budget that does not require a tax increase."
  - "Goal will be to help assure current insurance benefits are appropriately structured and financed to support institutional needs, including recruiting and retaining faculty and staff."
  - Roles and Responsibilities of the group include serving in an advisory capacity; engaging in productive, objective dialogue; exploring possibilities; and communicating committee work to colleagues. Each member brings a unique perspective to all discussion, and it is important members maintain a district-level perspective. All will be responsible for giving input on the District's benefits needs.
- The goals of the first meeting were for members to understand District budget, current state and District funding concerns, the current District insurance plan, and the benefits of a self-funded plan.

### **Funding Operations**

The Benefits Committee was given an overview by Mr. Bassett of the various funds within Fort Bend ISD, including the \$497.2 million in the general fund, the \$25.9 child nutrition fund, and the \$74.5 debt service fund. The Benefits Committee will spend its time on the general fund. There are two major components for each fund: revenue and expenditures. Revenue was not discussed in detail for the Benefits Committee. Members were encouraged to look up other [budget briefings online](#).

### **Expenditures**

A review of expenditures by Function Code was shared with the group. Function Codes, which are mandated by the state, categorize the purpose of the money being spent. The Board adopts the budget by reviewing the breakdown of expenditures by Function Code. We can use Function Codes to compare District expenditures to other like districts.

Over 64% of our budget is spent on the Instructional function codes (11, 12, 13). 2.35% is spent on Central Administration (41). This percentage is much less than peer districts.

Expenditures are also grouped by Object Code, which identifies how funds are spent. FBISD salaries and benefits comprise approximately 85% of expenditures - 72% for salaries and 13% for benefits.

### **Additional Considerations**

The 2015 Legislative Session will again have entities competing for state funds, but within an improved economy over the last session. Other factors in the budget process will be the School Finance Lawsuit,

Sequestration, the Affordable Care Act, and Maintenance of Effort for special education programs (law requires the same level of funding as previous years).

### **Fort Bend ISD Benefits**

Mr. Bassett outlined the components of the current benefits package showing which were funded by the district, or employees, or a combination. The focus of the committee will be on health insurance, but other benefits will be discussed.

### **What is a self-funded plan? And, components of our health plan.**

Any insurance plan in which the employer, not the insurance company, assumes the financial risk for providing benefits to its employees. Why do employer's self fund? To gain more control over the plan, by: designing the benefits, having access to claims data for analytics and managing finances. Districts save money by minimizing administrative expenses and by reducing financial exposure in good claim years. A graph comparing the cost structure of fully insurance plans vs. self-funded plans was reviewed by Mr. Jared Moss from MHBT, Inc. Mr. Moss' company was recently hired by FBISD to be our benefits consultant. The group also reviewed a pie chart showing what percent of our health dollar is spent on claims, RX, and administrative charges.

### **Medical Plan History and Metrics**

Mr. Bassett and Mr. Moss reviewed four slides showing the cost history of the plan and various plan metrics. Please see the [presentation](#) on the website for more detail. Highlights included:

- The FBISD Health Fund has been running a deficit since 2007-2008. During that time, the General Fund has made up the differences.
- Plan costs per employee per month have increased from \$515 to \$751. These costs are covered by employees and the district.
- The number of individuals covered on the plan is 10,315.
- The percentage of population with a chronic condition is 35% - this is high compared to other groups.
- Preventive care utilization is 47% and population completing health assessment is 59% - these are high percentages compared to other groups.
- FBISD has more large claimants than other educational institutions, and the severity of the catastrophic medical events are more acute.
- OAP Plan accounts for 77% of gross medical plan costs and includes 57% of total membership. Mr. Bassett discussed the need for each plan to be able to cover its own costs (i.e. OAP should account for 77% of the employee premiums).
- Top chronic conditions are: weight complications, diabetes, depression, lower back pain, and asthma.
- Chronic conditions are a significant driver of medical cost and often cause reduced productivity.
- Of those identified, 15% are engaged in ongoing coaching to better manage their condition.

### **Evaluation & Timeline**

Mr. Bassett explained that the current Cigna contract expires 12/31/2014, with two one-year options to extend to 12/31/2016. If we decide to go back out to the market, we must issue the RFP by May 1<sup>st</sup> with a recommendation to the board in July.

### **Next Steps**

A comparison of the FBISD Plan with other districts and TRS ActiveCare will be presented at the next meeting. In light of the newly adopted FBISD Mission and Vision, Employee Benefits committee members need to be able to discuss:

- What is working well?
- What is not working well?
- Feedback that reflects campus/department views

#### **Other Notes and Discussion:**

- Affordable Care Act education (going to Marketplace and be cautious of total out of pocket, what's covered and narrow network), district penalties, employee penalties and district taxes.
- Send ISD comparison of medical benefits for TRS ActiveCare, and other districts to the committee members a few days before the March 19th meeting.
- Finance and MHBT will be working hard to find out what drove the deficit in the past (per illustration on slide 23) and to look at how the plan would have been affected by a higher or lower specific stop loss level.
- Employees commented they would like to see more focus on wellness. This would seem to be a good use of dollars that would help save the plan's cost in the long run.
- There was a suggestion to survey the employees to identify their stress level, and then come up with ways to address it. Suggestions were made to hire a personal trainer for the campuses, or utilize the weight rooms the different campuses have.
- There was a comment from someone that the district needs to better communicate the total out of pocket under the medical plans and not just the deductible. For example, with the LocalPlus PPO plan the in-network deductible is \$750, the employee is then responsible for 20% of the cost up to \$3,000. The employee total out of pocket is \$3,750 (\$750 deductible + \$2,000 in coinsurance). We will review examples at the next meeting.

#### **Considerations for 2015**

- Employee Assistance Program (EAP)
- If we go to market, we will get a quote for a fully insured medical plan.
- With this next open enrollment communication pieces, provide a better explanation of how results from screening data will be used. Employees were concerned because they felt like they had been told that no one would see the results, except for them. Mr. Bassett explained to the committee members that the information is provided to the district, Cigna and to MHBT in aggregate, no individual names or test results are shared. We also need to mention in the communication piece that this is one of the strategies used to help identify risk and provide assistance to the district's greatest asset, their staff.
- For next open enrollment, in lieu of biometric screening, it was suggested that proof of a physical/annual exam be accepted. Some employees said they would feel better about going to their physician as opposed to getting screening at their campus.
- For next open enrollment, look at not only accepting proof of a physical in lieu of biometric screening but also expand the time period the data would be accepted. Some employees use the summer months to get their physical so would like proof of a physical that was obtained for example from June 1, 2014 through October 31, 2014 to be allowed.
- Look at Flexible Spending Account (FSA) vendors. Visit with Cigna on medical FSA to identify what the shortcomings are including the following: why they are asking for substantiation of claims that are equal to a copay and should be noted in the FSA system, why Explanation of Benefits statements without detailed doctor's statements are not being accepted, what can be done to better coordinate the medical FSA with the Health Reimbursement Account (HRA), why

those with the HRA are even being affected with the system thinking they must first use the HRA before the medical FSA can be used, why customer service told an employee that the medical FSA debit card featured was disabled by the district so that it can't be swiped at a doctor's office to pay for office visit copays, when do letters go out asking for substantiation, and how many letters go out before card is deactivated.

The next Benefit Committee meeting is March 19<sup>th</sup>, 4 p.m. in the Annex.