

MINUTES
Approved by the Committee
State Employee Group Insurance & Benefits Committee
Thursday, June 21, 2018
9:30 A.M.
Room EW42
Boise, Idaho

Co-chair Todd Lakey called the meeting to order at 9:33 a.m.; a silent roll call was taken. Committee members in attendance: Co-chair Senator Todd Lakey and Co-chair Representative Fred Wood; Senators Dan Johnson, Bob Nonini, Jim Patrick, and Mark Nye; and Representatives Neil Anderson, Robert Anderst, and John Gannon. Absent and excused: Representative Jason Monks. Legislative Services Office (LSO) staff present were: Kristin Ford, Robyn Lockett and Ana Lara.

Other attendees: Stephanie Wright and Bret Rumbeck - Blue Cross of Idaho; Lisa Rebman, Regence Blue Shield; Norm Varin and Tim Olson - Pacific Source Health Plans; Tony Smith and Mary Tipps - Idaho Public Employees Association; Carlie Foster - Lobby Idaho; Sarah Bettwieser - St. Lukes Health System; and Sue Anderson.

Opening Remarks

Co-chair Lakey called for the approval of the December 1, 2017, Minutes and March 22, 2018, Minutes. **Co-chair Wood made a motion to approve the December 1, 2017, Minutes and March 22, 2018, Minutes. Senator Johnson seconded the motion. The motion passed by voice vote.**

Co-chair Lakey provided a brief update to the committee of the work that had been done since the last committee meeting in March. He explained that the co-chairs had met a couple of times with the committee's consultant, Mercer, and once with the Dept. of Administration (DOA). He further explained that the meeting scheduled with Mercer and DOA was canceled, or postponed, at the direction of the Office of the Governor (OG). At this time, the committee had not moved forward with the request for proposals (RFP).

Co-chair Lakey directed the committee to the [letter](#) provided by Mr. David Hensley, chief of staff for the Office of the Governor. He summarized the letter and suggested that it mostly conformed with the legislative intent language in 2018 House Bill 715. However, he said, the timing of the decision and implementation of the new plan (items 4 and 5 of the letter) deviated from the legislative intent language. He believed that the committee had a commitment from Mr. Hensley to work with the committee and Mercer in compiling a request for information (RFI). He reminded the committee members that the committee would dissolve on November 30, 2018; it would need to be reconstituted if there was a desire by the Legislature to move forward.

Co-chair Wood referenced the first sentence in the letter, specifically the word "suggests," and made it clear that HB715 did not suggest anything; it was law. He stated that the letter did not seem to formulate the committee's policy. He emphasized that the committee had worked for two years and produced three health plan options for state employees:

1. HSA qualified high-deductible health plan;
2. PPO plan (modified from the current PPO plan); and
3. ACO model value-based plan.

He reminded the committee about its policy decision with respect to the three health care plan options, that HB715 referenced this policy, and that it had been approved by the Legislature.

Co-chair Lakey informed the committee that the co-chairs had met with OG and had expressed their concern that it was not following the same path as the committee. He hoped that the committee meeting would provide more information and clarity as well as an opportunity for discussion. He

emphasized that, in this case, they were walking a bit of a fine line with respect to separation of powers between the executive branch and the legislative branch. He expressed his desire to have a cooperative relationship with the executive branch and to accomplish the goal of establishing a competitive health benefits program that was also cost-effective.

Update and Status of Implementation of Legislative Intent Language in 2018 HB 715, Sections 6 and 7 - Director Bob Geddes, Dept. of Administration

Director Geddes stressed that DOA took the intent language in HB715 very seriously and had strived to comply to the best of its ability. He emphasized that the Office of Group Insurance (OGI) had made progress in complying with many of the areas found in HB715 and was working diligently to address all the areas. However, it had identified some concerns as referenced in the letter.

Director Geddes relayed his personal experience with benefits offered from both the private and public sectors. He suggested that the public sector benefits were, generally, never better but always cost more. He emphasized that both salary and the benefits package were essential for competing with the private sector. He reminded the committee that the resolution authorizing the committee stated that salary would be a component of the discussion and the committee had failed to address the issue.

Director Geddes stated that while DOA and the committee had met on many occasions, the committee had not involved the state public employees. He reminded the committee that state employees would potentially be impacted by the changes regarding group insurance coverage and the cost. He also reminded them that Mercer, the committee's consultant, indicated that the state could save money by passing some of the costs to state employees. He stated that it would be beneficial to hear feedback from state employees. He stressed that, in many cases, employees choose to continue to work for the state well past their "rule of 90" for the purpose of receiving medical benefits.

Director Geddes opined that the intent language in HB715, in many ways, usurped DOA's long-established broad authority for insurance management. He quoted Section 67-5760, Idaho Code, and emphasized that Idaho Code provided the director of DOA with broad authority to not only administer a health program but also determine what program to administer. He reminded the committee that the director of DOA also administers the Division of Purchasing which is responsible for most of state government purchasing. He stated that OGI contracts group insurance and, while it follows a similar process, OGI was not mandated to follow the exact provisions of the Division of Purchasing. Due to this, he opined that it was folly for DOA to move as quickly as the language in HB715 suggested in issuing a request for proposal (RFP).

He suggested that the committee had requested a far-ranging RFP and relayed his experience that when an RFP is not detailed enough in the specifications that it wishes a contractor to bid on, it makes it difficult to make the playing field level and fair for all parties. He reminded the committee that the Division of Purchasing had been fraught with many lawsuits, especially in contracts where a large sum of funds was involved. He emphasized that one of the most significant factors in the lawsuits had been a lack of specificity for contractors to ensure they were aware of what they were bidding on as well as the state's expectations. He was in favor of Co-chair Wood's idea of issuing multiple RFPs. Director Geddes stated that being too specific in an RFP could also cause issues and lead contractors to believe that the RFP process was structured in a manner that only a specific vendor could apply with the specifications. He suggested that some of the intent language in HB715 was not clear on what the state was requesting or how each individual bidder would comply with the request. He stressed that, in drafting an RFP, DOA had tried to comply with the language in HB715, but found it would be difficult to compare bid responses and costs to score and award a contract.

Director Geddes reminded the committee that because HB715 was introduced in Joint Finance and Appropriations Committee (JFAC), it received no public hearing; he opined that the intent language violated the single-topic rule of legislative procedure.

Director Geddes stated that Mr. Hensley, after having met with the co-chairs and House and Senate leadership, recommended the process begin with a request [for information] (RFI) instead of an RFP. He explained that an RFI would define the specifications that would be incorporated in an RFP to ensure all vendors understand the bidding process. Director Geddes reminded the committee that if a new vendor is selected, the State Controller's Office (SCO) would need to perform a significant amount of programming prior to open enrollment period. He emphasized that SCO did not have the budget, spending authority, or the resources to perform the programming.

Director Geddes informed the committee that OGI had contracted a consulting firm, that is currently Propel, for over forty years. The consultant provides guidance and industry experience for a monthly fee of \$3,800. Director Geddes provided a brief summary of some of the work Propel performed as part of its contract with the state. The consultant provides support by negotiating with carriers on behalf of the State of Idaho for all lines of coverage offered to membership. Propel also vetted new products offered to the market from carriers (i.e., disease management programs, case management programs, telehealth offerings, etc.). Propel also modeled the impact of current and future employee contributions to the health benefits plans. He stated that OGI took great care to coordinate with its actuary and consultant to ensure compliance with the Affordable Care Act (ACA) requirements.

With respect to the timeline, Director Geddes reminded the committee that Simplot spent two years educating its workforce before the health benefits plan changes went into effect. He suggested that OGI would have only nine to ten months to accomplish its work and emphasized that insurance experts believed the timeline to be a rushed process.

Director Geddes reiterated DOA's desire to comply with the legislative intent that was included in its appropriation. He emphasized that OGI had done a significant amount of work in an effort to meet the timelines.

Discussion

Representative Gannon inquired whether any memos or information were disseminated to public employees regarding the possible changes to the health insurance policies. Director Geddes responded no, not to his knowledge. Representative Gannon inquired whether any surveys had been performed with state employees to determine their sentiments regarding the current health benefits plan and what changes they'd like to see made to the plan. Director Geddes referred to the 2018 Northwest Benefits Survey, which included data specific to Idaho's region of the country, although not necessarily Idaho's state public employees. Some of the highlights from the survey included:

- The State's monthly premium for employee-only coverage was comparable to the median reported in the survey;
- Family premiums were extremely favorable for employees compared to the median;
- Individual and family deductibles were lower than the median, but the coinsurance, out-of-pocket maximums, and pharmacy co-pays were comparable to the median; and
- Half of employers offer a telemedicine option. The State of Idaho will also begin offering a telemedicine option starting July 1.

Representative Gannon asked whether any employee satisfaction surveys were performed in the last two to three years. Director Geddes responded that some agencies had surveyed their own employees, but a survey had not been performed on a state level. Representative Gannon reminded the committee that he was a new member to the committee and inquired whether the committee had held hearings or presentations from state employees regarding their thoughts on the current state employee health benefits package. Co-chair Lakey believed that the Change in Employee Compensation (CEC) Committee had received presentations from state employees, but the State Employee Group Insurance Committee had not been presented with presentations on behalf of state employees as a whole.

Senator Johnson asked if Director Geddes, or anyone in his office, had been in contact with any of the potential contract bidders. Director Geddes responded in the negative. He clarified that DOA had significant interaction with the state's current health benefits plan provider, but not in the context of the bidding process. Senator Johnson asked if he had discussed the bidding process with any potential bidder. Director Geddes responded in the negative.

Senator Johnson referred to the RFP process that was discussed in previous committee meetings and suggested it provided flexibility to the bidders and DOA in an effort to move through the process successfully. Director Geddes stated that, while DOA would have flexibility on drafting the RFP and what options were available for a vendor to choose to bid on, it would make it difficult to score and evaluate bids. He suggested that flexibility could be minimized if the RFP required a specific minimum bidding expectation. He expressed his concern regarding the potential scenario in which a number of vendors each provided one component of the insurance benefits package; generally, only one provider has provided the majority of benefits.

Representative Anderson asked if it was DOA's understanding that there was a legal requirement to issue an RFP in accordance with the committee's recommendations by July 1, 2019. Director Geddes responded in the affirmative. Representative Anderson inquired why the concerns regarding the timelines were not expressed earlier in the process. Director Geddes responded that the concerns had been expressed since the time the legislative intent language was passed through the chambers. Representative Anderson reminded Director Geddes that the governor had agreed to the path identified in HB715 when he signed the bill and was now suggesting a new path forward in the letter. He inquired whether additional legislation would be requested in the next legislative session to delay the implementation that was called for in HB715. He also inquired about what the expectations were for the [RFI]. Director Geddes opined that the RFI process would be beneficial in narrowing down the specifications in the RFP.

Representative Anderson referenced the two years of work the committee had done and asked if the DOA's recommendation for an RFI had been proposed recently or early on during the committee's two years of work. Director Geddes responded that the request had been made recently. Representative Anderson asked if any information of a transformational nature had come to light since the passage of HB715 that was not previously available to the committee during its deliberations or to JFAC as it considered the passage of the bill, which included intent language. Director Geddes responded that there had been a more thorough review of the process based on the intent language in HB715 since its passage. He explained that upon reviewing the intent language, the timeline and costs were significant factors when complying with HB715.

Representative Anderson referred to Director Geddes' comments regarding the single-topic rule with respect to HB715. He stated that it was not uncommon for JFAC to designate funds for specific agency projects and allocate those funds in anticipation of the completion of projects. Director Geddes opined that the current scenario was different in nature; DOA was not appropriated funds to implement a new insurance program. Representative Anderson asked if DOA had the ability and resources to issue an RFI or RFP. Director Geddes responded in the affirmative. Representative Anderson inquired about what additional support the committee could supply to DOA moving forward. Director Geddes responded that DOA did not need additional assistance and expressed his wishes to appease the Governor and the Legislature.

Co-chair Wood reminded the committee that it was created because the state went through a period where it was sustaining 8% to 10% annual increases in the cost of the health insurance program, which he believes is unsustainable, and nothing was being done to address it. Co-chair Wood stated that early in the committee's work, it was understood that the committee would focus on health care and the Change in Employee Compensation (CEC) Committee would resolve the salary component of the issue. He also reiterated that a decision still needed to be made regarding whether the state should operate on a fully insured model or a self-insured model. He

suggested that the committee should recommend bringing forward legislation to address this issue, and the issue should be removed from the RFP.

Co-chair Wood reminded the committee that its consultant had recommended an Accountable Care Organization (ACO) model; there were two currently operating in the state. He stated that the health care delivery system was assuming the financial liability, for the most part, for the ACO model. He emphasized that the ACO model, in which the health care provider assumes liability, was a completely different model from the rest of the health care package and could not be included in the same bid. He suggested that it should have its own separate RFP. He also recommended that DOA issue a separate RFI for it as well. Director Geddes accepted Co-chair Wood's remarks. He added that some revisions would be needed to the work DOA had already completed. Co-chair Wood clarified that his comments were in the form of suggestions and opinions in the event DOA decided to proceed in pursuing an ACO model.

Representative Anderson inquired if DOA was comfortable with the date of November 1 for the completion of the RFI and also asked how the date was selected. He asked whether DOA would pursue employee feedback prior to issuing the RFI. Director Geddes responded that he was unsure how the date was selected. He referred to the letter and suggested there would be public hearings in the germane committees on the issue.

Co-chair Lakey explained that it was not the committee's intent to take any authority away from DOA and did not believe that HB715 was crafted in manner that did so. With respect to the suggestion that the RFP criteria found in HB715 was vague, he emphasized that the criteria was meant to be used as sideboards to craft the RFP; it was not meant to be used as the RFP. He referred to section 6 of the bill and explained that it called for the committee's recommendations in its final report to be included in the RFP, but it was up to DOA to fine tune those recommendations within the RFP. Director Geddes responded that it was better for the state's bidding process for the RFP to be more specific and limit the options for bidding.

Co-chair Lakey asked, in the event the committee were to elect to move forward with the timeline proposed by OG, if the committee would have the same commitment from DOA as it does from Mr. Hensley to continue working with the committee and its consultant on this issue. Director Geddes responded in the affirmative, but reminded the committee that there would be a new governor in place next year and no guarantee that he would be reappointed as director of DOA.

Committee Discussion

Senator Nye referred to the committee's March 22, 2018, meeting minutes and inquired about the status of contract negotiations for consultant services. Co-chair Lakey explained that with the cancellation of the RFP development meeting, the execution of a consultant contract was put on pause. He added that the contract for consultant services would depend on the path forward.

Representative Anderson emphasized that the committee's efforts were toward the betterment of state employees and hoped for a better system than what was currently in place. He added that the committee was mindful of the needs of state public employees as well as the citizens who both fund and benefit from state government.

Representative Gannon stated his preference for the governor's timeline and felt it would provide an opportunity to better involve state public employees in the process. Senator Patrick advocated for a more detailed RFI and RFP and suggested that additional time would be beneficial.

Co-chair Wood reminded the committee that HB715 was an appropriation bill under the purview of JFAC. He explained the need for the committee to provide a recommendation within the boundaries of what was acceptable in HB715, given that it was law. He reminded DOA that the initial meeting that had been scheduled to discuss the development of the RFP had been canceled and communication from the agency had then ceased; a significant amount of critical time had been lost. He was willing to proceed with the understanding that the Legislature, DOA, and the committee's

consultant would work together to develop an RFP. He suggested that the draft RFP was drafted for bidding on an insurance product that would cover the entire state. His concern with the draft RFP was that the questions were not appropriate for bidding for an ACO program.

Co-chair Wood stated his preference for keeping the same benefits. He suggested that the state should retain the ten essential health care benefits in the ACA, regardless of whether the ACA continues or not. He stated that it would cost the state an additional \$1 million to comply with its grandfathered status. He explained that if the state relinquished its grandfathered status, it would provide better coverage for state employees because it would allow for first dollar coverage on preventive services, which the state does not currently do. He stated that there were many things the state could do that would eliminate a few percentage points of the ongoing costs on a yearly basis. He emphasized that the committee had not suggested diminishing benefits nor had its consultant advocated for that. He added that determining which providers provide certain benefits would have a significant impact on cost.

Co-chair Lakey asked the committee for any potential recommendations for JFAC. Representative Anderson inquired about what options were available to the committee, given that HB715 had been signed into law. Co-chair Lakey suggested a recommendation for an RFI would fit within the confines of the legislation. Senator Johnson expressed concern for any motion that would deviate from the call for an RFP in HB715. Co-chair Wood explained to the committee that the Legislature could revisit HB715 in the next legislative session and proceed with any adjustments to ensure that no party violates the law. He further explained that if the committee were to work with its consultant and the DOA to develop an RFP, then the timeline could be modified in the next legislative session. He did, however, express concern regarding a potential precedent that this could set.

After some discussion, **Senator Nye made a motion to defer additional formal action until November with the understanding that the co-chairs have authority to finalize a contract with Mercer (consultant) to assist the cochairs and committee in working with the Dept. of Administration in the development of an RFI and RFP. The motion did not include any additional funds for the Dept. of Administration. Senator Johnson seconded the motion.**

Senator Johnson commented that he did not have a conflict with the co-chairs working with Mercer to further define the final product but would be concerned if a formal motion were made to appropriate funds for a separate RFI.

LSO staff asked for further clarification on the motion for the record. Co-chair Lakey explained that the motion defers formal action to November. The committee would set an additional meeting to reconvene, before it expires, to evaluate progress. The motion did not include additional funds. It allows the co-chairs to move forward on a contract with Mercer to work with DOA on the development of an RFI.

Senator Johnson referred to the definition of an RFI, specifically it being described as a qualification step in an RFP, and believed that the motion was consistent with the RFP process.

The motion passed by voice vote.

The committee adjourned at 11:35 a.m.