



*Approved Minutes*

**Employee Benefits Program Committee Meeting**  
ACWA JPIA Executive Conference Room  
2100 Professional Drive  
Roseville, CA 95661  
(800) 231-5742

April 4, 2017

This meeting consisted of a simultaneous WebEx teleconference call at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Boatmun, 4004 Salem Street, Concord
- Shilling, 4886 E. Jensen Avenue, Fresno

#### **MEMBERS PRESENT**

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Chairman: J. Bruce Rupp, Humboldt Bay Municipal Water District  
Merle Aleshire, Valley Center Municipal Water District (left at 3:10 p.m.)  
Bette Boatmun, Contra Costa Water District (*via WebEx*)  
Stephanie Dosier, Orange County Water District  
Karen Gish, Amador Water Agency  
Sandy Olson, Walnut Valley Water District  
Glen Peterson, Las Virgenes Municipal Water District (*via WebEx*)  
Randy Shilling, Kings River Conservation District (*via WebEx*)

#### **MEMBERS ABSENT**

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Melody McDonald, San Bernardino Valley Water Conservation District

#### **STAFF PRESENT**

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Chief Executive Officer/Secretary: Walter "Andy" Sells  
Carol Barake, Risk Management Program Manager  
Chimene Camacho, Human Resources Coordinator (Recording Secretary)  
Linda Craun, Administrative Assistant II (WebEx Coordinator)  
David deBernardi, Director of Finance  
Robert Greenfield, General Counsel  
Ben Hayden, Lead Benefits Analyst  
Patricia Slaven, Director of Administration  
Sandra Smith, Employee Benefits Manager  
Dianna Sutton, Finance Manager  
Karen Thesing, Director of Insurance Services  
Melody Tucker, Workers' Compensation Claims Manager  
Bobbette Wells, Executive Assistant to the CEO

## **OTHERS IN ATTENDANCE**

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Thomas Cuquet, South Sutter Water District  
E.G. "Jerry" Gladbach, Castaic Lake Water Agency (*via WebEx*)  
David Drake, Rincon del Diablo Municipal Water District (*via WebEx*)  
David Hodgins, Scotts Valley Water District  
Kimberly Miller, Alliant Insurance  
Chuck Muse, Member of the Public (*via WebEx*)  
W.D. "Bill" Knutson, Yuima Municipal Water District (*via WebEx*)  
Tammy Rudock, Mid-Peninsula Water District  
Thomas Sher, Alliant Insurance

## **WELCOME**

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Chairman Rupp welcomed everyone in attendance as the newly appointed Chairman of the Employee Benefits Program Committee. He also reported that Director Melody McDonald has been appointed as the new Vice-chair of the Committee. Chairman Rupp asked the rest of the Committee members and staff to introduce themselves.

## **CALL TO ORDER AND ANNOUNCEMENT OF QUORUM**

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Chairman Rupp called the meeting to order at 1:00 p.m. He announced there was a quorum.

## **ANNOUNCEMENT RECORDING OF MINUTES**

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Chairman Rupp announced that the meeting would be recorded to assist in preparation of minutes. Recordings are only kept 30 days following the meeting, as mandated by the California Brown Act.

## **PUBLIC COMMENT**

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Chairman Rupp noted that, as the agenda stated, members of the public would be allowed to address the Employee Benefits Program Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues on the agenda, or not on the agenda, were also welcomed. No comments were brought forward.

## **APPROVAL OF MINUTES**

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Chairman Rupp called for approval of the minutes of the November 28, 2016 Employee Benefits Program Committee meeting.

M/S/C (Aleshire/Olson) (Aleshire-Yes; Boatman-Yes; Dosier-Yes; Gish-Yes; Olson-Yes; Shilling-Yes; Rupp-Yes): That the Employee Benefits Program Committee approve the minutes of the November 28, 2016 meeting, as presented.

## **MEDICAL PLAN PROJECTION**

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At the November 28, 2016 meeting, JPIA staff presented the Committee with a number of cost savings options. Staff was asked to further explore each option and present findings for the Committee's consideration.

Mr. Sells reminded the Committee that the goal of this meeting is to have open discussion on the various cost savings options to be presented. Although no decisions have to be made at this meeting, feedback is highly encouraged so staff can include the cost savings options of interest in the renewal meeting on June 27, 2017. Information in the packet provided an early look at projections for the 2018 renewal, focusing specifically on the self-funded Anthem PPO plans, which is estimated to yield a rate increase of approximately 10.85%. The presented figure assumes no subsidy. Ms. Smith also explained that it is very early in the year and this number is likely to change.

Ms. Smith provided a brief summary of the current JPIA 2017 medical offerings.

### **BENEFIT PLAN OPTION: CENTERS OF EXCELLENCE**

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Ms. Smith presented the Centers of Excellence plan option. Centers of Excellence are facilities that have been identified as having expertise in a particular procedure, measured by positive patient outcomes and low readmission/complication rates. Cost savings can occur by way of reduced follow up care needed and/or lower contracted rates with the facility. Carrum Health was implemented on March 1, 2017 at no cost to the JPIA for two years, with savings per procedure estimated to average 32%. Plan savings will be passed on the participants by waiving patient financial responsibility for the procedure and sponsoring travel to the contracted facility. Carrum Health has the potential to save the plan nearly \$900,000 in the first year, assuming 100% adoption by participants. Education outreach is underway. Two webinars have been held to introduce the program to member agency HR representatives. A communications campaign targeting participants is currently underway to reach participants via email, YouTube video, and direct mail postcard.

Committee members requested staff to report back on member usage of Carrum Health.

### **BENEFIT PLAN OPTION: REFERENCE-BASED PRICING**

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Mr. Hayden presented the Reference-Based Pricing option, which limits the amount the plan will pay for specific procedures. Participants are responsible to shop for services below the payment maximum, and are responsible for cost incurred in excess of the maximum allowance. Significant communications are required to prevent participants from unknowingly incurring substantial additional costs for procedures subject to reference-based pricing.

Staff does not recommend implementing this change, as it will have significant, unexpected financial impacts on some plan participants.

The Committee directed staff not to pursue the Referenced-Based Pricing option.

### **BENEFIT PLAN OPTION: NARROW NETWORK**

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Mr. Hayden continued by presenting the next cost savings option, Narrow Network plan. The plan will contract only with providers who agree to lower negotiated fees and will

exclude higher cost providers, resulting in lower plan cost and lower premiums. Potential savings and participant disruption to implement the Narrow Network plans were presented. Full replacement of the current PPO network would result in 27-33% of participants needing to change doctors to stay in network with projected savings of \$1.36 million.

Staff does not recommend this option at this time due to the high disruption rate.

After some discussion regarding the substantial disruption this option might cause, the Committee directed staff not to pursue the Narrow Network option.

#### **BENEFIT PLAN OPTION: CHANGE PHARMACY BENEFIT MANAGER**

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Ms. Smith reported on the next benefit plan option, Change Pharmacy Benefit Manager. JPIA's contract with Anthem includes pharmacy benefits, which Anthem contracts with Express Scripts to administer. Two options were presented: 1) Continue contracting with Anthem, who subcontracts with Express Scripts; or 2) Contract with a Pharmacy Benefit Manager utilizing the Transparency model. Ms. Smith briefly discussed the difference between Traditional vs. Transparent Pricing and the transitional service issues to be expected if a switch to Transparent Pricing is implemented. Significant savings could justify temporary disruption. Alliant is currently preparing a cost analysis to project potential savings if this option is adopted.

The Committee directed staff to present more information about the Change Pharmacy Benefit Manager option at the renewal meeting on June 27, 2017.

#### **BENEFIT PLAN OPTION: CHANGE PHARMACY FORMULARY**

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Ms. Smith reported on the Change Pharmacy Formulary benefit plan option. Currently, JPIA's plans utilize the Anthem National Formulary Drug List. A more restrictive Essential Formulary Drug List is available. Basically, with the current open formulary utilized by JPIA, if the medication is not on the list, the members pay the highest of the three tiers, \$50 for a 30-day supply. With the closed formulary, if the medication is not on the list, it is not covered. Estimated savings and disruption were presented. Anthem identified 3,930 unique members (approximately 40% of PPO participants) who would need to change at least one medication to be covered by the new formulary. Savings are projected to be approximately \$780,000. Ms. Smith also noted that if JPIA changes Pharmacy Benefits Managers, this will no longer be an option for consideration.

The Committee directed staff to present more information about the Change Pharmacy Formulary option at the renewal meeting on June 27, 2017.

#### **BENEFIT PLAN OPTION: TIERED PHARMACY BENEFIT**

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Ms. Smith reported on the Tiered Pharmacy benefit plan option that apply higher copays at pharmacies that traditionally charge more for medications. The analysis presented showed savings and disruption based on current pharmacy claims. Potential savings are estimated at 0.2%, and approximately one in five participants would need to change pharmacies or pay a higher copay. One potential major issue is that geographical

dispersion of participants in rural areas limits access to lower cost pharmacies. Administratively, Anthem cannot waive the higher copay if a participant does not live near a Level One network pharmacy.

Committee members provided feedback that this option should not be a huge disruption to members since most districts, including rural areas, have access to lower cost pharmacies, such as Walmart or CVS.

Mr. Sher indicated that as part of Alliant's analysis of a new Pharmacy Benefit Manager option, he will report to the Committee whether a Tiered Pharmacy benefit is an option with the potential new Pharmacy Benefit Manager.

The Committee directed staff to present more information about the Tiered Pharmacy benefit plan option at the renewal meeting on June 27, 2017.

#### **BENEFIT PLAN OPTION: WELLNESS**

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Ms. Smith stated that Anthem has once again given \$75,000 in Wellness Grants to be available to the 206 JPIA member agencies participating in the medical plans. The program has been well received by members. Grants are anticipated to be distributed before Open Enrollment begins this year. Participation in the Wellness Grant program grew from 39 agencies in 2015 to 55 agencies in 2016. JPIA continues to partner with Anthem, Kaiser, and MHN to identify new resources and opportunities available to member agencies.

#### **BENEFIT PLAN OPTION: MODIFY PLAN DESIGNS**

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Ms. Smith presented the Modify Plan Design option. Alliant has conducted a thorough analysis of the savings that could be achieved with each plan design change presented and also included a comparison of JPIA, CalPERS, and SDRMA plan designs for reference. The modifications presented focused on the two Anthem PPO plans offered: the Classic PPO plan and the Advantage PPO plan. Increasing the deductible, out-of-pocket maximums and co-insurances, as well as inpatient facility charges were explored.

A lengthy discussion was held regarding the potential impact to participants, the savings associated with each change presented, and how increasing the deductible would impact more members than increasing the out-of-pocket maximums.

The Committee directed staff to present more information about the following Modify Plan Design options at the renewal meeting on June 27, 2017: 1) No changes to the plans; 2) Increasing the out-of-pocket maximum to \$2,000 for individuals and \$4,000 for a family; and 3) Increasing inpatient facility charges.

#### **ADDITION POTENTIAL FUTURE OPTIONS**

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Mr. Sells discussed an analysis that is underway to determine if the 4% Incentive Rate is appropriate, and if adjustments to underwriting rules or the percent discount are

warranted. A number of factors, including cash in lieu of benefits, will be analyzed to determine impact on claims costs.

Mr. Sher discussed rate blending as a strategy to address the disproportionate enrollment in certain plans in certain areas, resulting in premiums in one plan subsidizing the cost for another plan. This option would take extensive analysis, preparation, and discussion to determine long-term impact, and would be best to address in renewal years 2019 and beyond.

### **AFFORDABLE CARE ACT**

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Mr. Sher provided an update on the Affordable Care Act (ACA) and pending legislation. The recent American Health Care Act (AHCA) was pulled from consideration at the federal level. No changes to the ACA are expected at this time. Mr. Sher will continue to monitor the situation, work with staff to address any changes in legislation, and report back to the Committee to provide an update at the next meeting.

### **NEXT MEETING DATE**

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#### Future Agenda Items

- Provide more information on the Anthem Blue Distinction Centers

#### Availability for Upcoming Meeting

The next Employee Benefits Program Committee meeting is the renewal meeting scheduled for June 27, 2017 at 9:00 a.m. No conflicts were noted.

The Employee Benefits Program Committee meeting adjourned at 3:19 p.m.