

PEBB Medical Plan Switching - by Subscriber

Open Enrollment for Plan Year 2006

Active and Retiree

Carriers	2005	2006	Numeric Change	Percent Change
New members	3,997			
Group Health	48,749	46,842	-1907	-3.9%
Options	6,806	5,092	-1714	-25.2%
CHPW	4,983	4,337	-646	-13.0%
Kaiser	3,723	3,546	-177	-4.8%
RegenceBlueShield	7,474	6,563	-911	-12.2%
PacifiCare	9,197	7,958	-1239	-13.5%
UMP PPO	78,477	84,583	6106	7.8%
UMP Neighborhood	884	1,634	750	84.8%
BC Sup J w/drugs	4,515	3,639	-876	-19.4%
BC Sup J w/o drugs	-	759	759	N/A
BC Sup E	2,004	1,993	-11	-0.5%

Mader v. Health Care Authority Good Faith Review

Public Employees Benefits Board Summary – January 2006

Executive Summary

As directed by Section 47 of the *Mader v. Health Care Authority* (HCA) Settlement Agreement, the HCA conducted a good-faith review of health benefit eligibility under WAC 182-12-115(4), to address providing employer paid coverage during the “off season” to career seasonal/instructional year employees whose work hours may average half time or more during an instructional year but who so not work half time in each quarter. This review began in early 2004 and concluded December 30, 2005.

Key stakeholders were identified and interviewed throughout the process to inform the research concluded by the HCA internal work group.

At the completion of this comprehensive good faith review it was the recommendation of the HCA internal work group that the HCA Administrator and Public Employees Benefits Board (PEBB) make no eligibility changes to permit the averaging of work hours for part-time community and technical college faculty to maintain or create eligibility for the PEBB program.

Process

The following outline highlights the process HCA followed to complete this good faith review.

1. Work began in early 2004. A transition in PEBB program and HCA leadership in early 2005 resulted in a revised approach in the good faith review.
2. April 2005 - The PEBB Board adopted an emergency rule to codify the language in the Settlement Agreement requiring the extension of summer PEBB program benefits to part-time faculty who work half time or more in each of the three quarters of an academic year for two or more academic years.
3. May 2005 - To assist in answering the questions below, the list of stakeholders was expanded and included representatives from community and technical colleges, universities, the Office of Financial Management, the Governor’s Labor Relations Office, labor unions, state agencies and plaintiffs and attorneys from *Mader v. HCA*.
4. June 2005 - A work plan outlining the process to be followed was published to stakeholders and included the following principles and elements:

Guiding Principles

- Clear delineation of eligibility categories by type of employment situation.
- Balanced consideration of appropriate benefit eligibility within each eligibility category, understanding that consistency may not always be appropriate.
- HCA rules must reflect the statutory and fiscal policies of the Washington State Legislature.
- All impacted parties will be considered stakeholders in the review process. Special consideration will be given to the factors employers (e.g. agencies, community colleges, etc.) believe are essential to attract and retain a skilled work force necessary to carry out their mission within available funding.

Elements to be considered

- How are current PEBB eligibility rules structured? How do we best structure rules to capture the board’s intent?
- What are the financial impacts of changing the eligibility definition of part-time from a quarterly basis to instructional year, (averaging the hours worked over nine months instead of three) for community and technical college part-time instructors?
- What are the operational costs and constraints?
- Who else in state service has similar work patterns? How are these groups the same or different from those defined in the settlement agreement? How many exist and where?

- Is it principled to extend state paid benefits to any or all of these groups? How do other large employers treat similar groups of employees?
 - What are the legal requirements and legal implications?
5. In July 2005 HCA received a joint proposal from the American Federation of Teachers-Washington (AFTWA), Washington Education Association (WEA) and the State Board for Community and Technical Colleges (SBCTC). The proposal outlined principles of averaging work hours and suggestions for amending PEBB rules to permit summer coverage for the part-time faculty members that are the subject of the good faith review. Based upon the principles submitted, the HCA researched with institutions of higher education their operational and financial impacts.

The HCA internal work team held meetings with and interviewed representatives from higher education to determine the operational and financial impacts of averaging work hours and extending PEBB benefits to this group of part-time faculty. All state agencies were also contacted to provide similar information. Two- and four-year institutions from surrounding states supplied their eligibility for part time faculty. Mercer Human Resources was engaged to estimate the number of part-time community and technical college instructors identified in the good faith review and the cost to the state to extend employer paid benefits during their “off-season”. There are approximately forty part time faculty members who currently meet the definition.

During the good faith review the Public Employees Benefits Board adopted an emergency rule for the summer of 2005 to codify the employer paid summer coverage as described in the settlement agreement. The PEBB Board later extended the content of the emergency rule through April 2006.

A series of written progress reports from the HCA internal work group was submitted to the HCA Administrator and stakeholders between June and November 2005 with final project findings and recommendations submitted December 30, 2005. Each progress report invited written feedback from the stakeholder group.

Outcomes and Recommendations

Operational and Financial Impacts to Higher Education

The representative from the State Board for Community and Technical Colleges (SBCTC) identified operational impacts to the community colleges including system reprogramming or the adoption of manual processes to track and average the hours worked of each of its part-time faculty. Further, the Center for Information Services, the state entity that operates the payroll system for community and technical colleges, Eastern Washington University and The Evergreen State College is in the process of migrating to a new platform and there is a freeze in any changes to the payroll system. Additionally, as the state Legislature does not currently fund “off season” benefits for this group of employees, additional funding would have to be requested for the cost of the benefits and the associated operational expenses of tracking each of these employees at each community and technical college.

Finally, the principles of averaging as submitted by the AFTWA, WEA and the SBCTC could create eligibility for PEBB benefits for an additional quarter of the academic year outside the “off season”. Creating this additional period of eligibility could potentially double the cost estimate of providing PEBB benefits for this group during their “off season”.

Comparison to Other States

HCA contacted two- and four-year public institutions of higher education in six western states and the state of Minnesota to gain an understanding of eligibility for employer paid health coverage for part time faculty. In six of the seven states represented, there is either no averaging of work hours to establish or maintain benefits or coverage is not provided for part-time faculty of two year institutions. The seventh state permits benefits eligibility determination by district.

It is the conclusion of the internal work team that there is no industry standard for the averaging of work hours to establish or maintain eligibility for employer sponsored health coverage among like groups.

Consistency in PEBB Eligibility Rules

An important element of consideration in this review was the potential financial impact to the state if the averaging of work hours for part-time faculty was permitted under PEBB administrative rule and extended to state agency workers who have similar work patterns. To inform this question HCA contacted each state agency and four year institution of higher education to identify the current number of employees who could become eligible for PEBB benefits if the averaging of work hours, as described by the *Mader v. HCA* settlement agreement, was adopted or became required for those groups of employees. Currently employed state employees and part-time faculty who could meet the definition described by the settlement agreement were identified by state agencies.

The feedback received included the following overarching themes:

- Averaging would require manual tracking of all non-benefits eligible employees at the agency/institutional level. Agencies and institutions are not staffed for such a manual process and estimate that at least one additional FTE may be needed at each location. This could put the cost of administering the benefit equal to or higher than the cost of providing health care coverage.
- Consistency and accuracy in application of eligibility rules/principles could be a challenge as employment patterns among institutions and agencies can be complex. Averaging would have to be applied to employees with irregular patterns of work and no clear season of employment.
- If benefit eligibility is denied then later established because of a “look back” process, an agency/institution would be faced with extending eligibility retroactively and collecting a lump sum employee-premium from the employee. Further, a part-time faculty member could be determined to be eligible for benefits based upon an expected average workload then fall below halftime and not be expected to return to half time work. Any claims incurred during this time would not be covered by PEBB health insurance, exposing the employee to possible financial risk. Monitoring either of these scenarios would be most likely after the fact and, again, represents additional workload.

In summary, the agencies and institutions believe that the use of averaging would create additional costs, administrative burden and add subjectivity in application exposing the state to additional legal and financial risk.

Rule Making

There are two final recommended steps in rule making related to this project. The first is to permanently codify the content of the above described rule that permits summer coverage to part-time faculty of community and technical colleges who work at least half-time each quarter of an instructional year. The HCA internal work group recommends adoption of this rule in April 2006, prior to the sunset of the existing rule.

The second recommendation is to clarify the categories of eligibility currently described in WAC 182-12-115, including the adoption of language that limits employee eligibility to one category. This work will be conducted in 2006 with an effective date of January 1, 2007. Information about the rule changes will be provided to PEBB members in the 2007 open enrollment materials.

WELLNESS**Purpose:**

Enhance the overall health and wellness of state employees, retirees, and their dependents in order to create a healthy, productive workforce and positively impact the cost of health care. This will be accomplished by providing the target population access to tools and information necessary for leading healthy lifestyles.

Outcomes:

- Move state employees and retirees at high risk for disease towards the low risk end (improve health), and to assist individuals at the low risk end to stay low risk (maintain health)
- Positively impact the health care cost trend
- Demonstrate a positive return on investment (ROI)

Milestones:

- Executive Order
- Provide a Health Risk Assessment of (HRA) of population
- Provide evidence-based interventions identified by HRA
- Create a process to engage population to use the tools to improve their health

Approach:

- Research and incorporate best practices
- Integrate the National Governor's Association "Healthy America" recommendations: activity, healthy eating, smoking cessation
- Leverage state and federal grants that may accompany the NGA recommendations.
- Develop website and educational tools
- Develop and staff governance committee per the Executive Order
- Work in partnership with Department of Health, Department of Personnel, University of Washington, ICSEW, and Washington Health Foundation

Timeline:

- Request in Governor's Supplemental Budget of \$450,000 from the PEBB Fund to provide an HRA (January 2006)
- Release of Executive Order (January 2006)
- Formation of Governor-appointed 12-member Health and Productivity Committee led by Steve Hill and Mary Selecky (January 2006)
- Launch pilot educational information with Department of Health on tobacco cessation (February 2006)

EVIDENCE-BASED MEDICINE

Evidence-based medicine is a systematic assessment of the best available scientific and medical evidence and timely application of this evidence to inform coverage and medical necessity decisions.

Program:

Identifies safe, efficacious, and cost-beneficial treatments
Conducts systematic reviews of the scientific literature
Provides clear access to scientific basis of clinical decisions and treatments
Develops methods to track outcomes
Establishes accurate program performance measures

Agencies involved:

Department of Social and Health Services, Medicaid Fee for Service
Health Care Authority, Uniform Medical Plan
Department of Labor and Industries
Department of Corrections
Department of Veterans Administration

Hierarchy of Evidence: (highest to lowest) validity and reliability:

Meta-analysis done with multiple, well-designed controlled studies
One or more well designed experimental studies
Well-designed, quasi-experimental studies, i.e., non-randomized controlled, single group pre-post; time series, or matched case controlled
Well-designed, non-experimental studies, such as comparative and correlation descriptive and case studies (uncontrolled)
Credible evidence (expert opinion) submitted by the physician/dentist/practitioner

Purpose:

To control costs without reducing the quality of care
Administrative simplification—eliminate duplication of services; it is time and resource intensive to do reviews/evaluations of literature, maintain and update policies, track outcomes

Outcome(s):

Quality of care—right diagnosis, right treatment, right time
Cost containment
Put the TRUST back in medical care

DATA TRANSPARENCY**Rationale:**

A more transparent, rational market for health care could reduce cost pressures, correct quality defects, and reverse decreases in consumer confidence that jeopardize the current system.

Key Steps:

Review key national and state initiatives to create data transparency

Several promising initiatives are underway: Massachusetts, Utah, Wisconsin, Minnesota, Care Focused Purchasing (national)\

Collaborate with Care Focused Purchasing and Puget Sound Health Alliance

Collaboration focused on adoption of existing quality and efficiency metrics and the necessary infrastructure for data transfers, aggregation, and reporting

Negotiate with contracted plans to submit book of business to national database

Larger sample size providers greater statistical power

Allow for more robust comparisons of plan and provider performance

EFFECTIVE CHRONIC CARE MANAGEMENT**Project Summary:**

In the most vulnerable populations, Medicaid clients, state employees, and retirees share some common health risk and barriers. Our finding is that a very small population uses a huge number of health care resources.

The purpose of this project is to define the common risks, common tools, and common interventions so HRSA and HCA can decide whether a client should be on trajectory intervention or remain on high spend utilization.

Predictive modeling software may be the common tool used for our common goal of effective chronic care.

Background and Description of Project:

In health care a small percentage (5%) of a health plan's population spends a large portion of the health care dollar. Determining the who, what, why, and how these high risk clients, employees, dependents, and injured workers become the 5% that drives almost 50% of the costs, offers the opportunity to target resources toward "high opportunity" projects. Long term, agencies may use data to prevent or reduce the severity of this population, thus improving outcomes and reducing costs.

Five percent of the Medicaid population spends 42% (\$1.2 Billion, FY2004), while 5% of the Uniform (UMP) spends 45% (\$153 Million, FY2004). Of these populations, 60% are female and 40% are male. Most are 25 – 64 years old. Their health services cross all agencies and they share common health risks. There are risk adjustment tools already in place for this project to begin work for identifying common risks, but these tools are not mobilized to guide the "best-in-class" care to the most vulnerable clients.

Goals:

1. Discuss common data analysis and descriptors in "high opportunity" populations
2. Share information with agencies and plans to maximize/integrate case management and current targeted efforts
3. Benchmark and recommend proven prevention and disease management strategies in "high opportunity" populations
4. Recommend common pilots to test better management strategies
5. Develop, test, and use predictive modeling and other analysis to predict and possibly prevent a potential "high opportunity" client.

Timeline:

- RFI for predictive modeling tools received December 2005
- Vendor demonstrations in January 2006
- Assessment of current tools/programs by state agencies to be completed by March 2006
- Evaluation of predictive modeling tools and recommendations for purchase by April 2006
- If funding allows, release RFP for predictive modeling tools and care/disease management strategies by June 2006

ELECTRONIC MEDICAL RECORDS INITIATIVE**Purpose:**

Develop strategy for adoption and use of Electronic Medical Records (EMRs) and health information technology (HIT) consistent with national standards and promote interoperability.

Components:

- Be informed by research, best practices
- Encourage greater adoption of EMR and HIT that reduces medical errors and enables patients to make better decisions
- Promote standards and systems compatible with current adopter of EMR in the state
- Identify implementation obstacles, recommend policies to remove them and strategies for state health purchasing and incentives
- Advise Legislature and Executive branches on HealthIT infrastructure
- Ensure strategy complies with state/federal laws

Barriers or Obstacles to Implementing a Solution:

Who pays?	Lack of standards/certification
“First mover” disadvantage/free rider	Changing technology
Misaligned incentives/benefits	HIPAA fears and misperceptions
Lack of consensus on need for action	High profile failures
Consumer indifference	Few models of success
Commitment requires long-term Sustained effort	Lack of examples of “modular adoption”

“Engagement” of Stakeholders, Interested Parties and Public through *Health Information Infrastructure Advisory Committee “HIISAC) and Town Hall Meetings*

Building Blocks/Components of the Solution:

Partnership ventures (public-private) for model development
Pilot projects
Pay for Performance
Provider and consumer incentives
Infrastructure partnerships/assistance



**Benefit
Administration
Insurance
Accounting
System**

(BAIAS)

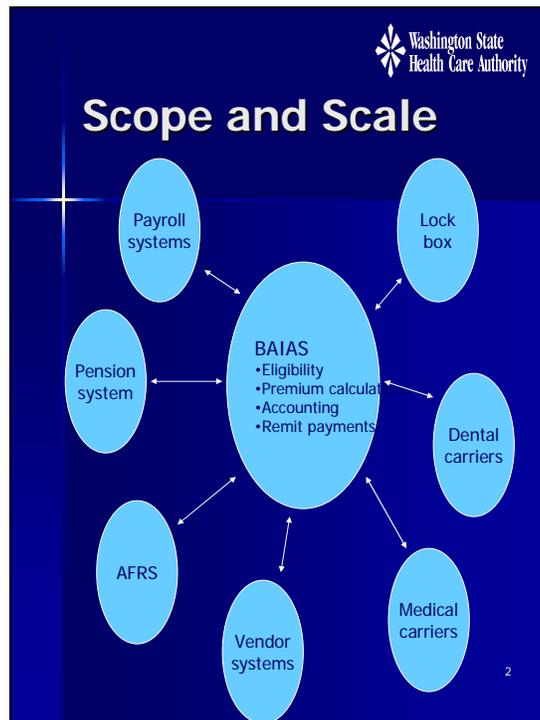
**Public Employees Benefit Board
January 17, 2005**



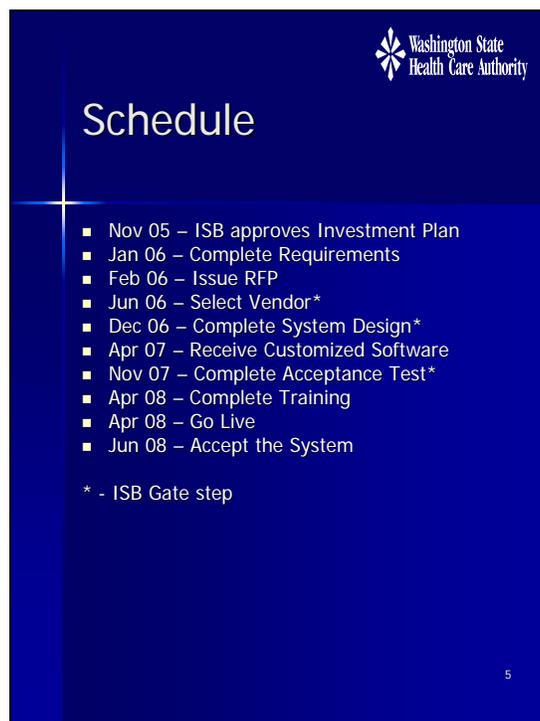
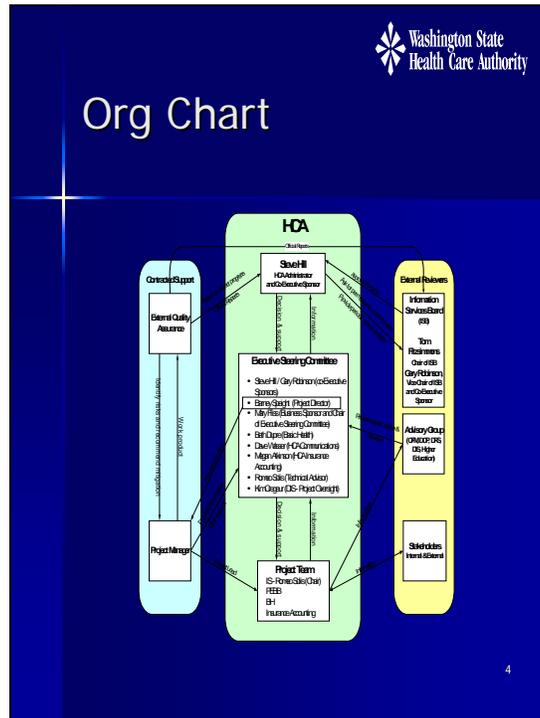
Background

- The BAIAS implementation is HCA's second attempt at replacing its legacy systems.
 - 2000 – Initiated the Insurance System Replacement Project (ISRP)
 - June 2004 – Terminated the contract
 - January 2005 – Presented lessons learned to ISB

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-  **Washington State
Health Care Authority**
- ## Management Approach
- Feasibility Study Recommendations
 - Recommendation #1: Phased approach
 - Phase 1 – PEBB and Insurance Accounting
 - Phase 2 – Basic Health (subsequent biennium)
 - Recommendation #2: Pursue COTS solution with select customization
 - Gated ISB Approval Process
 - Project Organization Chart
- 3



Budget

Total Project Cost	\$10,782,000
2005-07 Appropriation	\$ 7,130,000
Anticipated 2005-07 Expenditures	<u>\$ 5,035,000</u>
2005-07 Balance	\$ 2,095,000
Anticipated 2007-09 Expenditures	\$ 5,747,000
Reauth 2005-07 Balance	<u>\$ 2,095,000</u>
Net 2007-09 Appropriation	\$ 3,652,000