

Q&A - Health Care Proposals One and Two

Questions Relevant to the Health Care Proposal:

- 1) What is considered a reasonable fund balance? i.e. 1 month of claims, 2 months of claims, etc? **1 month of claims**
 - Follow-up to question 1: In regard to question 1, “1 month of claims”, do we have what some might consider to be a very healthy fund balance? **The current fund balance is healthy. However, we must consider that we had favorable claims experience this year and we must continue to plan for possible claims swings in future years.**
- 2) Of the premiums collected, what percentage is associated with claims payment and what percentage is associated with administrative costs for our 3rd party administrator? **82% for claims and 10% for claims administration and stop loss.**
 - Follow-up to question 2: In regard to item 2 “82% for claims and 10% for administration”, the other 8% accounts for what? Contribution to the fund balance? **Yes. While these numbers are fluid, a percentage of the total premiums go to the fund balance.**
- 3) What is the percentage of savings that will be generated by our transition to CIGNA? **2.5%**
 - Follow-up to question 3: In regard to questions 3. “2.5%” represents 2.5% of what number? **This represents an overall savings taking into consideration administration fees and higher expected network discounts. This is also tempered with the fact that we will be paying runout through BCBS for a large part of 2017.**
- 4) How will these savings be utilized? **To offset increasing prices of pharmacy and medical services in future years. Where will they go? If there are any additional savings after claims are paid, it would go to reserves. Will these savings be at the campus level? All campus premiums and claims are pooled.**
- 5) What percentage does Lockton receive in regard to our cost savings? **None.** Are there other dollars that we pay Lockton? **Lockton is paid by commission directly from UNUM, Companion, VSP, USABLE and Blue Cross (for Dental) and stop loss coverage. Prior to Lockton Stephens collected the commissions from the vendors and prior to that Town and Country. There is no commission paid on our self-funded health plan, however, when we negotiated with Lockton to be our broker, it included benefit consulting services which is why they are involved with helping us make health plan recommendations to the president.**

Questions relevant to the Short Term Disability Proposal:

- 1) Since this benefit is an employee paid benefit. What is the benefit of transitioning from Companion to UNUM?
 - i. **The benefit is lower overall cost to most employees.**
 - ii. **The purpose of STD is to provide income when a person is in an unpaid status. This is primarily when an employees is new to state employment and**

has not accrued sick and vacation. Rates for new employees will be 17% to 23% lower depending on their age.

- iii. STD is also used extensively for maternity. The lowest priced premium for a \$300 policy with Companion that begins paying on the 8th day is \$22.00 a month if it is purchased before age 30. Prices for the same policy with UNUM range in price from \$17.10 a month to \$20.70 a month for employees under age 50, which is when most employees would be off for maternity coverage.
- iv. There will also be an open enrollment without being subject EOI this year.

b. Is there a bigger picture associated with this transition?

- i. We have had issues with EOI's at open enrollment not getting processed.
- ii. We have had issues with our files not being uploaded causing problems with our bills.
- iii. UNUM is our carrier for our long term disability plan and moving STD to them will allow employees applying for both STD and LTD to only provide personal, payroll and medical information to one carrier.
- iv. Companion currently pays out 40% of premiums paid by ASU employees in claims. The other 60% is for administrative expenses and commissions. The 17% to 22% savings with UNUM will equate to 60% of premiums to claims and 40% to administrative and commissions.
- v. UNUM has offered a 1 cent decrease in employer basic life rate if we move STD to them.
- vi. We will pay all life and disability premiums to one carrier, reducing administrative time for our payroll offices.

- 2) How much savings will this change generate? **Between 17% and 22%** How will those funds be utilized? **Employee's paychecks will go up.**
- 3) If the committee were to recommend a transition to UNUM, how many years of rate guarantee do we have with UNUM? **One year** After that date what will happen? **They will rate based on experience. We currently have one year rate increase with companion as well.**
- 4) Can we implement the new plan and retain the old plan, to provide an option for employees? **No. This is sold as a group policy and the rates are based on covering a certain percentage of employees. We would not meet criteria if we split the plans.**
- 5) If we drop companion can the employee retain coverage via a bank draft? **Probably not.**
- 6) Can the employee retain coverage upon retirement? **No. STD only covers your income at the time of disability. This is standard for disability plans.**
- 7) In the spreadsheet provided, you indicate that an existing employee carrying the plan will be ineligible under the new plan. What are the criteria? Are there age limitations for existing employees? **We have found out that coverage does not have an age limit this week, however, on the first draft it appeared coverage ended at age 74.**

8) In regard to the scenarios provided, could you please run these again both with a \$300 & \$600 election? Could you also utilize some examples that include employees at age 50 & 60? See attached.