WFCA HEALTH CARE PROGRAM

2015 Saturday Seminar
Ocean Shores
Welcome
Health Care Briefing

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• WFCA Health Care Website:
  www.wfcabenefits.com
Today’s Topics

- Program Perspective
- Plan Offerings
- Enrollment
- Expenses
- 2014 Experience
- 2015 Implementation
- 2015 Goals and Objectives
- Health Care Reform-State Exchanges/Employer Reporting/Other
- Attributes
- Take Away Points
Committee Members

- Jack Hensley, Chair - Spokane Fire District No 4
- Gene Carmody - Port Ludlow Fire & Rescue
- Jim Farrell - Mountain View Fire & Rescue
- Brad Langdell - Walla Walla Fire District No 5
- Ken Eakin – Yakima Fire District No 12
Program Perspective

• The WFCA Health Care Program was Established to Help Employer Fire Service Organizations Meet the Health Care Needs of Employees and Their Families

• The WFCA Health Care Program is Designed to Provide Comprehensive Health Care Coverage Specifically For Fire Service Employees and Their Families at Affordable Prices

• The WFCA Health Care Benefits are “Blind” to Members of Labor or Management
Program Perspective

• Fire Service Organizations are the Combination of Labor and Management with a Common Purpose

• Accountability to the Public is the Responsibility of Both Labor and Management

• The Taxpaying Citizens of Your Respective Taxing Districts Deserve Labor/Management Cooperation to Ensure Judicious Use of Public Resources
## Medical Plans We Offer

<table>
<thead>
<tr>
<th>Self-Insured Medical</th>
<th>Insured Medical</th>
</tr>
</thead>
<tbody>
<tr>
<td>• PPO Plus</td>
<td>• Group Health Cooperative</td>
</tr>
<tr>
<td>• PPO 100</td>
<td>• Kaiser Foundation Health Plan of the Northwest</td>
</tr>
<tr>
<td>• PPO-300</td>
<td></td>
</tr>
<tr>
<td>• HD Plan</td>
<td></td>
</tr>
<tr>
<td>• Retiree Plan</td>
<td></td>
</tr>
<tr>
<td>• Traditional Plan (for LEOFF 1 Actives and Retirees only)</td>
<td></td>
</tr>
</tbody>
</table>
## Dental & Life Insurance Plans

<table>
<thead>
<tr>
<th>Dental</th>
<th>Life Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• PPO Incentive Plan</td>
<td>• Core Life and AD&amp;D Plan (funded by WFCA as part of Self-Funded Medical Plan)</td>
</tr>
<tr>
<td>• PPO Basic Plan</td>
<td>• Basic Life and AD&amp;D Plan (employer funded)</td>
</tr>
<tr>
<td>• Retiree Dental Plan</td>
<td>• Supplemental Life Plan (employee funded)</td>
</tr>
<tr>
<td>(dental option provided when enrolling in Retiree Medical Plan)</td>
<td></td>
</tr>
</tbody>
</table>
# Distribution of Medical Plan Enrollment (Employees)

<table>
<thead>
<tr>
<th>Plan</th>
<th>Employees</th>
<th>% of Total</th>
<th>Employees</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO-Plus</td>
<td>280</td>
<td>20.3%</td>
<td>293</td>
<td>19.1%</td>
</tr>
<tr>
<td>PPO-100</td>
<td>846</td>
<td>61.2%</td>
<td>960</td>
<td>62.6%</td>
</tr>
<tr>
<td>PPO-300</td>
<td>44</td>
<td>3.2%</td>
<td>68</td>
<td>4.4%</td>
</tr>
<tr>
<td>HD</td>
<td>2</td>
<td>0.1%</td>
<td>4</td>
<td>0.3%</td>
</tr>
<tr>
<td>Traditional</td>
<td>3</td>
<td>0.2%</td>
<td>2</td>
<td>0.1%</td>
</tr>
<tr>
<td>Retiree</td>
<td>92</td>
<td>6.7%</td>
<td>94</td>
<td>6.1%</td>
</tr>
<tr>
<td>Group Health</td>
<td>24</td>
<td>1.7%</td>
<td>18</td>
<td>1.2%</td>
</tr>
<tr>
<td>Kaiser</td>
<td>91</td>
<td>6.6%</td>
<td>95</td>
<td>6.2%</td>
</tr>
<tr>
<td>Total</td>
<td>1,382</td>
<td>100.0%</td>
<td>1,534</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
## Financial Facts

### Self-Funded Medical Claims Expenses

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Hospital/Physician</td>
<td>$4,320,850</td>
<td>$3,530,916</td>
<td>$3,953,360</td>
</tr>
<tr>
<td>Outpatient Hospital/Physician</td>
<td>$5,706,460</td>
<td>$5,525,970</td>
<td>$5,314,250</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>$2,898,490</td>
<td>$2,537,670</td>
<td>$2,694,350</td>
</tr>
<tr>
<td>Outpatient X-Ray &amp; Lab</td>
<td>$1,702,600</td>
<td>$1,636,290</td>
<td>$1,831,140</td>
</tr>
<tr>
<td>Emergency Room</td>
<td>$1,073,600</td>
<td>$1,163,530</td>
<td>$1,015,110</td>
</tr>
<tr>
<td>Alcohol/Drugs/Mental Health</td>
<td>$794,680</td>
<td>$494,436</td>
<td>$479,440</td>
</tr>
<tr>
<td>Other</td>
<td>$969,724</td>
<td>$681,357</td>
<td>$656,366</td>
</tr>
<tr>
<td>Vision</td>
<td>$201,360</td>
<td>$197,596</td>
<td>$206,527</td>
</tr>
<tr>
<td>Total</td>
<td>$17,668,054</td>
<td>$15,767,765</td>
<td>$16,150,543</td>
</tr>
</tbody>
</table>
2014 Experience

Self-Funded Plans

• 0% Premium Increase

• 8.3% Discount from one Month “Premium Holiday”

• Assumed Medical Trend Inflation Rate of 5.7%

• Actual Medical Trend Inflation Rate Approximated 4%

• Revenues Exceeded Expenses by $875,000
2014 Experience

- Utilization of Medical Services Increased Over 2013

- Large Claims Increased in 2014 over Prior Years
  - 48 Individuals with Claims Exceeding $50,000
  - 4 Individuals with Medical Expenses Exceeding $250,000

- 48 Individuals Accounted for 29.6% of Total Medical Claims Expenses
2014 Experience

• 48 Individuals Equates to 1.4% of the Total Enrolled Members in WFCA Self-Funded Medical Plans

• 14 Employees, 19 Spouses, 15 Children

• Good Example of the Insurance Principle “Safety in Large Numbers”
2015 Program Implementation

• No Increase in Member Organization Premiums

• No Change in Benefits

• Plan Document Clarifications
  – Health Care Reform
  – Chemical Dependency and Mental Health Residential Treatment
2015 Goals & Objectives

• Provide Technical Assistance to Member Organizations
  – Employer Shared Responsibility Requirements
  – Benefit and Rate Comparisons
  – Research Member Questions
  – Medicare
  – Other

• Study and Research: Releases of Rules and Regulations
  Implementing the Affordable Care Act
2015 Goals & Objectives

• Strategic Support: Maintain Unique Position the WFCA Health Care Program Holds Under State and Federal Law
  – Understand ACA Changes to Best Position the WFCA Health Care Program to Retain Its Management Discretion over Benefits and Rates

• Meet and Exceed the Operating and Solvency Expectations of the Office of the State Risk Manager

• Meet and Exceed Financial Reporting Expectations of the Office of the State Auditor
2015 Goals & Objectives

• Encourage Non-Member Fire Service Organizations to Objectively Consider the Financial and Coverage Benefits of Participating in WFCA Health Care Program

• Assist any Interested Fire Service Organization with Analyzing Their Health Care Coverage Alternatives to Purchase the Best Coverage for Their Employees and Families
Health Care Reform
State Exchanges

• State Exchanges Exist to Address the Health Insurance Needs of the Historically Under-Insured or Uninsured

• WFCA provided Health Care Coverage is Preferable to Purchasing Health Care on the State Exchange
  • Meets and Exceeds All Federal Requirements
  • Better Coverage
  • Simpler Enrollment
  • Competitive Prices
  • No Penalties

• Exchange Plans Changed and Premiums Increased in 2015
Health Care Reform

State Exchanges

• Technology Glitches and Human Behavior Continue to Plague the Exchanges
  – On Line Enrollment
  – Over-Payment of Premiums
  – Failure of Enrollees to Seek Tax Credits
  – Complications with Filing Individual Tax Returns
  – Failure of Individuals to Enroll in 2014; Subject to Tax Penalties

• Exchange Medical Plans Considered Equivalent to WFCA Medical Plan Offerings Are More Expensive or Aren’t Available
Health Care Reform
Employer Shared Responsibilities

• All Employers Must Report to the IRS Information About Employer Health Care Coverage

• Employers With Less Than 50 Full-Time Equivalent Employees are **Subject to Reporting** Requirements but **Exempt from Section 4980H Penalties**
  – Small Employers Need to be Sure Under 50 FTEs
  – Part-time Employees Included in Calculation
  – Volunteers are not Included in Calculation

• Employers With More Than 50 Full-Time Equivalent Employees are Subject to Section 4980H Reporting and Penalty Requirements
Health Care Reform

Employer Shared Responsibilities

• Employers With Between 50 FTEs and 99 FTEs
  – May Qualify for “Transition Relief” and Be Deemed Exempt from Employer Shared Responsibility Penalties for 2015
  – Must Certify Organization’s Eligibility for Transition Relief
  – Penalties for Not Meeting Employer Coverage Requirements Delayed until January 1, 2016 (Penalties assessed in early 2017)

• Large Employers With 100 FTEs or More
  – Penalties Apply if Don’t Meet Coverage Requirements in 2015
Health Care Reform
Employer Shared Responsibilities

• ACA Employer Shared Responsibility Reporting Provisions Found in:
  – IRS Code Section 6055 - Minimum Essential Coverage Reporting
  – IRS Code Section 6056 - Employer Shared Responsibility
Health Care Reform
Employer Shared Responsibilities

• Section 6055 Individual Coverage Reporting Requires:
  – Name, Address, and Social Security Number (SSN) of Primary Insured (Employee)
  – Name and SSN of Spouse, Dependents and any Other Covered Person
  – Which Months Covered During the Year
  – Employers Must Make a “Reasonable Attempt” to Obtain all Participants SSN (Multiple Attempts Required)
  – May be Possible to Use Birth Date in Lieu of SSN
Health Care Reform
Employer Shared Responsibilities

• Section 6056 Employer Plan Reporting Requires:
  − Employer Name, Date and Employer Identification Number (EIN)
  − Certification of Employer Plan(s) Offered Meet Minimum Essential Coverage (MEC)
  − Number of Full-Time Employees Employed Each Month for the Calendar Year
  − Name, Address, and Taxpayer Identification Number for Each Full-Time Employee during the Calendar Year and the Months the Employee was Covered Under the Employer’s Health Plan
Health Care Reform
Employer Shared Responsibilities

• All Employers Must File the Applicable 1094 and 1095 Forms with the IRS by February 28th (Mail) or by March 31st (Electronically)
  – Form 1095-B Filed by Small Employers (Under 50 FTEs)
  – Form 1095-C Filed by Large Employers (50 FTEs or More)

• Like W-2 Forms, All Employers Must Provide 1095 Forms to Employees by January 31st Annually
## Health Care Reform
### Employer Shared Responsibilities

<table>
<thead>
<tr>
<th>IRS - Form Number</th>
<th>Applicable Large Employer Fully-Insured Plan</th>
<th>Applicable Large Employer Self-Funded Plan</th>
<th>Small Employer Self-Funded Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1095 - C</td>
<td>• Part 1 – Employee &amp; Employer Info&lt;br&gt;• Part II – Offer of Coverage (eligibility Info)</td>
<td>• Part 1 – Employee &amp; Employer Information&lt;br&gt;• Part II – Offer of Coverage (eligibility) Information&lt;br&gt;• Part III – Information on Covered Individuals</td>
<td></td>
</tr>
<tr>
<td>1095 - B</td>
<td></td>
<td>• Self-Funded employers may optionally use 1095-B instead of the 1094 &amp; 1095 C Forms to report non-employees (retirees/COBRA)</td>
<td>• Part 1, II, III – Employer Information&lt;br&gt;• Part IV – Information on Covered Individuals</td>
</tr>
<tr>
<td>1094 - B</td>
<td></td>
<td></td>
<td>• Basic Employer Information</td>
</tr>
</tbody>
</table>
Health Care Reform
WFCA Plans Meet ACA Requirements

- WFCA Self-Funded Medical Plans Meet All Affordable Care Act Requirements
  - Minimum Essential Coverage
  - Coverage Meets Minimum Value Standards
  - Coverage is Affordable
Health Care Reform
Cadillac Tax

• High Cost Plan Excise Tax Becomes Effective in 2018

• 40% Excise Tax on Employer/Employee Contributions for Health Care Coverage Above Statutory Thresholds
  
  • Fire Service High Risk Occupation Thresholds
    - $11,850 Employee Coverage
    - $30,950 Family Coverage
    - Annually Indexed to CPI

• Premiums Paid Over the Threshold Amounts are Taxable
Health Care Reform
Cadillac Tax

• Contributions to HRAs, HSAs, MSAs and FSAs Included in the Cadillac Tax Calculation

• Policy Intent of the High Cost Plan Excise Tax
  – Excise Tax Provides a Disincentive for Employers to Provide Overly Generous Health Benefits
  – Want to Reduce Utilization Because Generous Employer Sponsored Health Care Coverage Leads to Over-utilization of Services
  – Force Shift to Lower Cost Health Plans
Health Care Reform
Cadillac Tax

• Member Employers Need to Be Aware of the Potential Tax Consequences

• WFCA Does Not Anticipate Any Issue With Any Medical Plans Premiums Exceeding the Thresholds In 2018

However,

• If Your Organization Provides Contributions to an FSA, HSA, MSA or HRA, Those Amounts Would be Added to Premium Amounts to Know if the Cadillac Tax Applies
Health Care Reform
Cadillac Tax

• Final Regulations are Not Available Yet

• The Debate in Congress and the White House Will Become Louder as We Approach January 1, 2018

• WFCA Will Monitor this Topic and Keep You Informed of Any Changes
Health Care Reform

Premium Cost Shift

• Underlying Principle of ACA is to Shift More Financial Responsibility to Employees to Cover the Cost of Their Health Care Thereby Reducing Utilization

• Public and Private Employer-Based Health Plans are Moving in This Direction by Implementing High Deductible Health Care Plans or Establishing Defined Contribution Health Care Plans

• Fire Service Organizations Pay 100 Percent of Employee Premiums and May Also Pay up to 100 Percent of Dependent Coverage
Attributes of WFCA Health Care Program

• Pooling of Resources Enables Discount Purchasing of Comprehensive Health Benefits

• Menu of Health Plan Choices

• No Pricing Gimmicks

• Low Overhead

• Proven Excellence in Customer Service
Attributes of WFCA Health Care Program

• Competitive Pricing Based on Actual Cost of Service

• Mature Program Offering Stability and Support in Times of Unprecedented Change

• Limits Financial Risk to Premiums Only

• Transparent and Available to Association Members
Take Away Points

• To Date the WFCA Health Care Program has Navigated the Changes Imposed By Health Care Reform Without any Adverse Impacts on Our Members

• A Top Priority of the WFCA Health Care Program is to Focus on the Uncertainties of Health Care Reform to Protect The Health Care Interests of Our Member Organizations to the Maximum Extent Possible
• Questions?

• Thank You for Attending Today’s Presentation