CESA 9
TOPIC SUMMARY SHEET

MEETING DATE: July 6, 2016

TOPIC: Long Term Care (LTC) Insurance

GOAL: Make a decision regarding opportunity presented by WEA Trust to best balance the interests of current CESA 9 employees, retirees, former employees, member school districts, and CESA 9 as a viable organization continuing to provide affordable, high quality services to our member districts.

BACKGROUND INFORMATION:

- Long term care has been a benefit for CESA 9 employees since 1995. The Board currently pays 100% of the premium for active employees. WEA Trust has allowed retirees and former employees to stay on the group plan if they pay their own premiums. The Board pays the premium for two retired administrators.
- This is an insurance benefit whereby monthly premiums pay for insurance coverage for that month only; there is no accrued benefit. There are a number of qualifiers that need to be met for the insurance benefit to be accessed. To date, no one has needed to/been qualified to use this insurance.
- In February, 2016, the Agency received a memo from WEA Trust Vice President Jon Klett offering a one-time non-forfeiture (reduced paid-up) option for participants, including retirees/former employess, with at least 120 months in the plan if we terminate long term care group coverage with WEA Trust during 2016. This non-forfeiture option was approved by The Office of the Commission of Insurance in Wisconsin. By canceling now, employees/retirees/former employees would have three options to choose from: **1) Non-forfeiture Benefit Option** wherein a prorated portion of the benefit is available for employees/retirees/former employees with more than 120 months of paid premiums. Qualifying events for coverage still apply; **2) Accelerated Paid-up Option** wherein lump sum payment by the employee/retiree/former employee for employees/retirees/former employees with more than 120 months of paid premiums at a cost ranging from $20,000-$70,000. Qualifying events for coverage still apply; or 3) **Conversion Option** which is a complex plan to provide individual coverage with age-based premiums. It is likely that options 2 and 3 may be cost-prohibitive to both active employees, former employees, and retirees making the one-time opportunity for non-forfeiture an option that would allow eligible insured to have some level of benefit with no additional premiums required.

- The February memo from WEA Trust also notified us that the discount on LTC premiums that we were receiving because we also carried long term disability (LTD) insurance through WEA Trust would be eliminated as of July 1, 2016 because WEA Trust was no longer offering the LTD plan. This will cause the premiums for LTC to increase beyond the typical expected increase of 10-15% annually that WEA Trust has told us to expect. The premium increase for 2016-17 alone is 27%.
- To provide due diligence on the part of the Agency, administration
  - worked with WEA Trust Representative Tanya Lewison to clearly understand the offer.
  - consulted with legal counsel to determine legal obligations of the Agency related to coverage and potential cancellation of coverage.
  - queried other CESAs and our districts and found that none of the other CESAs currently provide LTC insurance to their employees and that only three of our 22 CESA 9 districts currently provide some level of LTC coverage for some or all of their employees.
  - talked to Tim Bartholow and Vaughn Vance at WEA Trust to seek additional clarification regarding offer presented by them.
  - consulted with a number of districts who have either terminated their LTC coverage with WEA Trust, are in the process of terminating, or are considering termination including Onalaska, Lac du Flambeau, North Lakeland, New London, Bangor, and West Allis-West Milwaukee.
  - worked with M3 to investigate other options for LTC coverage through other insurance providers (Transamerica, LifeSecure, and John Hancock). Significant underwriting would be required likely excluding some participants from coverage and/or causing very high premiums.
  - met with a group of current CESA 9 employees who had ranked LTC insurance as “highly important” to them on a recent employee survey to share information and solicit feedback to explore any other possible ideas/solutions they could envision.
  - invited all insured to an informational meeting held with representatives from WEA Trust (Tanya Lewison and Cynthia Griffiths) and Agency administration to provide background information, specific information on the three options available upon termination of LTC in 2016, options considered regarding LTC coverage, and the administration’s recommendation to the Board of Control.

- We were informed by WEA Trust that, upon termination of LTC coverage, within one month, they will communicate specific information to all insured regarding what each option would look like for them and will schedule follow up conferences with individuals as requested. Additionally, should the Board decide to terminate LTC coverage, the Agency plans to arrange the opportunity for individual face-to-face appointments with WEA Trust representatives in conjunction with our Back to School Staff Kick-Off in August.

ACTIONS CONSIDERED	REJECT/ACCEPT	RATIONALE
Continue LTC insurance beyond 2016 (maintain status quo)	Reject	As the number of insured is reduced, the premiums for those remaining increase substantially. WEA Trust predicts an annual increase in premiums of *at least* 10-15%. Upon renewal September 1, premiums for the next year alone will increase 27% over last year's premium. Current employees would likely see any potential increase in salary consumed by increasing LTC premium rates. CESA 9 could have difficulty hiring and retaining the high quality staff we have a reputation for providing. Retirees/former employees who pay their own premiums for continued coverage would also see significant increases in the premium rates they pay out of pocket. Agency costs alone to continue coverage of those eligible are estimated to be $990,770 over the next 10 years with a conservative estimate of 10% premium increase. The Agency would need to continue to increase the cost of services to districts to maintain an insurance that most of them do not offer their own employees at a time when their own district budgets continue to experience shortfalls in operational revenue. This could cause a reduction in services

		purchased placing the Agency at financial risk and could threaten its viability as a provider of educational services.
Maintain coverage for retirees but cancel coverage for active employees.	Reject	WEA Trust informed us that it is not an option to terminate the plan for active employees but keep retirees on the group plan with full benefits and at the group rate. (All or none)
Maintain coverage for retirees and current active employees, but phase out benefit for new hires.	Reject	WEA Trust informed us that it is not an option to terminate the plan for active employees but keep retirees on the group plan with full benefits and at the group rate. (All or none)
Offer LTC insurance through another provider.	Reject	While other providers would consider offering a plan to retirees/former employees and/or active employees, the required underwriting would likely exclude many if not all retirees from participation in the plan. Additionally, premiums in the alternative plans were either cost prohibitive or the coverage was significantly reduced for active employees and retirees/former employees.
Cancel LTC group plan coverage allowing those participants who are eligible to take advantage of the opportunity to select 1) non-forfeiture benefit-reduced paid up option (RPU), 2) accelerated paid-up option (APU) or 3) conversion to an individual LTC coverage plan	Accept	This option allows the best chance for current employees to experience wage increases in future years and for retirees/former employees to experience some guaranteed return on their investment of premiums.

FISCAL IMPACT: In 2015-16, with current staff--$16,099.20. By 2025-26, with current staff--$990,770.

POLICY IMPACT: The Board will need to revise policies 226, 532.31, 532.32, 536.2a, 542.31, 542.32, 546.2a with the corresponding changes being reflected in the employee handbook. The current Administrator's contract already addresses potential Board action.

POSSIBLE MOTION: Terminate long term care benefit group plan effective December 31, 2016.