

# Report

QUARTERLY UPDATE FROM CIS  
March 2016

CIS looks ahead,  
adapting to  
meet members'  
changing need's

Photo by Gary Halvorson, Oregon State Archives

## Rate changes announced at CIS Conference

### “Not-to-Exceed” Rates Increases in Single Digits

*In short: if you budgeted 10 percent in CIS rate increases for the next fiscal year, and there are no changes in your coverage or experience, you're good. But be aware that rates and costs are different, and your experience, coverage and exposures will determine your actual cost. It may be more or less than the rate change.*

From medical to liability, rate changes will be in single digits for all CIS coverages in the upcoming year. The “not to exceed” rate adjustments were announced Feb. 25 at the CIS Annual Conference.

Here are the announced rate changes:

#### CIS Benefits: Cities (EBS) Effective January 1, 2017

| Medical   | Dental  | Life/LTD |
|---|---|----------|
| Pooled rates (groups <100)<br>+/- experience mods | Pooled rates (groups <100)<br>+/- experience mods |          |
| CIS/Regence: 2.5%                                 | CIS/Delta Dental: 5.4%                            | Life: 0% |
| Kaiser: 9.2%                                      | Kaiser: 9.75%                                     | LTD: 0%  |
| VSP Vision: 0%                                    | Willamette Dental: 0%                             |          |

#### CIS Benefits: Counties (AOCIT) Effective January 1, 2017

| Medical   | Dental  | Life/LTD |
|---|---|----------|
| Pooled rates (groups <100)<br>+/- experience mods | Pooled rates (groups <100)<br>+/- experience mods |          |
| CIS/Regence: 8.7%                                 | CIS/Delta Dental: 0%                              | Life: 0% |
| Kaiser: 8.7%                                      | Kaiser: 8.6%                                      | LTD: 0%  |
| VSP Vision: 3.75%                                 | Willamette Dental: 0%                             |          |

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## CIS Property/Casualty Trust Effective July 1, 2016

| Overall, for Members with All Coverages | 6.1% |
|---|------|
| Liability                               | 9.0  |
| Property                                | 0%   |
| Workers' Compensation                   | 7.2% |
| Auto Physical Damage                    | 0%   |

In CIS Benefits, the increases, especially for the cities, remain below Regence's 10+ percent medical trend. The rate changes are a product of relatively good claims experience, and an expected reduction in prescription drug claims due to a move to Express Scripts as the pharmacy benefit manager (see story below).

On the Property/Casualty side, the 9 percent Liability increase, driven largely by employment and police claims, is offset by zeros for Property and Auto Physical Damage. The Board is continuing the multi-line discounts of 3 percent for two coverages and 7.5 percent for all three (Liability, Property, Workers' Comp).

The "not to exceeds" are intended to be used as a guide for members developing budget estimates; actual costs will depend on a combination of coverage choices and experience. The CIS Board of Trustees will adopt final rate changes on April 8. Those rates may be below the announced numbers, but will not be higher.

## Continued Employment Claims = Increased Pre-Loss Deductible

**In short:** Terminating or suspending an employee? If you don't work with Pre-Loss, it's going to cost more.

After a brief lull, employment claims are increasing again, driving Liability coverage rates higher and prompting the Board of Trustees to further incentivize the use of CIS' pre-loss services.

The Board adopted a change in the Liability coverage document's employment practices deductible that:

- Increases the deductible for not using Pre-Loss from \$5,000 to \$15,000.
- Provides that the deductible will increase by \$15,000 for subsequent claims in a five-year period if Pre-Loss is not used, to a maximum of \$60,000.
- Clarifies that the consultation must be with one of CIS' pre-loss attorneys rather than "the Trust" in general.
- Applies to potential terminations (including layoffs) and all suspensions, paid or unpaid.
- Payment of the deductible is required when CIS incurs the claim expenses, rather than after the claim is resolved.

## So Long, Plan V and Kaiser Copay (HMO)...

**In short:** Plan V and the Kaiser Copay plan terminate Dec. 31, 2017. CIS Benefits staff will help members make the transition to another plan.

The "Cadillac Tax" — the Affordable Care Act's 40 percent excise tax on high-cost medical plans — may have been delayed for two years, but planning for it must begin now. Knowing that the costs for CIS Benefits' Plan V and the Kaiser Copay plan will trigger the tax by the time it kicks in, the CIS Board of Trustees has voted to terminate the plans on Dec. 31, 2017. Groups with either plan, that in January 2016 had in place a collective bargaining agreement (CBA) that extends beyond 2017, will be able to continue Plan V or the Kaiser Copay plan until the end of their agreement.

Fifteen years ago, Plan V, CIS' richest medical plan with only a 10 percent cost-share, was the most popular of all the CIS plans, with 83 percent of employees enrolled. As the cost of Plan V has risen and other more cost-effective plans have been added, the enrollment has dwindled to 16 percent of employees. The cost of Plan V-A — the richest of the rich, with a \$100 deductible — has risen 238 percent in those 15 years, to more than \$24,000 a year for a family.

CIS Benefits staff will be reaching out to members with Plan V and Kaiser Copay to understand the status of their CBAs, and to discuss options for a transition.

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In reaching a decision, the Board reviewed data showing that pre-loss works: only 6 percent of the more than 1,200 pre-loss events in the 2013 – 2015 calendar years became employment claims. In contrast, of the 73 members that had employment claims during this time, 65 percent did not collaborate with Pre-Loss prior to the event that resulted in a claim. The average amount of those claims was higher than those where the member collaborated with Pre-Loss. Some of those members also had indicated that a \$5,000 penalty was not enough to change their anticipated actions.

Here's the revised language, that will go into effect July 1.

## **A. CONDITIONAL DEDUCTIBLE: Employment Practices**

The **named member** is responsible for the first \$15,000 of any settlement, judgment, or legal defense costs paid by the **Trust** on behalf of the **member** with respect to any claims arising out of the termination or suspension of employment of any employee of the **named member**. However, this deductible shall be waived if the member has consulted with a Pre-Loss attorney employed by the **Trust**, before such termination or suspension of employment, and has followed all reasonable advice provided to the **member** by the **Trust's** Pre-Loss attorney with respect to such termination or suspension of employment. The \$15,000 deductible, or the applicable portion thereof payable by the **named member**, will be charged to the **named member** by the **Trust** when the first \$15,000 of any settlement, judgment or legal defense cost is paid by the **Trust**.

If the Employment Practices deductible is charged to the same **named member** more than one time in its five most recent coverage years, the amount of the deductible charged to that **named member** will be as follows, and will be payable to the **Trust** as provided above:

|                           |           |
|---------------------------|-----------|
| Second instance:          | \$30,000  |
| Third instance:           | \$45,000  |
| Each instance thereafter: | \$60,000. |

The other cost-sharing provision for employment claims — 10 percent of the cost of the claim, up to \$10,000 — remains in place.

## Inside CIS

**Bill LaMarche** is CIS' new Member Relations Manager, providing member and marketing services for all lines of coverage. Bill joins us from the City of Beaverton, where he was the public information manager. Prior to Beaverton, he spent a decade at Metro, working at the Oregon Zoo, and also served at the Oregon Coast Aquarium and the Gorge Discovery Center in The Dalles. Bill has assumed Kim Laramy's role in assisting members with crisis communication advice; Kim is moving back to her home in Maine.

**Penny Marlette** is now ready to fully enjoy retirement, having completed a year-long stint as a part-time consultant. Penny retired as Member Services Manager last March, but continued to work on some ongoing projects.

Senior Workers' Compensation Adjuster **Patti Snow** will leave CIS on March 24 to become an integrated disability management specialist for Clackamas County. Patti has been with CIS for almost 10 years, and has been frequently praised for her customer service in the annual CIS member survey. We will fill the position in the near future.

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## New PBM for 2017 Focuses on Lowering Prescription Costs

**In short:** *Express Scripts will replace OmedaRx for prescription drugs associated with the CIS/Regence medical plans. There are enhanced services for participants and we save a lot of money as a result.*

Express Scripts Inc. (ESI), the largest pharmacy benefit management firm in the U.S. will take over the prescription drug benefit services associated with the CIS/Regence medical plan on Jan. 1, 2017. Those services are currently provided by OmedaRx, which is associated with Regence BlueCross BlueShield.

The CIS-Express Scripts partnership is expected to save more than \$4 million for CIS Benefits members over the next three years, and will improve clinical programs available to members. The goal is to better manage the rising cost of prescription drugs while ensuring the prescriptions are used effectively.

ESI was chosen following an extensive RFP process conducted by CIS staff and ARMSRx, a pharmacy benefit consulting firm. ESI has guaranteed drug prices and the amount of drug manufacturer rebates that CIS will receive.

Education about the transition for members and their employees will begin this summer and continue throughout the remainder of the year.

While the prescription drug program is changing to ESI, Regence will continue to be the administrator of CIS' self-insured medical plan. After a year-long comparison of Regence and United HealthCare, the other finalist in CIS' RFP process, the CIS Board of Trustees awarded Regence another three-year contract, effective Jan. 1, 2017.

## CISOregon.org... redesigned!

Have you checked out the redesigned CIS website? It's all the information you're used to, but in a new, clean format that you can personalize. Even better, members will now log in using their work e-mail address, and can set their own passwords, making it easy to match logins across all CIS systems.

The new site can be accessed via the existing [cisoregon.org](http://cisoregon.org), or directly at [redesign.cisoregon.org](http://redesign.cisoregon.org). There's a link on the new site to give us your feedback. The new site is still under construction, but will go live on April 1.

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## Drones & Other Coverage Expansions

***In short:*** Got drones? You can get coverage as of July 1, 2016.

In anticipation of member needs, CIS is offering both liability and property coverage for member-owned drones. The coverage will be by endorsement — it's not automatic — and will be charged per-drone. It is available for the coverage year beginning July 1.

Drone liability coverage has a \$250,000 limit, and costs \$750 per covered drone. Property coverage is extended to drones on the mobile equipment schedule. It is only for drones that are located in a building or covered auto: there is no property coverage for drones in flight.

In all cases, the drones must have FAA certification of authorization — currently required for every flight. The member also must follow FAA regulations regarding drones and adhere to ORS 837.300.

## CIS24 for All!

***In short:*** Having both CIS workers' compensation and CIS medical coverage now means greater peace of mind for employers and their injured workers. No extra work required.

A unique program that takes advantage of the synergies between CIS medical and workers' compensation coverage will roll out to all CIS Benefits' members with medical coverage on April 1. The expansion builds on a pilot that's been in place for the past few years.

CIS24 offers special handling for medical claims associated with workplace injuries. CIS24 works to make sure injured workers receive prompt, appropriate treatment, and that medical bills for covered treatment are paid timely. Injured workers whose employers have both workers' compensation and medical coverage through CIS are automatically enrolled in CIS24. No extra effort is required by the employer or the injured employee.

## Other Coverage Changes

The CIS Board approved three additional changes for the 2016-17 year:

1. An option for a \$50,000 debris removal endorsement for buildings that the member obtains, but doesn't plan to use. It covers costs (such as for debris removal) if the building is lost due to a covered peril.
2. A clarification that all claims associated with the Oregon Public Employees Retirement System (PERS) are excluded.
3. A clarification that CIS will not pay employment taxes associated with the settlement of a claim. These are generally associated with employment claims: if there is a back pay award or a salary settlement, the employer often must pay retroactive Social Security, unemployment and other taxes.

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The CIS24 process starts when CIS is notified of an on-the-job injury. CIS will pay injury-related medical expenses under the State of Oregon's Workers' Comp fee schedules during the time that the claim is being investigated, up to 60 days from the date the employer knew about the injury, no matter what the final outcome.

Sometimes, medical providers don't want to treat an injured worker until they know whether they will be paid by workers' compensation or by the medical plan. By paying medical bills while the claim is being evaluated, CIS24 removes that barrier to treatment. Prompt, appropriate treatment makes it more likely that the employee will recover quickly and get back to work. By assuring providers that they will be paid from the outset, CIS24 facilitates early treatment to help injured workers get back to the job as soon as possible.

## Benefits Members Get Help with GASB 75

**In short:** *CIS medical program members will have an easy time implementing GASB 75 — CIS will manage and pay for the initial valuation.*

The CIS Board of Trustees has approved a plan to fund the actuarial studies required for CIS Benefits members to comply with Governmental Accounting Standards Board (GASB) Statement 75. The new requirement, effective for the fiscal year ending June 30, 2018, involves accounting for post-retirement benefits other than pensions. These are generally medical benefits offered to retirees.

Although most members don't pay premiums for their retired employees' coverage, ORS 243.303 requires that all retirees under the age of 65 be offered the coverage they had as an active employee. To the extent the employer pays some or all of the premium, it is considered an "explicit" subsidy by GASB. The impact that the retirees' claims have on the costs for active employees' insurance is considered an "implicit" subsidy.

## Here's how CIS 24 works:

When a workers' compensation claim is received for an employee who has CIS/Regence medical coverage, CIS notifies the medical provider and Regence that this is a CIS24 claim. CIS then pays for the medical care under the workers' comp fee schedule until the investigation of the injury is complete and the claim can be accepted or denied.

Kaiser-covered injured workers are assigned to the Kaiser On-the-Job managed care organization, so they stay within the Kaiser system.

While all of this happens behind the scenes, members participating in the pilot program report that the certainty of payment has provided peace of mind. CIS24 removes uncertainty, lets the employee focus on getting well, and lets the employer know the employee will be cared for.

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The predecessor of GASB 75 — GASB 45 — allowed public entities that were “community rated,” rather than having rates based on their experience, to avoid accounting for the implicit subsidy. GASB 75 changes that, requiring that all entities account for implicit and explicit subsidies.

Since 2006, CIS has had a contract with Milliman to prepare the actuarial valuations required by GASB 45. CIS funded the first valuation for its members with medical coverage, and managed (but did not pay for) the subsequent valuations.

The same process is planned for GASB 75. CIS will issue an RFP for an actuarial firm later this spring. After the actuary is chosen, CIS will pay for an initial valuation for all CIS Benefits members with medical coverage, and provide the actuary with the data CIS has to support the calculations.

Like the current GASB 45 agreement, the GASB 75 public contract will be available to other LOC and AOC members, at the members’ own expense.

More information on the GASB 75 services will be provided following the RFP process.

