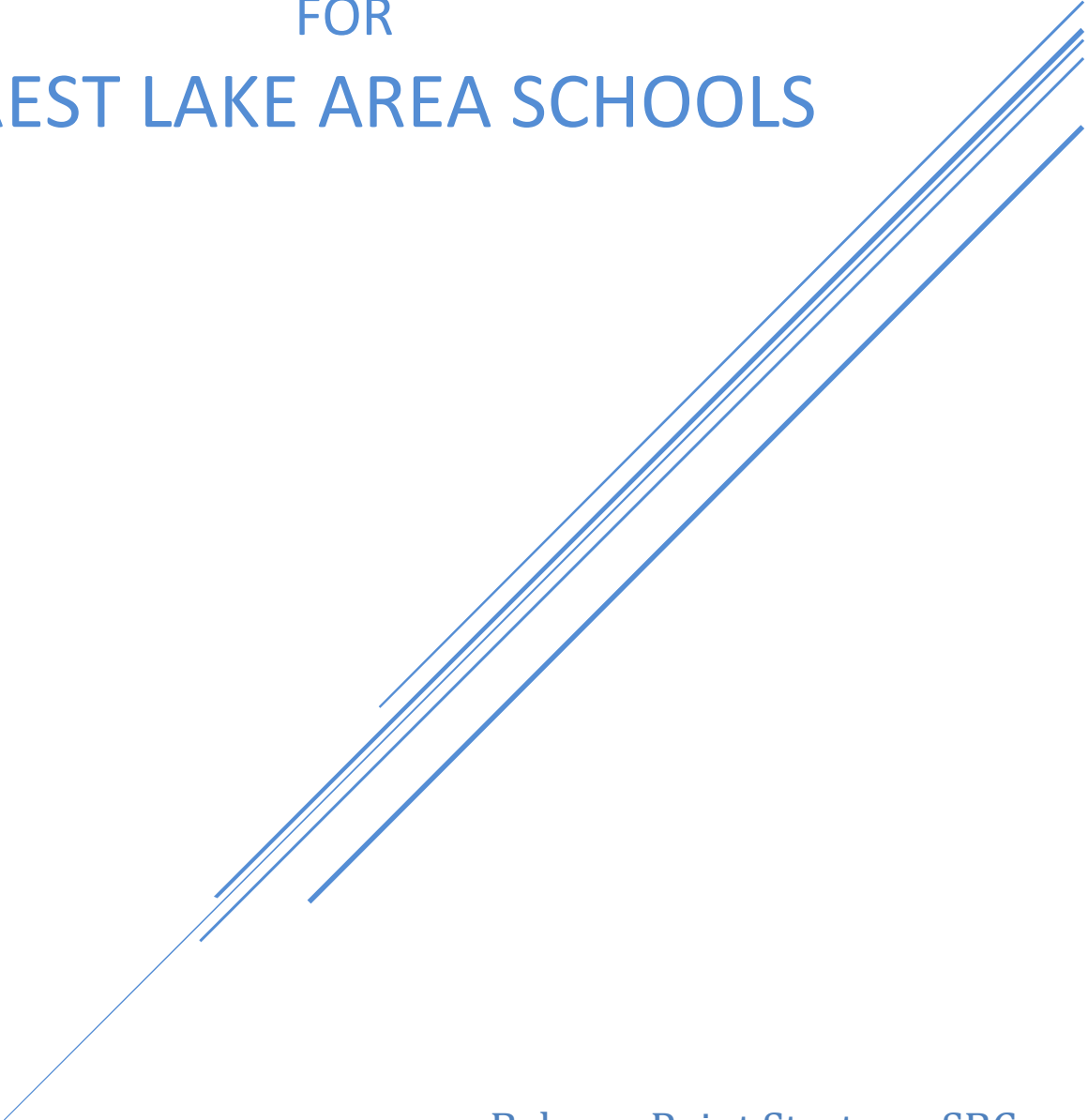


ANNUAL STRATEGY REVIEW
OF
THE DISTRICT'S EMPLOYEE
HEALTH PLAN
FOR
FOREST LAKE AREA SCHOOLS



Balance Point Strategy, SBC
February 2018

Balance Point Strategy
16526 West 78th Street, Suite 288
Eden Prairie, MN 55346

February 28, 2018

Mr. Larry Martini
Director of Business Services
Forest Lake Area Schools
6100 N. 210th St
Forest Lake, MN 55025

RE: **Annual Strategy Review** of FLAS' Employee Health Plan

Dear Mr. Martini,

We have completed our first **Annual Strategy Review** of the Employee Health Plan (Plan) of Forest Lake Area Schools (FLAS) and are pleased to present our report, organized as follows:

- Section I Executive Summary
- Section II Quantitative Review and Comparative Analytics
- Section III Qualitative Review and Compilation of Results
- Section IV Health Plan Alignment with FLAS' District Strategic Plan
- Section V Assumptions and Limiting Conditions
- Section VI Appendix

Thank you for this opportunity to serve Forest Lake Area Schools.

Respectfully submitted,

Balance Point Strategy, SBC

Enclosure.

SECTION I – EXECUTIVE SUMMARY

Balance Point Strategy, SBC (BPS) was engaged by Forest Lake Area School's (FLAS) Board, on September 21, 2017, to conduct this **Annual Strategy Review** of the District's Employee Health Plan (Plan) for the Plan year ending 2016. Coordination and guidance for this review were provided by BPS' Executive Contact, Larry Martini.

The purpose of this engagement is to provide FLAS with BPS' observations of your Plan's quantitative and qualitative performance data and stakeholder perceptions alongside observations of alignment of your Plan with your District's goals and strategies.

The quantitative analyses are retrospective, encompassing the period July 1, 2013 through June 30, 2016; whereas the qualitative and alignment analyses measure current (latter 2017) perceptions.

This Executive Summary presents highlights of BPS' analytical process and observations as follows.

QUANTITATIVE REVIEW AND COMPARATIVE ANALYTICS

The goal of the Quantitative component of this first FLAS **Annual Strategy Review** is to analyze the relative financial performance of the Plan, as compared with its designated peer group of districts, and observe similarities and difference that are significant. BPS provides this peer performance data for FLAS' use in its strategic health plan design process.

BPS obtained and analyzed employee health plan revenue and expense data reported to the Minnesota Department of Education (MDE) for the years ending June 30 of 2014, 2015 and 2016 for FLAS and for the set of districts comprising the FLAS "Peer Group"¹. The "Peer Group" was determined in consultation with our Executive Contact. Certain MDE data elements were supplemented by direct outreach to the selected Peer Group districts as well as through discovery in publicly-reported financial audits.

This report establishes the initial set of comparative metrics that will become more relevant in subsequent years' **Annual Strategy Reviews** in measuring change and observing drivers of change. The metrics in the set are characterized by the fiscal year 2016 as well as the three-year period, July 1, 2013 to June 30, 2016.

¹ The peer group is comprised of the following districts that have three years of self-funded health plan experience: Brainerd, Burnsville, Centennial, North St. Paul - Maplewood, Prior Lake-Savage and Richfield. The following districts were included in BPS' preliminary analysis but not included in this **Annual Strategy Review** metrics because they did not yet meet the peer group definition for having a full three-years of self-funded experience: Cambridge-Isanti, Elk River, Fridley and White Bear Lake.

The following table presents the metrics for FLAS's Plan compared to the Peer Group averages:

	FLAS	Peer Group	Delta
METRIC 1: Total employee health plan cost (TEHPC) per participating employee (only 2016):	\$ 13,225	\$ 12,974	+ \$251
METRIC 2: Employer contribution as a percentage of total annual health plan premiums (employer and employee contributions):	89.87%	81.55%	+ 8.32%
METRIC 3: Self-Funded Reserve (per Audited Financial Statements) as a percentage of TEHPC:	22.15%	29.01%	- 6.86%
METRIC 4: The difference, if any, between what the district paid to settle claims and what the providers received, for the period tested:	0%	N/A	N/A
METRIC 5: The change in FLAS' self-funded premiums (employer and employee contributions) lagged the peer group average between 2014 and 2016.	2.4%	8.1%	-5.7%
METRIC 6: FLAS' TEHPC as % of total district expenditures remains about the same as the peer group over the three-year period.	10.5%	10.9%	-0.4%
METRIC 7: The change in FLAS's TEHPC as % of total district operating expenditures between 2014 and 2016 was an increase whereas peer districts, on average, experienced a decrease.	17.4%	-2.6%	+20%
METRIC 8: In per-ADM terms, FLAS's health plan costs grew approximately twice as much as its average peer over the three-year period ending June 30, 2016.	21.6%	12.6%	+9.0

BPS and our FLAS' Executive Contact reviewed the various metrics that could have been applied to the extensive data obtained by BPS and selected the above-referenced eight metrics as being the most relevant for this first **Annual Strategy Review**. Now, having established this baseline for FLAS and its peer group, the opportunity in the next **Annual Strategy Review** will be to review the same metrics for the next period of time, as well as to compare changes and observe drivers of those changes.

QUALITATIVE REVIEW AND COMPILATION OF RESULTS

The goal of the Qualitative component of this FLAS **Annual Strategy Review** is to observe impressions of the Plan through a process of inquiry regarding employees', service providers' and other stakeholders' perceptions of Plan performance, satisfaction and degree of engagement with the Plan, and to then summarize these perceptions in a useful format for consideration in FLAS' strategic planning process.

BPS' qualitative methodology consists of these stages:

1. **Interviews:** Liaise with our FLAS Executive Contact in planning the face-to-face and phone interviews and the online survey process and calendar; prepare the interview questions; conduct the face-to-face and phone interviews and compile results;
2. **Surveys:** Prepare the online survey; release the survey in December 2017 to 50 randomly selected FLAS employees representing each major bargaining group, and compile results;
3. **Review:** Liaise with our Executive Contact in reviewing qualitative responses, preparing relevant observations and incorporating real-time changes in FLAS' Plan occurring during the period of this **Annual Strategy Review**;
4. **Observations:** Finalize and incorporate BPS qualitative observations in our report.

BPS conducted interviews of approximately 45 minutes duration with seven (7) FLAS employees and three (3) representatives of FLAS' Plan's service providers. Six of the interviews were face-to-face and four were virtual (teleconference).

BPS' conducted an online survey of FLAS employees, selected randomly from the main employee groups. The goal of the survey was to identify points of corroboration with interview results as well as to identify differences in qualitative perceptions between the interview group and the survey groups.

The following are the key BPS observations, from the interviews and the survey, that have been selected for presentation in consultation with our Executive Contact:

Qualitative Observation 1:

On general perceptions of the FLAS Plan and its strategic value as a District investment and/or a District asset, BPS observes:

- a) There is generally high regard for and pride in the FLAS Plan.
- b) The Plan is a very important, high-value FLAS asset.
- c) There is support to further leverage the Plan benefits and resources, in alignment with FLAS' overarching strategies, such as employee engagement in health and well-being, and efforts to retain and recruit the best personnel.

Qualitative Observation 2:

On perceptions of the extent to which the FLAS Plan is contributing to the greater health and well-being of employees and dependents, BPS observes:

- a) There is evidence of both mindset shifts and employee actions towards early detection and prevention as a result of enhancements in Plan resources and communications therefore; examples include FLAS' on-site clinic and HealthiestYou.
- b) The survey confirmed that there is general agreement on the question of whether employees' and their dependents' health is better or improving as a result of their use of FLAS' Plan benefits/resources. 57% of respondents "agree" or "strongly agree" with this statement (45% of teachers "agree" or "strongly agree").

Qualitative Observation 3:

On perceptions of the extent to which employees understand the benefits available and the ways to utilize these benefits, and on the degree to which FLAS employees may benefit from greater awareness and knowledge-building initiatives and ideas for same, BPS observes:

- a) The *interviews* were generally consistent in the perception that FLAS employees need broader and deeper knowledge of the Plan's resources and how to use them, whereas the *survey results* suggest that employees believe a higher level of knowledge already exists.

- b) Further investigation could help clarify and identify more specifically where knowledge-building is needed.
- i. The interview responses indicate that improving employees' understanding of what's available and how to utilize FLAS' benefits is an opportunity for improvement. Interviewees tended to agree that there are employees who do not understand, or do not know how to use the Plan benefits. Further, interviewees suggest that, in addition to reaching out to the obvious resources for assistance (LeAnn, Trig, Bernie, labor leaders), there are peer-to-peer interactions happening too. FLAS does not have a mechanism to measure the instances of such outreaches nor the content of the questions and answers.
 - ii. The survey results suggest that a large percentage of employees know how to utilize Plan benefits:
 - "I have, or know how to get, the information I need to make good use of my Health Plan benefits." - 68% agree or strongly agree; 94% report occasionally needing help using Plan resources;
 - "How often do you need help using the District Health Plan resources?" 53% report regularly needing help using Plan resources.
- c) An opportunity for consideration may be to design and implement a process for capturing employee questions, tracking statistics on inquiries, identifying best answers, publishing the FAQs and answers using effective communication methods and then measuring recurrence of similar questions so as to evaluate communication effectiveness. The caveat is that such a process would increase responsibilities for the administrative team and/or supporting Plan resources (perhaps the experience would be an interim bubble of additional efforts followed by a tapering off of inquiries as the FAQ promulgation becomes effective).
- d) Plan stakeholders generally support actions that help all employees achieve broader and deeper understanding to optimize their use of the Plan.

Qualitative Observation 4:

On perceptions of FLAS' Plan as a major or minor strategy for recruiting and retention of best people, BPS observes:

- a) There is evidence to conclude that FLAS' Plan is a major factor in employee retention, however it would be helpful to employees to have a tool to value the health plan benefit as part of total compensation.
- b) For recruiting, the FLAS Plan is also seen as a major, positive factor, and regarded as superior to competitors' Plans, however the information about FLAS' Plan in recruiting materials is regarded as suboptimal and requiring improvement.

Qualitative Observation 5:

On perceptions of FLAS' Plan in the context of labor relations, BPS observes:

- a) There is evidence that FLAS' Plan is perceived as being very important in successful negotiations.
- b) The Benefits Committee structure contributes positively to knowledge of, and confidence and trust in, Plan stewardship and operations;
- c) There is uncertainty as to the extent to which participation on the Benefits Committee gives a "voice" to employee groups.

Qualitative Observation 6:

On evidence cited on the value of and/or performance of the FLAS employee health plan, BPS observes:

- a) There is evidence (qualitative and quantitative) in support of the generally-held view that the FLAS Plan is high-value, appropriately resourced, cost-effective and performing efficiently and effectively.
- b) The opportunity is to help employees and potential employees to better understand and value the Plan.

BPS' qualitative methodology yielded a range of comments and perspectives. BPS' analytical process identified, with the concurrence of our Executive Contact, certain goal/topic/function highlights and BPS' observations thereof, as being the most relevant for consideration in FLAS strategic and management processes. Subsequent BPS *Annual Strategy Reviews* may include additional or different goals/topics/functions and observations.

PLAN ALIGNMENT WITH FLAS' OVERARCHING GOALS AND STRATEGY

BPS' methodology includes observation and documentation, through BPS' independent process of inquiry, of the extent to which FLAS' Health Plan is regarded as being aligned strategically and operationally in support of the District's Strategic Plan.

BPS reviewed the District's Strategic Plan and discussed alignment of the Health Plan with our Executive Contact in preparing for interviews. The District's Strategic Plan does not always include linkage to specific underlying functions and processes, such as FLAS' Employee Health Plan, however it is logical to read the District's Strategic Plan in the context that the Strategic Plan assumes excellence in the contribution of all district systems, functions and processes.

ALIGNMENT OBSERVATION 1:

FLAS' employee health plan is generally in alignment with and is helping support these specific FLAS Goals and Strategies taken directly from FLAS's most recent Strategic Plan:

- ...a safe environment, with caring and supportive networks, to thrive and prosper;

- ...a system that recruits, hires, and retains the best staff;

- ...a process to review facility and technology needs and implement an action plan... identify future needs and investigate trends in the areas of technology and building & grounds, evaluating their potential value to the Forest Lake Area School District and offering recommendations for future growth in both areas;

- ...have wage and compensation targets that are competitive with nearby or metro districts;

- ...have personnel coordinate a committee of ambassadors that work to enhance connections with current partners and foster new partnerships.

ALIGNMENT OBSERVATION 2:

From BPS' review of interview comments and survey results, and discussions with our Executive Contact, there is evidence of a generally-held belief that the management of FLAS' Plan is in good hands. Given this positive belief, and in view of the absence of negative feedback, BPS observes that FLAS' employees appear to hold intuitively positive assumptions and trust that FLAS' Plan sponsors are setting goals for the Plan and undertaking action steps to achieve those goals, such as adjusting plan resources to meet employees' and dependents' requirements and managing costs, even though such Plan goals and actions steps are not formally published.

ALIGNMENT OBSERVATION 3:

FLAS' next District Strategic Planning process could take the opportunity to consider more specific references to FLAS' Plan as a key contributor to employee health and well-being, retention and recruiting that, in turn, supports the District's Overarching Goals and Strategy. For example, there appears to be support, noted in the Survey Results, for FLAS to encourage early detection and prevention through effective use of Plan resources including annual physical exams in the on-site clinic.

END - EXECUTIVE SUMMARY