



**FOREST LAKE AREA SCHOOLS  
FOREST LAKE, MN 55025**

**September 21, 2017**

**AGENDA ITEM: 4.3**

**TOPIC:** APPROVE AGREEMENT WITH BALANCE POINT STRATEGY, SBC TO CONDUCT AN ANNUAL REVIEW OF THE DISTRICT'S HEALTH PLAN

**BACKGROUND:** Balance Point Strategy, SBC (BPS) is a Minnesota Specific Benefit Corporation committed to contributing to the "public good" with specific emphasis on helping public entities continuously improve their employee health plan management and operations.

**PROCESS:** BPS proposes to conduct an Annual Strategy Review of the School District's health plan, presenting key quantitative and qualitative comparisons and observations involving six peer group districts.

BPS is further proposing to discount their normal fee for this service by 33.3% resulting in a total cost of \$2,667.00.

The report and presentations associated with this review will assist the school district in further aligning the performance of the health plan with overarching school district goals.

**RECOMMENDATION:** Administration recommends approval of the Health Plan Review.

*Balance Point Strategy SBC*

**Proposal**

***Annual Strategy Review***

of

**The District's Employee Health Plan**

for

**Forest Lake Area Schools**

August 2017

August 29, 2017

Mr. Lawrence A. Martini  
Director, Business Services  
Forest Lake Area Schools  
6100 N. 210th Street  
Forest Lake, MN 55025

Re: Proposed *Annual Strategy Review* of  
Forest Lake's Employee Health Plan

Dear Mr. Martini,

Thank you for this opportunity to present the following proposal / services agreement for your consideration.

Balance Point Strategy (BPS) respects Forest Lake's commitment and diligence in continuously improving the management and operations of its employee health plan (Plan).

BPS proposes to serve Forest Lake as our "alpha client" for a fresh, unique, independent and innovative "agreed-upon procedures" product/service intended to provide Forest Lake's employee health plan sponsors / administrators with an *Annual Strategy Review* of your district's health plan strategy and performance for the Plan Year ended June 30, 2016, with a view to:

- Plan alignment with District goals;
- Quantitative results compared with peer districts' performance;
- Qualitative performance based on stakeholder perspectives;
- BPS observations.

In return for Forest Lake's commitment as the "alpha client" for this new product/service, BPS offers Forest Lake a substantial cost discount from BPS' intended pricing for 2017 and subsequent consecutive years.

Our *Annual Strategy Review* proposal which follows is organized in these sections:

1. Purpose and Value Proposition
2. Scope and Methodology
3. Timeline and Deliverable
4. Who we are
5. Arrangements
6. Acceptance
7. Addendum: Assumptions and Limiting Conditions and Timeline

It would be our great honor to earn Forest Lake Area Schools' commitment as our Alpha client, with you as Executive Contact. Thank you for your consideration.

Respectfully,

*Balance Point Strategy SBC*

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### **Purpose and Value Proposition**

The purpose of BPS' proposed work is to provide Forest Lake with consecutive *Annual Strategy Reviews* of the District's Employee Health Plan (Plan), independent of the Plan's stakeholders, that present BPS' observations of quantitative and qualitative health plan performance data and Plan stakeholder perceptions alongside observations of alignment with the District's goals and strategies.

The value proposition for *Annual Strategy Reviews* is related to the fact that, like most districts, Forest Lake's *Total Health Plan Cost* is the District's budget's second largest area of "controllable" spend. BPS' *Annual Strategy Reviews* will enhance and support the District's strategic planning and health plan management processes by observing and reporting on Forest Lake's investment in its Plan from several perspectives including:

How the District's investment, represented by its annual "*Total Health Plan Cost*," compares with the district's designated as its peer group;

The extent to which Plan stakeholders know or believe that the Plan is performing efficiently;

The extent to which the Plan is regarded by stakeholders as being aligned with the District's strategies and contributing to achievement of the District's goals.

As do most public school districts, Forest Lake engages various specialist service providers to assist in the operation of the District's Plan. These services providers include: health plan brokers, consultants, claims administrators, wellness coordinators, clinic managers, pharmacy benefits managers, et al. The District's *Total Health Plan Cost* includes the fees and costs of these service providers.

While each service provider would typically provide Forest Lake with performance summaries for its specific area of responsibility, these would be neither independent, nor explicitly reference insights present in others' summaries. Additionally, service providers' summaries may or may not be produced with a view to the District's goals and strategies. Thus, an overarching perspective on Forest Lake's Plan remains hidden from leadership with a view to District goals and strategies. In short, there may be unintended "gaps" between what service providers know and share about the District. And there may be "gaps" between what service providers report, and what the District cares about.

Balance Point Strategy is a new and innovative resource that addresses these "gaps:"

First, BPS is independent of all other health plan resources and does not intend to compete with nor duplicate the services already provided in the health plan market, such as those from brokers, benefits consultants, and third-party administrators;

Second, BPS has developed the methodology for our *Annual Strategy Review*, which we believe is unique in the employee health plan industry, that presents key quantitative and qualitative observations and offers an overarching, independent perspective of the Plan with a view to the District's goals and strategies;

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### **Purpose and Value Proposition, continued**

Third, BPS is organized legally in Minnesota as a Specific Benefit Corporation (SBC) under this state's Public Benefit Corporation Act. This means that BPS founders are enthusiastic in voluntarily holding ourselves to high standards for independence, transparency and commitment to contributing to the "public good" with specific emphasis on helping America's public schools continuously improve their employee health plan management and operations;

Lastly, BPS' sole duty is to our public sector clients, that are our sole source of compensation.

### **Scope and Methodology**

BPS proposes to conduct its work for the District as an "agreed-upon procedures" engagement. "Agreed-upon" means to BPS that we are happy to work with our clients in modifying such procedures so as to best serve each client's needs. The main elements of these procedures are briefly described in the following outline of scope and underlying methodology of BPS' *Annual Strategy Review*:

1. Review the District's overarching goals and strategy, observe where qualitative and quantitative Plan information may be relevant, and identify connections between performance of its Plan and its strategy;
2. Observe the relative quantitative performance of the Plan, as compared with its designated peer group of districts, and the extent to which this performance knowledge is being incorporated into the District's workforce planning process:
  - a. Definition, data sources and rationale for "total employee health plan cost" as the numerator in comparative metrics (ratio/formulae);
  - b. Definition, data sources and rationale for selection of the denominators for our comparative metrics (ratio/formulae);
  - c. Rationale for designation of the peer group;
  - d. Presentation of our table of comparative analytics for the District and its peer group for the Plan Year;
  - e. Suggest factors that may help explain differences in subject and peer group metrics and, if negative for the District, our observations on the extent to which these may be controllable.
3. Observe qualitative aspects 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 summarize this perception data in a usable format for consideration in Forest Lake's planning process:
  - a. Goals for survey-based qualitative observations;
  - b. Definitions / descriptions of stakeholder groups and/or individuals;
  - c. BPS' process of developing district-specific customized questions;
  - d. Coordination of interview and survey-related communications with our Executive Contact;
  - e. Process of conducting interviews, distributing surveys and collecting results;
  - f. Process of aggregating and summarizing results;
  - g. Preliminary review of qualitative results with our Executive Contact;
  - h. Finalization of qualitative results and observations.

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#### Scope and Methodology, continued

4. Observe and document, through BPS' independent process of inquiry, the extent to which the Plan is regarded as being aligned strategically and operationally in support of the District's overarching goals:
  - a. Observe the extent to which qualitative interviews and survey results are in alignment/consensus on those overarching District goals relating to or tangential to its Plan (such as recruiting, retention, absenteeism, etc.);
  - b. Observe the extent to which there is knowledge of and consensus regarding specific employee health plan goals and action steps to achieve those goals;
  - c. Observe perceptions of whether and/or how achievement of specific goals for the Plan through implementation of action steps related to the Plan may improve alignment with overarching District goals.

BPS intends to work closely with our Executive Contact in the planning, execution and completion of our *Annual Strategy Review* scope and methodology. We expect that our Executive Contact will assist us in specific areas such as outreach to peer group districts with requests for quantitative data.

Lastly, our scope, methodology and our fee proposal is based upon the following assumptions about the engagement parameters (what's included) that BPS anticipates in developing and completing this engagement. We will remain flexible and, should these assumptions change, we will propose modifications to our fee and timetable as appropriate:

- a) Up to six (6) peer group districts;
- b) Up to four (4) structured face-to-face interviews with District stakeholders;
- c) Up to five (5) structured phone interviews with District stakeholders;
- d) Up to twenty (20) email/online survey responses;
- e) Up to two (2) presentations of our final report;
- f) An electronic version of our final report.

#### Timeline and Deliverable

BPS will initiate work on this engagement immediately upon Forest Lake's authorization and estimates that our work will be completed within 100 days following our coordination meeting with our Executive Contact. Please see the Addendum for our detailed timeline estimate.

BPS' Final Report will comprise three parts:

- 1) Executive Summary suitable for stakeholder use, and
- 2) Self-documenting brief narrative report, and
- 3) Appendix containing summaries of quantitative and qualitative observations.

#### Who we are

Balance Point Strategy, SBC is a Minnesota specific benefit corporation founded in early 2017 under Minnesota's Public Benefit Corporation Act by co-founders Chris Hoehn, Larry Martini and Thom Sturgeon.

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**Arrangements**

BPS works solely on a fixed fee for services basis, including expenses. BPS receives no compensation from others in connection with its work for Forest Lake Area Schools.

BPS proposes that our normal fee for conducting our work and delivering our *Annual Strategy Review* report for Forest Lake Area Schools in the first Plan Year, based on the parameters stated on Page Four herein, would be \$4,000.

However, in view of Forest Lake's commitment to serve as BPS' 2017 "Alpha" client for this new, high value service that BPS intends to make available to other public school districts, BPS is pleased to discount our fee by 33% for the years 2017 through 2021.

BPS proposes that our fee for Forest Lake Area Schools for the *Annual Strategy Review* for the Plan Year ending June 30, 2016 shall be \$2,667.00 including expenses for the scope of work described herein.

We will coordinate closely with our Executive Contact and if modifications to our scope of work are agreed, we will adjust our normal fee accordingly and apply the 33% discount to the revised amount.

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**Acceptance**

Balance Point Strategy SBC is honored to have this opportunity to propose our services to Forest Lake Area Schools. The attached Addendum containing our Assumptions and Limiting Conditions, to which this proposal and our deliverables shall be subject, is incorporated by reference in this proposal that, upon your acceptance, will constitute our Services Agreement.

We commit to Forest Lake that this important engagement will receive our prompt and careful attention, will begin immediately upon your acceptance and will be delivered on our mutually agreed schedule.

Respectfully offered:

**Balance Point Strategy SBC**

By \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Accepted:

**Forest Lake Area Schools**

By \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



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ADDENDUM, Page One

### Assumptions and Limiting Conditions

The following Assumptions and Limiting Conditions are incorporated by reference in BPS' Proposal / Services Agreement for the District and shall also apply to and be included in our Annual Strategy Review deliverables:

1. **Goals and Suitability for the District's purposes:** BPS provides independent, unbiased *Annual Strategy Reviews* of school districts' employee health plans (Plans) with the goal of assisting school stakeholders in the continuous improvement and alignment of their Plans with their district's goals and objectives.
2. **BPS High Standards:** BPS was founded in early 2017 as a Specific Benefit Corporation (SBC) under the the provisions of Minnesota Statute, Chapter 304 (a), the Minnesota Public Benefit Corporation Act. BPS' principals hold ourselves accountable to help promote the "public good" by acting in support of continuous improvement of public sector organizational management.
3. **BPS Scope:**
  - a. BPS' proposal document summarizes our proposed scope of services and highlights of our proposed agreed-upon procedures methodology, however BPS will be happy to provide a more detailed outline of our scope and agreed-upon procedures upon request.
  - b. BPS does not compete with nor advise on nor provide services typical of health plan brokers and agents, such as issuance of RFPs for school district health plan service providers, medical providers, insurance and reinsurance-related products and services, etc; BPS does not receive nor analyze responding proposals, nor negotiate prices and fees, nor does BPS supervise or provide technical Plan reviews or otherwise intervene in the work of health plan service providers engaged by our client such as brokers, consultants, actuaries, claims adjudicators, claims administrators, pharmacy benefit managers, insurance and reinsurance companies, et al. BPS suggests that districts engage professional, experienced service providers to assist with health plan brokerage, underwriting, legal and financial risk management.
  - c. BPS is happy to consider requested modifications to our scope of services provided that we have the necessary qualifications and experience and provided that appropriate adjustments are agreed regarding our compensation and delivery schedules.
4. **BPS Qualifications:** BPS' qualifications to deliver the scope of its *Annual Strategy Review* services are based on BPS's principals' experiences in school business, human resources and benefits administration; employee health plan management strategy; school data analytics and organizational change management strategy and processes.
5. **Agreed-Upon Procedures:** BPS undertakes its *Annual Strategy Reviews* as "agreed-upon procedures" engagements with its client school districts. BPS' work is observational and does not constitute an "opinion" nor a technical "valuation" nor a "certification" nor an "audit" nor an endorsement of the District's historical performance nor of its projected future performance nor of the sufficiency of its health plan to address medical conditions of its covered members.
6. **District Responsibilities:** BPS and the District have shared responsibility in performance of the proposed scope of services. The District shall provide access to sufficient, qualified personnel who are capable of performing the duties and tasks described in and implied by this proposal.

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**Assumptions and Limiting Conditions, continued**

7. **BPS Responsibilities:** BPS is responsible for faithfully summarizing and reporting based on the information and data provided to BPS by Forest Lake and its employee health plan stakeholders and its designated peer districts, however BPS is not responsible for procedures such as verifying, validating, cross-checking, auditing, or analyzing such information unless such specific procedure is included in the scope of our engagement.
8. **Disclosures:**
  - a. Should the District have concerns about the accuracy or motivations of specific stakeholders in their provision of information to BPS for BPS' Annual Strategy Review, then it is incumbent upon the District to bring such concerns to BPS' attention immediately and to participate with BPS in determining the appropriate way forward; and vice-versa should BPS have similar concerns.
  - b. BPS principals' relationship disclosures:
    - i. Larry Martini is co-founder and co-owner of Balance Point Strategy and is also the Director of Business Services for Forest Lake Area Schools;
    - ii. Chris Hoehn is co-founder and co-owner of Balance Point Strategy and also owns VitaminK12, LLC that serves client public school districts and school-related organizations;
    - iii. Thom Sturgeon is co-founder and co-owner of Balance Point Strategy, is co-founder and co-facilitator of the MN Self-Funded User Group and is the managing director of OCM Strategy LLC that has a consulting agreement with its client PreferredOne (Fairview) to assist that organization in better understanding and serving the public school market.
  - c. BPS will not disclose the contents of its works except on request from the District and as required by applicable federal, state or local laws.
9. **Compensation:** BPS's compensation for each of its Annual Review services is based on a fully transparent, non-contingent fixed fee agreed in advance with its school clients. BPS does not accept contingent or commission fees. BPS will make all financially reasonable and bearable efforts to generate deliverables that satisfy district stakeholders.
10. **BPS Rights:**
  - a. BPS will retain and reserves the right to use, in BPS' other client engagements, any publicly available school district data as well any appropriate non-identifiable, anonymous, aggregate health plan-related information provided to BPS by the District.
  - b. BPS reserves the right to accept advisory engagements with health plan services providers and medical providers with the caveat that such engagements contribute to the overall improvement of services to schools. BPS shall disclose such engagements to its school clients.

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ADDENDUM, Page Three

**BPS' Proposed Timeline for Forest Lake Area Schools**

BPS will initiate work on this engagement immediately upon the District's authorization and with the following sequencing and timeline:

