

Local Education Plan Equal or Superior Evaluation Policy

Policy. The "equal or superior" evaluation required by Tenn. Code Ann. § 8-27-303(a) (2) shall be conducted in accordance with the following Policy:

1. (a) A Local Education Agency (hereinafter "LEA") not currently participating in the state sponsored Local Education Insurance Plan and those that seek to opt out in the next plan year and receive state insurance funding from the Department of Education as provided for in Tenn. Code Ann. § 8-27-303(a) (I) (hereinafter, "insurance funding"), will provide Benefits Administration a copy of all medical insurance plan policy designs which they intend to offer to their members. This shall include but not be limited to the following information: (1) all covered health benefits (medical, prescription, behavioral health, etc); (2) member and family deductibles; (3) member and family co-pays; (4) member and family co-insurance; (5) member and family out-of-pocket maximums; (6) annual amount of employer's contribution to either Health Savings Account (HSA) or Health Reimbursement Account (HRA); (7) category of all dependents covered in the LEA plan offerings; and (8) monthly premiums for members and dependents, along with the percentage of said premium to be paid by the employee and the employer LEA.

(b) Each LEA shall submit any additional information needed to assist with the decision of the "equal or superior" rating determination by the state's independent firm or consultant. Each LEA seeking an "equal or superior" determination is responsible for providing Benefits Administration with medical insurance plan(s) design that meets the actuarial requirements for this determination by the state's independent firm or consultant.

(c) So that LEAs that opt out of the state plan do not risk the potential for delayed or reduced insurance funding, Benefits Administration strongly recommends that those LEAs submit their proposed medical insurance plan designs for consideration by the state's independent firm or consultant no later than ninety (90) days in advance of the relevant plan year.

2. Upon receipt of the LEA's medical insurance plan designs, the Executive Director of Local Finance for the Department of Education will be notified that the evaluation process is underway and the plans will be forwarded to the state's independent firm or consultant for the "equal or superior" determination as required by Tenn. Code Ann. § 8-27-303(a)(2). All medical insurance plans offered by the LEA must satisfy the "equal or superior" requirements of the basic health plans as defined and described in paragraph nos. 3 and 4 below.

3. The basic health plan to be utilized for purposes of the "equal or superior" evaluation is the Local Education Insurance Committee's plan with the highest actuarial value.

4. (a) The state's independent firm or consultant will review all materials provided by the LEA and evaluate the composite overall benefit value of the deductibles, co-pays, co-insurance, out-of-pocket maximums, etc. to determine the actuarial value of each option relative to the basic health plan(s), using thoroughly tested and peer reviewed actuarial models to determine Actuarial Values. Only health plans which constitute "minimum essential coverage" under the Affordable Care Act may be considered by the firm or consultant for purposes of this

determination. In order to satisfy the "equal or superior" rating necessary for insurance funding, the state's independent firm or consultant **must** reach one of the following two conclusions:

(1) **All plans** offered by the LEA must have an actuarial value equal to or within five (5) percentage points of the actuarial value of the State Plan's "basic plan" (i.e., the highest actuarial value plan offered by the Local Education Insurance Committee for that plan year)* A five (5) percentage point variance is utilized to account for variation in networks, utilization, on-site clinics, and any other coverage differences; **OR**

(2) **At least one plan** offered by the LEA must have an actuarial value equal to or within five (5) percentage points of the actuarial value of the State Plan's "basic plan" (i.e., highest actuarial value plan offered by the Local Education Insurance Committee for that plan year as in 4(a)(I) above) **and** all plans offered by the LEA must meet or exceed the actuarial value of the lowest actuarial value plan offered by the Local Education Insurance Committee.** The five (5) percentage point variance is not applicable to or permitted to be considered when determining whether the LEAs plans meet or exceed the actuarial value of the lowest actuarial value plan offered by the Local Education Insurance Committee.

(b) If it is determined that no plan offered by the LEA has an actuarial value equal to or within five (5) percentage points of the actuarial value of the highest actuarial value plan offered by the Local Education Insurance Committee for that plan year, or that any plan offered by the LEA fails to meet or exceed the actuarial value of the lowest actuarial value plan offered by the Local Education Insurance Committee, then the LEA does not satisfy the "equal or superior" requirement for insurance funding.

5. Upon receipt of the equal or superior determination from the state's independent consultant, Benefits Administration will provide a written report of results to the LEA Director. If the LEA receives a rating of "equal or superior" from the state's independent firm or consultant, Benefits Administration will consider the LEA to be compliant with the statutory "equal or superior" requirement and no further action is necessary to receive insurance funding.

6. If the LEA fails to receive a rating of "equal or superior" from the state's independent firm or consultant, the Local Education Insurance Committee shall call a public meeting at its earliest convenience for the purpose of reviewing the state's independent consultant's report and rendering a final determination as to whether the "equal or superior" requirement has been satisfied.

(a) If the Local Education Committee adopts the finding of the state's independent consultant and makes the final determination that the LEA's local plans do not satisfy the "equal or superior" requirement, then the insurance funding through the Department of Education will be discontinued as soon as is practicable, but no later than ninety (90) days from the date of the Local Education Insurance Committee's meeting at which the final determination was reached, as required in Tenn. Code Ann. § 8-27-303(f).

(b) Within ninety (90) days after the Local Education Insurance Committee's meeting at which the final determination was reached that the LEA's local plans do not satisfy the "equal or superior" requirement, the affected LEA may implement improved and revised medical insurance plan designs and submit the revised local plans for re-consideration by the state's independent firm or consultant and Benefits Administration. All attempts to cure must be completed and implemented within this ninety (90) day period.

(c) If the LEA does not submit revised local plans within ninety (90) days after the Local Education Insurance Committee's meeting at which a final determination that the LEA's local plans do not satisfy the "equal or superior" requirement was reached, or if the LEA's revised plans are also deemed inferior by the state's independent firm or consultant, the LEA may elect

to either (1) enroll in the state supported Local Education Insurance Plan and continue to receive insurance funding from the Department of Education, or (2) maintain its local plan without receipt of insurance funding from the Department of Education. Benefits Administration will notify the Local Education Insurance Committee and the Executive Director of Local Finance for the Department of Education of the LEA's election.

(d) If the LEA properly submits revised local plans and the state's independent firm or consultant and Benefits Administration determine that the revised plans satisfy the "equal or superior" requirement, then Benefits Administration will notify the LEA, Local Education Insurance Committee, and the Executive Director of Local Finance for the Department of Education in writing of the determination, and Benefits Administration will consider the LEA to be compliant with the equal or superior requirement and to be eligible for continued insurance funding from the Department of Education without further action. Approval by the Local Education Insurance Committee is not required for Benefits Administration's determinations under this section 6(d).

7. Non-Scheduled Evaluations. The "equal or superior" evaluation set out above in this policy shall also apply to all non-scheduled evaluations required by Tenn. Code Ann. § 8-27-303(g), brought about by LEA local medical insurance plan benefit changes. LEAs in receipt of insurance funding must file all benefit changes to local plans no later than thirty (30) days prior to the effective date of the changes.

8. Should any provision of this Policy be deemed to be contrary to law or otherwise unenforceable, then that provision shall be severable from the remainder of Policy and shall not cause the remainder to be invalid or unenforceable.

* For illustrative purposes, if the highest actuarial value plan offered by the Local Education Insurance Committee has an actuarial value of 80%, the LEA plan must have an actuarial value of 76% or higher to be considered equal or superior thereto. The 76% actuarial value is calculated by applying the 5% to the 80% actuarial value: $80\% * (1.00 \text{ less } .05)$, equating to $0.80 * (.95) = 76\%$

** For illustrative purposes, if the highest actuarial value plan offered by the Local Education Insurance Committee has an actuarial value of 80% and the lowest actuarial value plan is 70%, at least one of the LEA plans must have an actuarial value of 76% by applying the 5% to the 80% actuarial value $80\% * (1.00 \text{ less } .05)$, equating to $0.80 * (.95) = 76\%$, and all of the LEA plans must have an actuarial value greater than 70% to be considered equal or superior thereto.

Policy Approved by Vote of Local Education Insurance Committee