

**Minutes of the Advisory Health Benefit
Committee Meeting of August 30, 2011 at the
District Office, Minden, Nevada**

Committee Members Present

Christine Cooley – D.C.P.E.A.
Larry Lippman - D.C.P.E.A.
Tami Beckett – D.C.S.S.O.
Marie Parola – D.C.S.S.O.
Holly Luna – District Office

Absent

Christine Bredow – D.C.P.E.A.
Shannon Brown – D.C.A.A.
Dwight Landon – D.C.B.D.A.

Also present at the meeting were Windy Culver-Molezzo with Hometown Health, Robert Moore, Roger Olsen, and Patrick O’Neil with LP Insurance Services, and Nikki Bertone with HR. One member of the public was in attendance. Meeting began at approximately 4:05pm.

Holly Luna began by explaining the change in format, posting of the agenda in accordance with open meeting laws as a sub-committee of the Board of Trustees, and noted for the record the audio recording of the meeting.

Roll call of members and external representatives was taken. The committee members adopted the Agenda.

There were no sign-ups for Public Comment.

The minutes of the Regular Meeting of May 16, 2011 which had been presented to the committee members via email on May 17, 2011 were adopted without changes.

Claims Review: Roger Olsen, LP Insurance Services, reviewed the month of July’s self-funded plan cost analysis data for the calendar year 2011. Net paid claims for the month of July (\$377,420) were lower than the monthly average for the previous plan year (\$503,817). On a composite basis the average monthly claims cost per employee for the current plan year to date is \$614.09 compared to \$640.65 for the previous plan year, or a decrease of 4.15%. For employee only claims, costs were up from \$421.15 to \$451.58, an increase of 7.23%. For dependent only claims, costs were down from \$1,006.04 to \$704.58, a decrease of 29.97%.

Total net plan costs for July (\$439,895) were lower than the monthly average for the previous plan year (\$559,731). On a composite basis, the average total cost per employee per month for the current plan year to date was down from \$711.75 to \$693.92, or a decrease of 2.50%. Employee only costs were up from \$478.92 to \$515.81, an increase of 7.70%. Dependent only costs were down from \$1,067.10 to \$772.51, a decrease of 27.61%.

Overall utilization of the various medical services coverage by the plan for the current plan year to date is relatively consistent with those of the previous plan year with the exception of Inpatient Hospital and Outpatient Surgery expenses.

There have been four (4) claims that have exceeded \$75,000 through the month of July, and one (1) has pierced the Stop Loss threshold of \$150,000 by \$1,782 which will be reimbursed to the plan.

Calculations estimate the Incurred But Not Reported (IBNR) claims liability from the previous twelve months of reported claims as of the end of July at \$787,853 which is down from June's calculation of \$801,914. Roger noted that as of 07/01/2011, the IBNR methodology was revised downward by approximately 3.1% based on actuarial recommendations, and was confirmed by LP Insurance Services through lag studies.

Hometown Health Statistics Review: A copy of the "Claims Turnaround Time Report" and "Hometown Health Customer Service Department Stats" were reviewed by Windy Culver-Molezzo. No significant changes were discussed.

Early Retiree Reinsurance Program: Holly Luna indicated that this report would be delayed until the next scheduled meeting. Robert Moore and Roger Olsen, LP Insurance Services, reviewed the description of the program with the committee members.

PEBP Retiree Subsidy Update: Holly Luna reviewed the revisions to PEBP's rates for the fiscal year 2011-12. The effects of these changes to the District's plan are not yet known. Per NRS, the District is required to admit to the plan returning retirees in any even year, post legislative changes in the odd years. Those retirees returning will likely have made a cost / benefit analysis, determined that the District's plan is more beneficial, and likely these types of plan users will skew the plan claims, also known as adverse selection. Holly will update the committee after the beginning of the calendar with notification of any returning PEBP participants.

DCSD Plan Review: Roger Olsen and Robert Moore of LP Insurance Services walked the committee through several proposed changes to the plan based on increased costs to the plan utilizing the last twelve months of actualized claims data (August 2010 through July 2011). Although calendar year 2011 has seen relatively low claims increases, the months of the previous calendar year were much higher thus affecting the outcome of the forecasting of next year's rates. Additionally, there were Health Care Reform mandated changes included in the projected costs.

Three proposals were submitted for committee review. The first proposal showed premium increases of 28.42% if no plan benefits or deductibles were changed taking an employee premium from \$575.00 to \$733.19. The second altered the plan benefits slightly and adjusted the deductibles taking an employee premium from \$575.00 to \$704.78, or an increase of 22.68%. The third further changed plan benefits and deductibles taking an employee premium from \$575.00 to \$649.98, or an increase of 13.58%. Essentially, to off-set the projected increased plan costs, plans must any of the following: reserves, plan benefits and deductibles, or premiums. The proposed plan changes were intended to allow for simplification of the plan, a more "apples to apples" comparison, and trend with other local entity changes.

The committee discussed the Premium Holidays in conjunction with the proposed rate increases. Robert Moore explained the difference between addressing rate increases in the period in which presented rather than creating compounding effects by deferring costs into the next period or defraying increases through use of reserves. Alternatively, if unrestricted surplus exists, the plan may liquidate reserves drawing down the level of unrestricted surplus. The plan should maintain adequate reserves to fund the terminal liability, or Incurred But Not Reported Claims. It is unclear at what levels those reserves should be maintained – it is dependent upon the amount of risk that the plan is willing to incur. While some members indicated the Board's willingness to tap into Premium Holidays as an expediency measure, Holly Luna reminded the committee of Health Committee Meeting, 30 August 2011

the budget predicaments that the Board had been presented with prior to both recent Premium Holidays.

Discussion ensued as to what changes would be acceptable to the different bargaining unit members, and whether or not the Premium Holidays were appropriate given the reserve levels.

Holly Luna encouraged the members to propose alternatives, and reminded the members of the timeline required to present the Board with changes for the regularly scheduled Board meeting in November in order to allow HHP appropriate time to implement changes during open enrollment and prior to the new plan year (correlates to January 1, 2012).

The committee requested that the brokers provide several additional scenarios: (1) what would the premium rate changes look like without any plan benefit / deductible changes, but that which included Health Care Reform mandated changes; (2) what would the premium rate changes look like if the plan reserves were utilized to offset 50% of the proposed rate increases, while plan benefit / deductibles absorbed the remaining 50% of the proposed rate increases. LP Insurance representatives agreed to return to the next meeting with all proposals revised to include the latest August 2011 claims data. It was noted by Nikki Bertone that the administration of the HSA plan was difficult and proposed an elimination of the plan. Alternatively, it was suggested that HSA plans were the direction most plans were heading and that it would better to increase the incentives of the option in order to increase participation.

Next Meeting(s): The next Committee Meeting was set for **September 20th, 2011**, at the District Office @ 4pm. It was also discussed that members should be relaying this information to their respective bargaining groups in anticipation of upcoming meetings as action will need to be taken at the committee level no later than end of October. The meeting adjourned at approximately 5:45pm.

Respectfully Submitted,
Holly Luna, CFO, Business Services
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