Minutes of the Advisory Health Benefit
Committee Meeting of October 18, 2011 at the
District Office, Minden, Nevada

Committee Members Present	**Absent**
Dwight Landon – D.C.B.D.A.	Christine Bredow – D.C.P.E.A.
Larry Lippman - D.C.P.E.A.	
Christine Cooley – D.C.P.E.A.	
Tami Beckett – D.C.S.S.O.	
Marie Parola – D.C.S.S.O.	
Shannon Brown – D.C.A.A.	
Holly Luna – District Office	

Holly Luna indicated that the requested notification from the bargaining unit President of DCPEA had not yet been received to confirm change of member representation from Christine Bredow to Andrew Fromdahl and verification was requested again.

Also present at the meeting were Roger Olsen, Robert Moore and Lloyd Barnes with LP Insurance Services, and Nikki Bertone with HR. Two members of the public were in attendance. Meeting began at approximately 4:02pm.

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

There were no sign-ups for Public Comment.

(*Andrew Fromdahl arrived at 4:08*)

The minutes of the Regular Meeting of September 20, 2011 which had been presented to the committee members via email on September 26, 2011 were adopted 7-0 after a discussion ensued with regards to a note in the meeting minutes which was changed to reflect that the statement regarding the "richness" of the District plan when compared to other public entities was noted as a statement attributed to Holly Luna.

Claims Review: Roger Olsen, LP Insurance Services, reviewed the month of September's self-funded plan cost analysis data for the calendar year 2011. Net paid claims for the month of September ($291,285) were lower than the monthly average for the previous plan year ($503,817). On a composite basis the average monthly claims cost per plan user for the current plan year to date is $589.53 compared to $640.65 for the previous plan year, or a decrease of 7.98%. For employee only claims, costs were up from $421.15 to $430.50, an increase of 2.22%. For dependent only claims, costs were down from $1,006.04 to $686.91, a decrease of 31.72%.

(*Dwight Landon arrived at 4:13*)

Total net plan costs for September ($351,807) were lower than the monthly average for the previous plan year ($559,731). On a composite basis, the average total cost per plan user per month for the current plan year to date was down from $711.75 to $669.43, or a decrease of 5.95%. Employee only costs were up from $478.92 to $494.73, an increase of 3.30%. Dependent only costs were down from $1,067.10 to $754.66, a decrease of 29.28%.

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 September, and two (2) claims have pierced the Stop Loss threshold of $150,000 by a total of $39,468 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 September at $732,694 which is down from August's calculation of $782,146.

Hometown Health Statistics Review: A copy of the "Claims Turnaround Time Report" and "Hometown Health Customer Service Department Stats" were provided by Holly Luna on behalf of HHP who had scheduling conflicts and were unable to attend the meeting. No significant changes were discussed. It was indicated that if there were any questions, to please follow up with Holly and she would ensure notification to HHP who would explain either via email or at the next regularly scheduled meeting.

Change in Agenda: It was requested by Lloyd Barnes that perhaps the Committee would review the plan changes and then return to the Hometown Health Third Party Administrative contract as the contract pricing was included in the rates and premiums projections. The Committee agreed with the change in agenda, and proceeded with the Plan Review Discussion and possible Action item.

DCSD Plan Review: Roger Olsen, Robert Moore, and Lloyd Barnes of LP Insurance Services walked the committee through a fully insured market survey analysis (also referred to as a Request For Proposal or RFP) with the intent to mirror as best as possible to what the market offered if the District were to forego a self-insured plan. The fully insured analysis was comparable to the current self-insured District Plan and included medical, dental, and vision.

With regards to medical, only 1 company quoted with 6 declining to quote stating they could not be competitive with the District's current self-insured plan. Of the one that quoted, the result would incorporate the current plan rate increases along with an additional 9.12% increase. With regards to dental, 5 companies quoted, with 6 declining to quote stating they could not be competitive with the District's current self-insured plan. Lincoln Financial, Met Life, Humana, Delta and Standard quoted to incorporate the current plan rate increases along with an additional 10%, 11%, 14%, 23%, and 27% increases respectively. With regards to vision, 3 companies quoted. VSP, Superior Vision, and MES quoted to incorporate the current plan rate increases along with an additional 86.52%, 91.55%, and 169.32% increases respectively.

Discussion ensued among the committee members with regards to potential sale of St. Mary's to which Lloyd Barnes indicated that the potential sale of the hospital should not be confused with the Health Care Insurance Company that quoted for the District's fully insured plan. It was also discussed that medical trend of inflationary costs are currently 10-12% in Northern Nevada, and that usually the first year of adoption of a fully insured plan would not guarantee the same rates the following year, but rather that in year two, the fully insured plan would likely see rate increases beyond just that of inflation. LP Insurance proposed various scenarios of the different quotes – all of which exceeded those of the self-insured option.

Through discussion, the committee determined that it was best to remain self-insured – not only due to the increased first year costs and potential for larger increases in the second year, but also due to the reduction of control of the plan for the employees. A vote was taken and voted 8-0 to remain self-insured. Holly Luna thanked LP Insurance Services for their quick and thorough RFP, and it was noted that the request was a very difficult task to incorporate in the short time requested, and that the District was very appreciative of their facilitation of the immense effort in a timely manner.

Stop-loss reinsurance was discussed with regards to annual renewal and potential review at the November meeting. Roger Olsen indicated that approximately 8-10 companies were usually requested to quote.

With regards to proposed changes to the current premiums set for the self-insured plan, the committee again reviewed the triggers for the projected increases as well as the ability of the plan to leverage or off-set the proposed increases. Essentially, to off-set the projected increased plan costs, plans may utilize any of the following trigger points: reserves, plan benefits and deductibles, and/or premium changes. Additionally, the proposed plan changes were intended to allow for simplification of the plan, a more "apples to apples" comparison, and trend with standardization of plan language.

There was further discussion reviewing the projected increase, which, given the most recent information for the prior year's month of September rolling off with new year information included, reflected an increase of 21.86%. LP Insurance Services again reported that approximately 11% was due directly to inflationary costs of health care, that 2% was due to previously mentioned Health Care Reform, and the differential due to the last 12 months of utilization of the plan.

LP was requested to make a recommendation as to the "best" plan, and the response was that the committee needed to determine the level of services, benefits and risks that the plan was willing to incur, and that the rates would need to reflect those indicators. It was noted by Robert Moore that most public plans had moved to a $500 deductible versus the $250 deductible that the District's plan currently maintained. There was also a discussion on rate equity disclosing that although the most recent 12 months of claims by dependents and spouses were better than prior years, however that the District continued to subsidize the dependents and spouses through the premium rates set for the employer paid portion. Additional discussions regarding the prior premiums set by the committee ($662.31 / employee) versus the rate agreed to through the May 2010 bargaining agreements ($575.00 / employee), and it was noted that the rate changes were a result of bargaining and a "budget" number rather than set as a "rate change" due to rates previously projected by LP Insurance Services. It was noted that at the time of the rate change, only the employee rate changed, and the other dependent rates remained the same.

Further discussion ensued as to what was or was not acceptable to bargaining units and members regarding rate changes, and costs to employees for dependent / spouse premiums. It was indicated several times by Christine Cooley that the ending fund balance was looked at by the School Board as "gravy", and as long as there continued to be a unrestricted reserve, that the board would continue to look to the insurance fund to solve the District's financial problems through premium holidays.

Holly Luna indicated that the Board was responsible to resolve financial issues on a much larger scale than that solely of the self-insurance fund, and that the premium holidays had not been presented or approved solely on the basis of the self-insurance fund ending fund balance but rather on the needs of the District as a whole.

Dwight Langdon indicated that he was a user of the plan, and as such, any changes would directly affect him, but that users should bear more of the increased costs. It was presented by Larry Lippman that the plan was a benefit to the employees, and that the District should pay the differential increase in rates for the employer paid portion, indicating that Option #1 was his preference. Holly Luna pointed out that the District's share of that increase would equate to approximately $1Million dollars and how would that be balanced in the bigger picture of the General Fund obligations. There was discussion back and forth as to use of the unrestricted fund balance, some reduction of benefits, increase premiums with approximately majority (approximately 70%) of payment paid from the General Fund for the employer paid share, and the remainder paid by employees for spouse/dependents, or some combination of all. Alternatively, Holly suggested that Option #3 is a compromise with one change noted. She indicated that if premiums remained unchanged, 8% of the increased rates could be adjusted through changes within the benefit plan, and the remainder could be taken through reductions of the unrestricted reserves. The changes in the benefit plan would actually be beneficial to those who are minimal users due to the 100% payment of well adult and well child care annuals, and that the heavier users would pay more through increased deductibles and out of pockets along with a 5% increase in copays. She indicated that she had a prior commitment and that she requested the committee to either move to a vote or to finalize this item in the special meeting organized for October 25th. The group was not ready to finalize, and it was determined to continue the item to the next week's meeting.

Holly Luna excused herself at 5:45pm, and noted that the premium rates discussion would need to be resolved at the Special Meeting on October 25th at 4pm as already agreed to at the last meeting. The meeting continued in her absence.

Hometown Health (TPA) Renewal: The Committee returned to the Third Party Administrator (TPA) contract renewal item. Lloyd Barnes, LP Insurance Services, reviewed the proposal and indicated that the contract would reflect no increases for calendar year 2012, calendar year 2013 adjusts by $0.89/employee or a 4.9% increase, and calendar year 2014 adjusts by another $0.89. The contract allows for a 30 day "out" clause to cancel the contract, and provides adequate flexibility. There was an alternative with St. Mary's but given the current climate of potential sale of the hospital, this was not likely the direction the District would wish to pursue. A motion to approve the 3 year contract with a 30 day out clause with increases as approved was seconded, and unanimously approved 7-0.

Future Agenda Items: Andrew Fromdahl requested that LP Insurance Services return next week with a review of the projected increases in a format that would juxtaposition the proposed increases against the former rate of $662.31/employee, and see adjustments against spouses and dependents rates as they remained unchanged when the employer paid rates were adjusted to $575. Further discussion ensued about the proposed changes back and forth with premium holidays, former rate change, and that those changes were initiated to ensure that the General Fund could support jobs, as well as not continue to increases the unrestricted reserves in the self-insurance fund. Nikki Bertone further explained how the proposed changes in plans could actually benefit the user. Open enrollment, timing, and rates were further discussed in order to allow employees to make a choice at the time of enrollment.

<u>Next Meeting(s):</u> The next Committee Meeting was set for **October 25th, 2011**, at the District Office @ 4pm.

The meeting adjourned at approximately 5:55pm.

Respectfully Submitted,
Holly Luna, CFO, Business Services
Douglas County School District
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