

**Minutes of the Advisory Health Benefit  
Committee Meeting of November 15, 2011 at the  
District Office, Minden, Nevada**

**Committee Members Present**

Andrew Fromdahl – 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

**Absent**

Dwight Landon – D.C.B.D.A.  
Larry Lippman - D.C.P.E.A.

Also present at the meeting were Roger Olsen and Lloyd Barnes with LP Insurance Services, Windy Culver-Molezzo with Hometown Health, and Nikki Bertone with HR. One member of the public was in attendance. Meeting began at approximately 4:02pm.

Roll call of members and external representatives was taken. Holly Luna indicated that both Dwight Langdon and Larry Lippman had indicated that they would not be present for today's meeting. The committee members adopted the Agenda.

There were no sign-ups for Public Comment.

The minutes of the Regular Meeting of October 18th, 2011 as well as the minutes from the Special Meeting of October 25<sup>th</sup>, 2011, both of which had been presented to the committee members via email on November 3, 2011 were adopted 6-0.

**Claims Review:** Roger Olsen, LP Insurance Services, reviewed the month of October's self-funded plan cost analysis data for the calendar year 2011. Net paid claims for the month of October (\$518,022) were higher 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 \$599.00 compared to \$640.65 for the previous plan year, or a decrease of 6.50%. For employee only claims, costs were up from \$421.15 to \$440.63, an increase of 4.63%. For dependent only claims, costs were down from \$1,006.04 to \$683.52, a decrease of 32.06%. Additionally, the cost per member (employee or dependent) was down from \$457.81 to \$420.89, a decrease of 8.06%.

Total net plan costs for October (\$578,414) were higher 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 \$678.92, or a decrease of 4.61%. Employee only costs were up from \$478.92 to \$504.87, an increase of 5.42%. Dependent only costs were down from \$1,067.10 to \$751.18, a decrease of 29.61%. Additionally, the cost per member (employee or dependent) was down from \$508.61 to \$483.31, a decrease of 4.98%.

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 five (5) claims that have exceeded \$75,000 through the month of October, and two (2) claims have pierced the Stop Loss threshold of \$150,000 by a total of \$53,758 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 October at \$758,098 which is up from September's calculation of \$732,694.

**Hometown Health Statistics Review:** Copies of the "Claims Turnaround Time Report" and "Hometown Health Customer Service Department Stats" were provided by Windy Culver-Molezzo, Hometown Health. No significant changes were discussed other than the ramping up of the Senior Care Plus program in its annual renewal cycle.

**DCSD Stop Loss Insurance Renewal:** Lloyd Barnes, LP Insurance Services, presented the committee with a renewal and marketing analysis for the District's Self-Funded Insurance Stop Loss Reinsurance. As presented, there were 3 declinations to quote, several with incomplete responses, and 3 quotes including the renewal with the current provider, HM Life. It was indicated that LP Insurance Services would confirm final quotes. As presented, the various options generally reflected increased rates, and as a result of high claims on a specific individual, and "laser" option was also noted. A laser option is a provision in some stop loss contracts which sets a specific stop loss attachment point at a higher level than the rest of the contract for specific individuals.

There was discussion as to the risk incurred by the plan through increasing the specific stop loss versus keeping the specific stop loss at the same level but accepting the quotes with a laser option constructed on pending estimates of high claims for a single user. Based on the timing of the next board meeting and renewal of contract, Holly Luna requested that the Committee make a recommendation based on the current information with a fallback position if a delayed quote results in a renewal option better than HM Life's proposal.

Holly Luna reviewed the historical trending of increased specific stop loss insurance over the last five years of the plan. Roger Olsen indicated that in order to keep up with leveraged trend of 20-25%, a plan generally assumes more of the risk as shown in the quotes presented moving from a specific stop loss of \$150,000 to \$175,000 in order to offset increasing premiums. Holly Luna reminded the committee of the increased risk to the plan, the higher costs incurred by the plan, but that the plan benefits have not adjusted or offset those increased costs, and that the Board's had tasked the Committee to make recommended changes by the February board meeting. Shannon Brown noted that it seemed that while the Committee appeared willing to increase the risk to the plan through the increase in specific stop loss, the same Committee was unwilling to increase the deductibles to the plan members. Christine Cooley indicated that she was not willing to "hook her vote" to whether or not the plan benefits changed.

It was moved by Shannon Brown, seconded by Holly Luna, to approve the renewal of stop loss insurance at a \$175,000 level with HM Life for \$521,000.00 with a fallback position to accept a more advantageous alternative offer by a competitor if presented to the brokers prior to the December board meeting. The motion failed 2-3, Tami Beckett abstaining.

Further discussion ensued, and Committee members received further clarifications. Tami Beckett moved to approve the prior recommendation, seconded by Holly Luna. The motion passed 6-0.

Holly Luna indicated she would have to excuse herself to participate in another meeting, and requested that the Committee would set additional meetings in order to meet the Board deadline of February with Committee recommended plan changes.

*(Holly Luna and Andrew Fromdahl left at 5:04pm.)*

**DCSD Plan Review:** Roger Olsen and Lloyd Barnes of LP Insurance Services reviewed challenges of rising health costs and potential plan changes with the Committee – essentially starting from scratch with proposed changes requested by the Committee following this review.

The following cost inflation factors were discussed: general healthcare trends, public entity factors with aging population and retirees, PEPB retiree factors and potential returns of retirees to the District's plan, and the uncertainty of healthcare reform.

Direct plan cost control options included: (1) current PPO plan changes with deductibles co-pays / co-insurance, out-of-pocket maximums, and plan simplification; (2) current Rx plan changes with implementation of a front end deductible, co-pay / co-insurance, and formulary management; and (3) current QHDHP / HSA plan changes with deductibles, co-insurance, and to encourage HSA participation.

It was noted that the “biggest bang for the buck” when it comes to reductions of costs to the plan is increased deductibles, followed by out-of-pocket maximums and then co-pays / co-insurance increases. A discussion followed regarding the individual's ownership of some risk versus the plan covering the risk, and finding that balance. Additionally, as the plan has evolved, it has become onerous to administrate and difficult for participants to understand. If simplified, there are some increased costs associated with the changes.

With regards to a HSA, it was noted that the impetus of management shifts from the plan / employer / TPA to the user – that there is the potential that the end user can better manage their health costs. It's a function of the user determining which doctor and how much utilization as well as creating a health insurance savings account. There was discussion on the basics of a HSA structure and costs.

Other cost control options were highlighted, including base-buy-up options, life coverage levels, Medicare retiree benefits / Medicare Advantage options, dental plan benefits, vision plan benefits, wellness programs, disease management programs, telemedicine programs, and premium cost sharing for employees.

Potential next steps were noted as the following: (1) identify areas of focus for financial evaluation; (2) identify areas of focus for further education; (3) LPA will develop menu of change options with financial impact based on Committee feedback, and (4) Committee would select options for benefit modification.

**Future Agenda Items:** It was requested by Marie Parola that the plan be modified to add alternative medicine benefits, and to pursue a telemedicine option. Shannon Brown requested information on how to make the HSA a more attractive option to users. Christine Cooley requested an option be presented that would split the increased costs between plan changes and ending fund balance, and it was explained that that option had already been presented. Tami Beckett requested an analysis of the Rx plan to show what last 10 months would have cost if some of the proposed changes had been in effect, and maybe to modify Option 1 to include

changes to deductibles to \$500/\$1000, out-of-pocket for \$3,750/\$10,000, an Rx deductible and increase in tiers co-pays, dental deductible of \$50 and increase in co-pays, along with simplification of the plan. Additionally, it was requested what a “bare bones” plan would like if the premiums to sustain were set at \$575.

**Next Meeting(s):** The next Committee Meetings were set for **December 12<sup>th</sup>, 2011**, and four meetings in January as follows – January 4<sup>th</sup>, 11<sup>th</sup>, 18<sup>th</sup>, and 24<sup>th</sup> – at the District Office @ 4pm. The intent would be to cancel any remaining meetings if resolutions can be found earlier.

The meeting adjourned at approximately 6:23pm.

Respectfully Submitted,  
Holly Luna, CFO, Business Services  
Douglas County School District  
(775) 782-5131

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