Minutes of the Advisory Health Benefit Committee Meeting of January 11, 2012 at the District Office, Minden, Nevada

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

Also present at the meeting were Roger Olsen and Lloyd Barnes with LP Insurance Services, and Windy Culver-Molezzo with Hometown Health. Also present was Nikki Bertone from DCSD Human Resources Department. Holly Luna indicated Marie Parola had provided notification that she would be absent. Meeting began at approximately 4:01pm.

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 December 12, 2011 were issued via email on January 5, 2012. As most had not had the opportunity to review these, adoption of the minutes was postponed to the next meeting. Additionally, Holly Luna announced that prior to the next meeting, minutes of the January 4th Special Meeting would be provided, and would be considered a consent item for the next meeting.

Claims Review: Roger Olsen, LP Insurance Services, reviewed the month of December's self-funded plan cost analysis data for the calendar year 2011. Net paid claims for the month of December ($609,031) 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 $632.39 compared to $640.65 for the previous plan year, or a decrease of 1.31%. For employee only claims, costs were up from $421.15 to $470.46, an increase of 11.71%. For dependent only claims, costs were down from $1,006.04 to $697.85, a decrease of 28.25%. Additionally, the cost per member (employee or dependent) was down from $457.81 to $443.88, a decrease of 3.04%.

Total net plan costs for December ($670,259) 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 up from $711.75 to $712.23, or an increase of 0.07%. Employee only costs were up from $478.92 to $534.71, an increase of 11.65%. Dependent only costs were down from $1,067.10 to $765.70, a decrease of 28.25%. Additionally, the cost per member (employee or dependent) was down from $508.61 to $506.51, a decrease of 0.07%.

There were no claims in the month of December in excess of $75,000 and Large Claims for the month of December resulted in $86,800 in reimbursement 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 December at $769,113, which is up from November's calculation of $765,510.

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. Windy indicated that the claims turnaround was higher than average, due to employees trying to maximize the benefit of their plan seeing as many deductibles and co-insurance limits had been reached. Claims processed for the month of December were 99.9%. The number of calls answered for the month of December was 7,429, of which 7,225 were accepted, showing service within goals and actually 3% under the acceptable limit. Windy also reported the average time to answer a call hit 29 seconds.

DCSD Plan Review: Holly Luna provided a brief recap of the previous meeting's discussion, indicating that focus had primarily revolved around the HSA plan options, and how to reconcile decreasing revenues to increasing expenditures by various changes to the plan itself. Then Holly presented a motion to present an additional (3rd) option for the Committee's review. The motion was seconded by Dwight Langdon. Holly indicated the option being presented today was a combination of the other options previously discussed. Motion passed 7-0.

Lloyd Barnes presented Option 3, again explaining that the current funding allotted for the insurance premium paid by the Employer for the Employee is $575 per employee per month, and that previous projections showed that cost rising to $675 assuming a renewal rate start date of 1/1/12. Option 3 was requested by Holly, combining components of both Options 1 and 2, showing the financial impact to the renewal rate. Option 3 still includes increases to the deductible and co-insurance out-of-pocket amounts from $250 and $1,750 to $500 and $3,500 respectively, but also includes a prescription deductible of $50, adjustment to the dental coverage requiring a deductible up from $25 to $50, and lowering major catastrophic expense coverage from 80% to 50%. These plan changes would lower the Employer paid cost to $630. If the District maintained the premium expenditure at $575, this would require the employee to pay an additional $55.14 per month to maintain the PPO coverage. Family premium rates would change from $383.14, $310.50 and $624.62 to $461.84, $425.02, and $722.76.

The value of the plan reductions for Option 3 would save $550,000 annually to the plan itself, and would result in lowered premiums from the $675 rate to $630. This scenario results in a shifting of costs, and the user of the plan shares more of the cost. Additionally, as an enhancement, this option's Dental, Prescription and Dental co-pays apply towards to co-insurance amount, whereas they do not currently apply.

Continued discussion of the HSA plan option followed. It was discussed that a dual offering could be provided, including both the HSA and PPO options, with the HSA as the base option and if an employee choose the PPO option, they would contribute monthly the differential between the Employer paid rate of $575 and the premium cost of $630, or $55. Additionally, if no changes were made to the current HSA program, the cost would increase from $493 to $599. However, if modifications are made to the HSA program increasing the annual deductible from $1,500 to $2,500, the cost could lower from $599 to $489. In this instance, if the employee chose a straight HSA plan option, based on the total premium cost, employees would see the differential amount, or $86, funded to their HSA.

Alternatively, the employee could “buy-up” from the HSA plan to the PPO plan, paying the additional premium costs of $660 annually, while participating in lower deductibles and co-insurance limits.

Discussion ensued as to what it would cost if the plan changes were not adopted. One scenario could have the District’s share of the premium stayed at $575, and the employee would pay the rate differential of $100 per month or $1,200 annually on the PPO plan. Another option would be to pay the differential out of the Self Insured Health Insurance Ending Fund Balance (EFB).

Further discussion was had by members regarding continuing escalation of costs, projecting the rates at $675, or $100 over the current negotiated approved amount. Multiple options had been researched including benefit changes, utilizing the EFB, cost sharing by employee, and increase user costs, etc. The District is currently projected to have just over $1Million deficit between received revenues and projected expenditure for the 2012 calendar year, or approximately 18% increased costs. If Option 3 is chosen, the changes to the plan would reduce that deficit by $450,000.

Larry Lippman responded with the inquiry of what happens if no plan changes are made and someone signs up for the HSA program, then there would be no funding for an employer contribution to a new HSA, to which Lloyd conferred.

Holly Luna interjected with additional clarifications about incentivizing the HSA plan option. Currently, bank fees are deducted monthly from the amount contributed. Holly would like to explore the possibility of making less frequent but larger deposits, possibly semi-annually, to these accounts in order to reduce the bank fees to the end user resulting in more assets remaining in the employee’s account. An additional incentive she would like considered by the District is if a family plan changes to the HSA option, could DCSD fund an additional $1,500 for the first year, to aid that family in meeting their first year’s deductible to help offset the perceived risk of moving from the PPO plan to the HSA?

It was asked of Lloyd Barnes if there are statistics available to show the number of people, if given the choice, who would move to the HSA. Lloyd explained that the HSA program originally had slow adoption, but that in the last 18 months or so, HSA programs are becoming more adopted, and employers are incentivizing their employees to move in that direction. With such incentives, the industry is seeing approximately 10-20% moving to the HSA option when there is a choice between a PPO and HSA option. It is the hope that when an employee chooses an HSA plan option that they become more aware of their health costs, and therefore would more actively participate in managing those costs. Shannon Brown asked if we had an idea of the percentage currently meeting their deductible through the PPO and receiving full benefits from the current program, to which Lloyd replied DCSD probably has a higher rate – as high as 80% potentially – due to the low $250 deductible, and that it was likely to decrease as the deductible increased.

Discussion then moved to what would be taken before the Board on February 14, 2012. Andrew Fromdahl passed out a motion he had prepared, as well as copies of the negotiated language between DCSD/DCSSO/DCPEA on March 11, 2010. The motion stated that “The health advisory committee recommend to the school board that employee group contracts continue to be followed. DCSD will contribute $575 per month per employee for health insurance premiums and that there will be no change in benefits [referenced handouts]. Future additional meetings of the health advisory committee shall continue as needed for informational gathering purposes.”

The motion was seconded by Larry Lippman. Andrew noted the contract was currently under evergreen clauses. Discussion then turned to what was originally negotiated prior to this ratification, which was an amount of $662, which would mean a smaller gap if returned to during current negotiations. Additionally, it was noted that either the differential would be funded from the District's General Fund or that the deficit would be funded from the insurance fund ending fund balance.

At this time, the Committee accepted public comment from Susan Lacey with D.C.P.E.A, who spoke to the evergreen clause of the current agreement, and that the current contract must remain whole, as is, until a new contract is ratified.

Holly Luna interjected, removing her Committee hat and speaking from the perspective of the CFO, in that the Board provided the Committee a directive to come back in three months with recommended plan changes, and that the current motion being proposed by Andrew Fromdahl is not in keeping with that directive. As the District CFO, when questioned by the Board and asked for a recommendation, she cannot agree with the motion as currently proposed from the Committee. She wanted to be clear with her intentions and that any recommendations made by the CFO would not come as a surprise to the committee.

Discussion ensued as to the legality of the board directive to which it was concluded that is not the purview of the committee. Attention returned to the motion at hand, to which the following voted in favor: Andrew Fromdahl, Larry Lippman, Christine Cooley and Tami Beckett. The remaining votes were split, two nays (Holly Luna and Shannon Brown), and one Abstained (Dwight Langdon). It was determined that the motion failed, as a majority vote (minimum of 5 votes) is required. Holly Luna asked for any other motions.

There was then discussion as to whether or not committee members could send proxy votes in their absence to which Holly replied that she did not believe that to be the past practice. However, she indicated that if she correctly interpreted the present intentions, she would not stand in the way whether by proxy or otherwise by trying to dictate rules.

Shannon Brown then presented a motion that the Committee at least report Option 3 to the Board at the February meeting to show that ongoing informative processes have continued in an effort to comply with the directive of the Board as an option for their review. This motion was seconded by Holly Luna.

Larry Lippman, said the committee should postpone any option that breaks the current ratified contract, indicating that increased costs could be handled by the EFB for years to which Shannon Brown disagreed indicating a shorter timeframe. Christine Cooley agreed with Larry.

Discussion ensued about how a majority recommendation would be presented if different from the CFO's recommendation and who could speak. Holly Luna again clarified the intent is to have a majority recommendation for the Board. She indicated that alternative points of view could be presented by any committee member at public comment.

Shannon Brown's motion was then voted on resulting in two in favor (Shannon Brown and Holly Luna), three nays (Andrew Fromdahl, Christine Cooley and Larry Lippman), and two abstained (Dwight Langdon and Tami Beckett). Motion failed.

Dwight Langdon then proposed that Andrew's motion be altered to note that the Committee is prepared to react upon contract settlement arising out of negotiations, and that no changes are presented at this time. This was seconded by Andrew Fromdahl. Discussion then moved to the appropriate wording of the motion for the Board presentation.

(Holly Luna left the meeting at 5:46pm)

Dwight Langdon then proposed a motion of revised language to the previous motion, which was discussed at length among the committee, and eventually seconded by Christine Cooley with multiple friendly amendments.

Public comment by Susan Lacey was to clarify Dwight's intention that the committee has reviewed with due diligence – "done its homework", and that after a negotiated contract is prepared with options. She indicated DCSD needs to check with their counsel because if advice was to change plans while evergreen language was in place, that an EMRB complaint would be filed by DCPEA.

The changed motion language reads: "The Health Advisory Committee recommends to the School Board that employee group contracts continue to be followed. DCSD will contribute $575 per month, per employee, for health insurance premiums, and that there will be no change in benefits [reference handouts]. The Health Advisory Committee has reviewed plan options and information, and is prepared to make future recommendations after contracts are ratified for all employee groups." There was no additional discussion, and the motion moved to a vote, and passed unanimously.

Christine Cooley then motioned to cancel the remaining January meetings, as they are considered not necessary due to the above motion. Dwight Langdon seconded the motion; the motion required no discussion and moved to vote, which passed unanimously. All remaining meetings for January will be canceled.

The Committee then discussed which member would be appointed as the group speaker on February 14, to which Dwight Langdon motioned the speaker be Andrew Fromdahl, seconded by Tami Beckett. There was no discussion, and the motion was unanimously approved. Andrew Fromdahl will present the Committee's recommendation on February 14, 2012.

Future Agenda Items: None discussed, assuming ordinary February business matters.

Next Meeting(s): The next Committee Meeting is set for **February 21** at the District Office @ 4pm.

The meeting adjourned at approximately 5:58pm.

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