Minutes of the Advisory Health Benefit Committee Meeting of March 15, 2016 at the District Office, Minden, Nevada

Committee Members Present	**Absent**
~~Christine Cooley~~ Martha Mathews (stand-in), DCPEA	Paula Henricks, DCSSO
Jim Mathews, DCPEA	
Holly Luna, District Office (*departed 5:45 p.m.)*	
Shannon Brown, DCAA	
Andrew Fromdahl, DCPEA (*arrived ~4:12pm*)	
Gregory "Scott" Walker, DCBDA	
Debbie Haskins, DCSSO	

Lloyd Barnes, L/P Insurance Services and Marilyn Stephens of Hometown Health were present along with Cori Isherwood, and DCSD HR Benefits' Coordinator, along with several non-Committee members as public. Meeting began at approximately 4:09 p.m.

Call to Order: Committee member and attendee roll call was taken. Jim Mathews moved to adopt the agenda, seconded by Debbie Haskins; motion carried 5/0.

Public Comment: None

Committee Comment: Jim Mathews asked when the information on eyeglasses would be presented. Lloyd Barnes, L/P Insurance Services, responded that he hoped this would be ready for the next meeting.

Consent Items: Andrew Fromdahl moved to adopt the February 16 meeting minutes, seconded by Jim Mathews. Motion passed 6/0.

Claims Report: Lloyd Barnes, L/P Insurance Services, reviewed the claims data.

Exhibit 1

Net paid claims for February $613,585 are higher than the monthly average for the previous plan year $511,578. On a composite basis the average monthly claims cost per employee for the current plan year to date is $661.81 compared to $630.67 for the previous plan year, or an increase of 4.94%. Employee only claims costs were higher, $493.13 compared to the prior year average $437.45, an increase of 12.73%. For dependent unit only claims, costs are down from the prior year monthly average of $828.20 to current $716.34, a decrease of 13.51%. Additionally, the cost per member (employee or dependent) was up from $428.88 to $446.51, an increase of 4.11%.

Exhibit 3

Total net plan costs for February of $674,168 are higher than the monthly average for the previous plan year of $574,569. On a composite basis, the average total net cost per employee

per month for the current plan year to date compared to the prior year average was higher at $737.07 compared to $708.32, or an increase of 4.06%. Employee only net costs are up from the prior year average of $495.29 to $549.62, an increase of 10.98%. Dependent only net costs are down from the prior year average of $453.55 to $388.50, a decrease of 14.34%. Additionally, the net cost per member (employee and dependent) was up from $481.68 to $499.11, an increase of 3.62%.

Exhibit 5

Inpatient Hospital as a percentage of utilization is lower in the current plan year at 8% as compared to the prior year of 16%, and Outpatient Hospital is up to 30% from prior year of 22%. Pharmacy as a percentage of utilization is higher in the current plan year at 17% as compared to the prior year of 12%. Overall utilization of other various medical services coverage by the plan for the current plan year to date are within a five (5) percent variance to those of the previous plan year.

Exhibit 6

There are no members whose claims have exceeded $87,500 through February. The top portion of this exhibit illustrates claims once they have exceeded $87,500 and shows the changes in total paid amounts from month to month. The bottom portion illustrates the amounts by which each of these claims has exceeded the specific stop-loss level of $175,000 on a month to month basis.

Exhibit 7

Our calculations estimate the Incurred But Not Reported (IBNR) claims liability as of the end of February at $767,351 or an increase of 3.5% compared to the prior month.

Exhibit 8

Our calculations estimate the Incurred But Not Reported (IBNR) claims liability as of the end of the previous month at $741,239.

Customer Service Report: Marilyn Stephens presented the HTH Statistics Review, and issued copies of the "Hometown Health Customer Service Department Stats" (the Customer Service stats reflect HHP's entire book of business, not solely DCSD stats). She indicated that there had been high call volume in January and February as was expected for Senior Care enrollment as well as the addition of the Nevada Business Group on Health (NVBGH). As a result, the stat – Average Seconds to Answer – was still beyond the standard 60 seconds, sitting at 125 seconds; the Abandonment Rate had grown to meet the standard rate of 5%. She also presented the Claims Turnaround Time data reporting that of 1,260 claims received + 19 open from the prior month, 1,021 were paid by month's end, leaving 146 claims open. Regarding claim payouts, 850 Claims were paid within 15 days (83.25%). An additional 156 Claims were paid within 16 – 30 days (98.53% in total), and claims that extended past 30 days totaled 15.

Self-Insurance Fund Projected Financials (Report): Holly Luna presented FY15/16 financials calculated through a rolling forecast based on revenue and claims received through mid-February reflecting an Ending Fund Balance (EFB) estimate of $3,510,151 and estimated Cash Balance of $4,325,183.

Fund Balance Recommendation (For Possible Action): Holly Luna reviewed the Board directive from the November meeting, "[T]he Self Insured Health Advisory Committee is directed to provide the Board with a recommendation for establishing a minimum ending fund balance and a plan for establishing and maintaining a balanced self-insured fund, *to be received by the Board within six months from today...*"

She referred to the handout she had provided the members at the prior month's meeting. She had proposed to determine what, if any, legal obligations would impact the discussion, to determine the need and factors associated with an ending fund balance (EFB), to develop criteria for determining the EFB, and the cycle of budgeting.

Committee reviewed legal obligations. Andrew Fromdahl indicated that the certified contract, Article 6-5-6 referenced "Evaluate and review any other factors that may affect the program." Lloyd Barnes noted that as a large employer, the Affordable Care Act (ACA) requires that the district provide an affordable, qualified plan with the minimal essential coverage or pay an annual fine. The current plan is in compliance with ACA.

Holly Luna noted that when considering the needs, cash flow requirements would need to support operating expenditures, the fund's revenues year to year are relatively stable and reliable, and is somewhat susceptible to emergency or large unanticipated expenditures with risk limited by stop loss insurance. However, stop-loss insurance limits the plan's risk on any plan participant up to $175,000 per plan participant. Holly noted that Tom Marshall had completed a 10 year review, and on average, 3 claims/year reached or exceeded the stop loss, and thus the plan would need to cover multiple high-cost claims in any given year up to the stop-loss threshold. Andrew Fromdahl requested that we acknowledge expected trend and annual inflation, as well as recognizing that the fund must not dip into the red, and stay above "zero" as a self-insured fund (referencing the beginning of the plan when the district's general fund loaned money to the health insurance fund which was later repaid / returned to the general fund).

Discussion ensued about plan participants and "aging out" of plan participants versus plan becoming secondary to Medicare-age eligible participants. Scott Walker requested demographic data of plan participants.

Andrew Fromdahl discussed IBNR as one the main components of developing criteria for determining the EFB, indicating that the Committee had frequently heard 3 times IBNR as a good estimator for a healthy EFB. Holly Luna's research revealed that GAAP recommends 2 months of cash flow for a general fund but did not provide any guidance on self-insured health insurance funds. She noted that the auditors required annual booking of IBNR as part of the audited financials. Holly noted that the budget for the fund could include a contingency account, but NRS limits contingencies to 3% of expenditures, and she would not recommend as this budgeting tool does not really lend itself to the intent discussed here. She mentioned that NRS

354.612(4) requires that the fund operate without a significant profit and that the fund could not stockpile a large EFB. In conjunction with that, the premiums for eligible employees are paid 100% by the district. As such, some of the expenses are charged to federal and state grants as an overhead cost. Per Education Department General Administrative Regulations (EDGAR), the district cannot overcharge by having excessive overhead costs (e.g. stockpiling EFB) or the district could be sanctioned, fined, lose or have to repay grant funding, or incur any combination of the outcomes.

Committee discussion followed concerning what an auditor's definition of "stockpiling" was as well as concerns about potential 'yo-yo effect' of setting plan benefits based on projected financials. Holly Luna suggested that there needed to be a separation between the discussion of EFB versus the setting of plan benefits based on an evaluation of projected revenues and claims. As an example, she pointed the members to recall how L/P Insurances provided each year's renewal projections: they would provide an estimate of revenues and expenditures based on a mix of historical data and projected future trends. What they didn't provide is an evaluation of fund balance, but rather a positive or negative equation of revenues less expenditures.

Lloyd Barnes attempted to help clarify terminology in that IBNR should be considered restricted reserves as liability to the plan versus unrestricted reserves, or savings account, denoted as EFB. He reiterated that he recommended annually balancing the plan with regards to projected revenues to projected expenditures which is how they did present our plan to us every year. However, he noted that sometimes the plan cannot move fast enough (e.g. with regards to revising premiums or plan benefits within a plan year) when multiple large claims occur, and that is what the unreserved funds (EFB or savings account) would be utilized to offset.

Andrew Fromdahl noted that the EFB discussion was linked to setting plan benefits and that he did not want to gut the plan in order to balance a projected deficit, and referred to the November board discussion. Holly Luna observed that based on the recurrence of the Committee's lack of proposing plan benefit changes to align with the projected claims, by the very nature of depending on the EFB to make up the difference, the EFB was linked. However, if there was a separation through the Committee approaching the discussion by separating the EFB from setting plan benefits based on projected revenues versus expenditures, then the two would become separate discussions.

Further clarification of what IBNR and how it was included in the audited financials was provided. Andrew Fromdahl suggested that because one IBNR was already included in the audited EFB, that perhaps two IBNR would be an appropriate EFB recommendation. Holly Luna recommended to not cloud the issue of what was included in the liability section of the audited financials, but rather to provide a clear picture of how the EFB was derived – that of 3 times IBNR.

Andrew returned to the concern of gutting the plan benefits due to projected financials. Holly reiterated the need to separate fund balance discussions from setting plan benefits as the fund balance should be considered the savings account, not the go to for continued subsidy of an imbalanced plan benefit package.

Holly Luna reviewed the cycle of budgeting and audits to help the Committee visualize the process. She also outlined a proposed plan for the second part of the board directive which is to provide a plan for establishing and maintaining a balanced self-insured fund. She reiterated that a balanced plan was to look at projected revenues minus projected expenditures, and if the balance was negative, than changes would need to be made to the plan. If the balance was positive, then a Premium Holiday could be exercised if the excess was sufficient for one month of premiums, or to increase benefits. She cautioned the Committee on increasing benefits one year and then reducing in a following year due to confusion that could result for plan users.

At this point, Andrew Fromdahl requested board clarification on the directive as he had a very different interpretation. Holly Luna clarified with Teri White that she would seek clarification at the April Board Meeting.

Andrew Fromdahl also had several suggestions for the Board: have a standing report item on every Board meeting agenda, have a consistent, non-voting role filled by a Board member, provide a refresher every January for new board members, acknowledgment of premium setting for dependents only as employee rates are set in negotiations, concerns of use of Premium Holidays, and timing of annual projections and awareness of correction as it relates to revisions of said projection.

Lengthy dialogue followed about the board's intent regarding the directive, historical perspective and influences of planning benefits, and past practices of subsidizing plan expenditures through utilization of the EFB, as well as perceived Premium Holiday impacts. (*Holly Luna excused herself at 5:45 p.m.)*

It was noted that this item will be continued at the April meeting pending Board clarification of directive.

DCSD Plan Review (Information and Discussion): Lloyd Barnes indicated that 2017 rate projection will be available at the April meeting.

Correspondence (Report): None.

Future Agenda Items: (*NEW*) Andrew Fromdahl requested clarification of Committee bi-laws. (*OLD*) Several items from prior meetings were still in queue for committee review in conjunction with plan review for the calendar year 2017 to include: review of changing vision benefits from an allowance based system to a preferred provider system (L/P Insurance); and U&C for out-of-network (Marilyn Stephens, HTH).

Public Comment: None

Next Meeting(s): The next Committee Meeting was set for **Tuesday, April 19th at 4:30 p.m.** at the District Office.

The meeting adjourned at approximately 5:51 p.m.

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