

**Minutes of the Advisory Health Benefit
Committee Meeting of April 19, 2016 at the
District Office, Minden, Nevada**

Committee Members Present

Christine Cooley, DCPEA
Jim Mathews, DCPEA
Holly Luna, District Office
Andrew Fromdahl, DCPEA
Gregory “Scott” Walker, DCBDA
Debbie Haskins, DCSSO
Nancy Hamlett, DCSSO (*interim*)

Absent

Shannon Brown, DCAA

Marilyn Stephens of Hometown Health, and Cori Isherwood, DCSD HR Benefits’ Coordinator, were present along with several non-Committee members. Meeting began at approximately 4:31 p.m.

Call to Order: Committee member and attendee roll call was taken. Andrew Fromdahl moved to adopt the agenda as a flexible agenda to allow L/P Insurance representatives time to arrive, seconded by Nancy Hamlett; motion carried 7/0 as Jim Mathews stepped out for a few minutes.

Public Comment: None

Committee Comment: Jim Mathews returned to the meeting. Nancy Hamlett explained that she would temporary fill the position vacated by Paula Henricks who had resigned from the Committee. Paula Henricks was thanked in absentia for her service to the Committee.

Consent Items: Andrew Fromdahl thanked Holly Luna for the details and accuracy of the meeting minutes, and moved to adopt the March 15 meeting minutes, seconded by Jim Mathews. Motion passed 7/0.

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 the high call volume in January and February had dropped as was expected. Those months saw higher call volume for Senior Care enrollment as well as the addition of the Nevada Business Group on Health (NVBGH). As a result of the increased book of business, the stat –Average Seconds to Answer – was still beyond the standard 60 seconds, sitting at 61 seconds; the Abandonment Rate, however, had decreased below the standard rate of 5% to 4%. She also presented the Claims Turnaround Time data reporting that of 1,445 claims received + 22 open from the prior month, 1,695 were paid by month’s end, leaving 45 claims open. Regarding claim payouts, 1,511 Claims were paid within 15 days (89.14%). An additional 159 Claims were paid within 16 – 30 days (98.52% in total), and claims that extended past 30 days totaled 25.

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-April reflecting an Ending Fund Balance (EFB) estimate of \$3,390,587 and estimated Cash Balance of \$4,305,619. She noted she had expanded the view of the financials back to FY2006-07. She pointed out the dates of the Premium Holidays (November 2009 and June 2011), as well as the payoff in FY2007-08 of the General Fund loan from February 1999 to help cover the claims cost of the Health Insurance Fund when it was first started and did not have sufficient reserves. She also reviewed the dates of premium rates' changes.

Claims Report: Lloyd Barnes and Tom Marshall, L/P Insurance Services arrived at 4:40pm, and Tom Marshall immediately reviewed the claims data.

Exhibit 1

Net paid claims for March \$614,653 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 \$696.43 compared to \$630.67 for the previous plan year, or an increase of 10.43%. Employee only claims costs were higher, \$503.38 compared to the prior year average \$437.45, an increase of 15.07%. For dependent unit only claims, costs are down from the prior year monthly average of \$828.20 to current \$821.38, a decrease of 0.82%. Additionally, the cost per member (employee or dependent) was up from \$428.88 to \$469.63, an increase of 9.50%.

Exhibit 3

Total net plan costs for March of \$674,997 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 \$771.65 compared to \$708.32, or an increase of 8.94%. Employee only net costs are up from the prior year average of \$495.29 to \$559.87, an increase of 13.05%. Dependent only net costs are down from the prior year average of \$453.55 to \$438.10, a decrease of 3.41%. Additionally, the net cost per member (employee and dependent) was up from \$481.68 to \$522.70, an increase of 8.51%.

Exhibit 5

Inpatient Hospital as a percentage of utilization is lower in the current plan year at 11% as compared to the prior year of 16%. Pharmacy as a percentage of utilization is higher in the current plan year at 16% 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 medical claims, pharmacy not included, have exceeded \$87,500 through March. 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 March at \$756,448 or a decrease of 1.4% 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 \$767,351.

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 last month’s discussion on the ending fund balance criteria. The Committee reviewed legal obligation and need criteria. Andrew Fromdahl reviewed what he saw as gaps in communication with the Board and Committee, and asked that these be part of the final solution. He indicated a need for a non-voting Board member to join the monthly meetings with that Board Member reporting back to the board each meeting, strategic board presentations at specific times throughout the year, and an “Insurance 101” type workshop for new board members post-election cycles if Board Members change.

Christine Cooley asked that the options for fund balance suggestions be reviewed. After in-depth Committee review, Andrew Fromdahl reiterated his preference for 3 times IBNR as a suitable measurement for the minimum ending fund balance, and Committee also had consensus on this.

An extensive discussion ensued regarding how to determine and maintain a balanced self-insured fund. Andrew Fromdahl suggested a traffic meter of sorts in conjunction with the minimum ending fund balance to help drive Committee plan benefit recommendations. He advocated that at the time budget projects are released by the broker, if the projected claims cost exceeded the revenue estimates, that the Committee look at the effect to the fund balance. There was exhaustive dialogue on how to best represent, triggers, definition of deficit, budget cycle, etc. Andrew Fromdahl provided a cautionary note that the projections last fall changed dramatically from October to January, and to be mindful not to “gut the plan” simply off of projections. He also added that the ending fund balance had remained steady and reflected care of the plan. Marilyn Stephens left at approximately 5:17pm.

Holly Luna shared a financial comparison of responding school districts of plan type, premium costs, deductibles, and out-of-pocket maximums. Although this appraisal of plans was topical in

nature, it revealed Douglas was at the low end in premium cost as well as deductibles and out-of-pocket maximums which Holly asserted were indicators of fiscal excellence of DCSD's plan.

Lloyd Barnes cautioned the Committee about projections as the estimates can get unwieldy the further out the beginning point of the actual plan year is from the time of projection. His suggestion was to have the Committee review the actuals of the current plan year in the Spring against the Fall projections. This two-time a year approach was most appropriate in his experience rather than month after month revisiting and chasing the data. Mr. Barnes also indicated that claims expenses are cyclical, and this particular self-funded group was not large enough to be extremely stable and therefore, the fund was subject to catastrophic claim(s) impacts. And while the Committee had spent a great deal of time reviewing the past financials and health fund balances, he disagreed on "looking in the rearview mirror" as an attempt to predict future performance of the plan.

The Committee resumed discussion of how to craft the appropriate plan, and to not provide specifics of steps but rather to provide a framework for how the Committee will review projections and take action, if necessary. Finally, it was determined that if the end result of projected claims less revenues kept the fund balance at 3 times IBNR, then the fund would be in "WATCH" mode (green on a traffic signal), and if at 2 times IBNR, then the fund would be in "WARNING" mode (yellow on a traffic signal) with potential action necessary. However, if at 1 times IBNR, then "ACTION REQUIRED" mode (red on a traffic signal) would require Committee action. Holly Luna indicated that she would attempt to provide a pictorial representation of the intent of the discussion and would email to members for their review. Debbie Haskins left at

Andrew Fromdahl made the following motion: "The Health Advisory Committee recommends to the Board of Trustees that, with regarding insurance for the District, we recommend improved communication with three methods: that there be a consistent attending non-voting board member to join the monthly Advisory Committee meetings, that the Advisory Committee presents strategic insurance updates to the School Board in February to present year-end insurance numbers, in April or May for budget purposes, and in October in preparation for the November insurance plan presentation, and third, an insurance workshop to be presented by the Advisory Committee every time Board membership adjusts to review the workings of a self-insured plan and the history of the plan. With regards to establishing a minimum ending fund balance, the Advisory Committee recommends a three-tier color system with a Green Watch Zone being 3 IBNR, a Warning or Yellow level at 2 IBNR, and the Red level at 1 IBNR. In terms of recommending to maintain a balanced fund, that the Advisory Committee present an annual plan with awareness and outlook on projections and actual numbers as best as possible with regards to following the aforementioned color system using our numbers from the Fall projections and updating as the year goes with actualized numbers as we go towards Spring."

Christine Cooley asked if the recommendation included the encouragement for negotiations' conversations as it pertained to insurance premiums. Andrew amended his motion to include the following: "And that the monthly premium amount be discussed during the negotiation's cycle." Motion seconded by Nancy Hamlett.

Holly Luna indicated agreement with motion with the exception of the last addition to the motion. She noted that the Board does not direct negotiations and that the individual Committee members were responsible for continued updates and delivery of information to their respective bargaining units – not the Board’s responsibility. Andrew withdrew the additional statement, and Nancy was able to accommodate the amendment to withdraw.

Public comment was sought with none reported. Question was called by Nancy Hamlett, and motion passed 6/0.

DCSD Plan Review (Information and Discussion): Will be rescheduled for the May meeting.

Correspondence (Report): Holly Luna reminded the Committee of the email providing the data previously requested by the Committee pertaining to the age of plan participants.

Future Agenda Items: (*NEW*) Nancy Hamlett requested a discussion of what a maximum ending fund balance should be. (*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). Also, Andrew Fromdahl requested clarification of Committee bi-laws.

Public Comment: None

Next Meeting(s): The next Committee Meeting was set for **Tuesday, May 17th at 4:30 p.m.** at the District Office.

The meeting adjourned at approximately 6:51 p.m.

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