Approved
1/17/17

Minutes of the Advisory Health Benefit Committee Meeting of November 1, 2016 at the Heritage Building, Gardnerville, Nevada

Committee Members Present
Christine Cooley, DCPEA
Holly Luna, Business Services
Mike Ashton, DCPEA
Lisa Voss, DCSSO
Marty Swisher, DCAA
Keith Lewis, District Office
Debbie Haskins, DCSSO

Absent
Dave Dickey, Chapter 6 – Bus Drivers
Brian Rippet, DCPEA

The meeting began at 4:30 p.m.

1. **Call to Order**: Committee member and attendee roll call was taken. Mr. Swisher moved to adopt the agenda, seconded by Ms. Voss; motion carried 5/0.

2. **Public Comment:** None

3. **DCSD Plan Review (For Possible Action):**

Mr. Lewis stated the Committee is tasked with reviewing the insurance plan and offering any recommendations for presentation to the school board.

Mr. Swisher asked for an update with regard to the motion made at the October 18th meeting.

Ms. Luna reported there had been no additional information received from the third party administrator regarding potential rebates. In speaking with Lloyd Barnes and Tom Marshall of L/P Insurance Services regarding the Pharmacy Benefit Manager (PBM), Hometown Health was noted to have informed L/P, the savings would be between $25,000 - $100,000 should the District choose Welldyne True Choice. A request to switch to Welldyne would need to be communicated immediately, due to a November 1st deadline. Board approval would be necessary, but the process to move the PBM to Welldyne could begin in the meantime.

Debbie Haskins arrived at this time.

Benefits to employees will basically be the same with a new PBM. Quarterly reviews of the formulary will occur, with minor adjustments being made. The District would set benefit and deductible levels and the provider would define how to process the requests and would maintain the formulary.

A concern was raised for having Hometown Health function as a sole proprietor for the health insurance plan should Hometown Health also operate as the PBM, and in that they would be operating as a PBM for the first time. Choosing Welldyne would allow for diversification in plan management. Welldyne was believed to offer the most savingsthrough rebates.

> Ms. Cooley moved that the District switch to Welldyne to be the Pharmacy Benefits Manager, seconded by Mr. Ashton.

Mr. Lewis called for public comment. There was none.

Motion carried, 6/0.

Mr. Lewis called for additional proposed plan revisions.

Mr. Swisher shared that he was uncertain if he had relayed information correctly to some of his group he had spoken to regarding possible changes to the plan. There had not been a lot of feedback received.

With regard to Vision coverage, Ms. Luna explained the brokers suggested the District maintain a self-funded plan. Basically, DCSD would have access to a network, through the company that is chosen to have the role of Administrative Services Only (ASO).

Ms. Luna stated a premium increase of $10.00 per month could be charged to dependent units to make up some of the projected deficit to the Health Insurance Fund.

Discussion ensued regarding companies that could be chosen as the ASO. iMed, MES and VSP, were reviewed as to fees and costs for administration of their Vision coverage. Should VSP be chosen, the plan would change from members receiving an allowance of $150.00, to 100% coverage. The premium cost with VSP is $16,000 plus claims expense. Claims were expected to increase due to the broadened coverage. The savings received from using Welldyne as the PBM is expected to be $25,000 - $100,000 that could cover this additional overall cost to the health plan. VSP provided more options to consumers due to their allowance for use of private practitioners. Members using a doctor outside the plan would pay additional incremental charges toward their claims that would be covered by the self-funded plan.

> Mr. Ashton moved to accept VSP as the District's ASO for the Vision Plan, seconded by Ms. Cooley.

Ms. Luna provided public comment prior to Mr. Lewis calling for a vote on the motion. A shared three way approach was suggested to address an increase of 11.31% in claims and resulting insurance fund loss, as reported by L/P Insurance at the last meeting. The three options for making up the deficit is to increase premium contributions, decrease benefits, and to dip into the ending fund balance. A handout was provided detailing Ms. Luna's recommendations.

The Committee was commended for having created the IBNR scale to monitor the ending fund balance; however, the meter was not viewed as a sole source for decision making. In addition to the IBNR scale, Ms. Luna noted the volatility of the health plan should be addressed. It was realized an evaluation of the IBNR scale would need to occur. An example of the District's possibility of having 5 large claims in one year, of up to $175,000 (the stop loss threshold), was provided given current revenues and expenditures. In this example, a deficit of $800,000 could occur in any given year. In order to not have the ending fund balance pay out the entire $800,000 deficit, Ms. Luna recommended review of the other two options to increase revenues. Ms. Luna's recommendation was based on receipt of the September claims data, projected rates and the current IBNR.

Ms. Luna further explained that of $1.1 million in revenues, 16% of the revenue came from dependent units. Dependents and spouses had incurred 26% of the claims expense. The possibilities for increasing premiums included having employees pay $10.00 per month and dependents/spouses $20.00 extra per month. The addition to dependent/spouse revenues alone would increase premium receipts by $50,000 per year.

With regard to plan design changes, Ms. Luna suggested increasing individual and family deductibles as well as, out of pocket maximums, adding up to $125,000 in savings per year. Increasing member co-pay from $40.00 to $60.00 per visit could result in an additional $40,000 in revenue. An increase in Rx deductibles and co-pays from $50 to $100 would add $130,000 in revenue. It was reiterated the change of PBM to Welldyne would result in savings of $25,000 - $100,000. Ms. Luna noted the rebate revenue would be hard to track; although, prescription costs year over year could be compared.

A comparison to health plans offered by other school districts in the State and to the County revealed the School District's health coverage is the most comprehensive. Revisions to increase employee premium contributions or to decrease benefits would be appropriate. DCSD is one of four self-funded plans currently in operation.

Ms. Luna further explained her suggestions for savings and noted the cost was higher to the plan when members sought specialists, in lieu of primary care physician assistance. Should the Committee not opt for summary plan documentation to differentiate the doctors to be seen, a shift to the users from $40.00 to $60.00 per office visit, could result in $40,000 in savings that could help offset this extra expense. Following the proposed premium and benefit changes, Ms. Luna reminded the Committee the third method to pay increased expense would be to draw from the plan's ending fund balance.

A vote was taken with regard to the motion on the table. The motion passed, 6/0.

Discussion ensued with regard to Ms. Luna's comments. A reference to the ending fund balance figure used for projections was clarified in that Ms. Luna used 2015-16 data, the actuarial amount of $3.2 million EFB. In the possible claims loss example, Ms. Luna subtracted $800,000 of loss; therefore, the EFB would equal $2.4 million. The minimum EFB to be maintained is $2.1 million. The brokers had provided different figures at the last meeting based on a forecast of data per projections of the rate deficit. For clarification, it was noted the IBNR is a look at historical trend data that varies based on claims.

The Committee noted members seeing a specialist was in many cases, necessary for their health as opposed to seeing their primary care doctor.

Discussion ensued as to the need to institute multiple changes necessary to maintain a $3.5 million EFB. At this time, the IBNR is in the green category, above the watch rating. Varying projections from this year were compared to this same time last year.

Use of health funds as a savings account that would increase with additional premiums charged was questioned. Ms. Luna explained the health fund EFB as compared to the cash account balance. It was noted the IBNR is the figure used to show how much the EFB could support if the account was closed and all deferred liability paid. The cash account reflects cash on hand that does not appear in the financials and does not reflect IBNR. The IBNR is based on historical trends. The cash account is a reserve to pay claims should the plan be closed. The differential between cash and claims is the IBNR for a fiscal year.

Mr. Ashton thanked Ms. Luna for providing suggestions and information. Mr. Ashton offered a tiered system of increasing revenue based on data review of approximately 13 years. The preference for adjustment is to make moderate steps due to the plan having plateaued for 6-8 years. Even though some dips in the EFB occurred, a reasonable balance had been maintained. Rather than proposing to the Board reclamation of $800,000, it was offered that a portion of that amount could be captured.

Ms. Luna stated in 2013, plan revisions added to the decreasing EFB in addition to the increasing claim expenditures year over year. The broker was reported to provide their best projection to the Committee in September. The definition of volatility in the plan is the variance of a bad month rolling in and out of the 12 month projection data. Factoring in a 1% decline in revenue is also necessary for inflationary purposes.

Ms. Cooley reminded the Committee that at this time last year, health plan data was presented to the Board without consideration of stop loss revenue that ultimately changed the financial figures presented. In the end, the auditors viewed the final results as a high EFB. This situation was avoided this year.

Ms. Voss stated employee wellness, life choices by members, is important. Companies have recognized and rewarded employees who have chosen to be healthier. The number of substitutes in buildings daily was referenced with regard to health and missed work.

Ms. Luna left at this time.

Mr. Lewis called for any other determinations to be made with regard to the plan.

Discussion continued regarding consideration for an increased premium amount, either set or tiered, for employees and/or dependent units. All points made in Ms. Luna's recommendations addressing the 11.31% increase in claims and resulting fund loss, were considered. Mr. Ashton shared revenue calculations for various percentages of increases that could be absorbed by employees and families. An increase in premiums for employees was not favorable, and doing so would open the door for employees to opt out of the insurance plan. It was also noted that the addition of any change to the employee contribution for insurance would need to be discussed through negotiations. It was noted if out of pocket expenses were increased, employees would be inclined to stay home to try and improve their health, without visiting a doctor.

> Mr. Ashton moved that the Committee recommend the following changes to the DCSD health insurance plan:
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> 1) Increase the dependent unit premium by 3%
> 2) Increase the prescription deductible from $50.00 to $75.00
> 3) Increase the prescription co-pay by $5 for each tiered level, along with mail order prescriptions, seconded by Ms. Haskins.

Mr. Lewis called for public comment. There was none.

Motion carried, 6/0.

Ms. Voss suggested a discussion regarding wellness be added to the future agenda item list.

Ms. Voss suggested the stop-light system be addressed and clarification provided.

Mr. Lewis stated he would create a PowerPoint presentation for the November 15th Board Meeting.

4. Public Comment: Mr. Lewis called for Public Comment. There was none.

5. Adjourn

Ms. Haskins asked that in the future, Ms. Luna provide a breakdown of savings to be gained from determinations resulting from this meeting.

At 6:43 p.m., Ms. Voss moved to adjourn, seconded by Mr. Swisher.

Motion carried, 6/0.

Next Meeting: The next regular meeting is set for **Tuesday, November 29th at 4:30 p.m.** at the **District Office**.

Respectfully Submitted,

Keith Lewis, Director Human Resources
Douglas County School District
(775) 782-7177