Self-Insurance Governing Board

Meeting Minutes

August 1, 2016

Attendance: Sara Lowe, Deputy Treasurer

Mark Gassaway, Finance Director

Kathy Meyers, Benefits Manager

Chris Horne, PA’s Office

Kristen Kirschten, Mercer

Mike Berry, Mercer

Representing the Budgeting Director:

Trista Zugel-Bensel-proxy vote

Tom Scullion

Vacant: HR Director

Absent: Adriana Prata, Budget Director

**Plan Review (updated experience)-Kristin Kirschten, Mercer**

Kristin’s agenda items:

Summary of Self-Insured Medical & Dental Renewal

Medical and Dental Experience

Renewal Projections

Renewal Considerations

Kristin provided a summary of the self-insured medical plan renewal projections.

* The projections are based on 12 months of reported claims through June 2016. The claims are considered fully mature and are consistent with the prior year’s renewal projections.
* The medical plan needs a small rate decrease. Market medical trend is 8% and RX trend is 9-10%.
* The projected medical decrease or rate reduction is -2.7%.
* Dental trend in the market is 5%.

The plan needs a 1.8% increase.

* Both the medical and dental plans include adjustments to the IBNP consistent with Mercer’s actuarial letters that are produced for the County at the end of the plan year.

**Self Insured Medical Experience:**

Medical experience is based on 12 months of claims data from July 2015 through June 2016.

* Plan Performance-Gross Plan Costs (include all administrative fees) vs Gross Budget is 90.1% (loss ratio). This is a good loss ratio.
* Claim costs YTD:
* Medical spend is 77.5%
* RX spend is 22.5%.
* The RX spend is creeping up. RX has become extremely expensive.
* The trend rate increase is applied every year.

Self Insured Medical Experience:

* Kristin provided 2 years of actual experience data that was used to create the projection.
* 2015 enrollment was applied to 2016 rates to get today’s values for the projection.

Large Claims over $50,000 history:

* Large claims had a consistent pattern for the years 2011-2013.
* The plan had two bad years in 2014 and 2015.
* There has been improvement in 2016.
* -19% decrease from 2015 from $166.44 PMPM to $134.97

Self Insured Medical 2017 Renewal

* The plan needs a projected rate decrease of -2.7%.
* Underwriting factors include
* Applying medical and RX trend; a 1% claims fluctuation margin for unexpected claims.
* Administrative fee increase of 3.0% to the base fee. Additional program fees holding at 2016 rates.
* Plan design changes are not needed. The plan conforms to ACA requirements for 2017.
* ACA-reinsurance fee is no longer applicable beginning in 2017. Final payment for 2016 fees paid in early 2017.
* PCORI fees still required. Estimated cost $4,000 per year. The rate is expected to increase about 3% every year.

Preliminary Stop Loss Renewal

* The renewal for $175,000 specific coverage is 9.0%, which includes the Washington State High Risk Insurance Pool charge.
* The renewal for 125% aggregate stop loss is 3.0%.
* The final stop loss renewal will be underwritten with August experience.
* Stop Loss Options:
* Consider higher specific stop loss deductibles to reduce the fixed expense with the County taking on more risk on the claims as an offset.
* The County’s stop loss falls within Mercer’s benchmark data so there is no need to necessarily change the deductible.

**Dental Experience-Renewal**

Dental experience for the self-insured dental plan has improved compared to the beginning of the year.

* Plan Performance-Gross Plan Costs vs Gross Budget is 95.07% (loss ratio) for the period July 2015 through June 2016.
* There were 4 months during this period where experience exceeded 100%. Higher experience at the beginning of the plan year is not uncommon.
* Mercer projects the need for a 1.8% rate increase with no plan design changes needed.
* Underwriting factors:
* Dental market trend is 5.0%
* Margin of 1.0% added for unexpected claims fluctuations
* The Delta Dental administration fee has a rate hold of $7.75 (middle of fee guarantee).

**Rate Discussion-All**

The Board previously agreed that the Contingency Reserve should be funded at 125% (estimated 10 weeks).

* The fund is currently above 125%.
* The Finance Director’s rate stabilization model is always building out assumptions into the future.
* Assumptions:
* Medical trend average is 8.0% and dental trend is 5.0%.
* The model currently shows that increasing the premiums to 2% for medical and 1% for dental each year creates a contingency fund in excess of 200% for the 4/5th years.
* Mercer generally assumes a 4-6% premium increase year over year for medical.
* Kristin said dental doesn’t need excess funds because it is a captive benefit with an annual maximum of $1,750.
* The Benefit Manager said maybe a premium increase is not needed.
* The stop loss renewal is hard to project. The renewal is experience rated plus market trend. Current market trend is 15% and the current rate increase year over year is 9.0%.
* The Finance Director proposed a 0.0% rate increase because he doesn’t foresee needing additional funds.
* The Benefits Manager said the Kaiser dental renewal is a 10.7%. She wants the health care committee to make plan changes due to the ongoing rate increases. She also said the health care committee needs to implement RX cost controls on the Regence Self-Insured plan due to the increase of Specialty RX utilization.
* Kristin said RX trends are escalating faster than medical trends.
* The Benefits Manager would like to increase participation in the HDHP. She said the rates are too high. Kristin said the rates are built on plan design difference. She doesn’t want to reduce the rates too much.
* The Finance Director moved for a zero rate increase for the self-insured medical and dental plans for 2017 to keep fund balances at 125%.
* The Chief Civil Prosecuting Attorney seconded the motion.
* The vote in favor of no rate increase was unanimous.
* For 2017, the overall rate reduction is -2.0%.
* For 2018, the Contingency fund needs an estimated increase of 3.65 % to meet the 125% funding target.
* The Finance Director will update his funding model to 2016 actuals later this year.

**Regence required contract changes-Kristin/Kathy**

* Regence has improved benefits for breast pumps. They have added retailers as in network providers like Babies R Us.
* Regence has added a telemedicine benefit (e.g. skyping or face time with your health care provider).

**Public Notices on the Internet**

* The Benefits Manager will post agendas and minutes.
* Chief Civil Deputy Prosecuting Attorney said public minutes need to be approved and posted under RCW 42.32.030.
* All minutes need to be voted on.
* The Benefits manager will email the minutes to the Self-Insured Governing Board for comments and an approval vote.
* Exhibits don’t need to be posted, but they are subject to public disclosure so there is some flexibility.

Meeting Adjourned.