Self-Insurance Committee

Meeting Minutes

February 23, 2015

Attendance: John Payne, Treasurer’s Office

Francine Reis, Human Resources

Adriana Prata, Budget Office

Kathy Meyers, Human Resources

Mark Gassaway, Auditor’s Office

Chris Horne, PA’s Office

Guests: Pat Bourcier, Treasurer’s Office

Kristen Kirschten, Mercer

Mike Berry, Mercer

Carrie Bourquein, Mercer

**Review Medical and Dental Experience-Kristin**-actuarial update, i.e. how is the plan running from a claims standpoint.

* Mercer calculated 2015 renewals based on claims experience for 12-months ending June 30, 2014.

1. 6.5% medical increase.
2. 0% dental increase, dental required a (2.3%) decrease, decision to hold rates.
3. Utilization increased substantially.
4. Number of large claims skyrocketed, far more than could be reasonably expected (42 claims).
5. Aggregate claims accounting as of December 31, 2014 were 110% of expected.
6. County’s claims trend is 15% comparing recent 12-months to prior 12-months after claims over stop loss is removed.
7. Industry trend is 8-10%.
8. Self-Insurance Medical Experience year-to-date December 2014 Report (immature claims data first year, reserves excluded from report).
9. Plan Performance-Gross Plan Costs vs Gross Budget is 92.4% (loss ratio)
10. Loss ratio should be middle to low 80’s % (up to 85%) first year, depends on reserves.
11. Difference between Gross Budget and Gross Plan Cost is $764,295, which should be applied to reserves.
12. Mercer estimates medical reserves as of December 31, 2014 should be $1,114,000.
13. Mercer also estimates an additional reserve (contingency) of $1,114,000 for unusual claims fluctuation.

* Regence Aggregate Settlement Report.

1. Self-insured medical claims in excess of $729,679 of expected (110%) set by Regence’s stop loss contract, not a normal utilization pattern.
2. Aggregate insurance kicks in at 125% of expected claims.

* Medical Claims Experience Fully-Insured and Self-Insured Combined Claims over $175,000 stop loss removed from report.

1. Experience used 2015 renewal projection (July 2013-June 2014) PMPM=$428.97, trending at 15% over prior 12 months.
2. New Experience (July 2014-December 2014) PMPM=$494.53, additional 15.3% increase in 6 months over projected experience period.

* Four Year Experience History.

1. Member population shrinking, some employees have moved to Kaiser.
2. Clark County’s trend is 16.2% and industry trend is 9% in the market.
3. County always did well against the trend.
4. History of 3 good years prior to going Self-Insured.
5. Kristin wanted a good first year to build reserves.

* Medical Claims Utilization 2014

1. Top 7 Diagnostic Categories-Major Disease States
2. Symptoms 9 for $797,379 (determine diagnosis)
3. Cancer 7 for $685,616
4. Musculoskeletal 7 for $460,695
5. Digestive 2 for $514,921
6. Circulatory 2 for $330,191
7. Complications 2 for $306,467
8. Infectious 2 for $294,192

31 for $3,389, 461

* Prescription utilization is disconcerting.

1. Quick increase in generic RX cost, 50.0% from 2013-2014.
2. Specialty RX increase 33.5% from 2013-2014 related to disease states the plan doesn’t have a lot of control over.
3. Regence reviews for specialty RX necessity.
4. Utilization of very expensive prescription, many are hitting a $1,000 plus a month.
5. Top 25 Medications in 2014, top 5 conditions include: iron toxicity, Leukemia, growth hormone, Fibromyalgia.
6. In 2015 likely to have the new Hepatitis C Rx on the list. The cost for 3 months is $85,000. It has a 95% cure rate. There is no generic substitute.

* Dental Experience

1. Original renewal (2.3%) decrease.
2. Plan Performance-Gross Plan Costs vs Gross Budget is 88.4% (loss ratio).
3. Difference between Gross Budget and Gross Plan Cost is $125,420, which should be applied to reserves.
4. Mercer estimates dental reserves as of December 31, 2014 should be $115,000.
5. Mercer also estimates an additional contingency reserve of $115,000 for unusual claims fluctuation.

* Utilization Four Year Experience History

1. Major uptick in special and restorative service categories
2. 2014 27% increase in special restoration spend compared to Delta Dental normative data at 18.8%.
3. 2015 renewal projection $96.03 PEPM, which was trending at (2%), over prior 12 months.
4. New experience $99.37, a 3.5% increase over the projection experience period.
5. Unexpected uptick, not sure what’s driving it.

**Reserve Requirement Update-Recommendations and Considerations-Kristin**

* Medical trend is 16.2%. When 16% trend is used the revised renewal requires 15.3% rate increase instead of 6.5%.

1. Industry is 9%, when applied to County trend rate the increase is 8.9%, which is still higher than original 6.5% increase.
2. Consider using County’s own trend.

* Dental trend is 3.5%. When 3.5% trend is used the revised renewal requires a 1.9% rate increase instead of a 2.3% increase of which a 0% was applied.

1. Industry trend is 5%
2. Dental individual maximums limit liability.
3. Consider using market trend.

* Unsure of when cycle of good utilization will begin.
* Concern large rate increase on the Regence side will drive members to Kaiser, which may further erode Regence experience and rates.
* Don’t want to be underfunded, but don’t’ want to be too conservative with rates if utilization starts to normalize.

**Questions/Discussion**

* Francine asked if Mercer could look at 18 months or 24 months of trend, move to a 2-year model.
* Kristin said that change would switch the way the plan is underwritten, need to be consistent.
* Mercer will reconvene with June’s experience to determine if costs start to normalize during the first 6 months of 2015.
* Kathy, 2016 rates need to be decided so she can take them to the health care committee.
* Kathy has concerns that the premiums will be overstated based on current trend, which will cause the plan to be overfunded.
* Kristin will bring numbers to look at 2 year trend.

1. 70%=prior 12 months
2. 30%=most recent 12 months

* Kathy doesn’t want to overstate rates because of the 2018 excise tax, which could increase the current estimated tax penalty of $750,000.

**Fund Update-Kathy**

* Self-Insured fund statement represents revenues, claims, and expenses, which are tracked on a monthly basis.
* This statement provides a picture of where we are at through December 2014.
* The plan has a $350,000 cash deposit at Regence.
* The $1.8 million reserves are 65% funded.

1. 59% medical funded
2. 124% dental funded (over collected dental to offset medical).

* Currently on track to meet funding requirements, but could be close with high claims.

**Funding Reserves-John**

* Mark stated we have enough reserves to fully-fund IBNR and contingency to fund unexpected claims.
* Mark and John to communicate funding to the health care committee.
* Kristin said the plan should have 75%-85% set aside the first year.
* John believes the State required that IBNR to be fully-funded and contingency reserve be funded by the end of second year.

1. This sends a better message to the health care committee.

* Mark and John fully fund IBNR $600,000 over next 2 months
* Francine suggested we could fund both medical and dental at the same rate (fund 4 funds).
* Kathy will report to the health care committee the amount IBNR funded to date at 3/5/15 meeting.
* Kathy will have to report funding to the State, may need to dip into IBNR reserve to pay claims.
* Kristin, situation is not horrible, but it’s not moving in the right direction.
* Report to BOCC in April 2015 how self-insurance is doing, and provide in briefing the need to add to fund based on new numbers.
* Decision: to fund IBNR. Mark to look at fund for current month and next month to fully-fund IBNR with first year’s contribution.

Next Meeting July 2015

Adjourned.