Self-Insurance Committee

Meeting Minutes

August 3, 2015

Attendance: John Payne, Treasurer’s Office

Francine Reis, Human Resources

Adriana Prata, Budget Office

Kathy Meyers, Human Resources

Chris Horne, PA’s Office

Kristen Kirschten, Mercer

Mike Berry, Mercer

Absent: Mark Gassaway

**Plan Review-Kristin**

Medical experience is based on 12 months of fully mature claims data through June 30, 2015, which includes the fully insured plan’s claims run-out.

* + Plan Performance-Gross Plan Costs (fixed costs and adjusted paid claims) vs Gross Budget (rates x enrollment) is 99.3% (loss ratio)
  + The first 6 months of experience July 2014-December 2014 was not good.
    - The loss ratio exceeded 100% in the months of July, August, and September 2014 (100% break-even point).
    - Experience improved in January with a good mix of experience through June 2015.

**Renewal Analysis-Kristin**

* + Renewal projection for medical is 10.7%, which is reasonable.
    - Market trend for self-insured plans is 8%.
    - Projection includes an estimated increase in IBNR reserves.
      * 3 large claims equal almost $400k deducted from stop loss.
      * Add 1% claims margin for unexpected claims fluctuation.
      * IBNR reserve change-$159k increase for changes in claims from one year to the next included in renewal (final IBNR will be determined in December).
      * Consider plan design modifications for 2016 to reduce renewal cost and mitigate future long-term expense increases.
  + Kathy asked about building the contingency reserves.
    - Kristin said it wasn’t a separate line item in the calculation.
    - Most employers don’t fund their contingency reserves, but add to it from gains.
  + Stop Loss Expense ($175k individual and 125% aggregated)
    - Preliminary stop loss is 23.4% increase. It’s high, but not unusual.
    - Stop loss trends running at 18% in the market.
    - Final renewal will be underwritten with August experience.
  + Kristin will try to negotiate a lower trend from 23% to 15%.
  + Higher stop loss deductibles can be considered to reduce the fixed expense with the County taking more of a risk to offset costs, e.g. increase individual stop loss to $200k.
  + Francine asked if the Board should do an RFP to look at other carrier options.
  + Kathy said if the carrier changes there will no automatic claims adjudication for claims over $175k like there is with Regence (LifeMap Regence subsidiary).
    - Without coordination the plan would have to pay large claims upfront before getting reimbursed from the stop loss carrier or pay an extra coordination fee.
    - New carrier would have concerns about two identified stop loss risks.

1. End stage heart transplant
2. Chronic Leukemia
   * + New carrier can use lasering to apply different deductibles for members with high risk conditions (e.g. $250k instead of $175k deductible for individual stop loss).
     + Stop loss is higher now because of ACA due to the elimination of annual and lifetime dollar limits.
     + Mike said an RFP isn’t going to make a significant difference with ACA’s elimination of limits.
     + Mercer’s message to the carrier is the County needs a reduction or they may go out to market.
   * 2018 Excise Tax-plan design changes are not included.
     + Built in trend is 7.5% until 2018 then it’s 6%.
     + Regence trend is 10.7% and Kaiser’s trend is estimated to hit the renewal cap at 15%.
     + Renewals impact rates and ACA excise tax.
     + Coalition CBA-County will not pay excise tax.

**Plan Review-Kristin**

* + Dental experience is based on 18 months of trend.
  + Plan Performance-Gross Plan Costs (fixed costs and adjusted paid claims) vs Gross Budget (rates x enrollment) is 92.3% (loss ratio), lots of room in margin.

**Renewal Analysis-Kristin**

* + Renewal projection for dental is (2.3%).
  + Mercer recommends holding the current rate at 0% impact.
    - * Market trend 5%.
      * Add 1% claims margin for unexpected claims fluctuation.
      * Decrease in administrative fee: from $10.50 to $7.75 (26.2%) decrease is from RFP.
      * IBNR reserve change -increase $3,000 included in renewal.
      * No plan design changes required for 2016.

**Rate Discussion-All**

* + Chris wanted to know how long it would take to get feedback about the stop loss renewal.
    - * They won’t finalize rates until they get the August experience.
      * We need to give them at least through September to re-rate.
  + Reduction could result in .5% savings.
  + Kathy said the stop loss renewal shouldn’t impact the Board’s decision to accept the rates.
  + RFP Administration Fees (3 year rate guarantees.)
    - * Delta Dental-25% reduction
      * Regence-8% reduction.
  + Francine Reis moved to accept the 10.7% medical renewal based on the current plan design even if the stop loss rate is reduced. Extra savings can fund the reserves.
  + Chris Horne seconded the motion, motion passed unanimously.
  + Chris Horne moved to approve the 23% stop loss rate increase unless Mercer can negotiate a lower rate.
  + Francine Reis seconded the motion, motion passed unanimously.
  + Francine Reis moved to hold the Delta Dental rates at 0% instead of taking a (2.3%) rate reduction. Any excess funds will be added to the reserves.
  + John Payne seconded the motion, motion passed unanimously.
  + Kathy will present the self-insurance renewals to the health care committee based on the current plan design.
  + She will present the coalition budget of 2% then a 50-50% split of cost sharing.

**IBNR-Kristin**

* + Reserve balances as of June 30, 2015
    - * Medical $2.8 M
      * Dental 184.6k
      * Fully funded for IBNR (aka INBP).
      * 80% funded for the required 2015 combined reserves (includes $350 deposit at Regence).
      * Stated she is more concerned about IBNR than contingency fund.

**Self-Insurance Fund-Kathy**

* + Spreadsheet tracks revenues and expenses and shows how we are measuring against the budget, e.g. didn’t collect enough money in May.
  + Line items: investment interest and unrealized gain/loss on investments.
    - * Fund can keep the interest, but not the unrealized gains/losses.
      * Adriana said these are opportunity costs. They are not real dollars for this purpose.

**S/I Fund Account Coding-Kathy**

* There is an issue with how we assign object codes in different operating budgets.
* We are using the same object code for both benefit expensing and claims payment.
* A different object code should be used to prevent double counting as claims payments are not a payroll cost.

**Funding Reserves-Kathy and John**

* Mark and John were to move funds into IBNP (reserve account) in June.
* Transaction did not occur.
* Kathy discussed with Mark Gassaway after the meeting. Mark to have the Auditior’s Office create entry for the transaction to move fund balance into the IBNP subaccount.

**Federal Fees (PCORI)-Kathy**

* Kathy will charge the $3,398 fee paid against the HR budget. The fee cannot be paid from plan assets.
* She is estimating the cost for next year to be $5,000.
* She will ask for a supplement to the budget.
* Fees will sunset the end of 2019.

**Governing Board-John**

* John recommends the Board change membership by office not position, e.g. appoint Deputy Treasurer Designee.
* Chris said the Bylaws of the charter would need to be amended by a majority vote. He said this needs to be an agenda item because the notice of amendments must be given to all Board members at least 30 days prior to the vote on an amendment.

Meeting Adjourned.