Self-Insurance Governing Board

Meeting Minutes

July 25, 2018

Attendance: Mark Gassaway, Finance Director

Sara Lowe, Deputy Treasurer

Mande Lawrence, Program Manager

Emily Sheldrick, Chief Civil Deputy Prosecuting Attorney

Adriana Prata, Budget Director

Mike Berry, Mercer

Kristin Kirschten, Mercer

Maria Vergis, Scribe

Guest: Judy Alexander

Absent: Kathleen Otto

**Review proposed changes to the Bylaws-all**

* Mark is ok with Emily’s Bylaw recommendations.
* Emily is ok with email notification under article 3.2.2 for time and place of each regular Board meeting to every participating agency.
* Kathleen added designee language to a couple of articles under the scope of the program manager.
* According to Emily the changes need to be formalized. Mark moved to approve these recommendations.
* Mark also moved to adopt Kathleen’s recommendations. Emily moved to clarify her changes regarding article 3.2.2 agency notification. She said article 3.2.5 implies mail or email notification.
* The Board is ok with additional language pertaining to article 4.10 Standards of Conduct and article 7.1 Annual Membership Report (financial reporting-comparative balance sheet, statement of revenues, expenses and net assets). Mark said he would follow-up to provide a full cycle of financial statement communication.
* Emily made a new motion to adopt Kathleen’s proposed recommendations with additional changes discussed.
* Mark asked to strike Exhibit A. on page 6 related to creation of a financial policy for now until a fund balance policy gets approved.
* Mark seconded the motion that included removing Exhibit A, all in favor motion passed.

**Review and approve August 7, 2017 minutes-all**

* Mark moved to approve the minutes. Emily seconded the motion, all in favor motion passed.

**Review and approve June 5, 2018 minutes-all**

Emily moved to approve the minutes. Mark seconded the motion, all in favor motion passed.

**Plan Review (updated experience)-Kristin**

* **Executive Summary**
  + Mercer recommends a 0.8% rate increase, which includes Regence renewal administration fees, and claims projections.
  + Mercer recommends a (3.2%) rate decrease for the Delta Dental plan.
  + The State has changed its definition of reserve requirements. The old requirement called for an 8 week reserve plus an additional 8 week contingency reserve or an actuarial study plus a contingency reserve.
  + New reserve language requires a joint health and welfare self-insurance program to establish a reserve in an amount equal to 16 weeks of program expenses for medical and 8 weeks of program expenses for vision, dental, or prescription drug benefits.
  + In lieu of the new reserve requirements, a joint health and welfare self-insurance program must obtain an independent actuarial study of estimated outstanding liabilities as of fiscal year ending and maintain funds equal or greater than the actuarially determined program liability at fiscal year-ending.
* **2019 Medical/RX cost projections**
  + A 1.8% increase is needed if including MDLive and bariatric coverage.
  + A 1.3% increase if there are no plan changes.
  + A 0.8% increase if the stop loss is changed to $200,000 individual with 200% aggregate and MDLive and Bariatric coverage are included.
  + The annual medical trend from July 2017 through July 2018 claims experience is 5% and RX trend is 9%. Market trend for medical is 7% and for RX 9-11%.
  + Regence’s base administration fees will decrease from $34.84 to $31.84, which is an 8.6% decrease due to a reduction available from the RX Rebate program.
  + Regence stop loss is a preliminary 6.2% rate increase at the $175,000 individual level.
  + MedSavvy continues to be $2.00 PEPM and is included in the renewal for the non-union plans.
  + MDLive will add $0.90 PEPM to all plans (approximately $17,000 annually based on current enrollment).
  + As of December 31, 2017, the estimated IBNR for medical and RX is $1,469,000 excluding any contingency funds.
* **Regence programs**
  + Current telehealth program offers 24/7 video remote office visits by regular doctors for a $10 copay. However, this program has not been widely utilized. Most doctors aren’t offering this service.
  + MDLive is Regence’s new telemedicine program, which provides 24/7/365 access to board certified doctors to treat non-emergent or mental health services. These doctors can fill prescriptions. The average charge is $40-$50 compared to $130-$200 for urgent care clinics. According to Mike MDLive is not designed to replace face to face office visits. It’s just another option for people to use. He said 80-90% of plans have this type of service.
  + Mark asked if MDLive fills a gap or is it a duplication of service. Mike said some plans have removed the RN advice line. Although it offers 24/7 advice, nurses are not able to prescribe RX and in many cases patients are referred to be seen by doctors.
  + Emily said the goal of the Self Governing Board is to reduce plan costs.
  + Mark and Emily recommended the Board defer MDLive to the health care committee for plan design changes.
  + Mark said he wants to keep the 1.3% increase projection with no plan changes as the basis for the rate stabilization model.
* **Stop Loss – Preliminary Renewal**
  + According to Kristin the State removed the 125% aggregate stop loss requirement.
  + She said most self-insured employers are moving to a 200% stop loss (aggregate of expected claims).
  + This change means the county would be taking on more risk, but the worse year the County has had was a 110% aggregate of expected claims.
  + Mercer recommends moving to $200,000 specific (individual) stop loss and 200% aggregate to keep up with claims trend over time and because the State removed language requiring aggregate up to 125% with reserves.
  + This proposal change would reduce the annual stop loss premium by (12.7%).
  + Mark moved to adopt proposal #3 that changes the stop loss deductible to $200,000 and the aggregate attachment point to 200%.
  + Emily seconded the motion, all in favor motion passed.
  + The projected increase for medical is .04% with changes to stop loss and no changes to add bariatrics or MDLive.
* **2019 Dental cost projections**
  + The dental experience warrants a (3.2%) rate decrease. Mercer recommends the County implement the decrease to help buy-down the reserves.
  + The County’s annual dental trend is 5% for claims experience beginning July 2017 through June 2018.
  + Assumption of claims fluctuation margin is 2%.
  + Delta Dental of Washington administration fees will increase from $7.75 to $7.91, a 2% increase.
  + No plan changes included in this projection.
  + As of December 31, 2017, the estimated IBNR for dental is $111,000 excluding any contingency reserve.
* **Rate Discussion** 
  + Built into the IBNR, 100% reserves for 8 weeks and 175% for contingency reserve. There has been an issue with the 5% funding over the years resulting in overfunding of the dental program.
  + The medical inflation rate for 2018 was 3.5%, but the actual rate was about 0.4%
  + For 2019 the assumed inflation rate is 0.4% with total reserves equal to 275%
  + For illustrative purposes, Mark recommends at least a (.05%) medical and a (3.2%) dental reduction with a contingency fund still at 247%.
  + For 2019, Mark recommends a 0% increase for medical and a 15% reduction for dental. Because dental claims are capped at an annual maximum there isn’t as much of a risk for taking this reduction.
  + Kristin said the plan could still absorb a spike in claims with these reductions.
  + The funding model is meant to address financial smoothing. The IBNR has already been expensed in the model (contingency piece). Mark suggests keeping the 5% rate increase as a fall back to pay for large claims run-out.
* **Approve 2019 renewals for medical and dental plans**
  + Mark moved to adopt a 0% rate increase for the 2019 medical plan. Emily seconded the motion, all in favor motion passed.
  + Mark moved to adopt a (15%) rate decrease for the 2019 dental plan. Emily seconded the motion, all in favor motion passed.
  + These rates are the starting point for any plan changes the health care committee makes. Any changes will result in an increase to costs. If the health care committee approves MDLive or bariatrics Mark will add the inflation rate to the model. The self-governing board sets the budget rate for 2019. Marks said he is not going to increase the budget if the health care committee chooses to add these benefits. The cost impact could cause employee contributions to increase.
  + According to Mande the super composite rate did not change during negotiations. The rate is $1428 with an employer/employee 50-50 share of costs that exceed the super composite. The reserves can absorb the MDLive rate of .090 PEPM which is almost cost neutral. The .06% rate increase for bariatrics will increase costs.

Meeting Adjourned.