THE SCHOOL DISTRICT OF LEE COUNTY
MINUTES

Insurance Task Force Committee Meeting
HR Community Training Room
2855 Colonial Blvd. Fort Myers FL

Thursday, October 2, 2014

Members Present	Members Absent	Others Present
Shandra Backens	Steve Bowman	Debbie Poole, Aon Hewitt
Leo Burt	Ashley LaMar	Amanda Brooke, Aon Hewitt
Mark Castellano		Karen Toro, Florida Blue
Karen Cooley		Brian Rogers, Florida Blue
Bonnie McFarland		Joe Pescatrice, Retiree Liaison
Jamie Michael		Mary Fischer, Board Liaison
Leanne Migliore		Terri Roney
Donna Mutzenard		
Heather Parker		
Joe Pitura		
Angela Pruitt		
Jimmy Riley		
Suzan Rudd		
Rita Zazzaro		

The meeting was called to order at 3:01 PM.

Approval of Minutes – September 4, 2014

Ms. Bonnie McFarland reviewed the draft 9/4/14 ITF meeting minutes, noting two corrections to the "members present" section and asked if there were any other additions, deletions or corrections. There being no further changes to the minutes, Ms. Donna Mutzenard made the motion to approve the minutes of the meeting. Mr. Leo Burt seconded the motion; motion passed unanimously.

Review of Health Plan Financials

Ms. Debbie Poole noted that Ms. Amanda Brooke will be reviewing the financials today, and there will be no PPACA update review today, due to the full agenda. There have only been a few PPACA updates and they are items that can be reviewed next month.

Ms. Amanda Brooke noted that calculations take into account 5 months paid claims experience - April 2014 through August 2014. Paid claims for August total $5.2 million. Average monthly paid claims year to date is $5.5 million. The average monthly paid claims for 2013-14 was $5.1million.

Updated projection shows a $3 million surplus for 2014-15.

There was a spike in the loss ratio in July – 114%. Last year July was a good month at 86%, however in July 2012 there was a similar spike.

Ms. Jamie Michael asked Aon to provide loss ratio numbers by plan. Ms. Debbie Poole stated they will be provided from this point forward.

Medical Premiums for 15-16 Plan Year

Ms. Poole noted that several plan options were reviewed at the last ITF meeting. Since that meeting, Aon was asked to bring more options to the table. Ms. Poole noted that scenarios 1, 2 & 3 were brought to the table last time. At a request from SPALC, an option with no changes to the current cost or contributions will be reviewed today. This option would dip deeper into the reserves. Today we are talking about scenarios 4 & 5.

Scenario #4 is no cost to the employee for the 5773 employee only plan, and no cost to the employee for the HDHP employee only plan. It was noted that discussion was held at the last ITF meeting that at bargaining it was determined that flex credits left over would no longer to the reserve, but would go to the employee's HSA. Scenario #4 results in a dip into the reserve of just over 3 million. The total put into the employee's HSA is $1264.92. This is not lost if not used by the end of the year, and the employee can also contribute to the HSA.

By request, AON did another scenario leaving all rates the same and dipping a little further into the reserve. In this scenario, there is no change to any of the rates for the 3769 plan or the 5773 plan. This creates a $5 million dip into the reserve. This scenario creates an annual contribution to the HSA of almost $1500 for the employee ($1484.41).

Dr. Pruitt informed ITF members that Ms. Fischer has agreed to step in as Board liaison for these discussions and asked AON give Mrs. Fischer an overview of the scenarios that have been discussed thus far.

Introductions were made between Ms. Fisher and meeting attendees.

Ms. McFarland noted that the ITF has been talking about a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) for two and a half years. The idea of the HDHP is to offer employees something different than what is currently available. The HDHP would be good for employees just starting out who will be with the District for many years. The Health Savings Account can be contributed to by the employee, pre-tax, until age 65 or until enrolled in Medicare, whichever comes first, and will be contributed to by the District as well. The HSA is paired with the HDHP to help pay for expenses such as deductibles and copays. Employees will build up their HSA over time and use this for expenses. When retired and over age 65, the HSA can be used to pay medical insurance premiums. In looking at the difference HDHP options, the one we are looking at today is the one the ITF chose to recommend. We are now working on what the premiums will be for the next plan year. The goal is to set the price of the plan to cover the claims with a 0 balance. Ms. McFarland noted that we have accumulated a health fund reserve - as of last year it was $38.9 million. We did have an increase this year as well, which is a direct result of our claims being lower than expected due to wellness program expansion and healthier employees. The money in the reserve fund comes from employee contributions and Board contributions of $6372 per employee. Ms. Amanda Brooke noted that the gain this year was $7.5 million and the fund balance is at $46.4 million, and we are doing exceptionally well compared to other school districts. The state requires that the District submit the balance of the reserve fund to them each year. The state requires the District to keep two months' or 60 days' worth of claims in the reserve, or $12 to $13 million. We are well above that at this time. The state doesn't have a red flag number that they consider to be too much in the reserves, but there is a concern that is it getting too large.

Ms. Fischer asked if this is a return on our wellness investment. She also asked how we could pass some of the reserve money on to District employees.

Ms. McFarland noted that this is a direct return on our wellness investment. She also reminded ITF members that the bargaining units and the District have tentatively agreed that the waiver money will no longer go into the health fund, but will be put into the pay increases that have been tentatively agreed upon. The waiver money is not included in the financial figures Aon is presenting today.

Ms. McFarland stated that to answer Mrs. Fischer's question about giving this money to employees, in keeping premiums even this year, the reserves would be used to do so, and in this way the money is going to the employees. The ITF is contemplating helping to offset, or to completely avoid premium increases by using the reserves to do so.

Ms. Brooke noted that in scenario #4 there are no plan changes and no change in costs for plan 3769 or plan 5773, and included is the addition of the HDHP with a HSA. Assumption is that 50% of those currently in the 5773 plan would migrate into the HDHP. In this scenario, the 5773 plan that currently has $19.08 credits would be $0 – no credit. The employer contribution remains at $6,372.

It was noted that the employer contribution of $6,372 has not changed since 2007. Since 2007, the plans have become less rich, as there has been a 7%-9% trend each year. We have had less rich plans with higher deductibles and higher copays since 2007. The employees are paying more out of pocket. There have been eliminations of the most expensive plans and an increase in the cost of the lower plans.

An increase in Board contribution would be very helpful. Ms. McFarland noted that she has informed the Board that we are one of the lowest Districts as far as Board contribution. ITF members noted that Collier County is at $8,300, Hendry County is at $9,000.

Ms. Angela Pruitt asked if the $6,372 Board contribution is separate from what is bargained. Ms. Suzan Rudd stated that the Board contribution is part of the compensation package and is bargained. One of the options discussed by the bargaining unit was to increase the Board contribution to $7000, but that would mean less of a raise for employees.

Ms. McFarland noted that a decrease in rates by $10 per employee per month equals $1.2 million in cost to the District.

Ms. Brooke reviewed Scenario #5, noting that the plans remain the same with the same projected costs, with no change to employee contributions, and included is the addition of the HDHP with a HSA. This results in a deficit of just over $5 million.

Trend figures were discussed. It was noted that there is a big difference in trend depending on whether or not companies are changing plan design to temper cost increases.

Ms. Jamie Michael noted that employees feel like they are getting a raise and it is being taken away in premium increases, when they aren't responsible for the claims as they don't go to the doctor because they can't afford it. Ms. McFarland noted there is always cross-subsidization when you have multiple plans with multiple tiers. The total loss ratio is 96.9%. The 5773 plan is at 64.2%, and the 3769 plan is at 114%. If we put a 20% rate increase on the 3769 plan, it would become a $700 per month plan. There are currently 6,300 people in that plan. If this rate increase went into effect, there would be a huge migration to the 5773 plan. The only employees who would stay in the 3769 plan would be the ones with large health claims. This creates a huge downward spiral.

The relative value of the plan – not just the loss ratio – is kept spread out. If we start rating plans individually, we are going to create a very unbalanced situation and it is disastrous. Mr. Mark Castellano noted that that is exactly what we saw happen years ago – migration to lower plan 3369.

Ms. Brooke informed ITF members that what is happening with our loss ratios is typical. The lower plan has a lower loss ratio and the high plan has a higher loss ratio. If people migrate to the lower plan, it will create an out of control situation.

Ms. Michael noted that the folks they represent can't afford the higher plan, and another increase in their insurance premiums will hurt them financially.

Ms. McFarland noted that the projected cost of this plan is $76 million. Option 5 – keeping rates the same – is not a sustainable option. Our 3 year projection out is a $23 million use of reserve. We are required to have $12 – $13 million in the reserve. We review this every year, but it is important to know that this is not sustainable – the income to the plan has to equal the expenses or we don't have a plan.

Ms. Brooke noted that our experience has been exceptional and this cannot be expected to continue – a bad claim year will occur and this could affect projections. This must be kept in mind. They show trend at 7.5% - they use is a combination of our experience and a trend survey they use to gather information to arrive at this figure.

Ms. Rita Zazzaro left the meeting at 4:00 p.m.

Ms. Suzan Rudd stated that we are getting reports that the reserve is growing – it is larger than it needs to be. A solution of spending the reserve to keep premiums even has been identified – this will benefit the employees. She feels it is the logical thing to do. She knows we will scrutinize these plans and decisions every year. If the reserve doesn't continue to grow, changes will have to be made, but she feels it is the logical thing to do this year.

Ms. Rudd made the motion to accept scenario #5, resulting in no increase to the current 2 plans, the addition of the HDHP with HSA and the use of an estimated $5,058,000 from the reserves. Ms. Jamie Michael seconded the motion.

Mr. Castellano asked for clarification of the full impact on the reserve fund. It was reviewed that the reserve is currently at $46.4 million – it would drop to $41 million with this decision. The reserve is also being used to fund wellness incentives. $1.5 million is for incentives and $250,000 is for additional programming. It was noted that we won't spend the entire $1.75 million – we should spend around $900,000 in programming and incentives to employees. The balance of the reserve will be around $38 or $39 million for 2015, assuming we have an expected plan year. It could be a little more or less depending on claims. Either way it will stay in the ballpark of $39 million. The ITF will have this same discussion next year to decide on the 2016-17 plan year, taking into account the 2015-16 claims.

It was noted that at this point we have more people signed up to participate in health screenings than the total number that participated last year.

Ms. Debbie Poole noted that the highest enrollment is in the employee only tier. The $1400 contribution into the HSA is a large incentive for employees to choose the HDHP with the HSA, and if they continue with the same HDHP next year, another $1400 will go into their HSA.

The motion on the floor was put to a vote – to accept scenario #5, resulting in no increase to the current 2 plans, and the addition of the HDHP with a HSA with the use of an estimated $5,058,000 from the reserves.

The motion passed 13-0.

<u>Review/approval of Ancillary Benefits</u>
Ms. McFarland reminded ITF members that ancillary renewals were discussed at the last ITF meeting. Authorization for expenditures are going to the Board on several benefits, however we have 4 to vote on today:

- Dental – The DHMO is in a rate guarantee. The two PPOs are not in a rate guarantee. There is a 3% rate cap on the PPO rates. Humana is honoring their cap even though they called for a 9% rate increase. Effective 4/1/15, the rates for the two PPO plans will go up 3%. Humana offered a rate cap of 3% for 2016 and a 6% rate cap on the DHMO for 2016. The current contract runs until 2017.

  A motion was made by Mr. Castellano to accept the renewal proposal with Humana as stated with no increase to the DHMO rates and a 3% increase to the PPO rates. Ms. Michael seconded the motion.

  Discussion was held to review current rates and new rates.

  The motion passed with a vote of 13-0.

- Disability - The LTD is in rate guarantee. The STD with a 14 day elimination period is at a 20% rate increase, STD with a 60 day elimination period has a rate pass. This is a one-time rate increase that expires 3/31/16.

  Combined STD and LTD experience is at 103.3%

  A motion was made by Mr. Castellano to accept the 20% rate increase on the STD with a 14 day elimination period, leaving the STD with a 60 day elimination period. The motion was seconded by Ms. Shandra Backens.

  The motion passed with a vote of 13-0.

- Cancer – There is a rate pass for 2015-16 for the cancer insurance with Allstate.

A motion was made by Mr. Castellano to accept the renewal for cancer insurance with no rate increase. Ms. Jamie Michael seconded the motion

The motion passed with a vote of 13-0.

- EAP – There is a rate pass for the renewal for 2015-16 for the Employee Assistance Program. The rate is $1.20 per employee, which is paid for by the District. The local EAP vendor provides up to 8 free on site counselling visits. We have a very good plan worked out with our local vendor to provide these services and they do a great job.

  A motion was made by Ms. Michael to accept renewal with EAP with a rate pass for 2015-16. Mr. Castellano seconded motion.

  The motion passed with a vote of 13-0.

Good of the Order

Ms. McFarland recapped that the Wellness Program is ahead of last year for number of employees enrolled in the health screenings. Employees are eligible for a $50 incentive just for participating in the health screening.

Ms. Shandra Backens complimented Ms. Heather Parker on the great job she is doing with the wellness program and the website, noting how user-friendly it is.

Ms. McFarland noted that open enrollment meeting dates, times and locations are being determined and will be advertised in the next few weeks.

Ms. McFarland informed ITF members that the items voted on today are going to the Board on 10/21/14, and it would be helpful to have ITF members attend this meeting if possible. These items will be briefed to the Board on 10/7/14.

Ms. Parker informed the group that she is expecting a baby in March, and Mr. Castellano informed the group that he is a grand uncle as of 8 hours ago.

Adjournment

The meeting adjourned at 4:38 p.m. upon motion by Ms. Jamie Michael with second by Mr. Leo Burt.