



BENEFITS COMMITTEE MINUTES

October 4, 2004

A meeting of the Benefits Committee was held on *Monday, October 4, 2004, at 3:00 p.m.*, in SU-18.

A. Call to Order

Dr. Jack Miyamoto called the meeting to order at 3:02 p.m.

B. Roll Call

Members Present: Yvonne Anderson, Jim Bowen, Victoria de La Torre (JPA), Dave Forsyth, John Goldsworthy, Sherry Gordon, Donna Greene, Dr. Jack Miyamoto, Shirley Morgan, Joe Newmyer, Peggy Richardson, and Dr. Omar Scheidt

Members Absent: Dr. Roy Archer, Mike Barber, Ruth Barnaba, Nancy Horio, Doug Key, Cheryl McCarron, and Jean Ruff,

Dr. Miyamoto made introductions and explained the different groups that are represented within the Benefits Committee.

Sherry Gordon requested a time change due to a conflict. The committee agreed to meet at 3:30 in the future. Dr. Miyamoto indicated that anyone should feel free to leave early whenever necessary.

C. Minutes

Dr. Miyamoto stated that since he had not been present at the last meeting, the final minutes were not available. He requested that any changes or corrections be communicated and the Revised Minutes would be presented at the next meeting.

D. Reports

Victoria de La Torre (JPA) passed out the "Rolling 12's" Report to the committee members. The Report only covers benefits managed by the JPA and does not include Kaiser medical. Dr. Miyamoto briefly explained what the "Rolling 12" Report represented and then Victoria went over the Paid/Loss Ratio figures. She explained that, ideally, a medical claims ratio of 85% or less is acceptable, but it is now at 100%. Drugs currently represent 37% of premium, or approximately \$199 per employee per month. On average, other school districts run about \$100, and some companies in the private sector are about \$56.

Victoria reported that the JPA is recommending a 30% rate increase for 2005. Claims costs have risen considerably in recent months, and if a rate increase had been set back in May, they would have recommended a single digit increase. Dr. Omar Scheidt asked what happened to cause such a high increase during this period. Victoria responded that there were a number of seriously ill individuals whose claims had been processed. Dr. Miyamoto explained that one-time "blips" might cause such an increase, and that Palomar had discussed with the JPA the option of not including such claims in the rating process. Dave Forsyth asked if the \$100 schools had the same type of drug benefits. Victoria responded that, for instance, Mira Costa's drugs were about \$167.

Joe Newmyer wanted to know how much of the premium represented administrative fees. Victoria explained that since the JPA is non-profit, the administrative fees were only \$.50 per employee per month.

Dr. Miyamoto informed the Committee that there would be no premium increases for Kaiser medical, the dental plans or the vision plan.

Joe Newmyer asked what the limit was for the stop loss coverage. Victoria explained that two levels of stop loss are built into the rate. The stop loss rate of \$554.03 per employee includes administrative fees. The aggregate stop loss without fees is \$523, leaving about 6% to cover the fees. Mr. Newmyer said that if 94% or so would cover the costs, why would we need a 30% increase. Victoria explained the recent trends in the insurance industry, and that the projected cost trend of 15% is for medical only. She stated that the JPA had contracted with a new stop loss carrier, with an increase in premium. The administrative fees remain the same. She said that in 2006, if it washes out, we can take a rate pass. Victoria also stated that the JPA is recommending the 30% increase now, but will wait to see how September's claims affect the ratio. She suggested that the District could consider higher prescription drug copays in 2005, although historically there hasn't been an increase. Dr. Miyamoto added that Kaiser had increased its copay from \$1.00 to \$5.00 only because it was mandated by Kaiser.

Mr. Newmyer wanted to know what the reserve balances were. Victoria and Dr. Miyamoto said that information wasn't immediately available, but they would look for it.

Donna Greene asked about any new copays, what they would be and ways to reduce premiums. Victoria said they were not ready to lay out a plan at this time.

Shirley Gordon noted that on the Rolling 12 report, there were only three months that were exceptionally high, and that going from a projected single digit increase last May to 30% seemed quite a leap, and didn't seem reasonable. She pointed out that the value of today's drugs is represented in lower treatment costs. Victoria responded that the types of claims are analyzed, and one large claim is currently wrapping up, but others are continuing. She said that the District is responsible for the first \$75,000 per employee per claim before stop loss takes over. John Goldsworthy wanted to know how the stop loss works, and Victoria gave an explanation. She also said that future projections are based on current use. The 30% increase will help build up the reserve account.

Mr. Goldsworthy asked if the rates can be changed more than once a year. Victoria said that since we are self-funded, we can make such changes, but it isn't recommended. He also asked how long it took to reduce the reserves from \$1,000,000 to \$250,000. Victoria and Dr. Miyamoto estimated that it might have been a couple of years—a gradual decline.

Donna Greene asked if the JPA had looked at different benefit levels for employees only, with an out-of-pocket premium to add dependents. Dr. Miyamoto said that had not been done in his memory. There are models available but have never been requested.

Shirley Gordon asked if the claims experience was seasonal. She wanted to know if September's claims were an aberration. Victoria said she would check. Dr. Miyamoto said that some types of claims, especially dental, could be cyclical, but large claims are probably not, or are only coincidental. Victoria stated that the monitored claims don't seem to be seasonal. Dr. Scheidt wanted to know if retiree claims were tracked separately. Victoria said no, but she would check on that.

Victoria reported on the new stop loss carrier. There is now a new lifetime maximum of \$5,000,000, up from the previous \$2,000,000. There is no cost to the District for this, and it became effective October 1, 2004. Victoria stated that although the JPA maintained the limit on the stop loss, transplant costs had been carved out. These expenses will no longer be reported in claims costs as there is a new policy and a new stop loss carrier for transplant claims. Shirley Gordon asked why the 30% increase would still be necessary if transplant claims are removed. Dr. Miyamoto said that the number of transplants is very low in the claims history, and we still need to rebuild the reserves.

Yvonne Anderson asked if the reserves had ever been this low. Victoria and Dr. Miyamoto both said they didn't think so, and would check on the history of any past fund transfers from the reserves.

Victoria explained that the Rolling 12 information covers two dental plans. The former CDN is now known as the Delta DPO.

Shirley Gordon wanted to know why Kaiser was not projecting an increase since they have the same population. Victoria explained the mandated prescription drug increase from \$1 to \$5.

Dr. Scheidt inquired about the vision benefit, and Victoria explained it.

Dr. Miyamoto asked Victoria to come back to the next meeting with a "look back" at the previous 36 months and include a breakdown on the stop loss.

Victoria then re-stated the administration fee, which is actually \$5.00 per employee per month. This includes other costs in addition to the \$.50 previously mentioned.

John Goldsworthy asked for a history on the reserves. Dr. Miyamoto said that tracking this information had been discontinued in 2001/2002.

Joe Newmyer requested more details next month as time is getting short. Why has Kaiser been able to hold the rates and the JPA has not? Dr. Miyamoto indicated that Brian Vivian (JPA) can answer that at next month's meeting.

Mr. Newmyer then presented some information regarding how retiree funding is taking a hit with increased costs. This year the District is paying only for retirees, not what we should be doing for active employees, and soon will have to fund for future retirees. The new law will require an increase of \$1 million. The percentage budgeted has increased from less than 1.5% to 3% and future liability funding will be difficult.

Donna Greene asked if there was funding for current employees contemplating retirement. Mr. Newmyer said yes, but it will require more money. This issue is expected to be mandated in 2007-2008.

E. Adjournment

There being no further business, the meeting was adjourned at 4:05 p.m.

Next Meeting: November 1, 2004