PALOMAR COLLEGE
Learning for Success

BENEFITS COMMITTEE
MINUTES

May 4, 2011

A meeting of the Benefits Committee was held on Wednesday, May 4, 2011, at 3:00 p.m., in MB-15.

A. <u>Call to Order</u>

John Tortarolo called the special meeting to order at 3:02 p.m.

B. <u>Roll Call</u>

Members Present: Sheila Atkins, John Goldsworthy, Lisa Hornsby, Phyllis Laderman, Cheryl McCarron, Jean Ruff, Dr. Omar Scheidt, Josie Silva, F. Perry Snyder, John Tortarolo, Michelle Tucker, Colleen Weldele

Ex-Officio Members Present: Rossanne Wetzel, Jovita Juanillo (Keenan), Tammy Reed (FBC), Lucy Nelson

Members Absent: Dr. Ken Burns, Jayne Conway, Dr. Bonnie Dowd, Teresa Laughlin, Christine Moore, Sandra Nanninga

Ex-Officio Members Absent: None

Guests: None

C. <u>Minutes</u>

The April 13, 2011 meeting minutes were approved.

D. <u>Old Business</u>

None.

E. <u>New Business</u>

1. John Tortarolo briefed the Committee on two items: the State of California has now changed the tax rules to conform with federal rules as outlined in the Health Care Reform as regards the taxability of the Adult Child medical coverage; and the District's ERRP application was submitted to the Department of Health and Human Services on time and has been accepted.

2. Tammy Reed reviewed the Rolling 12s. The fund levels appear to be holding steady; 92% is considered a break-even point for future rate renewals.

Tammy also distributed the December 31, 2010 financial statements as previously requested. She indicated that the March 31, 2011 reports are somewhat delayed due to a personnel change and required audit done in September, as well as numbers needing to come from the San Diego County Treasurer's office. This report will be sent as soon as available, possibly prior to the Committee's next meeting.

A brief discussion followed on the efficacy of the HCC's reviews of all claims. While the FBC believes that these reviews are proving to be cost-effective both to the District's claim costs as well as to the out of pocket costs required of claimants, they have not yet issued a report of savings to the District. The FBC was requested to prepare and submit a report of savings to the District and they committed to do so as soon as possible. It was reiterated that everyone should compare their EOBs to the bills sent by providers before paying anything, and to contact the FBC if there are any questions as to how a claim is being processed.

3. The FBC-related meeting was adjourned and the meeting was reconvened with the District members and Keenan representatives, Keenan representatives, Rossanne Wetzel and Jovita Juanillo (JJ) presented preliminary draft findings and opportunities regarding benefit plan options and alternatives.

JJ indicated that the purpose of the draft report is to obtain feedback from the Committee. The options and alternatives presented in the report are not all inclusive; there are a range of options that can be selected. As a starting point, Keenan had only selected a few areas that the Committee may want to review. She indicated that the report is a work in progress as an enormous amount of data was received from FBC only a few weeks ago.

JJ indicated that if the Committee chooses to not make any benefit changes this year, the expected medical and pharmacy trend ranges from 10% to 12%. At a PPO premium of about $10.9 Million, not changing the benefits will still result in an increase of over a million dollars for 2012. This does not include any increases to the Kaiser premium which is another $3.8 Million on top of the PPO.

Benefit Design - HMO

JJ indicated that based on what Keenan found in the market, 62% of employers have a copay amount of $10 for HMO compared to only 6% with a zero copay similar to Palomar.

A member asked whether the survey was based upon all industries or only education. JJ indicated that it was based only upon educational institutions located in San Diego County.

A member questioned whether or not this copay only applies to HMO. John confirmed that it was only for HMO and PPO would be discussed at a later time.

JJ indicated that there appears to be a significant variation in the HMO copay between the employer market and Palomar. This is an area the Committee may want to review further. She also provided a handout that shows the rate impact of various changes to the copay ($0 to $5, $0 to $10, and $0 to $15). JJ indicated that she finds employers that change their copay begin at a slight change rather than implement drastic changes right away.

Benefit Design - PPO

JJ indicated that based on a Keenan survey of employers with PPO, most of them (about 59%) have a $500 deductible. Only 6% have one closest to Palomar at $100 Deductible. A member then asked what the family deductible is for Palomar. Lucy Nelson confirmed it was double the deductible.

Regarding Coinsurance, JJ indicated that about 61% of the employers surveyed had a coinsurance of 80%; only 31% had a similar coinsurance as Palomar at 90%.

Benefit Design - Pharmacy

JJ also shared Keenan's findings on prescription drug copays. Keenan's public sector client book of business shows that the majority of employers cover 75–85% of the total pharmacy costs and members pay about 15–25%. In comparison, Palomar's cost of share is 95.2% and members pay 4.8%. She also indicated that, based on Keenan's data, public employers have a generic utilization rate of 69%; Palomar's generic utilization rate is 59%.

Pharmacy Market Comparison

JJ indicated that based on their Keenan experience, employers were able to save an average of 10% in pharmacy costs (representing 1-2% of total costs) when their pharmacy program was taken out for a formal bid. Clients were also able to enhance their contract terms.

Provider Network Comparison

JJ identified the top five providers for Palomar. These providers represent about 49% of the total claim costs. Scripps Clinic – Torrey Pines and PPHS – Palomar/Pomerado are the leading providers.

A member commented that she is familiar with Scripps and they have a reputation for good quality.

A member also asked whether construction of a Palomar/Pomerado facility in the area will affect their pricing. JJ indicated that it may, but pointed to the next exhibit showing the comparison of discounts by provider. She explained that Palomar did not provide the highest discount last year compared to other providers.

JJ then proceeded to discuss the Anthem network. She explained that Anthem is one of the networks worth exploring and not the only one comparable to FBC. Anthem, however, is a good starting point as they can provide a quick evaluation of claim discounts. She asked the Committee to review the last pages of the preliminary report which contains a few informational pages as to how Anthem conducts a claim repricing study.

JJ shared Anthem's findings with the Committee. She referred to the Anthem analysis showing that Anthem's provider discount is higher by 8% on Hospitalization compared to FBC, professional costs are 19% more, and on a combined basis, 8% higher than FBC. JJ explained that this is only a preliminary study and only about 15% of the total claims were taken as a sample for the study. If the Committee is interested in exploring other networks, Anthem is a good starting point.

JJ then shared with the Committee the rate impact if the Anthem network was implemented this year. She estimated that PPO renewal for 2011 would have been reduced by 4% if the network was changed to Anthem even before any benefit changes.

Stop Loss Coverage

JJ indicated that in Keenan's experience, employers that have implemented a market review of their stop loss programs through a formal bid were able to reduce their rates by 10-15% points (a rate impact of at least 3% in total costs) and enhance contract terms. She indicated that some employers were able to secure contracts with fewer than ten exclusions, some with about five exclusions. She indicated that the current AIG/Chartis stop loss contracts have about 18 exclusions.

JJ explained that more exclusions translate to a higher liability, or costs, that Palomar will have to be responsible for under FBC's stop loss program.

JJ informed the Committee that this may be a good year to review the market competitiveness of the AIG/Chartis stop loss proposal as Palomar's experience is favorable. JJ referred to the stop loss experience exhibits presented in the report; she estimated the loss ratios at 82% and 23%, respectively, for plan years 2009 and 2010.

On a combined basis, this represents a 50% loss ratio. On a dollar basis, JJ estimated that Palomar paid about $4.4 Million in stop loss premiums but the claim paid out by the program totaled only $2.2 Million. She explained that this is an estimate as she didn't consider all of the premium and stop loss data, but it is a good snapshot of the stop loss experience. A group with 80% or lower loss ratio is an ideal risk for stop loss carriers and one with a 50% loss ratio is desirable.

Behavioral Health

JJ indicated that a market comparison for behavioral health may also benefit Palomar. In Keenan's experience, 5-10% of behavioral costs can be reduced through formal bids. Some vendors are even aggressive and include pet insurance and other services as a value-added service at no additional costs. John indicated that Palomar may want to look at combining the EAP costs with behavioral health for additional savings.

Tier Ratio Alignment

JJ indicated that a change in rating from composite to 3-tier (employee, employee+1, employee+2 or more) or 4 tier (employee, employee+ spouse, employee + child(ren), and family) may yield additional premium savings. She suggests a study needs to be conducted especially given the impact of Health Care Reform requiring coverage of dependents up to age 26. Revisiting the premium charged by tier may allow for fair allocation of premium by number of dependents.

Duplicate Coverage Study

JJ asked Rossanne to explain the Duplicate Coverage Study. Rossanne indicated that some employers have realized savings by increasing contributions for employees whose dependents spouses have other coverage.

JJ distributed an exhibit that shows the number of employees that have employee only, employee plus one dependent, and employee plus family coverage. JJ explained that the PPO dependent participation under employee plus one dependent is much higher compared to Kaiser's employee plus one dependent enrollment. She indicated that there may be unintended consequences here of over-selection of dependent coverage.

A member indicated that her spouse's plan provided incentives for not enrolling under the plan. She suggested that perhaps Palomar may entertain such dollar incentives.

Wellness & Disease Management Programs

JJ indicated that the Committee may be interested in looking at wellness and disease management programs. She explained that Keenan's experience indicates a 2-3% claim cost savings for clients that implemented a targeted wellness program. "Targeted" means implementing programs unique to the client's population.

JJ shared top medical conditions diagnosed for patients under the self-insured program. The data is based upon diagnoses attached to prescriptions filled at the pharmacy. The predominant conditions are High Blood Pressure and Ulcer Disease. The Committee may want to review programs that target these specific conditions.

A member asked whether a smoke-free campus environment will help reduce overall costs. JJ explained that there are studies that show the effects of smoking to general health but there no specific studies available that relate it to a direct reduction in an employer's overall premium.

John indicated that this information is extremely helpful to the Committee and he has not seen this level of detail before from FBC.

ERRP

JJ indicated that John had previously discussed this topic.

Retiree Drug Subsidy Program

JJ indicated that a market comparison of fees to administer the retiree drug subsidy program may yield some savings.

F. Adjournment

As the quorum was lost, the meeting was adjourned at 4:22 p.m.

Next Meeting: Wednesday, May 18, 2011 (MD-155C)