

**SHASTA-TRINITY SCHOOLS INSURANCE GROUP
BOARD OF DIRECTORS MEETING MINUTES**

April 23, 2010

Hilltop Inn, 2300 Hilltop Drive, Redding

ATTENDANCE

Members Present: President, Adam Hillman, Shasta County Office of Education
Vice President, Donna Heller, Columbia ESD & Black Butte ESD
Treasurer, Phillip Brown, Enterprise Elementary School District
Patricia Demo, Shasta College
RoseAnn Adams, Redding, French Gulch-Whiskeytown, Igo Ono-Platina, Shasta Union
Elementary School Districts
Cathy Campbell, Gateway Unified School District
Tom Mancuso, North Cow Creek Elementary School District
Jim French, Trinity County Office of Education
Dana Reginato, Shasta Union High School District
David Flores, Grant Elementary School District
Donna Paxson, Fall River Jt. Unified School District
Robert Lowden, Cottonwood Union Elementary School District
Ruth Shankles, Shasta-Trinity ROP
Matthew Carroll, Mountain Union Elementary School District
Gretchen Deichler, Lewiston, Burnt Ranch, Coffee Creek Elem. School Districts
Tom Barnett, Mountain Valley Unified School District
Sue Wallick, Bella Vista Elementary School District
Peggy Canale, Southern Trinity Jt. Unified School District
Mindy Whitman, Junction Elementary School District
Ex-Officio: Michael Strech, Executive Director, Secretary to the Board
Staff: Nancy Panks, Benefits Administrator
DeDe Davis, Benefits Administrator
Mari Moore, Accountant (Contracted)
Others Present: Melanie Cich, Shasta County Office of Education
Paul Ford, Mercer
Jeanette Price, Anthem Blue Cross
Lorie McElligott, Anthem Blue Cross
Cindy Trujillo, Redding Elementary School District
Jordan Davis, LWP Claims Solutions

- 1.0 **CALL TO ORDER** – The meeting was called to order at 2:30 p.m. by President, Adam Hillman.
- 2.0 **APPROVAL OF AGENDA** – A motion was made by Jim French, seconded by RoseAnn Adams and unanimously approved to accept the agenda as presented.
- 3.0 **APPROVAL OF MINUTES** – Minutes of the January 22, 2010 Board of Directors meeting was presented for approval. It was moved by Donna Heller, seconded by RoseAnn Adams; the motion was approved unanimously.
- 4.0 **PUBLIC COMMENTS** – None
- 5.0 **CORRESPONDENCE** – A letter and Resolution of Intent to Withdraw was received from the Cascade Union Elementary School District’s Certificated Unit. It was recommended by Michael Strech, Executive Director, that the Board accept Cascade’s Withdrawal. Tom Mancuso asked if it was a “done deal” and they were truly leaving the JPA, to which he was answered yes. Moved by Tom Mancuso, seconded by Patricia Demo, unanimous.
- 6.0 **CONSENT AGENDA** – The Consent Agenda was presented for approval. Moved by Phil Brown, seconded by Pat Demo, unanimous.
- 7.0 **GENERAL BUSINESS**
 - 7.1 Financial Reports

7.1.1 Year-to-Date Financial Reports – Financial reports were presented for the Board’s review. Mike Strech reported that there was a positive trend for the Medical Plan referring to reserve levels largely due to the premium increase and Stop Loss recoveries. Workers’ Compensation Program shows a \$900,000 balance in reserves for the old self-insured program and a low bank balance. Those reserves will be audited and reviewed in the upcoming months to revise the number. Phil Brown suggested that the reserves should be adjusted responsibly, but hopefully in a positive manner. David Flores suggested that the Eliminations column on the Income Statement be presented in the same format as the audit.

7.1.2 Approve Final Revised Budget for 2009/10 and

7.1.3 Approve Preliminary 2010/11 Budget – Budgets were presented for the Board’s review and approval. David Flores asked about the \$44,000 special assessment; Mike Strech explained that was to pay for the expenses incurred such as legal fees, PARS correction, and the Executive Director recruiter. These are expenses that are not incurred on a regular basis. It was suggested that the “Charge Back to Programs” policy be considered at the Finance Committee for further clarification. Moved by David Flores, seconded by Cathy Campbell, unanimous to approve both the 09/10 Revised Budget and the 10/11 Preliminary Budget.

7.2 Adopt Stabilization Fund Policy – While the Stabilization Fund Policy was widely discussed at previous meetings, it had yet to be acted upon by the Board. At the last Executive Committee meeting, the Workers’ Compensation Program Policy was discussed and it was found to conflict with the rate increase recommendation. Therefore, the Stabilization Fund Policy presented does not have a policy for the Workers’ Compensation Program. It was suggested that the Finance Committee revisit the Policy and revise it taking into consideration the Industry standard. Regarding the Medical Program, while the IBNR goals are set for a 6-year period at 0.5%/year, that amount may vary based on the number of claims and how well the program is doing. It could be less in a year and it could be more. Moved by Jim French, seconded by Sue Wallick, unanimous to approve the Stabilization Fund Policy as presented and send the Workers’ Compensation Program Policy back to the Finance Committee.

8.0 **WORKERS’ COMPENSATION PROGRAM**

8.1 Actuarial Study – Mike Harrington of Bickmore Risk Services was introduced. He has been preparing the JPA’s actuarial study for the past 6 years and Mike Strech invited him to the meeting to explain how an actuarial study is derived. Upon presentation, it was moved by Donna Heller, seconded by RoseAnn Adams, and unanimously approved to accept the April 2010 Actuarial Study.

8.2 2010/11 Workers’ Compensation Rates and Ex-Mods – Based on the Actuarial Study and the fact that the JPA has ample funds in its Workers’ Compensation program, Mike Strech recommends an increase of 8%, or \$2.35 per \$100 of payroll. Earmarking \$1.5 million from the Program, this would fund at an 80% confidence level. Donna Heller asked if a decrease in payroll was considered? Mike said that a 5% decrease is factored in. Moved by Tom Mancuso, seconded by RoseAnn Adams, unanimous to approve a \$2.35 Workers’ Compensation rate. Regarding Ex-Mods, these were analyzed by Bickmore using 4 years previous experience comparing individual districts to the JPA as a whole. In doing so, the Ex-Mods were presented. Melanie Cich suggested that data through 12/31/09 should be used and asked if 09/10 experience was used at all. She was told no because it’s important to remain consistent, utilizing year-end data. It was also suggested that different increments for changed should be considered; instead of .05, perhaps .01. Moved by Cathy Campbell, seconded by _____, unanimous to accept the 2010/11 Ex-Mods as presented.

8.3 Risk Management/Loss Control Programs – A list of Trainings by Danté Bellino of InterWest Insurance Services was presented to the Board. He has been contracted to provide 80 days of Loss Control Services for the JPA. Currently, he has 10 Compliance Audits for districts with high and/or frequent claims. Mike Strech has a meeting scheduled for May 15th to receive an update and has given Danté until June 15th to complete the Audits and present his findings. At that time, Mike and Danté will formulate a plan of

action based on those findings to help the districts with their various needs. Because InterWest's Loss Control contract with the JPA will expire June 30, 2010, Mike Strech requested authority to explore a mutually-agreeable contract with InterWest as long as the contract amount did not increase from the current amount. Moved by David Flores, seconded by Jim French, unanimous.

- 8.4 Self-Insured Claims Prior to July 1995 (Take-Over Claims) and Self-Insured Claims after July 2003 – Jordan Davis of LWP Claims Solutions was present to discuss claims for the two Self-Insured Workers' Compensation Programs. He stated that they are working toward producing a trend by district in order to create a benchmark. Claims for the program prior to 1995 have been reduced by 27 (50%) since they took over in 2004. For the current program, 98% of the claims have been closed for the first year (2003). He also shared that the litigation rate is low for the JPA; 14%, compared to 81% in construction.
- 8.5 Adjourn to Closed Session – At this time, the Board adjourned to closed session to discuss settlement of workers' compensation claims. Moved by Phil Brown, seconded by Tom Mancuso, unanimous to adjourn.
- 8.6 Reconvene in Open Session – Moved by Jim French, seconded by Donna Heller, unanimous to reconvene in open session. Adam Hillman announced that settlement authority was given to LWP for two claims.
- 8.7 Recommend Formulation of Claims Settlement Committee for Workers' Compensation Claims – Mike Strech recommended to the Board that a Committee be formulated to discuss and settle claims below \$150,000 in order to alleviate the time constraints of Board Meetings. There are settlements that need to happen before the next Board Meeting. He explained that there is already a group of people that meet on a quarterly basis which include Mike, Donna Heller, Jeff Keena and Jordan Davis of LWP Claims Solutions, Liz Foley of InterWest, and Nancy Panks to discuss reserves. Another District person could be added and a Committee could be formed. In addition, much of the business can be taken care of by e-mail and phone conversations. Adam explained that this practice is not uncommon, that he is part of a claims settlement committee with NCSIG. Melanie Cich suggested that the Committee invite a person from the settling district to the meeting. Donna Heller suggested that information pertinent to the settlement could be gleaned from the district prior to the meeting. Jim French asked if the \$150,000 threshold encompasses most claims and he was told yes. Mike reminded the Board that Adam Hillman must be a part of all committees as President and would be a logical person for the Committee. Upon accepting, it was moved by Jim French, seconded by Phil Brown, and unanimously approved. Jim French suggested that with the influx of committees, perhaps the Board should consider lessening the number of Executive Committee meetings. That item will be agendaized at a future meeting.

9.0 **HEALTH BENEFITS PROGRAM**

9.1 Medical Program

9.1.1 Medical Plan – Claims Report and Trend – Paul Ford of Mercer was present to discuss the Medical trend. He explained that STSIG's gross trend before plan changes is 13.5% and 8% with plan changes; industry standard is between 9 and 12%. RoseAnn Adams said that means the JPA isn't doing well if the gross trend is higher than the industry standard. Donna Heller explained that it's partly because of the area with its lack of an HMO and hospital issues. Sue Wallick and RoseAnn Adams both expressed their employees' opinion of wanting more choices. Regarding the 13.5% trend, RoseAnn Adams asked if Paul Ford could give a presentation such as was brought by BRS and he agreed. Mike Strech explained that at the September meeting, Mercer will be explaining the effects of Health Care Reform and how it will affect the JPA in its long-term plan development.

9.1.2 2010/11 Plan Changes for Cost-Cutting Measures – In order to reduce the rate increase by 3.2%, the Health Benefits Committee proposed cost-cutting measures as follows:

- Increasing Office Visit Copays by \$10 (-2.0%)
- Increasing Emergency Room Copay to \$150 (-1%)
- Reducing Generic Rx Copay to \$10 Retail/\$20 Mail Order (-0.2%)

Moved by Patricia Demo, seconded by Sue Wallick, passed with one opposed (Donna Paxson).

9.1.3 Wellness Incentive Plan/Plan Design Changes – In order to incentivize people to participate in the Wellness Program, the Health Benefits Committee developed a four-step process in order for the employee/retiree to “buy down” their copayment and deductible and save them out of pocket expenses.

This four-step process is as follows:

- Attend an Open Enrollment Meeting
- Complete an Online Health Risk Assessment Survey
- Attend a JPA-Approved Wellness Workshop
- Get Annual Wellness Physical

Open Enrollment Meetings are set up during the month of May as Regional Meetings so the employee/retiree can attend any one of the 30 meetings throughout Shasta, Trinity & Tehama Counties. The JPA is partnering with Mercy Hospital which provides Education for the Community. The JPA will publicize the workshops as well as plan a Health Faire in August as an option for the Education step. By implementing a Wellness Program, the savings in annual claims cost (.09 to 1.1%, or \$250,000) will offset the costs to set up the Program, thereby keeping the program cost-neutral. The estimated cost to implement the Wellness Program is less than that, or \$216,288 (\$138,240 for Mercer and \$78,048 for Anthem’s Disease Management Program). Moved by Peggy Canale, seconded by Patricia Demo, the motion to approve and implement the Wellness Program and Incentives passed with one opposed (Donna Paxson).

9.1.4 Recommend 2010/11 Rate – Claims through March were analyzed and determined to be developing very well (low experience). Given the claims experience and coupled with the plan changes, it is recommended that a 5.85% increase be implemented. Mike Strech reported that a 0% increase could have been realized, but that would make next year’s increase more difficult. It is better to be prudent as medical inflation will always be a factor. RoseAnn Adams asked if the Health Benefits Committee was going to continue and Mike stated yes, but that it needed to be repopulated. He is planning to do that and have the first meeting in October. Moved by Tom Mancuso, seconded by Donna Heller, the 5.85% rate increase passed unanimously.

9.2 Anthem Blue Cross Report

9.2.1 Nurseline Utilization – The JPA purchased use of the Nurseline from Anthem June 2008 at a rate of \$0.72 per person per month. However, utilization has been extremely low. Therefore, Anthem is reducing the rate considerably to \$0.29 per member per month and the message of how and why to use the Nurseline will be a part of every presentation at the Open Enrollment Meetings. Now that the Emergency Room Copay has increased, along with the additional marketing, it is anticipated that utilization will improve.

9.2.2 CMS Issue – Adam Hillman explained to the Board that CMS (Medicare) has taken funds directly from Federal Grant monies due the Shasta County Office of Education in an effort to recuperate claim dollars spent for Medicare that they believe were paid incorrectly. CMS believes the claims in question should have been paid by Anthem/STSIG JPA. While Anthem and the JPA are doing as much as they can to alleviate the taking of additional funds by responding to CMS’s demands, the \$11,760.19 has been taken from SCOE and Adam does not believe it is their responsibility to pay for it; he suggested that the monies be paid back to SCOE by STSIG who will then be reimbursed when the claims are proven to be Medicare’s responsibility. The Board agreed and it was moved by Phil Brown, seconded by Donna Heller, and unanimously approved to reimburse SCOE for STSIG’s portion of the monies taken in the amount of \$11,760.19.

9.3 Set Vision Program Rates – There was no need for an increase in the vision rates for 2010/11.

9.4 Set Dental Program Rates – There was also no need for an increase in the dental rates for 2010/11. Moved by Jim French, seconded by Sue Wallick, it was unanimously approved to set the vision and dental rates at 0% increase for the 2010/11 plan year.

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9.5 Open Enrollment Preview – As mentioned earlier, the JPA will be presenting 30 Regional Open Enrollment Meetings throughout the counties in May. Their focus will be on helping the employees/retirees understand the Wellness Phases as well as increase their awareness of the self-insurance concept.

10.0 **ADJOURNMENT** – There being no further business to come before the Board of Directors, it was moved by Jim French, seconded by Patricia Demo, and unanimously approved to adjourn at 12:32 p.m.

Respectfully Submitted,

Nancy Panks
Benefits Administrator

Adam Hillman, President