



**SHASTA-TRINITY SCHOOLS**  
INSURANCE GROUP

**MINUTES**

**SHASTA-TRINITY SCHOOLS INSURANCE GROUP  
EXECUTIVE COMMITTEE MEETING  
Hilltop Inn – Cascade Library Room (Upstairs)  
2300 Hilltop Drive, Redding, CA  
FRIDAY, MARCH 23, 2012 9:00 A.M. to NOON**

**Members Present:** Adam Hillman  
Dana Reginato  
Debbie Kogel  
Donna Heller  
Janet Tufts  
Pat Demo  
Phil Brown

**Members Absent:** Jim French  
Peggy Canale

**Staff:** Amy Cavalleri, Benefits Administrator  
Leah Grant, Benefits Administrator  
Mari Moore, Accountant (Contracted)  
Michael Strech, Executive Director, Secretary to the Board

**Others Present:** Charlie Hoffman, Bella Vista Elementary School District  
Cindy Trujillo, Redding School District  
Dan Saeger, Anthem  
David Beeman, Envision  
David Wiesner, Mercer  
Gretchen Deichler, Trinity County Office of Education  
Jennifer Johnson, Envision  
Josh Paulen, Envision  
Melanie Cich, Shasta County Office of Education  
Mike Harrington, Bickmore Risk Services  
Morgan Rourke, Mountain Valley Unified School District  
Nancy Funk, Shasta College  
Paul Ford, Mercer  
Rick Randquist, Fall River JUSD  
Robert Fellingner, Igo-Ono UESD  
Robin Jackson, Mountain Valley Unified School District  
Steven Hurley, Envision

## **1.0 CALL TO ORDER**

President Adam Hillman called the meeting to order at 9am.

## **2.0 APPROVAL OF AGENDA**

Phil Brown made a motion to approve the agenda for the March 23, 2012 Executive Committee Meeting. Pat Demo seconded. Motion carried. Unanimous.

## **3.0 APPROVAL OF MINUTES**

Dana Reginato made a motion to approve the minutes of January 27, 2012 Executive Committee Meeting. Debbie Kogel seconded. Motion carried. Unanimous.

## **4.0 PUBLIC COMMENTS**

None

## **5.0 EXECUTIVE DIRECTOR'S REPORT**

5.1 CAJPA Accreditation update. Mike Strech reported that STSIG just delivered a large quantity of requested documents to CAJPA for the accreditation process. The JPA is on track to complete accreditation by September.

The Board retreat date and location has been determined. Members and alternates were asked to mark their calendars for September 27, 2012 at McConnell Foundation 800 Shasta View Dr., Redding - 8:00 am to 2:00 pm. Healthcare Reform will be a major topic of discussion. Mike encouraged all members and alternates to make time to attend this important event.

Announcement of Open Enrollment Meeting Schedule. A draft Open Enrollment Meeting schedule was included in the meeting packet. After final edits relating to Trinity County, a final draft will be posted on the STSIG website, and distributed to districts.

5.2 Wellness Incentive Program. Mike discussed the logistical challenges associated with administering the Wellness Program for new hires that come into our plans mid-plan year. It was proposed that new enrollees between 6/1/12 and 10/1/12 default into non-wellness. These employees will have opportunity to earn wellness incentives if they complete modified Wellness requirements prior to 10/31/12. Lower copays will then go into effect 11/1/12 and the lower deductible will go into effect 1/1/13 for those that participate. Pat moved to approve a modified Wellness Incentive Program for new hires. Donna Heller seconded. Motion carried. Unanimous.

## **6.0 WORKERS' COMPENSATION PROGRAM**

6.1.1 Mike Harrington from Bickmore Risk Services presented the 2011 Actuarial Study for the Worker's Comp program. Actuarial numbers are developed based on a combination of actual expenses, projected losses, and the actuary's forecast. The outstanding liabilities for New WC program is up approximately \$1.3 million from last year. An 80% confidence margin is recommended. The program currently has \$19.8 million in available assets to cover claims. Surplus decreased approximately \$763,000 during the 2011-12 plan year, but is still within acceptable limits. Surplus should accumulate if premiums are set at an 80% confidence level. The first \$1 million of each claim is paid by group. Claim amounts that exceed \$1 million are paid by re-insurer. Refer to Pg. 6-10 in the meeting packet for full detail on the Bickmore presentation.

The Old Worker's Comp program still has claims open back to 1980. Paid losses are projected at 5.49 million by the end of FY 2011-12. The program has \$160, 000 in available assets, and is funded at a 90% confidence level.

### **6.1.2 Approve 2012 Actuarial Study**

Debbie made a motion to approve the Actuarial Study presented by Bickmore Risk Services. Phil seconded. Motion carried. Unanimous.

### **6.1.3 Rate Recommendation**

Mike Harrington reviewed loss history for the New Workers Comp program and noted that claim frequency has increased every year for the past five years. Average cost per claim (\$21,000) has remained relatively flat for the past five years. \$4.191 million in total loss is anticipated for the 2012-13 plan year. An 80% confidence level is recommended for rate setting (\$3.099), representing a 13.1% increase over the current rate. Mike mentioned the need to focus on proactive loss control and returning injured employees to work to control worker's comp

expenses. Pat made a motion to approve the 13.1% rate increase, setting rates at \$3.099 per \$100 of payroll. Debbie seconded. Motion carried. Unanimous.

#### 6.1.4 Discussion of potential changes on calculation of ex-mods

Mike led discussion about current methodology for calculating ex-mods. One bad or good year can cause significant fluctuation in rate from year to year. A relative ex-mod would tie rates more closely to loss experience. The proposed methodology for determining ex-mods will not eliminate volatility, but will avoid wild swings from year to year relative to minor differences in claims history. The max ex-mod remains set at 3.0. Phil made a motion to approve the more precise method of ex-mod calculations as outlined on page 15-17 of the meeting packet. Donna seconded. Motion carried. Unanimous.

#### 6.1.5 Proposed ex-mods

The proposed ex-mods on Pg. 18 of the meeting packet were reviewed. Phil moved to approve the 2012-13 ex-mods as presented. Dana seconded. Motion carried. Unanimous

## 7.0 FINANCE

### 7.1.1 Year-to-Date Financial Reports (2011/12)

Mike reviewed YTD financials for 2011-12.

### 7.1.2 Investment Report

Rate of return on investments remains relatively low. The spreadsheet outlining accounts and rates of return was provided for review.

### 7.1.3 Finance Committee

Phil reviewed the purpose of the finance committee. The current stabilization goals for the medical, dental and vision programs were set at a three-month reserve. CAJPA Accreditation with Excellences recommends one-month of reserve. Pg 45 chart illustrates historical stabilization reserves. The Finance Committee recommendation is to revise stabilization goal at two-month reserve for medical program. Phil stated that the recommendation of the Finance Committee is to adjust the medical stabilization goal from three-months to two-months. Pat moved to approve the recommendation presented by the Finance Committee. Donna seconded. Motion carried. Unanimous.

## 8.0 HEALTH BENEFITS PROGRAMS

### 8.1 Vision Program: Recommend 2012/13 Rate

The Vision program continues to perform as expected with reserves slowly eroding towards our ultimate stabilization goals. No rate change recommended for 2012-13. Donna moved to approve rate recommendation. Dana seconded. Motion carried. Unanimous.

### 8.2 Dental Program: Recommend 2012/13 Rate

The Dental program continues to perform well. Reserves are in excess of stabilization goals despite a plan enhancement of implants that was added during last plan year. No rate change recommended for 2012-13. Donna moved to approve rate recommendation. Janet seconded. Motion carried. Unanimous.

### 8.3 Medical Program

#### 8.3.1 Healthcare Reform

Paul Ford presented a preview of upcoming issues relative to Healthcare Reform. Better information will be available at the end of the year, after the Supreme Court weighs in on pending issues. Reference Pg. 53 in the meeting packet which outlines major priorities relative to Healthcare Reform. Uniform Summary Plan Documents will be required for STSIG at the next open enrollment period for 2013-14. Additionally, W-2 reporting of aggregate healthcare cost will become a requirement. State Insurance Exchanges will come into play in 2013. STSIG has been strategic about making plan adjustments to line up with the requirements of Healthcare Reform. This topic will be discussed in further detail at Board

Retreat in September.

### 8.3.2 Spouses participation in wellness

The Health Benefits committee recommended including spouses in Phase II of wellness, requiring employee AND spouse to get a preventative care exam to receive wellness incentive benefits. Paul reviewed recent case law relative to GINA (Genetic Information Non-discrimination Act) indicating that health information cannot be used to incentivize members. A case brought before the EEOC regarding this issue was recently settled. Neither the EEOC or the federal government has taken an official stance on the issue. Mercer recommends exercising caution until the courts or the federal government clarify an official position on incentivizing spouses to participate in wellness activities. Debbie moved to remove spouse requirement for the Wellness Incentive program during the 2012-13 plan year. Pat seconded. Motion carried. Unanimous.

### 8.3.3 Review Claims and Discuss Trend for 2012/13

YTD medical plan performance was reviewed (Pg 56-57 in meeting packet). Loss ratio YTD is 98.5%. The group is on target to meet stabilization goals. \$175,000 is stop loss threshold.

### 8.3.4 Plan Changes 2012/13

Three plan options have been adopted for 2012/13. Prescription drug coverage plan changes are still undetermined. The group spends over \$4 million per year on prescription drugs. Envision Rx provided a brief report on current utilization and recommendations for renewal. Currently the group has a 66% generic dispense rate, well below the industry average of 73%. Over 80% of plan cost is associated with name-brand drug use. A list of top ten prescribed drugs and associated costs was reviewed. Two of the top ten are going generic in the near future (Lexapro and Cymbalta). The decision to switch to Envision Rx from the previous vender was based on an 8% savings goal in year one. Currently the group is at 6.6% savings. Envision proposed some plan design alternatives to control costs:

1. Reduction in generic copayment (\$7.50 vs. current \$10) to encourage members to seek out generic vs. name brand medications.
2. Current policy is to charge members difference in cost between generic vs. name brand if they elect name brand when generic is available. If written "Dispense as Written" by physician, additional cost is waived. Propose requiring a "Letter of Medical Necessity" to eliminate extra cost for member.
3. Propose \$200 deductible on brand-name drugs when a suitable generic is available.

Pat made a motion to approve Item #1, reduction of generic co-pay, and #2, implement "Dispense as Written" penalty. Debbie Seconded. Motion carried. Unanimous.

### 8.3.5 RX Coverage / CDHP

Three separate medical plan options will be available for 2012-13. If the high-deductible plan is going to be HSA-compliant, prescriptions will need to be subject to annual deductible. Phil moved to make Rx subject to the deductible to make an HSA-compliant plan available to the members. Pat seconded. Motion carried with Janet abstaining.

### 8.3.6 Forecast 2012/13 Rate

The national trend on medical inflation is currently 9%. Plan analysis by Mercer indicates a minimum 7.5% rate increase will be necessary to cover plan expenses for next plan year. Overall rate increase is forecasted at a 9.5%, which allows the plan to meet expenses and make progress toward overall stabilization goals. A discussion followed regarding a possible equity transfer from dental program (which currently has an excess) to offset a portion of the projected rate increase for 2012-13. This option would likely necessitate a rate increase on the dental side sometime during the next 2-3 years. Members of the Executive Committee were reminded that these numbers are merely a forecast and actual rates will not be determined until the Board meeting in April. It was also noted that any information regarding rates for 2012-13 should be shared with caution given the fact that our plan options will be significantly

different in the new plan year, and it is not possible to apply a flat increase across all plans.

8.4 Approve Preliminary 2012/13 Budget

A preliminary budget for 2012/13 was presented. Pat moved to approve the preliminary budget. Phil seconded. Motion carried. Unanimous.

8.5 ADJOURN TO CLOSED SESSION

8.6 RECONVENE IN OPEN SESSION

Phil reported that during the closed session, a 4.3% pay increase was approved effective April 1, 2012 for Amy Cavalleri, Benefits Administrator.

**9.0 ADJOURNMENT**

The meeting was adjourned at 12:49pm.

**NEXT MEETING:** The next meeting will be a **Board of Directors Meeting**  
on **Friday, April 20, 2012 from 9:00 a.m. to 12:00 p.m.** at  
SCOE (Upstairs Conference Room)  
1644 Magnolia Ave., Redding, CA