1.0 CALL TO ORDER – The meeting was called to order at 9:00 a.m. by President, Adam Hillman.

2.0 APPROVAL OF AGENDA – It was decided that Item 5.1.3, Preliminary 2010/11 Budget, be moved to the end of the agenda once rates are established. A motion was made by RoseAnn Adams, seconded by Patricia Demo, and unanimously approved to accept the agenda as amended.

3.0 APPROVAL OF MINUTES – Minutes of the January 22, 2010 Executive Committee meeting was presented for approval. It was moved by Jim French, seconded by Tom Mancuso; the motion was approved unanimously.

4.0 PUBLIC COMMENTS – None

5.0 GENERAL BUSINESS

5.1 Financial Reports

5.1.1 Year to Date Financial Reports (2009/10) – The Financial Reports were presented to the Executive Committee in their packets, including the year to date Scoreboard showing how the JPA is projected to end the year, as well as current progress from last year’s deficit. It is projected that the Medical plan will end with an $882,099 deficit which is a $1.8 million change from the previous year,
showing once again how necessary the large increase was in order to increase reserves and stay on target to fund the IBNR and Stabilization Fund. The Income Statement and Balance Sheets were presented. On the Income Statement, under Program Expenses, Michael Strech pointed out the Medical Stop Loss Recoveries and reported that while the number of claims is less than the previous years (five to date), the cost is higher. Stop Loss Insurance is going up considerably because of this (up to 46%). Regarding the Balance Sheet, Michael brought to the Committee’s attention that the Medical drives the JPA. When asked about the Intercompany Receivables, Michael explained that these were loans that the Medical & Dental programs needed for cash flow purposes and are ready to be paid back. There is no Board Action needed to pay back these funds and Michael was instructed to make that transfer back into the Workers’ Comp. program funds.

5.1.2 Approve Final Revised Budget for 2009/10 – The Final Revised Budget was presented to the Committee for review and approval. It was requested of the Executive Director that “Comments” be added to the Budget that reflect the reason for changes throughout the year as well as the Current Year Actual to Date. Donna Heller asked about the Administration budget and how the Legal Fees that were expended the year for PARS, etc., were allocated? Michael explained that the amounts were spread over the entire JPA’s programs. She did not believe this is consistent and that a Policy should be developed wherein costs should stay in the budget until the end of the year when it can be allocated to other programs. It was believed that this would be something that the Finance Committee should take up. Michael Strech will draft the policy for review at the next Finance Committee meeting. The policy will also include a definition for such expenses which will be limited to unanticipated legal fees or in the case of 2009 - recruitment expenses. The 2010/11 Budget was also presented in this item together with the Final Revised. Therefore, it was moved by Phil Brown, seconded by Jim French, and unanimously approved to recommend to the Board of Directors.

5.2 List of Expenditures through February 28, 2010 – The List of Expenditures through February 28, 2010 was presented to the Committee for approval. Moved by Patricia Demo, seconded by Donna Heller, unanimous.

5.3 Investment Report – The Investment Report was presented to the Committee for their information. Not surprisingly, investment income is down. It was decided that an Investment Policy must be revisited by the Finance Committee, including the Investment Philosophy. Donna Heller asked about a previous conversation that the Committee had for making funds available to districts to borrow money if needed. Adam Hillman suggested that instead, perhaps the districts could be provided with a reprieve from paying their medical premiums with interest charged. This is another topic for the Finance Committee.

5.4 Approve Financial Audit Contract – A letter of understanding from Matson & Isom was presented for Audit Contract services. This is a two-year agreement proposal with no increase to perform the 2009/10 Audit and a nominal increase for the 2010/11 Audit. Likewise for the Special Districts Report which is a separate contract service. It was moved by Phil Brown, seconded by Patricia Demo to recommend the 2-year contract to the Board of Directors, unanimous.
5.5 Approve Multi-County Local Agency Biennial Report – The Report was presented in the packet for approval. Moved by Donna Heller, seconded by Patricia Demo, unanimous.

5.6 Resolution Appointing Michael Strech and Adam Hillman, President, as PARS Plan Administrators – The Resolution was presented to the Committee; moved by RoseAnn Adams, seconded by Phil Brown, unanimous.

5.7 Finance Committee
   5.7.1 Formalize Finance Committee as a Standing Committee – Moved by Donna Heller, seconded by Tom Mancuso, unanimous.
   5.7.2 Adopt Stabilization Fund Policy – The Stabilization Fund Policy had been previously reviewed by the Executive Committee but wasn’t formally acted upon. This policy presents the IBNR Goals and Standards that were recommended by the Finance Committee. The Policy was presented in the packet; moved by RoseAnn, seconded by Tom Mancuso, unanimous.

5.8 Request Permission to Explore Office Relocation – The JPA was approached by the Lockheed Drive landlord and asked to consider relocating into another suite in the building. Due to the fact the location is less than desirable at the location off Knighton Road by the Airport, Michael Strech asked if he could have permission to explore other options as long as it was cost-neutral. RoseAnn Adams suggested that a District may have some office space available for a good price. Moved by RoseAnn Adams, seconded by Phil Brown, unanimous.

5.9 April Executive Committee Meeting – Michael Strech explained that an additional Executive Committee meeting may be necessary if the JPA receives an Intent to Withdraw from a district that affects 10 to 15% of the participation level. In this case, Mr. Strech will reach out to the Committee to develop a conducive date for the meeting. However, if the aforementioned doesn’t happen, no meeting will be necessary. Moved by Tom Mancuso, seconded by Patricia Demo, unanimous.

6.0 WORKERS’ COMPENSATION PROGRAM
   6.1 Actuarial Study – The Actuarial Study was performed by BRS and draft portions of the report were presented in the packet. This information is used to develop rates and Ex-Mods for the Workers’ Compensation Program. The Study will be brought in its entirety at another meeting for approval and is informational at this time.
   6.2 2010/11 Workers’ Compensation Rates – Currently, the rate is $2.17/$100 of payroll and that has been the rate since July 2008. The rate was not increased last year; instead a $1.8 million allocation of reserves was ear-marked in order to keep the rate to $2.17. Michael Strech reported that the $1.8 million was not used nor was it necessary as outlined in the March 2010 Actuarial Report. However, he pointed out that the $2.17 rate is for a 70% confidence level, not the 90% once thought. Therefore, adhering to the Finance Committee’s recommendation of no less than a 90% confidence level and two times the SIR, the rate would have to increase $3.71. However, because the program is doing so well and there are ample reserves, Michael Strech recommended that the Finance Committee revisit their recommendation. In addition, he recommended an increase to the Workers’ Comp rate of 5% to 7.5% would be necessary. This will incorporate medical inflation and not send the wrong message by keeping the rate flat. A higher rate increase would be necessary in the future if an increase is not put into place this year. RoseAnn Adams expressed that she was not comfortable with only a 70-75% confidence level and that 80-85% should be the minimum. She’s concerned that the Committee just accepted the recommendation of the Finance Committee and now the Executive Committee is going against the Policy. Michael Strech explained that the assumption of the Finance
Committee was that the current rate was at 90% confidence level, when 70% was the reality. If the Committee had known 70% was adequate, the recommendation would have been different. Therefore, the policy will go back to the Finance Committee for reconsideration. Michael Strech explained that he will invite Mike Harrington of BRS to the next meeting to explain confidence levels and their impact on rates. Therefore, it was moved by Jim French, seconded by Phil Brown, to table the rate setting until the next meeting; unanimous.

6.3 Risk Management/Loss Control Programs – A list of training sessions that Dante Bellino has or will perform was enclosed in the packet for the Committee’s review. In addition Michael Strech explained that work under the 2009/10 contract was slow during the first half of the year, while the JPA was without an Executive Director. Since January, the Executive Director has met with InterWest and developed a strategy to complete several projects including educational sessions, ergonomic reviews and a comprehensive risk assessment of the ten districts that have generated the highest numbers of claims (frequency not severity). Once the risk assessments have been completed and shared with the districts, the results and a review of the LWP loss run will allow the JPA and InterWest to develop a specific and measurable program for the 2010/11 plan year. The new agreement will not be in the form of "days" which has been the method for the last several years, but instead will be more specific and perhaps project driven. RoseAnn Adams asked if an hourly rate could be established and Michael stated that he would definitely be exploring that as an option. Moved by RoseAnn Adams, seconded by Donna Heller to explore a proposal for next year with no increase, not to exceed $60,000; unanimous.

6.4 InterWest Insurance Services Proposal for Broker Services – Currently, InterWest charges $3,800/mo for Broker Services, $800 of which is for placing Reinsurance and $3,000 for Claims Assistance (Liz Foley). Michael Strech explained that InterWest agreed to another year at this same rate, no increase. Originally they had proposed an increase concerned that more of Liz Foley’s time was needed; however, they agreed to 0% increase. Moved by Donna Heller, seconded by Phil Brown; unanimous.

7.0 HEALTH BENEFITS PROGRAM

7.1 Medical Program

7.1.1 Review Claims and Discuss Trend for 2010/11 – Mercer presented claims experience for the 2009/10 plan year through February 2010. It showed that both plans are doing well financially and proved that the large increase and plan elimination of 2009/10 was essential to the success of the program. Stop Loss recoveries were high, $1.4 million, which helped to keep the cost of claims down. However, due to such a high loss, the Stop Loss Insurance premiums will increase for the 2010/11 plan year, up to 46%. Mercer is continuing to go to market to receive the best quote. The loss ratio for this year is 93.6%, compared to 108.2% from the previous year, a marked decrease and a very positive sign. Mercer shared a high cost claimant report by ailment showing the top 25 causes of high dollar claims. The top two were Respiratory Failure/Pulmonary Manifestations, which totaled almost half of the high dollar claims. These, along with the 23 other high dollar claims totaled $4.1 million, compared to the $7.35 million by all other claimants, totaling $11.5 million in claims through February 2010. Industry standard for Trend is 13%, however, our numbers show a much better picture for the JPA.
7.1.2 2010/11 Plan Changes for Cost-Cutting Measures – Mike Strech explained that the Health Committee had met multiple times and their first task was to discuss cost-cutting measures that would reduce the premium increase for the 2010/11 plan year. Options were presented including increasing the office visit copay by $10 which would reduce the increase by 2%; increasing the Emergency Room copay to $150 which would reduce the increase by 1%; and reducing the Generic Rx copay to $10 retail/$10 Mail Order, decreasing the increase by .2%. These three measures would reduce the overall premium increase by 3.2%. Moved by RoseAnn Adams, seconded by Tom Mancuso, unanimous to recommend to the Full Board these cost cutting measures equaling 3.2% decrease to rate increase.

7.1.3 Report on the Health Benefits Committee – The Health Benefits Committee has met five times as either the Working Group or Full Committee. Discussions about a Wellness Incentive Plan began and a proposal was brought to the Committee by Mercer. Mercer explained that only $400,000 had been spent in Wellness Services by the plan compared to $1.2 million in Emergency Room Services. This statistics bolsters the need for the increased ER copay to encourage people to find alternatives to ERs, such as Urgent Care facilities and the NurseLine. People need to be incentivized to make healthier choices and the plan presented does just that. By increasing Deductibles and Copays, and then allowing the member to “buy them down” by participating in a few Wellness steps can greatly incentivize them to participate in preventive programs that could catch illnesses well before they escalate into a costly claim. The steps that the member has to take in order to receive the benefits of the lower cost deductibles & copays are as follows:

- Attend Open Enrollment Meetings (the JPA will be holding 28 regional meetings in May);
- Complete an On-Line Health Assessment Survey;
- Attend a Wellness Workshop offered by Mercy;
- Get their annual physical.

By doing these four things, they would enjoy a lower deductible/copay and decreased coinsurance for some services. The cost to administer the program, including a Disease Management program, will be $216,288. The savings projected by implementing the Wellness Incentive Plan is $250,000 or 1% of claims. Therefore, the program is cost neutral. Donna pointed out that the proposed Wellness Credit for Generic Copay should not be part of this, as it was already acted upon in 7.1.2. Therefore, the Generic Copay should be $10/$20 regardless. That was agreed to by the Committee. Another proposal would be for those involved in the Disease Management Program, a $10 deduction in prescriptions for their participation. Donna suggested that she’d rather see a $10 drop for all. However, this would drive cost up. Jim French asked about the employee’s obligation to participate in the disease management program and Bordan explained that it would be at their discretion, however, hopefully the employee would be motivated to change behavior and participate. Moved by Jim French, seconded by Donna Heller, unanimous to recommend to the Full Board the Wellness Incentive Plan.

7.1.4 Forecast of the 2010/11 Rate – Michael Strech presented charts showing the net results of last year’s increase as it pertains to building of IBNR and Stabilization Fund, as well as a forecast of expenses through 2013. The graphs shows that
with no increase and status quo plan, the program’s reserves would go from $882,099 this year to a positive $87,689 by the end of 2010/11. However, with the Wellness Program in place, the $2010/11 year-end reserves are projected to be a positive $705,609. However, it would not be prudent to give a 0% increase as the philosophy of the JPA is to build reserves and Stabilization Fund.

RoseAnn Adams asked what the JPA’s specific Trend is and Mercer did not have that information readily available, stating that being Self-Insured, you typically experience a lower trend compared to the national average. Specific JPA Trend will be brought to the next meeting.

Jim French asked how much reserves are needed; 3 months or $6 million. Therefore, Michael Strech recommended a 5.85% increase which shows that the JPA will have projected reserves of $2.1 million in 2010/11, $3.7 million in 2011/12, and $4.4 million 2012/13 assuming a similar number of participants in the medical program.

RoseAnn reported that Redding has decided to stay for at least one more year. Donna Heller said that Columbia is staying as well for the time being. Therefore, it was moved by RoseAnn Adams, seconded by Jim French, unanimous, to recommend to the Full Board a 5.85% increase to medical rates for the 2010/11 Plan Year.

7.1.5 Health Care Reform – Paul Ford of Mercer gave a report on how Health Care Reform would impact the JPA. Most importantly, because it doesn’t go into effect until October 2010, the JPA doesn’t have to enact any of the changes until its Plan Renewal July 2011. The biggest impact will be Over Age Dependent status being moved to age 26. At that point, tiered rates will be very important. He stressed that communication is imperative in the next year. Because the reform goes into effect in October, CVT will be affected this year because their plan year begins in October.

7.2 VISION PROGRAM – Recommend 2010/11 Rate – The Vision Program continues to do well, utilizing reserves that had been built up with excess and therefore it is believed that no increase is necessary. Moved by Jim French, seconded by RoseAnn Adams, unanimous.

7.3 DENTAL PROGRAM – Currently reserves are building as planned based on last year’s increase in rate and plan design change (Crowns to 70%). While the current trend for the dental program is 6%, it does not appear to be necessary to increase the rate this year. Moved by Donna Heller, seconded by Tom Mancuso, unanimous, to recommend to the Full Board a 0% increase to the dental program.

5.1.3 Approve Preliminary 2010/11 Budget – Preliminary Budgets were presented to the Committee. Regarding Medical and based on the proposed increase, she is concerned that, as in the past, the number of lives may be overstated and believes there will be even less this year with the layoffs. Mike Strech reported that he took this into consideration and that there’s no way to tell for sure how many lives will be affected. Adam Hillman suggested the number can be changed when we know for sure. Donna also brought up that employees are asking for lower-cost, high deductible plans and they want more options. Also, she wondered what happened to the conversation about loaning districts cash at a low rate if needed. Adam suggested perhaps a reprieve on their medical premiums as a loan. This will need to be researched and reviewed by the Finance Committee.

Also, Composite Rates vs. Tiered Rates need to be discussed. It was determined that the Health Benefits Committee should continue. Question called, moved by
Phil Brown, seconded by Jim French, unanimous, to approve Preliminary 2010/11 Budget.

8.0 ADJOURNMENT – There being no further business to come before the Executive Committee, it was moved by Tom Mancuso, seconded by Jim French, and unanimously approved to adjourn at 1:10 p.m.

Respectfully Submitted,

Nancy Panks
Benefits Administrator

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Adam Hillman, President