

Everett School Employees Benefit Trust
Minutes of August 20, 2007
Board Room
8:00 am

Rv. 8/27/07

Attendance

Susan Lindsey
Betsy Selders
John Morrill
Mike Gunn
Sue McCann
Molly Ringo

Also Attending

Darla Van Duren
Randi Seaberg
Kay Nickel
Sean White
Tom Pursley
Arlene Vollema-Rich
Rene Boswell

Recorder

Susan Sacha

I. Call to Order

Mike Gunn called the meeting to order at 8:00 am.

II. Adoption of Agenda

The agenda was approved as written.

III. Approval of Minutes

Minutes from the June 11, 2007 meeting were approved as written.

IV. Consultant's Report

Sean distributed the August 20, 2007 Consultant's Report and reviewed the benefit plans proposals with the Trustees. Plans include HMA (PPO1, II, III) Group Health (HMO), PacifiCare (HMO), Sun Life (Stop-loss), Washington Dental Service, Willamette Dental and MetLife (Basic * Supplemental Life and Basic Accidental Death * Dismemberment).

Key Issues

- Combined overall projected funding increase for the PPO plans of 96% for 2008, including a margin for claims fluctuation of 3%. Included in the increase is a proposed fee decrease of 4.09% for HMA
- Group Health has proposed a 3.78% increase for the HMO plan; PacifiCare came down from 6.5% increase to 4.1% through negotiations with Mercer; the premium for the WDS plan will not change effective October 1, 2007; the premium for Willamette will increase 4.8% effective October 2, 2007; MetLife has proposed continuing the current life and AD&D rates; Standard proposed a 10% increase on the LTD plan and a rate pass on the STD plan; the EAP fee will remain unchanged for 2008; and the UNUM LTC rates will not change for 2008.

Sean reported that paid claims experience was 20% below projection and that the plans were performing very well. Mercer reviewed the recent large claims experience to determine if that was driving the improvement but found that the claims were consistent year to year and generally in line with benchmarks.

Renewals

- **Group Health** – requesting a 3.78% increase in rates. Mercer found that the increase was reasonable and within industry standards. Group Health also proposed adding mail order at an increase of 4.1%. Sean stated that there would be a cost savings for members but an additional cost to the Trust (\$10,000) to add in the mail order. There were three benefit changes – Maximum chemical dependency increase from \$13,500 to \$14,000; pharmacy co-pay for smoking cessation drugs will not apply; and diabetic drugs will be subject to the brand name co-pay rather than the generic co-pay.
- **PacifiCare** – Sean reported that Mercer felt the initial renewal offer (6.5%) was excessive and they were able to negotiate it down to 4.1%. They haven't received the standard benefit revisions yet but PacifiCare has clarified that the out of area plan is only available to full-time students.
- **Dental Coverage** – The renewal rate for WDS will not change for the period October, 2007 through September 2008. Willamette Dental will increase from \$65.00 to \$68.10 for the period October 2007 through September 2008. For budgeting purposes, Mercer estimates that the rate for both WDS and Willamette will increase 5% effective October 1, 2008.
- **Life and AD&D Insurance Coverage** – MetLife is proposing to continue with the current rates through December, 2010. They provided a rate impact to increase the benefits which included three options. Options over \$50,000 have a tax implication which would need to be reported as taxable income on employee W2s. If the Trust chose option 3 those employees making less than \$50,000 would be grandfathered at \$50,000. MetLife has offered to continue the current rates with a rate guarantee through December 31, 2010.
- **Voluntary Short-Term Disability** – Standard felt they needed a 15% increase but agreed to continue with the current rates for the upcoming plan year. Mercer felt this was a generous offer.
- **Long-Term Disability** – Standard proposed a 10% increase in the rate. Sean said the plan was not performing well so Mercer felt the increase was reasonable. It should be noted that the premiums are on a per employee per month basis rather than on a percent of payroll basis.
- **Employee Assistance Plan** – No increase for the period January 1, 2008 through December 31, 2008. The current per employee per month rate is \$1.19.
- **Long Term Care** – UNUM provides long term care coverage and they have confirmed that the rates will not change for 2008. Sean said that rates only change when the entire rating is changed and filed with the State.

- **Self-Insured Plan** – HMA is calling for a 4.19% decrease per employee per month. This rate is guaranteed through December 31, 2008. Sean said that the lower rate was a surprise and he felt it may be due to some of the difficulties with HMA over this past year.
- **Stop-Loss** – The stop-loss insurance coverage was moved to Sun Life with a stop-loss deductible of \$175,000 effective July 1, 2007 and will continue for 18 months with a renewal date of January 1, 2009.
- **Total Health Management** – HMA has agreed to continue their current rate through 2008 but has offered two additional options, i.e. population disease management at \$5.00 per employee per month and total health management at \$6.00 per employee per month. Molly made a point of saying that she was surprised HMA has not discussed these new options earlier. Randi says she doesn't feel the district is getting the return they should. Discussion followed. Tom said that the most effective plans he has seen involve a high level of involvement from both the district and the vendor. Sean will obtain some additional information from HMA for a follow up discussion with the trustees.
- **Self-Insured Plans Trend Analysis** – The trend factor for medical claims for the period ending in June 2007 was 4.2% which is below the national average. Mercer used a manual projected trend of 10% for 2008 funding projections. This is a reduction from the 12% used in the 2007 rates. The prescriptions trend for the period ending June 2007 was 8.7% and Mercer used 12% for the 2008 funding projections which is a reduction from the 15% used for 2007.
- **Self-Insured Funding Plans** – Mercer is recommending that the 2007 rates be maintained with a margin of 2% because of the positive experience on the self-funded plans.
- **Mental Health Change** – Effective January 1, 2008, employees who reach the out-of-pocket maximum will no longer be liable and those charges will be covered at 100%. Mercer has requested claims information from HMA to assess the impact of this change although they believe it is negligible.
- **Projected Composite Funding** – The projected composite rate will be \$868.76 with a margin of 3% (a 0.96% increase) and \$855.78 without the margin (-1.83%).
- **Reserve Analysis** – Trends were applied which increased the liability estimate by 5% from Mercer's prior estimate. Mercer will prepare a revised estimate of the December 31, 2007 liability and present it at the February trust meeting.
- **Trust Financial Projections** – Revenue includes the new proposed state allocation of \$707.00 effective September 1, 2007. Mercer projects a surplus of approximately \$1,039,391 for the upcoming plan year if a 2% margin is included in the funding of the PPOs.

Sean reported that the Trust has a very healthy reserve balance and could cover five months of premiums. He recommended reducing the reserve so that there isn't a perception of stockpiling. Tom suggested several options.

Premium Holiday – Instead of decreasing employee contributions the District would give employees a month where no contribution would be collected which would be equivalent to an 8% deduction for contributions. However, this option might be difficult to administer.

Health Management Manager – Hire a health management manager that could be funded by the trust. This individual would be able to focus on all of the elements of health management full time.

Reduce employee contributions – Reduce employee monthly contributions is an option but there is a concern about the possibility of having to raise the monthly contribution the following year and the reaction from employees if that were to happen. It was suggested that employees receive information showing the base rate with the discount to help them better understand the cost of benefit premiums.

- Plan Changes (Renewal Recommendations) – Sean reviewed the recommended changes with Trustees.
- Decisions
 - Group Health Mail Order – A motion was made and seconded to add mail order coverage to the Group Health plan. Motion carried.
 - Basic Life and AD&D Insurance – No changes made
 - Voluntary Short-Term Disability Increase – HR will provide information regarding classified and certificated before a decision is made.
 - Long-Term Disability Increase – A motion was made to adopt option 1 and raise the benefit maximum to \$800. Motion carried.
 - HMA Changes Appendix D:
 - Inadvertent Error (page 1 of 9) – Sean suggested legal counsel review the recommended change. Molly suggested eliminating the “ninety (90) days” from the statement. She will contact Melanie Curtice for an option.
 - Rehabilitation Services Outpatient – A motion was made and seconded to accept the recommendation for Rehabilitation Services Outpatient as described on page 2 of 9. Motion carried.
 - Transplant Lifetime Maximum – A motion was made and seconded to accept the recommendation for Transplant Lifetime Maximum as described on page 2 of 9. Motion carried.
 - Transplants – A motion was made and seconded to accept the recommendation for Transplants as described on page 3 of 9. Motion carried.

- Dependent Eligibility (page 2 of 9) – Tabled to August 27th meeting. Mercer will check with PacifiCare and Group Health to see if they would be willing to accept this change without a rate increase.
- Off-Label Drug Use – A motion was made and seconded to accept the recommendation for Off-Label Drug use as described on page 4 of 9. Motion carried.
- Experimental or Investigative (page 5 of 9) – Mercer recommends legal counsel review this language. A decision will be made at August 27th meeting.
- Summary Plan Description – A motion was made and seconded to rewrite the Summary Plan of Description(s), document effective date 1/1/08. Motion carried.

Other discussion:

The Trustees held further discussion regarding using some of the reserve dollars for the wellness program including adding a wellness coordinator. Molly suggested that Sean and Randi put together an outline of what the program could look like. They will bring several options to the September meeting.

No decision was made on rate changes. Sean will bring some scenarios to the August 27th meeting showing what the rates would be at a 10%, 15% and 20% reduction.

V. Review Draft Trust Audit

Darla reviewed the Independent Auditor's Report and Financial Statements for the year ending June 30, 2007. She will bring a revised copy to the August 27th meeting.

VI. Review of Annual Calendar

No changes to Annual Calendar. Add Consultants Attending to the 2007-08 Meeting Calendar for August 27, 2007.

VII. Other

None

VIII. Adjournment

The meeting was adjourned at noon.

Sincerely,

John Morrill
Secretary.