



Medical Benefits Committee

Minutes

Thursday, February 24, 2005

1:00 pm

Room 510

Present: Pegi Ard, Doug Deaver, Sue Greytok, Kate Hartzell, Leah Hlavaty, Sue Holt, Cliff Nichols, Cathleen Reno, Stephanie Stainback, Topsy Smalley, Kathie Welch

Absent: Debora Bone, Olivia Hand, Michele Rivard, Jerry Sauter

I. Call to Order

Pegi opened the meeting at 1:01 pm.

II. Agenda Modifications

Approval of the minutes was added to the agenda. It was moved/seconded (Hartzell/Nichols) to unanimously approve the agenda.

III. Response to request for information

Pegi distributed a handout summarizing how employees are enrolled in the health plans including retirees who opt to take coverage through Cabrillo. 51% in a PPO, 49% in a HMO plan. In the "Employee only" column: 61% in PPO; 39% in HMO. In employee plus one or plus two: 38% in PPO; 62% in HMO. 93% of retirees are in a PPO; 32% of them are out of the area or out of state. 95% retirees have chosen PPO for various reasons. HMOs aren't accepted outside of California.

Jerry will provide information in response to requests from the last meeting at a future meeting.

Sue Greytok clarified that there are retirees who do not opt to get health coverage through Cabrillo. At 65 Medicare coverage is available; AARP also has coverage options for retirees before age 65. Sue will keep a tally of retiree inventory. No pre-Medicare-eligible retirees have opted out of coverage with Cabrillo. Prices: \$380.12 for Medicare recipients; \$505.44 for non-Medicare.

Stephanie asked for data about migration patterns of the various constituencies. Sue will retrieve data back to July 1.

Pegi stated that a goal of this committee is to provide information to Stephanie and Debora to represent Cabrillo well on the Advisory Committee to the JPA. The timeframe is very tight—Rates are scheduled to be set at the April 28 meeting, leaving the committee very little time to enact any changes or modifications.

IV. Short Term priorities, options and timetable

Pegi stated that the objective today should be to focus on negotiable/non-negotiable plan features. Given the existing plans, what modifications do we want to make or eliminate? The choices are whether to offer:

1. both the HMO and PPO as we do currently
2. self-insured or fully-insured plans or a combinations as we are doing now
3. a pooled risk rating versus the current separate rating for PPO and HMO's.

Discussion:

Kathie stated that she would not support a plan of pooling experience if the result increased the employee contribution to the HMO plans. HMO plan participants are not buying the same plan as PPO participants.

Stephanie stated that she felt very uncomfortable weighing choices without being able to know how the major plan modifications made in January affect plan utilization and costs. She felt it would be too early to accurately set rates in April for July based on only two months experience.

Kathie asked if it was a given that the PPO be retained. Pegi replied that no, we can fully insure or self-insured with the either the PPO or the HMO.

Pegi explained that if Cabrillo were to pull out the JPA, there would not be the option to sign up for Blue Cross as a separate Cabrillo entity for a minimum of one year. There is no Community College medical JPA. We are not restricted by county; therefore, we could join an existing entity in another county, but there are limited choices because of the network.

Kate stated that one option may be to join the Central Coast Alliance for Health Medical HMO that the county is considering. It includes many independent providers in town. Debora is in contact with them but they aren't ready for Cabrillo yet. It is not a viable option for this year, but if county employees go with them then there will be a year's experience to review.

Doug asserted that there is a lot of uncertainty with changes in the self-insured plans. It will be very difficult to set rates for July based on so little experience from the January plan changes. Based on prior input from Keenan one can estimate that going to a fully insured PPO would raise prices by a minimum 7-10%. The trade off is more stability and no mid year changes.

Pegi asked if it is possible to offer one HMO exclusively. Sue Holt responded that it is possible. Stephanie replied that it is a delicate question: it is hard to say how explosive offering one plan would be among classified staff. An HMO is not an answer for everyone because people need specialists. HMOs mandate access to participating specialists which may differ from the one(s) the employees want to see.

Kathie replied that she has never heard that a client was denied medically necessary access to specialists in HealthNet or California Care. That would be an increased risk for them to deny access.

Pegi asked the committee if we are willing to explore fully-insuring the PPO plans to stabilize them for a year or two. How would that change things? She is aware that everyone is nervous about what happened this year.

Pegi informed the committee that there is a request for proposals for the selection of a plan administrator. A decision will be made in June. July-October would be the transition period.

Pegi asked if there any benefit to ask for more time to set rates.

We are stuck in a box; if we don't make plan changes we can expect a major migration at the next enrollment period from PPO members to the HMO's.

Sue Holt explained that we as consumers are generally uninformed and there needs to be a push to get more educated. We need to find the resources to educate plan members what their options are. Pegi said that we used to send out the Cruz News.

Stephanie asked whether the JPA, as a whole, could wait a couple of months to make the decision regarding plans and prices for 2005-06? Pegi replied that waiting 2 months could possibly mean nothing but will ask Jerry about it. The April 28th full Board meeting agenda is to set rates for July 1. That date makes for a very tight timetable to implement any changes to the current plan configurations.

Regarding the January 2005 plan changes for the PPO plans it was noted at the last JPA meeting that for the first time there was a drop in claims usage.

The group discussed the option of providing only one HMO and one PPO fully insured. Based on a HealthNet prior proposal there might be a one-time 8% savings in HealthNet rates if we eliminate California Care. HMOs.

Stephanie asked if it is a financially achievable option for the District to pick up the cost of the least cost HMO if the JPA goes to only one HMO plan. Pegi replied that she would need to cost that out.

Health Savings/Reimbursement Accounts (HSAs/HRAs) are a new federal option. Sue Greytok will check if American Fidelity can provide them. Kate felt that as an employer we could do a health reimbursement account.

Pegi stated that the discussion seems to be circling around keeping one HMO and one PPO plan.

Cliff said that he read that this year's insurance costs will look like "the bargain basement" in 2010.

Sue Holt stated that part of the reason that health plans are so expensive is that insurers can't compete with each other across state lines. She suggested keeping one prudent

buyer plan with 80% coverage and a large deductible with the employer commitment of a \$5,000 per year stipend.

Stephanie commented that it's important to keep in mind classified salaries.

Kathie stated that people who choose the HMO shouldn't have their rates increase. The cost of the HMO will rise when high users migrate to the HMOs increasing the risk rating. Cliff stated that if a lot of retirees switch to the HMO, their prescription costs will raise the HMO rates.

Pegi asked if retirees should be rated separately. Cliff replied that it makes sense.

Pegi stated that if we are going to pull out of the JPA, we need to know what we will do by Dec 30. Cathleen asked about the consequences of pulling out of the JPA. Sue Greytok said that in Monterey, one school district pulled out of the JPA. The first year rates were great, but in the second year they doubled. Then the JPA didn't allow them to come back due to increased risk.

It was also suggested that the name of the health plan not be called catastrophic.

V. Long Term strategies and timetable
Deferred to a future meeting.

Questions raised by the committee:

1. Kate: what are the implications of the common risk pool? Would it double the price of the HMO or only increase it by 20%?
2. Steph: How do we significantly reduce adverse selection?
3. Doug: How much risk do we want to assume in the self-insured plan? Can we afford to have another adjustment in January 2006?
4. Pegi: Can we offer one HMO exclusively?
5. Pegi: Are we willing to explore fully insuring the PPO plans to stabilize them for a year or two? What would the cost implication be of doing this?
6. Could we combine with a JPA in Monterey? An issue in Monterey is access to the Community Hospital of Monterey Peninsula (CHOMP) which doesn't affect us in Santa Cruz County.
7. Pegi: How do we educate staff regarding options? We haven't been successful with health fairs, etc.
8. Stephanie requested approximations for rate proposal from Blue Cross and Health Net.

Next steps

1. An email survey will be sent to each benefited employee (except for adjunct faculty) asking if they are planning to change plans at the next enrollment date.
2. Sue will get information to the committee on migration patterns effective 7/1/04.
3. Pegi will ask Keenan about buying more time to evaluate the impact of the January 2005 changes on the PPO plans and will ask for information regarding the financial impact on

current members of the PPO and HMO plans if all members were combined into one common risk pool.

4. Pegi stated that, although as a JPA we have been resistant to the idea, we can tighten up our drug plan (i.e. go to the formulary program where a list of approved drugs is available). If the drug needed is not on the list, the copay would be higher.
5. Evaluate results of the Keenan survey. Keenan employees are currently tabulating the data. We need to request the Cabrillo's data be reported separately.

VII. Next meeting dates: 3/3 at 11 am in room 510
3/10 at 1 pm room 510
3/17 at 1 pm in room 510

The meeting adjourned at 2:12 pm.