



**Medical Benefits Committee**

Minutes

Thursday, March 17, 2005

12:00 pm

Room 510

Present: Pegi Ard, Debora Bone, Doug Deaver, Sue Greytok, Olivia Hand, Leah Hlavaty, Cliff Nichols, Michele Rivard, Jerry Sauter, Stephanie Stainback, Kathie Welch

Absent: Kate Hartzell, Sue Holt, Cathleen Reno, Topsy Smalley

I. Call to Order

Pegi opened the meeting at 12:05 pm.

II. Agenda Modifications

None.

III. Approval of Minutes

It was moved/seconded (Bone/Stainback) to unanimously approve the minutes.

IV. Response to request for information

Jerry's son arrived three weeks early, so he has been on leave. Keenan is getting bids in and Jerry will have more information for the next meeting.

Renewal rates will be in 4/7/05. That will allow for a full week to review and digest the information before the Advisory Committee meeting on 4/13/05 at 3:30 at the County Office of Education. There will be a JPA Board study session on 4/21/05 at 8:00 am to review all of the rate information also at the County Office of Ed. The JPA has scheduled rate setting for 4/28/05.

V. Cabrillo survey—Medical benefits

Sue reviewed the survey that was emailed to staff: 396 respondents broken down by category: 99 Certificated, 110 Classified, 12 Confidentials, 28 Administrators and 148 retirees. Although retirees were not emailed this survey, based on a previous survey that Sue Greytok had sent to them, it was assumed that most retirees would not switch from a PPO to the HMO.

Sue broke down the monthly costs of the plans for retirees:

- \$505.44 Blue Cross Standard
- \$393.39 HealthNet without Medicare
- \$380.12 for Blue Cross (over 65)
- \$334.22 for HealthNet (over 65)

Jerry explained that:

- renewal rates based on claims from July 1<sup>st</sup> claims to the present would increase approximately 11-16%. The full year renewal rates are more likely 14-18% higher. The numbers aren't credible based on 8 months of claims.
- The number of large claims is high: there are more than 40 claims over 40,000. There are usually 20-30 large claims per year. There have been 6 claims above \$150,000. It's a small number but they are large dollar amounts, totaling a \$900,000 liability to the JPA. It is a little unusual to have 6 claims above the \$150,000 mark, particularly with a smaller enrollment, but things fluctuate year to year.
- HealthNet is willing to provide an 8% lower quote if California Care is eliminated as an offering. The advisory committee to the JPA seems to be adamant to keep California Care because it is the only comprehensive coverage with no out of pocket expenses for lower salaried employees other than co-payments. HealthNet could mean \$60-70 out of pocket per month. The HealthNet network is better and the coverage is identical, but California Care co-payments are higher.
- HealthNet is still interested in PPO membership. The JPA can achieve that one risk pool, but some control is lost. If HealthNet underbids, they reserve the right to increase rates next year. If the JPA self-funds, the JPA takes on that risk. HealthNet does not work for people out of the area.

Stephanie stated that it would be devastating for classified staff if the JPA chose to go to one HMO option if the District could not pick up the cost of the lowest level HMO. Pegi and Doug will provide information on the cost to the District for HealthNet at the next meeting.

Michele asked if each JPA member has to offer the same plans. Jerry replied, yes, but offerings of each District vary: The stipend offered by the County Office of Education, for example, is capped at HealthNet but they do offer California Care.

## VII. Short-term General Recommendations to the JPA

Pegi distributed a document that Debora distributed at the JPA Board meeting today summarizing some of the concerns from the survey that Keenan sent out to the 11 member Districts. Please see attached.

Rates have been requested from Blue Cross, HealthNet, Pacific Care, AETNA and Blue Shield, but there is no guarantee that rates will be received from every company.

Pegi told the committee a major point of concern is that if the number of participants alters by more than 10%, the companies have the right to adjust their rate quotes. Jerry added that there are a various caveats for insured quotes: retiree content, enrollment fluctuations, District contribution strategy, etc. From an underwriting perspective, the insurer needs to be comfortable to make a quote.

Stephanie asked if Jerry knew of incidents where enrollment migration has caused an insurer to revisit a quote. Jerry replied that it depends—the relationship with the carrier

and the broker/consultant can play a role. If a carrier does not exercise that option, it might be a red flag at renewal.

Debora distributed a Quote Matrix to the committee that summarized options by each carrier under consideration. Please see attached.

Doug stated that, at risk of oversimplifying, it seems like we will make no changes for 2005-06 renewals in July.

Pegi stated that the matrix will help us evaluate from a financial perspective, but we don't know the migration factor.

Jerry explained that he is hard pressed to support staying with the status quo. We want to have our cake and eat it, too—but we can't. The JPA has to do something now to make sure mid-year adjustments aren't necessary again. If he had to do one thing to make it better for next year it would be to create a common risk pool.

Doug summarized that, unless there is something unexpected, people will pay approximately 8-20% more out of pocket for the same type of insurance. The only other decision to make is whether to have a self-insured or fully-insured PPO.

Debora asked if we need to have a fully insured HMO. Jerry replied that if you have a fully-insured PPO and HealthNet, in two years the JPA will have an HMO exclusively. The EPO/PPO is a valid comparison and would require members to educate themselves in how each plan operates.

Stephanie commented that the timeline is very important. There isn't time to make panicky or major changes at this point. If we go fully-insured, there will be a 25% increase in Blue Cross. HealthNet may increase 15%. Utilization changes are not to be underestimated. We can't predict if there will be a massive migration and Blue Cross pulls their bid off the table. We need to eliminate as much risk as possible from the PPO.

Jerry recommended that to achieve to status quo, Keenan recommends that the JPA not build a load into the PPOs, but into the HMOs.

Debora commented that health insurance is becoming unaffordable across America. We may like the idea of keeping the self-insured pool, but salaries and the Districts can't afford it. It is unfortunate that we are getting diminishing access. We need to be realistic and do what we can afford.

Stephanie commented that there is still a difference between what's viable for from a business perspective and what people can afford.

Jerry replied that the problem in the self-funded environment is that cost is driven by the constituency using it. On HMO side, the management is through primary care process. The cost won't be less, but it takes us out of the risk business.

Debora asserted that for this next round, it is important for the JPA to not be in the risk business. The most affordable option is the HMO.

Michele asked if by going to a fully-insured option, is it advantageous to stay with a JPA? Jerry replied that in the insured arena, the JPA is looked at as one pool, so that is a benefit. Stephanie stated that going fully insured would increase premiums 7-10% and they won't change mid-year.

Pegi expressed concern about not coming up with any ideas that won't eliminate the PPO plan. Jerry stated that without quotes it's difficult to compare the products. He sensed a fully-insured PPO was an acceptable option. It will cost what it will cost. A common risk pool is another option.

Stephanie expressed that the rates for the HealthNet fully insured PPO and District's financial stand are two huge pieces of the puzzle. Pegi will email information to the committee on costs to the District. Doug added that the cost to retirees is also important.

Pegi stated that when we get the data, we can make some short-term recommendations.

Debora added that there will be 4 different committees looking at the long-term: this committee, the advisory committee to the JPA, the JPA Board and a new committee that Diane Siri, the County Superintendent, is forming. Pegi will work on an agenda to roll out options. Jerry agreed that once we get an idea of short-term options, we can think about the long term.

Doug asked about options "outside of the box" that we may have missed. Jerry replied that there is a cross-risk model, the "REEP" JPA in Southern California. This has received a lukewarm reception by the group.

Next meeting dates:           3/22 from 1:00-3:00 in room 830--cancelled  
  4/7 from 12:00-2:00 in room 510--cancelled

The meeting adjourned at 1:20 pm.