



**Medical Benefits Committee**

Minutes

Thursday, May 6, 2005

3:00 pm

Room 111

Present: Pegi Ard, Doug Deaver, Sue Greytok, Olivia Hand, Leah Hlavaty, Sue Holt, Cliff Nichols, Cathleen Reno, Michele Rivard, Topsy Smalley, Stephanie Stainback, Kathie Welch

Absent: Debora Bone, Kate Hartzell

I. Call to Order

Pegi opened the meeting at 3:02 pm.

II. Agenda Modifications

None.

III. Approval of Minutes

The minutes were approved unanimously.

IV. Medical Plans for 2005-06

Pegi briefed the committee that Keenan solicited quotes for the medical plans from the market with the parameters the JPA requested: self vs. fully insured plans, etc. It is surprising that the fully-insured quotes were not much higher than self-insured. The JPA is considering going fully insured for one year to decrease risk. Pegi asked for input regarding going fully-insured next year but maintain the position to be self-insured in the future.

Concerns raised not backed up by evidence are that:

- By going fully-insured, the attitude toward processing claims may be different. There is no appeal process if a claim is denied. Currently, the JPA can pay claims denied by Blue Cross. Blue Shield has pushed the issue by bidding low.
- Rumor has it that Blue Shield is much tighter on allowable claims.
- Adjunct rates through Blue Shield increased 35% this last year over the first year.
- Compensation to physicians is less than Blue Cross.

Given the competition between Blue Cross and Blue Shield, if the JPA had been with Blue Shield, Blue Cross would be bidding low to get the business. Given this, it's important to consider the rate hike the adjuncts experienced.

Pegi explained that joining another JPA, such as the Central Valley JPA (CCISK) is also a possibility. CCISK is managed by Driver Alliant, one of the administrator/brokers that submitted a proposal to the SCCSHIG JPA for review.

Kathie asked why Blue Cross didn't come in more competitively. Pegi explained that they did give a competitive bid, but Blue Shield undercut them. Pegi proposed that we may have righted the problem by making the mid-year plan design changes. It's hard to evaluate that.

Rate difference: Employee only 12 month: Blue Cross \$608.70; Blue Shield, \$479.32. It is essentially the same plan with primarily the same doctors. It is unclear about specialists. A specialist list for Blue Shield is needed.

Pegi said that the other JPA representatives are seriously considering Blue Shield for this year in order to realize the \$3 million in savings.

Olivia asked what the removal of California Care did to the rates? Pegi replied that HealthNet was able to give a competitive rate.

Stephanie asserted that the District stipend needs to cover one of these plans. In addition to the health insurance premium, the insurance benefit package includes the following estimated monthly rates:

Employee only:

Delta Dental	58.48
Unum	30.00
<u>Life Insurance</u>	<u>16.50</u>
Total (other)	104.98
<u>Blue Shield</u>	<u>354.84</u>
Total	459.82 monthly

Annual stipend for employee only would need to be: \$5,517.84

Employee plus one:

Delta Dental	105.20
Unum	30.00
<u>Life insurance</u>	<u>16.50</u>
Total (other)	151.70
<u>Blue Shield</u>	<u>703.70</u>
Total	855.40 monthly

Annual stipend for employee plus one would be \$10,264.80.

Michele asked what happened to the goal of putting this decision off for a year to have more time for research. Pegi replied that since Blue Shield undercut the rates, there is a significant savings to be realized and it removes the risk from the JPA for one year. Doug explained that rates will always come in at the last minute. There needs to be a process in place to make plan design decisions given last minute rate information. It is

hoped that both Blue Cross and Blue Shield bid next year, but it is not certain. The JPA could be back to self-insured next year.

Sue Holt suggested talking to Santa Cruz Medical Clinic, for example, to find out what is their experience dealing with Blue Shield, etc.

Pegi stated that CalPERS plan designs will be looked at next year, although their rates this year are high.

Sue Holt asked if the JPA will create a reserve if a savings is realized. Pegi replied that it is too soon to tell. There is nothing built in to create a savings or reserve.

Stephanie recommended that Pegi consider supporting the fully-insured option with a preference to return to self-insurance. If there is a reserve, we should recommend that be used to kick start self-insurance in the future.

The committee agreed that the JPA should go with the fully-insured option for next year.

Prescription deductible: \$250, \$125 or formulary. While many on the committee support the \$250 deductible, Kathie expressed support for the formulary which puts the responsibility on the consumer, which she also supports.

The rate would increase 2.2% per month if the deductible dropped to \$125. Removing the deductible adds 4%. The formulary decreases rates by 2.95%. Cliff stated that the formulary doesn't work for retirees. Pegi said that staying with the \$250 deductible would honor the notion of making as few plan design changes as possible.

Michele suggested a large marketing effort if the plan offered changes to Blue Shield for next year. The retirees need to understand that they are not getting dropped, it's the same network.

Stephanie requested the Blue Shield list of specialists.

The committee discussed a way to design an educational campaign to help each other and log complaints or issues. Topsy will establish a discussion board on the HR benefits website.

The committee will meet over the summer. Thursdays afternoons appear to be a good time for most.

The meeting adjourned at 4:00 pm.

Next meeting date: July 8<sup>th</sup>, 2:00 pm, location to be determined.