



Health Benefits Question and Answer Forum

December 10, 2004

MINUTES

Presenters: Jerry Sauter, Helen Buhagiar, Keenan and Associates
Pegi Ard, Doug Deaver, Sue Greytok

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| Agenda: | 1. Opening comments: Pegi Ard | 5 minutes |
| | 2. Review of JPA and plan changes: Jerry Sauter | 20 minutes |
| | 3. Prepared Questions and Answers and questions from the audience | 35 minutes |

Pegi opened the meeting at 12:07 pm. She expressed that everyone shares in the frustration and disappointment of the news of the medical plan changes. Brian King also shares the frustration and wished he could be here today. She introduced Jerry Sauter from Keenan and Associates, the JPA consultant, who will review how the JPA operates, how we got to where we are today, as well as review the plan changes. Pegi stated that the District is committed to developing a task force comprised of representatives from SEIU, CCFT, management and confidentials to work together in the spring to identify issues and discuss future options.

Jerry Sauter outlined how the Joint Powers Authority (JPA) operates: Cabrillo is one of 11 member Districts in the county participating in the Santa Cruz County School Health Insurance Group JPA representing approximately 3200 lives. This is a consortium of separate K-14 school districts that have banded together to provide insurance to their employees. Forming a JPA provides two benefits: 1) it enables the member districts to negotiate better rates due to its size; and 2) it enables the member districts to spread the risk on potential major claims. The JPA Board has 11 voting members, one representative from each District. The managed plans in the JPA are Blue Cross of California Prudent Buyer Standard Plan and Catastrophic Plan, Blue Cross California Care and Health Net.

The PPO plans are self-funded plans. They operate like a miniature insurance company. Money from each District goes into a fund. Claims are paid out of the JPA funds directly. Blue Cross acts as the 3rd party claims administrator, not as an insurance provider. There is a Stop-loss policy that protects the JPA from catastrophic claims over \$150,000, but there is significant claim activity below that level as well.

The JPA Board recently reviewed the financial situation for the current fiscal year based on claims experience that has occurred after rates were set in April 2004. Based on the high level of claims experience during the past 6 months, the estimated costs for the current fiscal year will exceed revenues and existing reserves by a projected \$2 million.

Members received a letter from Dick Moss, JPA President and Santa Cruz City Schools CBO, explaining the situations as well as grids explaining the mid-year plan changes. Jerry provided additional handouts and reviewed the changes in the plans. The JPA, based on recommendations from the Advisory Committee, made recommendations for plan changes to remain solvent at the end of the plan year. The Advisory Committee recommended mid-year plan changes and assessments to the member Districts at an almost even split: \$1.1 million will be saved by making plan changes and assessments will total approximately \$960,000.

Specific changes in the plans:

Blue Cross Prudent Buyer Plan

\$250 individual/\$750 family deductible remains the same. The change is from 100% coverage after deductible is met to a 90% plan payment and 10% coinsurance by the member up to \$1000 individual, \$3000 per family.

Emergency Room: Increase the copayment from \$25 to \$100 and subject to the deductible and co-insurance as well.

Chiropractic: From a \$10 office visit copayment to \$20 per visit.

MHN benefits: flat \$20 copay; 30 visits per year. Out of network portion, \$150 deductible. Inpatient \$250 deductible, 70% in network; 50% out of network.

Prescription drugs: \$250 deductible then \$5 copay for generic and \$20 for brand will apply. Mail order and retail is separate. A combined deductible applies to both retail and mail order.

Blue Cross Prudent Buyer Catastrophic Plan

Chiropractic: From a \$10 office visit copayment to \$20 per visit.

Emergency Room: No change to ER copay

Prescription drugs: Add a \$250 deductible, then the employee would pay \$40 for brand name drugs or a 410 copayment for generic drugs.

MNH benefits: flat \$20 copay, 30 visits per year. Out of network portion, \$150 deductible and then 50% reimbursement up to \$25 per session. Inpatient benefit has a \$250 deductible, 70% in network, 50% out of network

California Care

Copay will increase to \$20 from \$15.

The Mental Health Network component will be replaced by California Care providers. A description of how to access the network is available on a flyer.

HealthNet

The prescription drug copayment for brand name drugs will increase to \$25 from \$20.

Mental Health benefits will be available thru a rider in the Mental Health Network via a managed care umbrella. All care is required be in the network. The handouts describe this in detail.

Jerry explained that the JPA Board and Advisory Committee are committed to maintaining fiscal health to provide benefits to employees of the county. This month they will focus on what will be the vehicle for health care in the future. The plan changes are a temporary fix for a deficit situation. It is clear that July 1 the plans cannot remain as they are now. Jerry distributed a handout with common questions and answers and took questions from the audience.

Question: Many people feel held hostage to a contract that we didn't agree to when signed on. If Keenan's estimates had been better, many would have opted for a managed care plan rather than the PPO.

The JPA Board and Advisory Committee painfully grappled with whether to have open enrollment on January 1. Because of the nature of the HMO and PPO programs, to come up with a target deficit as well as assessments to member Districts, the numbers had to be based on what is in the JPA today. To come up with a plan and then have open enrollment, there would be no way to assure making the \$2 million target but could further exacerbate the problem.

Question: Aren't those who make the projections responsible to the JPA?

If we were a true insurance company, this type of spike in claims would be funded out of carrier reserves. Unfortunately, the JPA's reserves have been depleted. Mid-year plan changes were due to the inability to wait and see and take action next year. Underwriting and claims projection is not an exact science. There is no way Keenan or a carrier could have foreseen this situation. Typically, there are 5 claims per year that exceed \$25,000. On last month's report, there were 26 or 27 claims over \$25,000. The spike in large claim activity is not insured; the JPA covers this up to \$150,000, then the stop loss insurance covers the remainder.

Question: If Blue Cross had unusually high claims, they would pass it on in higher premiums next round. But that next round, a person could choose to change plans. Only next July will people be free to make those choices.

The JPA Board chose not to allow open enrollment because of the concern that these plan changes were projected at \$1 million savings to the JPA based on our current makeup. It is necessary to get to the \$2 million target or PPO members will have no plan by year end based on current claims utilization. The Board grappled with that issue. A constant was needed to get our head above water (if there were an open enrollment and people migrated from the PPO to the fully insured plans, the \$2 million would not be achieved, and the JPA would still be in a serious financial situation). Design changes in the fully insured programs would offset the self-insured programs. Those plan design changes are targeted to offset costs for the prudent buyer plans.

Question: What is the advantage of putting our funds into the JPA rather than paying Blue Cross premiums directly?

For a large employer, self-insurance is the most cost effective. Under self-insurance, the JPA sets the rates, watches the trends, has a lower margin and sets realistic financial targets. The trade off is the risk involved. The benefits of fully insured plans are that Blue Cross is on the hook for those claims. The JPA looked at insured options. What Blue Cross brought forward was a significant decline in plan design.

Question: Keenan signed contract with whom? (The JPA.) The Cabrillo Governing Board authorizes participation with JPA, so Cabrillo signed a contract for the academic year? Is the JPA asking us to accept a break in the contract?

Cabrillo has contracted with the JPA to offer plans from the JPA. This is a whole different topic. The role of unions is to talk that through with the District.

Jerry outlined the way the JPA operates:

- The JPA is made up of 11 school Districts.
- Each school district has one member on the board.
- Board members receive recommendations by the JPA Advisory committee.
- The JPA contracts with vendors and consultants: Blue Cross, HealthNet and CaliforniaCare.
- Keenan is the consultant to the JPA.
- Vendors handle the administration of the plan.

Question: At the end of your presentation you mentioned the County. Is that just the County of Santa Cruz? Can you increase the membership of the JPA? For example, the City of Santa Cruz is considering changing their plans.

The JPA's focus is K-12 and Community Colleges (Cabrillo)—public education. There is a risk to include the County of Santa Cruz. The concern of the JPA is to focus on the needs of public education. If the makeup of the JPA changes to include law enforcement, for example, the focus (and group make-up) would change away from public education. All options will be on the table. Other organizations asked to join our JPA but they didn't fit the mission of public education.

Question: Would you consider a retiree on the JPA Advisory Committee and on the College Advisory Committee?

Cheryl Brothers represents retirees on the JPA. Pegi indicated she would take the retiree request under advisement.

Question: How do you become a JPA Board member?

One voting member per District, usually the CBO or CEO, is appointed by the District's Governing Board.

Question: Keenan is not on the board at all?

No, Keenan is not on the Board. Keenan's role is as a consultant and makes recommendations to the JPA along with the Advisory Committee.

Question: How is Keenan paid?

Keenan is paid per employee; approximately 1% of the total JPA budget.

Question: According to my calculations, Medicare pays 75% of each claim; Blue Cross pays 25%; I pay 75% of what working staff pays monthly. Are retirees paying more?

Medicare pays 80%; the plan pays 20%. The JPA pays 100% of prescription drug costs because Medicare doesn't have a prescription drug plan. The purpose of the JPA is to pool everyone together—the premiums paid by retirees and active employees go into one bucket. The general trend in the industry is to have higher proportional increases for retirees than for active employees.

Question: Will we address the legality of these changes today? Is the legality in the Bylaws? Can the JPA make these changes?

The JPA Board has the authority to act. This was a very difficult decision for the JPA Board to make. Faced with collapse, there would be nothing to offer come July 1. The plan changes and assessment to the Districts is a stop gap measure to hold on until July 1. The JPA has offered very good benefit coverage and is trying to continue to offer as much coverage as possible. This is an emergency. Sister institutions are collapsing. Nan Wojcik of Santa Cruz City Schools went to Union School District--it has collapsed. The choices are collapse vs. trying to hang on to a plan to provide as much as coverage as possible.

Question: Are we holding on to a plan that we should let go of?

That is the question that must be examined. More need to be involved on the Task Force to take recommendations to the Advisory Committee of the JPA Board.

Comment: I am happy with Health Net.

I am happy with Health Net, too.

Question: How will the Task Force be formed? Will they have an advisory capacity?

The Task Force will be comprised of members from SEIU, CCFT, confidentials, and management. They will have an advisory capacity to the Advisory Committee of the JPA. Each District has one vote on the Advisory Committee; 3 representatives go but only one votes.

Question: Perhaps we shouldn't get rid of the PPO but look into something other than the JPA to provide coverage?

Comment: Perhaps the minutes should be distributed for those that couldn't attend.

When the Advisory Committee meets, the minutes will be distributed.

Question: Has anyone every investigated why California Community Colleges haven't banded together?

It would be impossible to accomplish that investigation between now and July. The UCSC system medical plan is being reviewed, as well as other options.

Question: Is it possible to establish an emergency fund for individuals who find the additional payments and deductible a hardship in the next 6 months?

Pegi requested that she be allowed to take that under advisement. The one time funds are being spent on a variety of needs.

Question: Should we expect Prudent Buyer rates to skyrocket if many jump ship?

Yes, that is a serious concern. Our homework is just beginning. It is not clear if the JPA can retain the Prudent Buyer plan for employees if that happened. The likely scenario is that those that keep the Prudent Buyer plan are those that need the care the most. The people who need the plan the most would use it and rates will skyrocket.

Retaining the PPO serves a purpose not just from the standpoint of having a choice, but for out of state retirees and employees who live out of the county, like in Monterey. There is a need to have the PPO.

Question: As we age, we need more expensive coverage. Can we institute Health “savings accounts” to start to save money for future medical expenses?

This is new in the insurance market place. The private sector has consumer-driven healthcare. Everything will be reviewed.

It was agreed that retirees may stay after for specific questions as coordination with Medicare is a separate issue.

Question: Regarding the MHN benefit change for Health Net, do I need to make a call to coordinate coverage?

You will need to go through the same process of getting a referral from a primary care doctor.

If I am currently seeing someone, I need to go to my primary care doctor for a referral?

What we purchase from Blue Cross is their administrative services, not plan designs. In the Prudent buyer standard plan Mental Health Network, if there is an emergency need, you could receive immediate treatment by getting the required authorization to see a therapist for 3 emergency visits. Outpatient therapy copay is \$20; \$20 straight down the board. The Employee Assistance Program provides 3 visits at no cost. This has not changed on Prudent Buyer plan.

Question: Can premiums sustain the level of benefits that we have right now?

No.

Question: Why are there so many high claims? Actuarials are reviewed all of the time. Why did this exceed the norm? What are the variables?

Demographics are changing. There is a lot of cancer, employees are older, there is more serious illness, providers demanding more reimbursement. Is \$75,000 for a procedure a lot? It could have been a simple appendectomy. A quick outpatient surgery could be \$70,000 dollars.

Question: Are all Districts assuming half of the costs of the deficit?

Based on an informal survey, some districts will negotiate with unions to pick up some of that extra assessment, but Cabrillo will cover it.

Question: Please walk us through what will happen with prescriptions come January 1.

A member goes to the pharmacy, shows the insurance card, the first prescription will be subject to \$250 deductible. In the mail order program – members provide a credit card and that account will be charged directly. Once the mail order claim is processed, the deductible will need to be paid until it's met. You still get the benefit of the pharmacy discount on the plan.

Comment: If I want a renewal on an existing prescription that costs \$100, now I pay only \$20; January 1 I will pay \$100 before co-pays kick in.

Pegi acknowledged Sue Greytok for going a wonderful job at a very difficult task. Her work has been very challenging recently as she delivers the difficult news to employees.

Pegi brought the meeting to a close at 1:10 pm.

December 10, 2004
Keenan Benefits Q&A Session Attendees

	Carol Lynne	Arao
	Pegi	Ard
R	Mavel	Armijo
	Tatiana	Bachuretz
R	Rosemary (& Harold, spouse)	Baker
R	Barbara (spouse of retiree)	Bugalski
	Carolie	Coffey
R	Kathy	Cowan
	Diane	Crawford
R	Lile	Cruise
	Doug	Deaver
	Sesario	Escoto
	Betty	Gardner
	Diane	Goody
	Sue	Greytok
	Olivia	Hand
R	Kristin	Hayward
	Sue	Holt
	Jay	Jackson
	Rhea (& Mitch Temkin, spouse)	Leonard
	Victoria	Lewis
R	Mort	Marcus
	Loree	McCawley
	Belita	McGee
R	Dave	McGuire
Pre-R	Valerie	Nelson
R	Cliff	Nichols
	Ekua	Omosupe
	Michele	Rivard
	Felix	Robles
	Stephanie	Stainback
	Cathy	Summa
R	Tony	Torres
	Cherie	VanHorsen
	Elissa	Wagner
R	Lynda	Watson Abbott

R = Retirees; Pre-R = Pre-retirement