



Medical Benefits Committee

Minutes

Tuesday, September 20, 2005

3:00 pm

Room 801

Present: Pegi Ard, Debora Bone, Olivia Hand, Kate Hartzell, Leah Hlavaty, Cliff Nichols, Michele Rivard, Kathie Welch

Guests: Bob Schoenherr, Ania Slonina from Keenan and Associates; Tracey Hullm and Nancy Vernon from Blue Shield

Absent: Doug Deaver, Sue Holt, Cathleen Reno, Topsy Smalley, Stephanie Stainback, Sue Torres

I. Call to Order

Pegi opened the meeting at 3:00 pm.

II. Introductions

Pegi introduced Tracy Hullm and Nancy Vernon from Blue Shield as well as Ania Slonina and Bob Schoenherr from Keenan and Associates.

III. Agenda Modifications

None.

IV. Approval of Minutes

The minutes were approved unanimously (Welch/Nichols).

V. Presentation by Blue Shield Representatives

Tracey distributed a handout to the committee and reviewed Member Health Programs in detail. Information about all Blue Shield services is available on www.mylifepath.com. Updated and new information is sent to members by the way they elected to receive information in their enrollment packets: by email, mail at home, or by phone. The Blue Shield Health Update newsletter is mailed to members' homes quarterly. The next issue is due out in November.

Information about programs and services Blue Shield offers include: Low and High Risk Disease Management Programs, Healthy Living Resources, Lifepath Advisers, a Health Library, On-line Interactive Resources for your Health, Healthy Lifestyle Rewards, Websites, and Alternative Health Discounts and Vision Discounts.

V. Presentation by Blue Shield Representatives, con't

Pharmacy benefit

Although the pharmacy benefit is a separate benefit, it integrates seamlessly and only one card is issued to members. This year Cabrillo chose not to go with a formulary program-- a list of preferred approved drugs. There were so many changes last year, it was decided not to make one more change in prescriptions coverage. The biggest change in changing insurance companies is often the formulary. Pegi requested that Keenan evaluate the top 30 drugs used by our members to see if they are on the formulary.

The list of drugs on a formulary changes constantly as drugs are monitored for risk, such as Vioxx, and not only for cost. Drugs are added quarterly. If a doctor prescribes a brand name and there is a generic option, if the member chooses the brand name, the copay would be higher; if the generic is chosen, the copay is lower. Other drugs require a doctor's authorization in order for the brand name to be filled.

Members may call (800) 535-9481 to check on whether a medication is on the formulary or requires doctor's authorization.

Health Savings Accounts

Health Savings Accounts are similar to an IRA but monies are used strictly to pay for medical expenses. Unlike flexible benefit spending plans, pretax money can be carried over from year to year and/or never used. HSAs are designed to fund high deductible plans. Wells Fargo is the preferred vendor recommended by Blue Shield, but other institutions are acceptable as well. Debit cards are issued much like a regular checking account, but products and stores are coded so that only approved medical expenses will be paid for out of the health savings account. This is a member's personal health savings account: you take it with you if you leave the JPA, for example.

The high deductible plans and health savings accounts require a high level of consumer education and understanding. The premiums are lower but the deductible needs to be met before the plan coverage kicks in *other than* preventative care (i.e., annual visits and well baby care). It is not possible to have dual coverage with HSAs (no double dipping). These programs are designed to be a dual choice, not a replacement. Individuals would have an option to remain in a traditional medical benefits program. Given adverse selection, it is recommended adding HSAs and the high deductible plan to the same risk pool.

The Department of Treasury website www.dot.gov has comprehensive information about HSAs. The Blue Shield representatives said that of the Districts they serve, only one smaller private school is using HSAs. There are a few in Southern California but none in Northern California.

Flexible Spending Accounts (FSAs) are different from HSAs. The money is gone at the end of a year and there is no drug card.

The premium depends on demographics; family content. Not a huge savings for employer.

VI. Community College JPA Status Report

Bob Schoenherr explained the genesis for the idea of a community college medical benefit JPA came from the fact that colleges pool for other types of insurance, such as for property and liability and worker's comp. They work together well in those areas. Unfortunately, in terms of medical benefits, the same does not hold true. Smaller colleges that had adverse selection don't want to be forced in an all HMO or PERS model. Eight to ten community colleges looked at self insurance for medical, dental and vision benefits. The medical part was too difficult, but there was success in forming a JPA for dental and vision benefits. The Community College Insurance Group (CCIG), comprised of Monterey Peninsula, San Francisco, Chabot/Las Positas, and the College of the Sequoias, was established in February.

Whether a community college pool would be better or worse than what we now have is hard to say because there is no claims experience. The goal is to operate efficiently over time, to self-insure, to fund conservatively. How do different regions factor? The credibility rating is also important: the rate of experience and size. The incentive to districts is to control costs. PERS has no incentive to control costs.

It appears that an opportunity for a community college pool is not on the near horizon. The CCIG JPA for dental and vision was just established in February. It is unclear yet if it makes sense to expand to invite others into this risk pool.

VII. SCCSHIG JPA Update

Pegi distributed a handout from the last strategic planning session identifying the goals of the JPA: communication, promote healthy lifestyles, financial stability and cost containment. Keenan and Associates identified action items under each of the goals to bring to the JPA Board or the Advisory Committee. There is also a matrix the Top 10 Diagnostic Categories by claims paid by the JPA for 2004-05.

The goal is to share the scope of possible communications with Board. The Advisory Committee is to shape the short, intermediate and long-term goals and what programs the JPA should encourage implementation soon. With the goal of reducing claims costs, is last minute claims experience better than having healthier employees?

VIII. Long-term Disability Coverage

Pegi explained that after rates were set and everyone enrolled in their medical plans for this year, UNUM announced a rate increase of 40%. UNUM agreed to delay the effective date of the rate increase to October 1st because they didn't notify the JPA in a timely way. Pegi asked Keenan to solicit quotes from other carriers. Keenan canvassed the market and recommends considering a carrier change because of rates. Long and short term disability rates are complicated due to offsets, etc., and every carrier does them differently. According to our bargaining agreements, classified and certificated coverage differs but it could be combined.

Short-term Disability (less than 26 weeks): Hartford has the lowest rate for classified. Keenan asked for a 2 year rate guarantee, they agreed @ +5%.

Long-Term Disability: There is a difference for 20 hour and 30 hour classified employees. Hartford rates look great because they are willing to discount claims experience and risk that future claims experience will improve.

Certificated: the STRS disability benefit kicks in after 5 years whereas with PERS the benefit is 1.8% x years of service. It is desirable for the LTD benefit to lay over PERS but not STRS.

Benefit amount: UNUM pays 75% for employees for one year, then 50% for year 2. Hartford pays 66.7%. As salaries increase the benefit becomes less important due to \$5,000 monthly maximum. Benefit comes from STRS after year one.

Hartford's plan can be in effect 10/1 but it is customary to give UNUM 30 days notice. Pegi will get back to Bob.

Agenda building:

The next meeting will be a meeting with Self-Insured Schools of California (SISC) and the Santa Cruz City Schools benefits committee will join us for that meeting. Doug is arranging the meeting with SISC.

Pegi has begun a discussion with carriers to receive quotes (rates) for medical coverage next year for Cabrillo, separate from the JPA. We need this information soon in order to determine whether or not to give a withdrawal notice to the JPA. Blue Shield promises a 10 business day turn around for quotes. The concern is that Cabrillo would get good quotes for the first year only. Another goal is also to have optional medical coverage for those less than 50% classified staff.

The meeting adjourned at 5:10 pm.