Self-Insurance Governing Board

Meeting Minutes

Virtual Meeting May 1, 2024

Attendance: Mark Gassaway, Finance Director

Sara Lowe, Deputy Treasurer

Emily Zwetzig, Budget Director

Lora Provolt, Human Resources Director

Amie Johnson, Board Chair

Maria Vergis, Scribe

Absent: Leslie Lopez, Chief Civil Deputing Prosecuting Attorney

Guests: Rachael Young, Finance Division Manager, CRESA

Megan Whitman, Financial Analyst, CRESA

Sarah Redford, Aon

Ja’Maun Charles, Aon

**Approval of meeting minutes from 7/11/23, 8/7/23, & 9/11/23-All**

* Mark moved to approve the minutes.
* Sara seconded the motion.
* All in favor, the minutes were approved.

**2023 End of Year Financial Review-Mark**

* The 2023 actuals for revenue and expense were a little more than budget.
* It was a pretty good year, the plan didn’t overspend revenue and stayed within the fund balance policy.
* Mark said because the revenue and expense were so close this year they had to write a note.
* Sara asked if it was an issue if you overspend your budget in a fund.
* Mark said it wasn’t an issue. They just have to disclose what they did.
* Emily said they monitor this every year and most years they right size it. This year it was a note.
* The 2024 projections are based on 2023 actuals. They also include medical and dental expense inflation; general inflation, and the medical and dental premium inflation increases that were determined for 2024.
  + Based on these factors $23.120M in revenues and $23M in expenses have been projected for the year.
  + Those numbers have been extrapolated over the next five years to meet the fund balance policy that requires 125% in an 8-week contingency fund.
  + These are preliminary numbers based current information.
* Mark will do a midyear update for the Board in July so that they can verify if these numbers have changed.
* Then there will be one chance to update the projections in August before the Board finalizes the rates for 2025.

**Open Enrollment Plan Movement (2023-2024)-Amie**

* During the past couple of years there has been some swing in enrollment from Kaiser to Regence. There were 30 people who moved to the Regence plan during open enrollment.
* Kaiser’s enrollment numbers have continued to drop.
* The HCC wants to spend more time working on a communication plan to educate employees about their benefits and explain how the high deductible plans work.
* They also want to look at removing the composite calculation since Regence and Kaiser are now closer in cost so one plan isn’t being subsidized by the other.
* The HCC MOU expires at the end of this year. Amie will be working with Lora on benefit negotiations that may include removing the composite.
* Mark asked how removing the composite would work because there is quite a bit of difference in cost between a regular plan and a high deductible plan.
* Amie said people would pay their portion of the premium based on the actual rate of the plan they chose instead the average rate of the two plans.
* Regence used to be the more expensive plan with Kaiser bringing down the average. Now the plans are pretty close in cost, but Kaiser is still a little bit lower.
* Amie said if there was no composite, Aon could do their actuarial calculation to determine what we should charge for Regence and then split the rate by county and employee.
* Kaiser’s rates would be based on the renewals with the premium split by county and employee.
* The Board thinks the shift from Kaiser to Regence may be partially related to the composite because for the same price people are choosing the other plan that has more options.
* Lora doesn’t think it’s fair or equitable to have one plan subsidize the other.
* Amie said Kaiser rates have indirectly been reduced in the years that the self-insured reserves have been used to buy down Regence rates. The Kaiser plan would no longer see the benefit of those self-insured dollars if the plans were separated.
* She’s concerned that might make the Regence plan a little cheaper, which could result in a larger shift from Kaiser to Regence.
* Sara said we should consider moving to this model but there are upsides and downsides. She said if Regence has a lot of high experience claims, then they wouldn’t be getting premiums from Kaiser members to help lower the cost.
* Mark said the Regence plan has a deductible and higher out of pocket maximum. Amie said Kaiser does not have a deductible.
* Amie said last year was the first year that Kaiser recognized they had a problem. They kept downplaying complaints that had been reported to them so they’re trying to figure out how to attract people even though their services need to improve.
* Mark asked if the 30 people who switched to Regence could be polled.
* Amie said instead of polling people who switched, the HCC is working on a value-based survey to understand what benefits are important to them. She said the HCC’s focus this year is employee communication about the plans and their choices.
* Mark said this group’s focus is on the self-insured plan.
* Amie just wanted to keep the Board up to date about some discussions about possible changes to the composite rate.
* Sara said it’s concerning from a numbers standpoint because if more people move to Regence the Kaiser pool will continue to get smaller so the Kaiser plan could become more expensive.
* Mark noticed there was a definite post Covid bump in services. He could see a definite increase in services for 2021 and 2022 compared to 2023. He said people delayed procedures. He thinks that people are now caught up. He doesn’t expect 2024 to have the same kind of increases like 2022, other than normal inflationary increases.

**2023 IBNP Report-Aon**

* Compared to 2022, there was an overall increase of 13.6%. Part of the increase was inflation built in, but also claims processing by Regence. The plan didn’t necessarily have an inflation rate of 13.6%. Sarah said some of the cost increase is due to the delay or timing of when claims are processed.
* Most of the funds are driven by medical claims.
* The pharmacy reserves are low because claims are generally paid at the point of service. There isn’t much delay in processing those claims.
* Dental is a small portion of the fund, the inflation or delay in claims processing isn’t as noticeable as it is on medical. Overall, Aon didn’t see much of an increase on the dental.
* Mark said Washington state requires the county to have two reserve components for the self-insured plan. First the plan is required to have an 8-week reserve. The second requirement is that the plan have either a second 8-week reserve or an actuarially defined IBNP like Aon has presented.
* He said the county has the chosen the IBNP option. He said the IBNP is already built into expenses. This amount is already expensed out of the financial model, so that is why the fund balance only equals the second 8-week reserve because the IBNP has already been recognized.
* Mark said the self-insured plan has both reserves. He said one has already been taken into account and the second one is planned for in our fund balance.
* Sarah said Aon includes an 8-week reserve estimate in the annual IBNP report they provide the county. She said typically the 8-week reserve is much higher than the IBNP. Mark said that’s why they chose that option.

**2024 Renewal Recap-Aon**

* Aon originally projected about a 5.3% increase, but the Self-Governing Board decided on a 5.8% increase.
* Sarah said medical inflation is a lot higher than they have seen in the past. Aon is anticipating an impact when they project renewals for 2025. She is estimating a 7% to 8% trend coming in 2025 and 2026. Aon will provide solutions to help combat inflation.
* The stop loss renewal came in at 6.6%, which was a great renewal. Sarah said they don’t see too many lower digit renewals in stop loss insurance.
* The 19.9% Kaiser medical increase impacted contributions.
* The dental increase originally came in with a 31% increase. The rates were brought down to a 6.6% increase because the Board was trying to reduce reserves down to the 125% range.

**2023 Plan Experience-Aon**

* Aon tracks plan performance for the MOU group and three different CCSO unions/guilds combined.
* The MOU group had a loss ratio of 106.4%, which was 6.4% over budget.
* The combined CCSO groups had a loss ratio of 76.1%, which is below budget.
* The combined loss ratio for all groups was 100.6%, which is slightly over the budgeted premium amounts that were set in the prior year.
* The loss ratio for dental was 123.7%, which is above budget. Some of the increase is from buying down rates to reduce the reserve funds.
* The fully insured vision plan came in at 83.8%. VSP likes to target loss ratio between 80% to 85%.
* The Kaiser medical loss ratio was 91.3%. Kaiser would like it to be more in the 80% to 90% range.
* The Kaiser dental has continued to run well. The loss ratio is 75.6%.
* The loss ratio is tracked each month. Sarah said self-funded plans are volatile because the loss ratio can change from month to month based claims volatility.
* The large claims summary shows there were 9 claimants that hit the $200k stop loss threshold compared to 3 claimants in 2022. The county was able to receive reimbursement for those 9 people.
* The stop loss carrier lasered a tenth claimant to a $350k stop loss threshold. The claimant did not reach $350k in total claims so there were no claims reimbursed.
* There were definitely a lot more claims over $200k than Aon has seen in the past. This trend may continue since the plan has been at the $200k stop loss level for many years.
* Because of inflation, the self-insured plan is going to have more claims above the $200k threshold. Sarah said a $200k claim in 2023 could exceed $250k in 2024 for the same services.
* If the stop loss level stays the same year and over, the group is going to start paying higher premiums for stop loss insurance.
* Sarah said right now Regence is making money off the premiums because the county paid more in premiums then what they received in reimbursements. For 2023, the county paid $1.5M in stop loss premiums and received almost $1.4M in stop loss reimbursements.
* Dental inflation is anticipated to be a little higher that what it’s been in prior years. It’s expected to be closer to the 4% range.

**Claims Audit-Amie**

* There was an RFP for a self-insurance claims auditor for an audit that needs to be performed in 2024.
* The committee selected CTI the auditor who had previously performed the claims audit the last two times.
* Amie said the service contract was completed and she has started working with them to start the project right away.
* Both Amie and CTI notified Regence and Delta Denta of the claims audit. There doesn’t seem to be any issues with getting started with Delta Dental.
* There is going to be a delay with Regence so it might be closer to September or October before they are able to do their part to support the audit.
* Amie said the audit has to be done by the end of the year, so she thinks the Regence timeline is reasonable.
* Once the audit has been completed and their final reports are available, they will present their findings to the Board.
* Mark said there were three companies considered in the RFP selection process. CTI was selected because of their experience and the county’s favorable experience with them. He was very pleased with the ability to retain them since working with them had been successful in the past.
* He said each time CTI has audited the plans, they have been able to find savings opportunities for the county. One of the factors that was considered is how much consulting services they offer to improve rebates or provide other recommendations to save or improve plan operations. He said it was a unanimous decision to retain them.
* Amie was pleased because they didn’t raise their rates from the rates they charged three years ago. She said no one is keeping their prices the same so it appears they wanted to retain our business. There was one audit firm that had lower rates, and another one that was more expensive than CTI. Amie said neither of the other two audit firms provided the same scope of services.

Meeting Adjourned.