

WASHINGTON COUNTIES INSURANCE FUND/POOL  
BOARD MEETING MINUTES

Thursday, August 13, 2009  
Doubletree Hotel at SeaTac  
SeaTac, WA 98188

BOARD MEMBERS PRESENT:

Brad Miller, Ferry County Commissioner  
Bob Koch, Franklin County Commissioner  
Dean Burton, Garfield County Commissioner, WCIF Chair  
Helen Price Johnson, Island County Commissioner  
Alan Crankovich, Kittitas County Commissioner  
Bill Schulte, Lewis County Commissioner  
Scott Hutsell, Lincoln County Commissioner  
Jon Kaino, Pacific County Commissioner, WCIP President  
Laura Merrill, Pend Oreille County Commissioner, WCIF Vice Chair  
Jim Richardson, Skamania County Commissioner  
Malcolm Friedman, Stevens County Commissioner  
Lisa Marsyla, Wahkiakum County Commissioner  
Michael Largent, Whitman County Commissioner  
Sandy Ward, Behavioral Health Resources  
Belinda Price, Olympic Area Agency on Aging  
Paul Eichenberg, Spokane County Library District, WCIP Vice President  
Rich Park, Timberland Regional Library

ABSENT:

Max Benitz, Benton County Commissioner  
Dwight Robanske, Columbia County Commissioner  
Kathleen Johnson, Cowlitz County Commissioner

OTHERS PRESENT:

Melina Wenner, Benton County Alternate  
Lisa Benzel, Columbia County Alternate  
Nadya DeGrande, Cowlitz County Alternate  
Larry Larson, Island County Alternate  
Debi Van Camp, Skamania County Alternate  
Holly Gorski, Pierce County Library  
Nancy Kokenge, Gallagher Benefits Services, Inc.  
Kristen Brace, Gallagher Benefits Services, Inc.  
Tamara Rogers, Gallagher Benefits Services, Inc.  
Don Heilman, Gallagher Benefits Services, Inc.  
Graham Thompson, Gallagher Benefits Services, Inc.  
Damon Jordan, Gallagher Benefits Services, Inc.  
Alex Suk, Gallagher Benefits Services, Inc.  
Mike Shelton, WCIF Executive Director  
Krista Whitaker, WCIF Director of Benefits & Sales  
Kathi Rauch, WCIF Finance Director  
Leanna Olive, WCIF Senior Account Executive

## I. OPENING OF MEETING

Chair Dean Burton opened the WCIF Board meeting at 9:00 a.m. President Jon Kaino opened the WCIP Board meeting immediately thereafter. Everyone present introduced themselves.

## II. APPROVAL OF MINUTES

The WCIF Board of Trustees and WCIP Board of Directors reviewed the draft minutes for the meeting held on July 9, 2009.

Motion made by Lisa Marsyla and seconded by Helen Price Johnson that the WCIF minutes for July 9, 2009 be approved. Motion carried unanimously.

Motion made by Paul Eichenberg and seconded by Alan Crankovich that the WCIP minutes for July 9, 2009 be approved. Motion carried unanimously.

## III. FINANCIAL STATEMENTS

Mike Shelton referred the board to the financial statements for the period ending June 30, 2009 for both the WCIF and the WCIP. Mike prefaced his remarks by saying that the WCIF came into existence in 1959 and the WCIP in 2001. There is confusion amongst the State Auditor's office and the State Risk Manager regarding the two entities. The State Auditor has stated that they are considering the Pool to be a component of the Fund; therefore, they have asked that there be a column added on the Fund Financial Statements showing the Pool activity. Although Mike Shelton acknowledged that this was not a topic for this meeting, he would like the Board to consider merging the two organizations together.

### Washington Counties Insurance Fund

The Fund sponsors all of the fully insured plans. The Fund collected \$39,930,447 through June 30, 2009 in premium and paid out \$39,864,143 in premium expense. The Fund collects administrative fees and that is what the Fund uses to pay expenses. The Fund also charges the Pool a 2.1% administration fee to administer the Plan. The increase in Depreciation Expense over the 2009 budgeted amount is a result of moving to a new building and expenses incurred for new office equipment. The Fund is doing well and consistently does well from year to year. Budgeting for the Fund is more predictable than the Pool since the plans offered are fully insured and we know what the expenses and premiums are prior to the plan year.

### Washington Counties Insurance Pool

The Pool sponsors the self insured plans. The Pool is showing a loss for the first six months of the year in the amount of \$863,656. \$690,000 of that is IBNR (incurred but not reported) Claims Expense. The State Risk Manager set the IBNR requirements for 8 weeks of claims expense. We budgeted in the fall of 2008 for the 2009 year. We did not take in to account an adequate amount for claims expense and did not adequately budget for the addition of the three new counties, Lincoln, Stevens, and Ferry, and the Lewis County Correction Officers in 2009. The claims experience is spread throughout the

entire Pool and cannot specifically be targeted to individual groups. Claims are considerably higher in 2009. In addition to claims utilization being high, the Pool has had a significant number of large claims as well. The overall claims experience is not good across the entire Pool.

Administrative expenses are the only costs other than claims expense. Zenith's fees are fixed by contract. The Disease Management program will go down as a result of a change in the way we pay them. Currently we pay them on a per member per month basis. We will now be paying them only for the members enrolled in Disease Management. Qualis handles the Utilization Management and does a good job. They evaluate potential large claims services to ensure services are medically necessary prior to being incurred. Symetra is our Stop Loss carrier and currently pays any claims above \$300,000. They are good about paying claims and we have never had problems with Symetra reimbursing us.

Claims expense drives our margins. The Pool has already incurred \$18,164,348 from both the medical and prescription drug claims in 2009. At a previous meeting The Pool decided to move our pharmacy benefit manager from Walgreen's to Express Scripts and believes that will save money due to deeper discounts.

Vision Service Plan is doing well. We have received \$794,667 in premium and paid out \$671,255 in claims. In addition to VSP claims expense, there are also administration expenses. The administrative expenses have not grown as fast as the Pool. Whether the 2.1% in Administrative Fees that the Pool pays to the Fund continues to be adequate or not will be decided going in to 2010. It is a possibility that we may be able to lower that amount.

The Claim Reserves Expense is the account reflected on the Pool's Statement of Revenue, Expenses, and Changes in Net Assets used to increase IBNR. Mike explained what IBNR means in terms of liability and how critical it is to ensure proper funding in the IBNR so that if the Pool ever ceases to exist, there will be adequate funds available to pay all claims versus having the liability fall back on respective groups.. The State Risk Manager is proposing a new WAC (Washington Administrative Code) which would require us to hire an Actuary to ensure proper funding. The proposed WAC went as far as to say that we would not be able to use our consultant's Actuary but would have to hire an Independent Actuary. Mike Shelton argued against that as it would only add another expense to the Pool at a time when our groups are all financially struggling and the funding requirements have already been adequately set at 8 weeks of claims by the State Risk Manager.

The Board discussed the potential causes of increased utilization across all plans and the increase in rates. Trend is at 10.7% for medical and 10.7% - 10.8% for prescription drugs. Medical costs in the industry have increased; therefore, the cost of claims is higher. We also had significant growth in 2009 which has caused an increase in claims expense on a Pool wide basis. COBRA loses a lot of money as it is so adversely selected against. There is also uncertainty of job security so employees are using their coverage just in case they lose it. The Pool also underestimated the IBNR in 2009 and has expensed 92% of the amount originally budgeted in the first six months. All of the above mentioned factors are indicative of our claims expenses in 2009.

#### IV. RECOMMENDATIONS FOR 2010 RENEWAL

Mike Shelton opened the renewal discussion by saying that the WCIP cannot continue to lose the amount of money it has lost and continue to exist. The Pool has already made dramatic decisions prior to this rate setting meeting. The Board eliminated the 2-tier and 6-tier rate structures. After calculating the 2-tier to a 4-tier structure it increases the rates in excess of 40% for a family before calculating the annual rate increase. The Pool has opened up the composite rate structure. The composite rate is similar to the 2009 family rate on the 2-tier structure. Gallagher presented structures that fund themselves. As a result, some plans may have a larger increase than others within the Pool itself.

The Board expressed concern with the inconsistency from year to year and is concerned with losing credibility with their employees. They would like to create consistency and offer a good product rated appropriately. Then they only have to deal with presenting inflationary costs to their employees versus so many changes from year to year. The Board also confirmed that the Pool is still individually rating new groups on their own experience and loading rates where appropriate. Also, that we do not allow groups to jump out of the Pool when they have a good year and back in when they have a bad year. Mike Shelton explained that in accordance with our bylaws groups must give notice no later than June 30<sup>th</sup> of intent to withdrawal, 6 month's notice. They have until September 30<sup>th</sup> to rescind their notice. A group may submit Intent to Withdrawal notice once every five years.

Nancy Kokenge with Gallagher Benefits Services, Inc. presented the 2010 renewal fully insured plans as follows:

Group Health Options – 9.40% increase. Mental Health and Chemical Dependency limits will be removed effective January 1, 2010 based on the Mental Health Parity Act. Organ Transplant maximum increased from \$250,000 lifetime maximum to \$350,000. They will also credit Organ Transplant waiting periods from prior health care coverage so that if someone was covered under prior healthcare coverage, the number of months they were covered under the plan will go toward their transplant waiting period. Group Health is also providing a 4-tier and composite rate structure to be consistent with the Pool.

Washington Dental Service – Plans A, B, C, D, and Incentive – 13.35% increase. No plan changes.

Washington Dental Service –Retiree Plan – 17.05% increase. No plan changes.

Willamette Dental – 0% increase. No plan changes.

Standard Basic Life – 0% increase. No plan changes.

Standard Voluntary Term Life – 0% increase. No plan changes.

Standard Voluntary AD&D – 0% increase. No plan changes.

Standard Voluntary Short Term Disability – 0% increase. No plan changes.