

WASHINGTON COUNTIES INSURANCE FUND/POOL  
BOARD MEETING MINUTES

Thursday, May 7, 2009

TRAC

Pasco, Washington

BOARD MEMBERS PRESENT:

Dwight Robanske, Columbia 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  
Malcolm Friedman, Stevens County Commissioner  
Lisa Marsyla, Wahkiakum 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  
Kathleen Johnson, Cowlitz County Commissioner  
Brad Miller, Ferry County Commissioner  
Bob Koch, Franklin County Commissioner  
Jim Richardson, Skamania County Commissioner  
Michael Largent, Whitman County Commissioner

OTHERS PRESENT:

Melina Wenner, Benton County Alternate  
Nadya DeGrande, Cowlitz County Alternate  
Larry Larson, Island County Alternate  
Lisa Young, Kittitas County Alternate  
Larry Grove, Lewis County Alternate  
Debi Van Camp, Skamania County Alternate  
Kelli Campbell, Whitman County Alternate  
Kristen Brace, Gallagher Benefits Services, Inc.  
Nancy Kokenge, Gallagher Benefits Services, Inc.  
Tamara Rogers, Gallagher Benefits Services, Inc.  
Don Heilman, Gallagher Benefits Services, Inc.  
Graham Thompson, 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 8:10 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 March 12, 2009.

Motion made by Laura Merrill and seconded by Jon Kaino that the WCIF minutes for March 12, 2009 be approved. Motion carried unanimously.

Motion made by Paul Eichenberg and seconded by Belinda Price that the WCIP minutes for March 12, 2009 be approved. Motion carried unanimously.

## III. EXECUTIVE DIRECTOR REPORT

Mike Shelton asked for clarification on the March 12, 2009 election for the Pool Board members. Alan Crankovich and Malcolm Friedman were elected as Pool Board members. One of the two has to be the Executive Chair. A coin toss was used to determine who would be Executive Chair. Alan Crankovich won the coin toss with “tails” and now serves as Executive Chair on the Pool Board.

## IV. FINANCIAL REPORTS

### Fund

The WCIF is running well in the first quarter of 2009. Currently it is running in a profit position of \$48,079.01. The WCIP pays the Fund to administer the plan. The Fund offers all of our fully insured plans including Group Health Options.

### Pool

The Pool is showing a profit through the first quarter of 2009. Mike cautioned the Board not to be misled by the figures since the first quarter is not always indicative of the entire year. We receive the income but often times the claims are lagging by about three months. We picked up one new county January 1 and three February 1 of this year which is contributing to the higher premium. Although the statements currently read well, there are caveats to consider that may have an impact on the financial statements by year end.

The prescription drug costs are a significant portion of the overall medical claims incurred. However, if we raise copayments on prescriptions and increase cost shares, members may be inclined to forego their medication because it is not affordable then our medical claims could go up as a result.

The six months financial statements will be a better reflection of how the plans are running since the claims will have had a chance to catch up with premiums received.

The State Risk Manager requires that the Pool keep 8 weeks of claims expense in IBNR. We are required to fund the IBNR at least once per year, but it makes more sense to transfer funds to the IBNR on a quarterly or semi annual basis because it is a liability. This also allows us to see how much of the IBNR we are funding throughout the year versus one time at the end of the plan year.

The State Auditor is scheduled to perform the WCIF/WCIP audit in July.

## V. WELLNESS UPDATE

Currently participation appears to be low in the new Alere wellness program. We pay per member per month, which would be of great value if most members participated in the plan. If the participation remains low, affordability will be an issue for the Board's consideration during our budget meeting in November. WCIF Staff have diligently communicated the program both with administrators, members, and board members and the importance of participation. Mike Shelton asked the Board to support the plan by communicating and encouraging participation to their respective groups. There was discussion amongst the board of offering discounted rates for groups with a certain percentage of participation. This discussion was tabled for a future meeting.

## VI. CONSULTANT REPORT

Mike Shelton introduced Gallagher and commended them for a remarkable job in analyzing our plans, where WCIF/WCIP has been, how we got there, and how we need to move forward. Mike explained that after reviewing Gallagher's findings, previous recommendations presented by our former consultant for WCIP were not accurate. Both conservative and aggressive approaches were presented and the vote to adopt the more aggressive approach was consistent. In addition the previous consultant did not calculate IBNR reserves when calculating rates. As a result we suffered a loss in the Pool in 2008 and may potentially suffer another loss in 2009. Gallagher is presenting their findings as well as ideas to consider prior to the rate setting meeting in August.

Nancy Kokenge of Gallagher Benefits Services introduced the Gallagher team and explained that Graham Thompson and Don Heilman would be presenting financial findings and alternatives moving forward.

Graham Thompson reviewed the past data and determined that it would have taken a 14% increase in the Pool to break even in 2008. He presented the current rating structures and how they contributed to the deficit. The two tier rate structure is under-funded, the composite is running about even, and the six tier rate structure is running well. Had the two tier and composite rate structures been developed based on actual six-tier rates, the deficit would have been cut by \$742,931, or 42%. Gallagher's presentation did not factor in the retirees over age 65 not enrolled in the plan as of January 1, 2009 nor did it factor in the demographic analysis of a significant change as a result of the influx of layoff's employer groups are experiencing.

Don Heilman explained our current rating structures and how offering a six tier structure creates adverse selection but at the same time offering a composite or two tier structure encourages members to enroll all dependents, which could also adversely effect the plans. Don presented a new four tier structure as an alternative to balance out the factors described. He reiterated that the more choices we introduce, the more adverse selection there is and the more costs go up.

The four tier structure is ideal to keep rates where they should be while building in the IBNR. Our current rate structure will lead to a deficit. The board will need to decide whether they would like to move to a four tier structure, whether we should phase it in, or whether we should keep our current structure and price the plans appropriately.

Gallagher also recommended an audit of enrolled dependents to ensure legitimate enrollment in the plans. It would be appropriate to complete the audit prior to making rate recommendations for 2010.

Mike Shelton explained that members may enroll their children to age 25 as long as they are being claimed as a dependent on their IRS income taxes. The board discussed discrepancies in the definition amongst the staff and would like to see solid clarification on the definition outlined in the Summary Plan Document. Mike Shelton recommended that we ask Gallagher for a proposal to conduct an audit of enrolled dependents.

Motion made by Dwight Robanske and seconded by Alan Crankovich on behalf of both the WCIF and WCIP to request from Gallagher two separate proposals, one for the Fund and one for the Pool, to audit dependent eligibility and to be conducted separately being specific on costs. Motion carried unanimously.

Mike Shelton recognized that the graphs presented show family rates at a significant increase while the employee rate shows a decrease. He strongly recommends that we leave the employee rate where it is to help cushion the increase in family rates. Our goal is to go to a four tier structure in order to break even and add a cushion for IBNR.

The Board discussed other alternatives such as to develop rules and parameters on employers to manage adverse selection under the current rate structure by only allowing a certain number of plans based on percentage of enrollment. Also, when phasing in a new rating structure, existing union contract language must be taken into account. The Board discussed different rating methodologies based on group size and/or participation in the wellness program, minimum participation requirements, and allowing waivers if employees have other group coverage. The Board stated that change is necessary but will need to happen over time.

Nancy Kokenge presented a Pharmacy Benefit Manager (PBM) analysis. Over a three year period the plan can save over \$500,000 by changing our PBM to Express Scripts. Gallagher recommends that the Pool change to Express Scripts effective January 1, 2010. They already have an existing coalition, access to public benchmarks, and 100% retro audit completed every year. Express Scripts is one of the largest PBM's nationwide. Gallagher would receive \$.12 per prescription resulting in approximately \$7,000 per year. Express Scripts has a wide network of pharmacies and has the same ability as Walgreen's Health Initiative to contact non-participating pharmacies and request a contract as well as

a clinical prior authorization process for non-formulary drugs. Express Scripts does not have local pharmacies that will dispense a 90-day retail supply; however, they do have a mail order service. Currently we send Walgreen's Health Initiative five million dollars a year and we do not have the ability to see if prescriptions are being paid correctly.

Mike Shelton recommends we move to Express Scripts simply for the audit feature to ensure correct processing and payment on prescriptions, in addition to the cost savings.

Motion made by Belinda Price and seconded by Paul Eichenberg to authorize Gallagher and Staff to pursue a new PBM, Express Scripts for 2010. Motion carried with one opposed, Sandy Ward.

Nancy Kokenge presented a three year strategic plan with 2009 being the cost focus, 2010 being premium and plan design, and 2011 focusing on consolidation.

Mike Shelton recommended that we move forward in the stop loss marketing project for the 2010 plan year. He does not believe we have evaluated this since the inception of the Pool and if we have he was not aware of it.

Motion made by Dwight Robanske and seconded by Laura Merrill to move forward in re-evaluating the Stop Loss carrier and Attachment points. Motion carried.

The Board discussed holding another special board meeting to bring closure to the many open items prior to the August rate setting meeting. Gallagher wanted feedback from the board on which direction they would like Gallagher to pursue and bring back to the special meeting. The consensus was that it is important for Gallagher to look at each employer to see what is palatable in order to make informed recommendations. The Board discussed conducting a short survey so Gallagher would have a clearer understanding of how their recommendations would affect each respective group.

Motion made by Dwight Robanske and seconded by Rich Park to authorize staff to work with Gallagher to move forward in short term and long term recommendations after the assessment of Member Groups at which point Staff will email the Board a summary of the results. The Board will then hold a special board meeting to discuss recommendations. Motion carried.

The Board reserved July 9, 2009 at the TRAC center in Pasco Washington for the special board meeting.

## VII. NEW BUSINESS AND/OR ANNOUNCEMENTS

- i. The next regular scheduled Board meeting will be August 13, 2009.
- ii. Joint WCIF & WCIP Rate Setting Meeting
- iii. Doubletree Hotel at SeaTac from 9:00 a.m. to 3:00 pm

## VIII. ADJOURNMENT