

March 18, 2004

**WASHINGTON COUNTIES INSURANCE POOL
BOARD OF DIRECTORS**

MINUTES

Thursday, March 18, 2004
Red Lion Yakima Gateway
Yakima, Washington

THOSE PRESENT:

Max Benitz, Benton County Commissioner
Dean Burton, Garfield County Commissioner (President)
Bea Price, Grays Harbor Olympic Area Agency on Aging
Mac McDowell, Island County Commissioner
Dick Toft, Island County Alternate
Richard Graham, Lewis County Commissioner
Larry Grove, Lewis County Alternate
Paul Eichenberg, Spokane County Library
Sandy Ward, Behavioral Health Resources/Thurston County
Jena Thrasher, Timberland Regional Library
Art Wuerth, Alternate for Timberland Library
George Trott, Wahkiakum County Commissioner
Dave Carey, Walla Walla County Commissioner
Cathy Southwick, Pacific County
Aaron Pollock, Benefits Consultant Marsh USA
Kitty Wallace, WCIF Executive Director
Rita Fanning, WCIF Projects and Operations Manager
Terri Luther, Benefit Manager, WCIF

OPENING OF MEETING: Dean Burton, President of the Board of Directors, opened the meeting at 8:10 am and welcomed all attendees.

AGENDA: Kitty Wallace proposed a revised agenda on flip chart to include several topics, including claims experience reports, vacancy on the pool board and Renewal 2005 (New Business).

Motion was made by Max Benitz and seconded by Dave Carey to accept the proposed revised agenda. Motion carried.

MINUTES FROM JANUARY 22, 2004.

Motion was made by Max Benitz and seconded by Rich Graham to approve minutes from the January 2004 meeting as presented. Motion carried.

FINANCIAL REPORT – Rita Fanning presented the tracking report with an end of year balance of \$1.3 million. Runout claims from withdrawing groups are still coming in but should slack off by March 31st. The IBNR liability continues to stand at \$2.6 million.

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Rita reviewed the financial statement for 4th Quarter 2003 pointing out that the audit by Washington State Auditor is scheduled for April. She also reminded the board that financial statements will be mailed to the entire pool membership upon completion of the audit.

It was moved and seconded that the financial report be accepted. Motion carried.

AUDIT OF THIRD PARTY ADMINISTRATOR (ZENITH). Rita reported that it is a requirement of the state risk manager that self insured pools audit their third party administrators (claimspayers) every few years. The WCIP stop loss carrier, Safeco Insurance, also audits those entities and has agreed to share their audit findings with the pool. That satisfies the requirements of the risk manager and will save WCIP a substantial amount of money. The savings are somewhere between \$10k to \$15k. More extensive audits can cost upwards of \$50K.

Aaron remarked that the excess loss portion of Safeco Insurance Company's business has been purchased by Berkshire Hathaway. What that means for the pool is very little. Berkshire Hathaway purchases only the best and makes very few changes after the sale is complete.

EXPERIENCE REPORTS AS OF DECEMBER 31, 2003. Aaron Pollock reported that the WCIP finished 2003 in a favorable position. The report is a snapshot, however, and does not yet reflect the final numbers. He remarked that data are immediately available through Zenith Administrators which is far better than Regence Blue Shield was able to provide.

WITHDRAWAL AND ASSESSMENT UPDATE: Kitty directed the board's attention to a March 8, 2004, letter from Asotin County proposing a settlement amount of \$81,300.

Motion was made by Mac McDowell and seconded by Richard Graham that the board reject the \$81,300 offer by Asotin County and that the board restate its position in regard to the amount owed. Motion carried.

Kitty also presented a copy of her March 4, 2004, interim assessment letter to the Grays Harbor Public Development Authority advising them that their deficit is approaching \$200,000. The PDA was totally surprised by the letter and did not feel that the mid-2003 letter to them clearly pointed out that they could be in a negative position.

Kitty explained the method by which withdrawing employers are alerted by their large claims information that they may or not be in a deficit position upon withdrawal. For those employers who may be in trouble, letters are directed five or six months prior to their withdrawal, giving them a chance to analyze and possibly rescind their withdrawal notice.

Kitty touched on the Snohomish Health District and Asotin County assessments and remarked that their total amounts owing have been reduced by additional retiree and COBRA premium that was not considered in the original accounting. Litigation Counsel Kathryn Milam has requested that the board's approval for the reduced amounts owing be acknowledged in the minutes.

Motion was made by Rich Graham and seconded by Paul Eichenberg that the reduced amounts of assessment calculated by Rita Fanning for Snohomish Health District and Asotin County be accepted. Motion carried.

Dean Burton asked Rita to break out the administration fees and Aaron Pollock explained that every insurance carrier charges fees similarly as follows:

- 1) per employee per month fee to Zenith Administrators to process claims.
- 2) Per employee per month fee for renting of the First Choice Health Provider Network.
- 3) Per employee per month cost for stop loss insurance through Safeco Insurance
- 4) Administration fee charged by the WCIF for operating budget

Kitty read from the WCIP Interlocal Agreement, Section 12, Cancellation and Withdrawal, that states a withdrawing employer will be responsible for "all claims and other unpaid liabilities covering the period of its membership". Rita also read from the WCIP Underwriting Guidelines which state that, "The value of an assessment will be the funding received from group minus its share of administrative cost (administration and insurance) and the claims paid on behalf of the group's covered members."

Richard Graham was concerned that no matter how much communication takes place, employers who decide to withdraw will continue to claim that they had no idea that they would or could owe the pool upon withdrawal.

ZENITH MEDICAL COST MANAGEMENT SUMMARY. Kitty reviewed the one page Zenith report, pointing out that Nurseline is being utilized more. Aaron explained case management and how it helps the patient navigate through the medical care system and controls costs in catastrophic medical situations.

VACANCY ON POOL BOARD. Kitty reminded the board that Grace Uwadiale of Behavioral Health Resources (BHR) in Olympia was elected to the WCIP board in the Fall of 2003. Grace has since left BHR and Human Resource Director Sandy Ward has offered to fill her position as the elected representative from BHR. Kitty asked the board if there were any objections to having Sandy Ward step in to fill Grace Uwadiale place on the board. There were no objections voiced.

Kitty then went on to state that there is a vacancy on the WCIP board requiring a Western Washington Commissioner. George Trott has offered to serve and he will be considered for appointment by the WCIF Board at the next meeting.

STAFFING ISSUES. Benefit Manager Terri Luther has left the WCIF for a sales position with Willamette Dental and will be difficult to replace. Kitty has moved Krista Whitaker into Terri's position which will work well except that Krista has no marketing experience. Kitty asked the board to consider the possibility of using the pool's consultants to assist with marketing.

Max Benitz remarked that the organization has grown tremendously and needs to continue that growth. Consultants are needed to assist with the benefit programs but also to help with marketing. It is time to see what is out there in the way of additional services and what they would cost.

Mac McDowell remarked that any Request for Proposal for consulting and marketing services needs to break out the cost of marketing. Also, the Scope of Duties should be very specific.

Motion was made by Max Benitz and seconded by Richard Graham that the WCIP move forward with an RFP for consulting services for benefits and marketing. Motion carried.

HEALTH CARE SAVINGS ACCOUNTS, VEBA AND OTHER.

Aaron Pollock provided a brief overview of Health Care Savings Accounts (HSAs) and noted that recent Medicare legislation included references to an HSA component. HSAs are similar to Flexible Spending Accounts and Health Reimbursement Accounts. There are a lot of unknowns but clarification is expected later this year.

What we do know is HSAs require a high deductible medical plan (\$1,000). Both employer money and employee money can be combined and the money is owned by the employee. The account is portable.

A Health Reimbursement account is not portable. If an employee leaves the employer, he must forfeit the money.

A VEBA plan (which many counties have) is tied to the group that elects to participate. There must be a 51% vote in order to establish the plan which works well for bargaining units of local government. Everyone in the group MUST participate, and if an employee leaves, they are able to withdraw the money at a future date.

HSAs are the latest version of a savings account for retirement. Aaron's recommendation is that the pool wait and see how the product does in the general marketplace. Aaron is concerned about adverse selection if richer plans are offered alongside a high deductible plan. The younger, healthier single folks will usually choose a cheaper, high deductible plan, leaving only the high utilizers on the other medical plans.

There are still a lot of moving pieces and much information to be gathered about HSAs. The pool needs to be cautious in moving forward.

COMPOSITE RATES. Kitty is working with the Benton County Insurance Committee and has educated them regarding how composite rates are calculated. They are requesting a composite rate quote from WCIF/WCIP. Kitty asked the board to give her permission to work with them within very strict parameters, possibly involving employee affidavits that list all possible dependents that could be added. Richard Graham asked Kitty to check with legal counsel to determine if such affidavits are legal.

Dean Burton asked if all counties will be offered a composite rate in the future and Kitty replied that is the long term goal, but we need to be very careful. The understanding is that she will come back to the board before any commitments are made to Benton County. Nothing final will be determined until approved by the board at the August 2004 rate setting meeting.

Motion was made by Mac McDowell and seconded by Paul Eichenberg that Kitty be allowed to move forward in working with the Benton County Insurance Committee to look at composite rates and that no commitments be made to that county without prior approval of the board. Motion carried.

RENEWAL 2005 AND NEW BUSINESS.

DOMESTIC PARTNERS COVERAGE. Jena Thrasher of Timberland Regional Library reported that she is under pressure again by her unions to provide domestic partners coverage. She asked the WCIP Board of Directors to consider extending coverage in 2005 to include domestic partners. Her unions keep pushing for the coverage based on "equality" issues, and they are requesting to join the Washington State plans where coverage has been offered for several years.

Dean Burton read a list of counties, cities, and other organizations that are now offering domestic partners coverage. He remarked that the subject is not going to go away and it is time that we moved beyond this issue and allow each individual county to do whatever it needs to do. Jerry Finch stated that he believes that is the direction the pool should go and he was joined by Mac McDowell, Rich Graham, and Paul Eichenberg. Rich stated that the pool cannot afford to lose more people.

Mac McDowell suggested that the concept be approved and details should be worked out at a later date by the board. Bea Price expressed concern about the paperwork that will be required to administer the program. Dave Carey felt that approving the coverage will end up forcing every county to offer benefits to domestic partners.

Max Benitz was concerned about the financial impact to the pool. It is doing extremely well now, and it is the duty of the board members to avoid diminishing our success. We need to grow enrollment but not in a way that will be a burden. There are too many unanswered questions out there in regard to how this will impact the pool.

Dave Carey agreed with Max's concerns about the financial stability of the pool. Pat Hamilton suggested that the board wait until the courts determine that marriages are legal between same sex partners. She would also like to avoid having her Board of Commissioners make the decision. There would be a firestorm in some counties.

Motion was made by Paul Eichenberg and seconded by Jena Thrasher that coverage for domestic partners be offered in 2005. Motion carried with 5 yays and 3 nays. Motion carried.

ADJOURNMENT. Meeting was adjourned at 9:35 am.

FUTURE MEETINGS in 2004:

**Thursday, August 19, 2004 – Wyndham Gardens at SeaTac
9:00 – 3:00 pm - 2005 Rate Setting Meeting**

**Thursday, September 16, 2004 – Radisson Hotel at SeaTac
8:00 - 9:30 am - WCIP Board of Directors
9:30 to 12:30 pm - Insurance Advisory Committee 2005 Renewal Meeting
(Full Membership WCIF/WCIP)**

Respectfully Submitted:

**Kathleen “Kitty” Wallace
WCIF/WCIP Executive Director**

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