

WASHINGTON COUNTIES INSURANCE POOL
BOARD MEETING MINUTES

Thursday, August 18, 2005
Radisson Hotel Gateway SeaTac
Seattle, Washington

BOARD MEMBERS PRESENT:

Dave Carey, Walla Walla County Commissioner, President
Paul Eichenberg, Spokane County Library, Vice-President
Dean Burton, Garfield County Commissioner
Mac McDowell, Island County Commissioner
Rich Graham, Lewis County Commissioner
George Trott, Wahkiakum County Commissioner
Sandy Ward, Behavioral Health Resources
Bea Price, Olympia Area Agency on Aging
Alex Duncan, Timberland Regional Library

Absent: Jerry Finch, Whitman County Commissioner

OTHERS PRESENT:

Larry Grove, Lewis County Alternate
Dick Toft, Island County Alternate
Mark Fukuhara, WCIF Executive Director
Rita Fanning, WCIF Deputy Director
Krista Whitaker, WCIF Benefits Manager
Frank Campbell, WCIF Marketing Executive
Joe Berg, Berg Andonian, Benefits Consultant
Kirk Andonian, Berg Andonian, Benefits Consultant

OPENING OF MEETING. President Dave Carey called the meeting to order at 9:00 am. He introduced Joe Berg and Kirk Andonian from Berg Andonian, Inc. and everyone present introduced themselves.

MINUTES.

APPROVAL OF WCIP MINUTES of March 17, 2005 and May 9, 2005. Motion was made by Dean Burton and seconded by Paul Eichenberg that the minutes be approved as submitted. Motion carried unanimously.

EXECUTIVE DIRECTOR REPORT. Mark Fukuhara gave an overview of his written report and explained that staff has worked diligently and accomplished many tasks since March 2005. The focus has been on preparing for growth by increasing productivity through technology enhancements and streamlining processes, improving the quality of services provided, and improving relationships with current, former and prospective customers, vendors such as attorney and benefits consultant, and organizations such as the Washington State Association of Counties (WSAC) and the Washington Counties

Risk Pool (WCRP). Although he was unable to improve the relationship with Marsh USA and terminated their services as of July 31, 2005, he was pleased to have negotiated for Berg Andonian, Inc. to provide benefits consultant services for a three month period starting July 15, 2005 at a monthly fee not to exceed what was previously being paid to Marsh USA.

FINANCIAL REPORTS. Rita Fanning gave an overview of the WCIP Financial Statements for the period ending June 30, 2005 which showed a net income of \$565,154.75; reviewed the large claims report and explained that there were now 3 claims over our individual stop loss amount of \$110,000 as of July 31, 2005; reviewed key aspects of the 2004 Annual Report from Marsh USA which included financial information for the period ending June 30, 2005; presented the Examination Report from the State Risk Manager which found that the WCIP's assets net of IBNR claims are appropriate for prudent long-term program management; and explained key aspects of the State Auditor Office (SAO) Audit Report for the year ending December 31, 2004 which was a clean report for the WCIP .

Motion was made by Rich Graham and seconded by Dean Burton that the financial reports be approved as submitted. Motion carried unanimously.

MARKETING REPORT. Frank Campbell gave an overview of his written report which documented contacts with 23 counties and 24 junior taxing districts. He explained our strengths and weaknesses and believes that we will be given opportunities to provide proposals in the coming months which he expects will result in some new employers joining the pool effective January 1, 2006. He reviewed a handout which demonstrated the significantly lower fixed costs that the WCIP self insured program provides compared to fully insured plans. He expressed his appreciation to the Board for their support in providing him referrals, writing letters to prospective employers and in some cases, accompanying him on visits with potential new customers.

ZENITH ADMINISTRATORS EXPANSION OF SERVICES. Krista Whitaker gave an overview of her written report and explained that the current staffing model cannot effectively attain our growth and service goals. Therefore, we negotiated for Zenith Administrators to take on additional administrative services which will allow staff to focus their time on making service calls and provide training. Zenith will charge \$1.79 per employee per month except for those employers that only offer group life insurance, in which case the fee is \$.15 per employee per month. There is also a one time implementation fee of \$12,375 which includes the cost of on-line enrollment.

Krista gave an overview of Zenith's Total Claims Capture & Control (TC3) program which was implemented effective August 1, 2005 and will conservatively save 8% of total paid claims. The savings from the TC3 program will pay for the additional fees paid to Zenith Administrators. Therefore, no fee will be added to our premiums or to our participating employers. There was concern by Board members regarding possible reduction of service by WCIF staff. Krista explained there would be no degradation of service as employers will be able to continue to call WCIF staff for assistance.

Motion was made by Paul Eichenberg and seconded by Dean Burton to have staff work with Zenith Administrators to implement additional services which include eligibility processing, premium billing and COBRA/retiree administration with funding for these services to come from savings from the TC3 program. Motion carried unanimously.

ELECTION SUMMARY FOR 2006. Dave Carey explained that four Directors' terms will expire at the end of this year: Paul Eichenberg, Bea Price, Sandy Ward and Mac McDowell. George Trott and Jerry Finch will receive automatic appointments as WCIF Chair and Executive Chair respectively. Therefore, George Trott's current position will need to be filled for the remaining year of his term. In addition, Rich Graham will lose his automatic appointment as WCIF Executive Chair. Everyone expressed a willingness to continue to serve on the Board. Elections for five Directors will be conducted at the Insurance Advisory Committee Meeting and WCIF Board Meeting on September 15, 2005.

WITHDRAWING MEMBERS/STATUS OF ASSESSMENTS.

The Board discussed the written letter of intent to withdraw from Housing Authority of Thurston County effective December 31, 2005.

Motion was made by George Trott and seconded by Paul Eichenberg to accept the letter of withdrawal submitted by the Housing Authority of Thurston County. Motion carried unanimously.

Mark Fukuhara announced that Asotin County made full payment of \$81,300 in April 2005 which settles their assessment. He anticipates Asotin County to seriously consider returning to the WCIP/WCIF in the future.

Mark Fukuhara expressed a desire to avoid litigation and requested approval to meet with officials from Grays Harbor PDA to try and negotiate a settlement contingent on both Grays Harbor PDA and Grays Harbor County returning to the WCIP since the county left with a substantial surplus position that more than offsets the deficit of the PDA. In addition, any negotiated agreement would require WCIP Board approval.

Motion was made by Dean Burton and seconded by Richard Graham to allow the Executive Director to negotiate a settlement with Grays Harbor PDA contingent upon Grays Harbor County and the PDA returning to the WCIP; the county will be offered preferred premiums and the PDA will be offered higher premiums than the pool's standard premiums; final approval of the negotiated settlement by the Board will be required. Motion carried unanimously.

CHANGES TO BYLAWS, INTERLOCAL AGREEMENT AND UNDERWRITING GUIDELINES. Mark Fukuhara gave an overview of the proposed changes to the WCIP Bylaws, Interlocal Agreement and Underwriting Guidelines. The eight major changes being proposed were described in a handout titled, Changes to WCIP Governance Documents, and after much discussion, it was decided that item #4, which allows staff and the benefits consultant to set monthly premium rates for new participating employers

would be deferred until the September 15, 2005 Board meeting. At that time, Berg Andonian will present the guidelines that would be followed and the Board would revisit this proposed change.

Motion was made by Alex Duncan and seconded by George Trott to approve items #1, 2, 3, 5, and 8. Motion carried unanimously.

1. Have WCIP and WCIF documents follow similar format, organization, font size, common definitions and overall look/readability.
2. Expand eligibility for a participating employer to be any "Local Government Entity".
3. Allow payment to a participating employer's broker using a portion of the WCIF/WCIP administrative fee or adding the cost to the premium for a particular benefits plan.
5. Allow participating employers (with 100 employees or more enrolled in the pool) to receive claims information specific to their group.
8. Eliminate the current requirement that a withdrawing employer may not apply to reenter the pool for at least 2 years.

Motion was made by Mac McDowell and seconded by Rich Graham to approve item #6. Motion carried unanimously.

6. Eliminate minimum participating employer size of 10 employees.

Motion was made by Dean Burton and seconded by Rich Graham to approve item #7. Motion carried with Mac McDowell dissenting.

7. Eliminate potential assessment if withdrawing participating employer has been in the pool for 3 or more continuous years.

RECOMMENDATIONS FOR 2006 RENEWAL. Kirk Andonian gave an overview of his firm's written report and recommendations. Based on pool data from July 1, 2004 through June 30, 2005, the following benefits changes were recommended:

1. Increase coverage for routine physical/preventive services from \$300 to \$500
2. Provide a \$50 incentive/reward for routine physicals for adults
3. Increase medical lifetime max from \$1 million to \$2 million per person
4. Raise the Standard PPO inpatient mental health coinsurance from 90% to 100% to comply with Washington State Mental Health Parity Regulation
5. Allow colonoscopies for "average risk" members over age 50 once every 10 years
6. Add routine physical/preventive coverage to the Value Plan
7. Drop generic copay to \$5 from \$10 and raise the brand copay to \$20 from \$18 for all plans except the Affordable plan
8. Change the generic copay from 50% to \$10 on the Affordable plan
9. Move to Walgreens as the pool pharmacy vendor

The total cost to pool plans for the above benefits changes is \$4.85 per employee per month or .79% to the 2006 renewal rates.

Berg Andonian recommended that prescription drug benefits for retirees remain unchanged in 2006. They explained that by November 15, 2005, notices need to be sent out to all active employees and retirees enrolled in pool plans explaining that their prescription drug plan is as good or better than the Medicare Part D coverage. This provides "creditable coverage" for later enrollment in Medicare Part D without penalty.

Berg Andonian explained that employers should pay the Medicare Part B and D premiums for their LEOFF 1 retirees so that costs to the pool plans are minimized. In addition, Berg Andonian recommended that LEOFF 1 Medicare retiree rates be set the same as other Medicare retirees.

Berg Andonian recommended the following changes to the Symetra contract for 2006 which will be finalized in November 2005: raise the Individual Stop Loss (ISL) by \$10,000 to \$120,000 and to eliminate the monthly aggregate accommodation.

Berg Andonian reviewed the various premium rate exhibits which reflected either no change in benefits or all the changes they recommended; and offered the choice of the same (even) percentage increase across all plans or differing (uneven) percentage increases for each of the four plans.

Motion was made by Paul Eichenberg and seconded by Bea Price to approve the 2006 renewal rates shown in Exhibit E which reflected all the benefit changes recommended by Berg Andonian and applied rate changes unevenly: increase of 9.9% for the Standard PPO Plan, 7.9% for the Budget PPO Plan, no increase for the Value PPO Plan, and 6.0% increase for the Affordable PPO plan. Motion carried with Dick Toft dissenting.

ADJOURNMENT. Meeting was adjourned at 2:05 pm.

MINUTES APPROVED SEPTEMBER 15, 2005

/s/

/s/

Dave Carey, President

Paul Eichenberg, Vice President