

WASHINGTON COUNTIES INSURANCE FUND/POOL
BOARD MEETING MINUTES
Thursday, June 7, 2012
Cedarbrook Center
SeaTac, WA

BOARD MEMBERS PRESENT:

Dwight Robanske, Columbia County Commissioner
Mike Karnofski, Cowlitz County Commissioner
Dean Burton, Garfield County Commissioner
Helen Price-Johnson, Island County Commissioner, WCIF Vice Chair
Alan Crankovich, Kittitas County Commissioner, Executive WCIF Chair
Bill Schulte, Lewis County Commissioner, WCIP President
Lisa Ayers, Pacific County Commissioner
Laura Merrill, Pend Oreille County Commissioner
Malcolm Friedman, Stevens County Commissioner,
Lisa Marsyla, Wahkiakum County Commissioner, WCIF Chair
Jim Johnson, Walla Walla County Commissioner
Marilyn Neumiller, North Central Regional Library
Will Rietzel, Housing Authority of Kittitas County
Paul Eichenberg, Spokane County Library District
Randy Rollins, Spokane Housing Authority
Rich Park, Timberland Regional Library, WCIP Vice President

ABSENT:

Shon Small, Benton County Commissioner
Brad Miller, Ferry County Commissioner
Greg Knight, Rural Resources Community Action

OTHERS PRESENT:

Melina Wenner, Benton County Alternate
Lexi Wingfield, Benton County
Lisa Ronnberg, Columbia County Alternate
Melanie Bacon, Island County Alternate
Larry Grove, Lewis County Alternate
Rachel Patrick, Pacific County Alternate
Nancy Kokenge, Gallagher Benefits Services, Inc.
Morgan Kokenge, Gallagher Benefits Services, Inc.
Mark Hruska, Premera Blue Cross
Jen Diaz, Premera Blue Cross
Jon Kaino, WCIF Executive Director
Mike Shelton, WCIF Executive Director
Kathi Rauch, WCIF Finance Director
Krista Whitaker, WCIF Director of Benefits & Sales
Leanna Olive, WCIF Senior Account Executive

I. OPENING OF MEETING

Chair Lisa Marsyla opened the WCIF (Washington Counties Insurance Fund) Board meeting at 8:13 a.m. President Bill Schulte opened the WCIP (Washington Counties Insurance Pool) 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 8, 2012.

Lisa Marsyla made one change to the agenda. At 10:00 a.m. the Board will call an Executive Session to discuss personnel.

Motion made by Paul Eichenberg and seconded by Alan Crankovich that the WCIF/WCIP minutes for March 8, 2012 be approved. Motion carried unanimously.
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III. EXECUTIVE DIRECTOR REPORT

Update on Lincoln and Skamania Counties

Mike Shelton provided the Board with a brief overview on the issue regarding the collection of additional premium from Skamania and Lincoln counties. Mike also advised the Board that he had arranged for a conference call later in the meeting with the WCIF/WCIP attorney to discuss these issues in more detail with the Board in executive session.

Additional Retiree Plan

Jon Kaino presented a new over age 65 retiree plan option to the board. Currently we offer one retiree supplemental plan that costs retirees \$359.65 per month which does not include the Part B premium paid directly to Medicare. Retired couples who are covering the retiree and spouse would be spending over \$900 per month to insure themselves including Medicare Part B and the Medicare Supplemental Plan, through Monumental Life. Jon Kaino and Mike Shelton worked with Benistar, the broker for Monumental Life, to come up with another option to offer with the existing Medicare Supplement Plan. The new option has a \$500 Calendar Year Deductible and a Maximum Out-of-Pocket Expense of \$2,000 per calendar year with a premium of \$117.00 per month for 2013. Express Scripts will not allow WCIF to offer two separate prescription drug plans so one prescription plan for both medical options would have to be chosen. The new proposed prescription drug plan increases the retiree's cost share slightly. The Generic copayment is \$5, Brand Name copayment is \$40, Non-Preferred Brand copayment is \$75, and Specialty Drugs has a 33% cost share. The current prescription drug plan costs \$161.65 per month and the proposed prescription drug plan will cost \$131.06. Jon Kaino proposed that the WCIF offer the new Medicare Supplemental plan with a \$500 calendar year deductible along with our current retiree plan to include the new proposed prescription drug plan. This would provide our retirees with two Medicare Supplemental plan options.

Motion made by Paul Eichenberg and seconded by Laura Merrill to adopt an additional option under the retiree Medicare Supplemental Plans and to use the new proposed prescription drug plan for both supplemental plans. Motion carried unanimously.

Wellness Plan - 2013

Nancy Kokenge presented the Vivacity wellness plan proposal for 2013 which was presented by Dr. Dave Johnson at the pre-workshop Board meeting held the day before on June 6th. Nancy explained the high level goals are to reduce claims costs by developing a pool that has healthier employees, assist our competitive strategy by adding value to our plans for potential new groups, and to decrease absenteeism and presenteeism. In order to have a successful wellness plan we must have a strong commitment from our leaders, provide incentives, and communicate well.

For 2013, wellness program membership requirements are for employees to complete a Biometric Screening, a Health Risk Assessment, and a Non-Tobacco use attestation or commitment to quit in 2013. Employers will receive a premium reduction as long as 40% of the group's eligible employees are enrolled in the wellness program. New groups would not be eligible for the wellness program for the first year they are members of WCIF, but would be eligible during their second year of membership. Employees who complete the wellness program requirements will receive an employee incentive in the form of a reduction in their deductible in the amount of \$150. Spouses and/or domestic partners would not be eligible for the incentive for 2013. Employers who achieve enrollment of forty percent of their eligible employees in the wellness program will receive a two percent reduction in the percentage of premium increase for 2013.

The goal for 2014 is that all employees complete a Biometric Screening, a Health Risk Assessment, and a Non-Tobacco use Attestation. In addition, they must meet two out of the following four goals: BMI target, Blood Pressure target, LDL Cholesterol target, Fasting Blood Sugar target. This will be discussed further toward the end of 2013.

Vivacity has a dedicated Communication Specialist that will help our groups communicate this program. They will assist in developing a communication strategy, develop wellness messages, and support engagement.

The timeline for this is to begin communicating now, employees must meet the criteria by November 1st, and the rate reduction would begin January 1, 2013. Members may use their biometric numbers from a physician's statement beginning November 1, 2011 – November 1, 2012. The cost of the program is \$1.64 per employee per month (pepm) based upon a 40% participation rate. The cost will go up or down based upon the number of participants in the program.

The Board discussed at length the importance of communicating this to WCIF members. The WCIF staff committed to communicating the program and allowing for some dedicated time to communicate the importance of participating.

Motion made by Laura Merrill and seconded by Alan Crankovich to approve moving forward with the Vivacity wellness contract. Motion carried unanimously.

Motion made by Paul Eichenberg and seconded by Bill Schulte to allow members to use their Biometric Numbers as of November 1, 2011 through November 1, 2012. Motion carried unanimously.

The Board called the WCIF Attorney and he conferenced in as the Board went into Executive Session at 9:53 a.m. to discuss potential litigation for 30 minutes. The Board extended Executive Session at 10:17 for an additional 20 minutes.

The Board returned from Executive Session at 10:28 a.m.

Motion made by Bill Schulte and seconded by Dean Burton to end the Executive Session. Motion carried unanimously.

No action was taken by the Board as a result of the executive session.

The Board went into Executive Session at 10:30 for 10 minutes to consider personnel issues.

The Board returned from Executive Session at 10:40.

No action was taken by the Board as a result of the executive session.

A short break was taken and Mike Shelton was presented with a retirement cake. Board members expressed their gratitude and appreciation for Mike.

Premera 2013 Plan Recommendations

Mark Hruska with Premera presented the 2013 WCIF preliminary renewal. The goal is to achieve a single digit renewal increase in spite of demographics showing an aging population and fewer employees enrolled in 2012 than there was in 2011. The variance between Male and Female ratio is 1.4%, which means we have more females than males enrolled in our medical plans, and the percentage over age 60 is 0.6%. Compared to the norm, the WCIF enrollment of members over 55 has a variance of 53.0% and a claims variance of 49.4% over the norm.

The loss ratios for existing WCIF Plans are as follows:

WCIF 200-- 99.0%

WCIF 500-- 117%

WCIF 750-- 79.1%

HDHP-- 55.6%

The combined Loss Ratio for all plans inclusive of all 5,231 members is 88.3%.

Mark presented potential benefit modifications and impacts for the board's consideration for 2013. Specialty pharmacy expenses account for only 0.6% of prescription drug scripts but account for 24.2% of the total costs. Incorporation of a Specialty Pharmacy Program could have a positive rate impact of -0.3% to -0.6%. Increasing the ER copayments from \$150 to \$200 would decrease the rate an additional -0.2% to -0.4%. Increasing the HDHP deductible from \$1250 to \$1500 would decrease the rates 5.0% to -7.0%. There will be a federal requirement to increase the HDHP to \$1500 for 2014 so we can push it up one year and take the benefit of a rate reduction. Another option would be to add a \$1500 deductible plan that mirrors the 750 plan in structure and add a traditional \$3,000 deductible PPO Plan to provide additional lower cost plans.

2013 Pre-Workshop Meetings

The Board discussed whether or not they wanted to continue with the pre-workshop meetings. The Board decided to keep the pre-workshop meetings on the schedule but asked that they be scheduled later during the day to coincide with dinner. Board meetings may go longer depending on the length of the pre-workshop meeting so board members should plan on staying the full day.

IV. FINANCIAL REPORTS

Fund

Mike Shelton explained that some financial activity has occurred since the financial statements were completed on March 31st, 2012. The year-end 2011 financial statement showed a receivable from the Standard in the amount of \$250K. That receivable was collected during March 2012 but on the March 31, 2012 financial statement it had not yet been transferred to the LGIP account but was a part of the Bank of America operating account. The receivable from WDS in the amount of \$1,109,826.09 was received during April 2012 and has since been deposited into the LGIP account. The current balance in the LGIP account is now in excess of \$2 million.

The Department of Retirement Systems notified the WCIF that the employees had the opportunity to vote on whether to continue paying into Social Security. Any public entity who contributes into a retirement plan has the right to vote on this. If employees vote to continue paying into Social Security, that choice is permanent and they will not have another opportunity to re-vote at a later date. If employees vote "not" to continue paying into Social Security, they are allowed to re-vote at a later date and then decide to begin paying into Social Security again. Once that happens, the vote is final and they will not have another opportunity to vote again. Mike provided a brief overview of the Social Security vote that the WCIF had regarding contributions and reminded the Board that they voted to continue to contribute into Social Security for WCIF employees and to allow employees to continue contributing into Social Security at the November 2011 board meeting. The employee vote occurred in March and the employees of WCIF voted to discontinue contributing to Social Security. .

The Statement of Net Assets account 15060 shows a Social Security refund receivable in the amount of \$206,419.72 representing the amount owed to both WCIF and the employees. Account 26500, with a balance of \$83,280, represents the portion of the total refund owed to the employees and will be paid when the funds are received from Social Security. For 2008 the WCIF can only request a refund for the WCIF portion due to the statute of limitations meaning the employees had to file amended tax returns for that year. For 2009 – 2011 the WCIF filed the claim for the refund for both the employer and employee portion and to date we have received a refund for one quarter which was distributed to the employees the day it was received. The remaining quarters will be distributed to employees as the funds are received.

Account 16900, with a balance of \$957,478.41, represents WCIF funds on deposit with the Standard in the Claims Fluctuation Reserve (CFR) account. The CFR account is refundable to WCIF upon request, but would result in a 30% LTD rate increase if the account were eliminated so WCIF has elected to leave the funds on deposit with the Standard.

The \$600,000 WDS stabilization reserve noted in account 16910 will be a topic of conversation at our renewal with WDS. We do not have a full understanding as to why WDS believes they are entitled to keep these funds in a reserve account when we have a fully insured program with them but expect to get this issue clarified.

Currently the WCIF is showing an equity position of \$4,623,122 with net ordinary income for the first quarter of 2012 in the amount of \$40,577. The Social Security Refund, a one-time source of revenue for WCIF, in the amount of \$121,348.60 increased the total net income for the quarter to \$161,926.45.

The Budget Performance Report shows sponsored meeting expenses running over budget for the first quarter of 2012. This is the result of a previous meeting held during the fall 2009 at the Cedarbrook and they had not billed WCIF for those charges until 2012. Moving forward we have procedures in place to follow up with vendors if we have not received a bill to ensure timely payment.

Pool

Except for a few final run-out medical claims issues, the Pool financial statement only includes the vision plan so it is a much more limited financial statement. We still pay an occasional medical claim that comes through; however, we have been informed by Zenith Administrators that we have a \$200,000 subrogation claim for which we may be receiving a refund.

There was a vote by the Board at the March meeting to hire an actuarial firm to calculate an IBNR amount for the VSP self-insured Pool and the report has been completed. Milliman calculated the IBNR liability at \$68,000 and WCIP has adequate funds to cover this amount. Net income through the first quarter was \$13,000 which closely coincides to the budget for 2012. Mike reminded the Board that we had to move the non-profit organizations out of the self-insured VSP Pool and into a fully insured program.

Motion made by Bill Schulte and seconded by Dean Burton to approve the WCIF Financial Statements. Motion carried unanimously.

Motion made by Marilyn Neumiller and seconded by Paul Eichenberg to approve the WCIP Financial Statements. Motion carried unanimously.

V. GALLAGHER BENEFIT SERVICES REPORT

Nancy Kokenge presented a Healthcare Reform update. She reviewed the changes that have already occurred since 2010. Nancy confirmed that the Class Long Term Care program was suspended and she does not anticipate that it will be revisited because there is not enough money to support it. The Summary of Benefits and coverage communication pieces must line up with federal guidelines, which mean all communication pieces will look the same and Gallagher will be working with Premera to ensure compliance. In 2013 FSA limits will be reduced to \$2,500 beginning January 1. Carriers will be bound to disclose medical loss ratios. There will be additional administrative fees associated with Healthcare Reform, which will be added into the cost of our plans. In relation to the Exchanges, the State of Washington received \$128 million dollars in grants to help support the establishment of Exchanges. WCIF, as an association, needs to watch those plans and ensure that our plans are appropriately funded and very competitive in the market place. Exchanges may become our biggest competitor in the market place. We won't know if the individual mandate will be overturned by the Supreme Court until mid-June, but even if the individual mandate goes away, we still have to comply with the employer mandates. W-2 reporting is required to show the amount of money that employers contribute to employee benefits. The individual mandate is an important piece to manage the costs of Healthcare Reform and necessary to manage expenses at the employer level.

VI. MARKETING REPORT

Mike Shelton reviewed our marketing efforts and announced that we have two pending Requests for Proposals awaiting a response from Thurston Community Action Council and the Washington State Convention Center. They both have a July 1st renewal so we anticipate hearing from them soon.

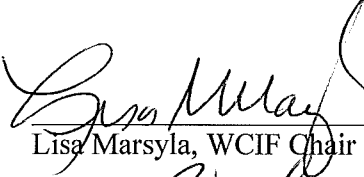
Jon Kaino plans to meet with existing Participating Employers prior to this fall to introduce himself and discuss plan options. He and Krista Whitaker plan to market heavily to participating groups who do not currently have our medical plans and then move forward with the marketing strategy currently in place.

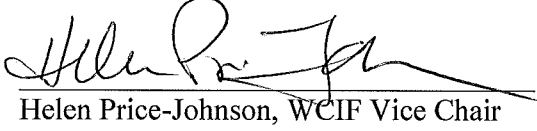
VII. NEW BUSINESS AND/OR ANNOUNCEMENTS

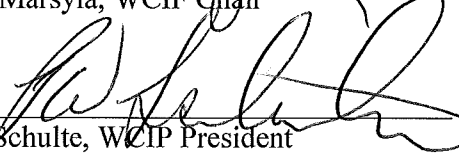
The next scheduled Board meeting will be a joint WCIF and WCIP Board Pre-Workshop meeting held on August 8, 2012. It will be held at the Cedarbrook in SeaTac from 1:00 p.m. – 4:30 p.m. The next regular scheduled Board meeting will be held on August 9, 2012. It will be a joint WCIF & WCIP Meeting held at the Cedarbrook in SeaTac from 8:00 a.m. to 2:00 p.m.

The meeting adjourned at 12:00 p.m.

MINUTES APPROVED August 8, 2012 by WCIF and WCIP Boards


Lisa Marsyla, WCIF Chair


Helen Price-Johnson, WCIF Vice Chair


Bill Schulte, WCIP President


Rich Park, WCIP Vice President