PARAMOUNT UNIFIED SCHOOL DISTRICT

INSURANCE COMMITTEE MEETING MINUTES

February 28, 2012

Meeting called to order by Michael Conroy at 3:30.

Agenda item one: *Review Norms*
Norms reviewed on the reverse side of the agenda.

Agenda item two: *Fitness Consulting & Other Health Club Offers*
January 31, 2012 meeting we heard a presentation from Fitness Consulting. We were given a temporary corporate login and password. As a committee we were to review the site and decide if we, as a District, would offer the program at Paramount USD. Positive feedback was given by a committee member who shared the information with the staff at his site. His staff was interested in implementing the Wellness program and asked if it is needed to be a District-only program or can it be implemented at specific sites who are interested? ASCIP states we can utilize the program. Comments from committee members felt the program gave access to many healthy tips and ideas for easy workouts at any time of the day, having access to their website offered 24/7 availability to review the videos and newsletters at your own convenience. Another committee member felt that there isn't much time during the day to participate in the program due to their members working 7:30 to 2:45 with only a 30-minute lunch.

ASCIP indicated the cost for the Wellness Program has a virtually no impact on our premium costs, adding that the intent of the program is to enable employees various suggestions to improve one's health and that not implementing a Wellness Program can hurt renewals in the long run by not having a healthy employee base. Dr. Conroy will share the presentation at the next Principals' meeting and ask them to share the information with their staff for additional feedback.

During our January 31 meeting it was requested to contact local fitness clubs to see what they can offer our employees. DeeDee contacted four fitness clubs: 24 Hour Fitness, LA Fitness, Fitness 19 and YMCA. 24 Hr Fitness and LA Fitness require the District to pay a corporate fee (range: $500-$3,000) to offer our employees discounted membership fees (ranging: $24.99 - $59.99). Fitness 19 also requires a corporate fee; however, they will not indicate the corporate rate until they know how many members will enroll. Once Fitness 19 specifies the corporate fee, their membership fees (currently ranging $10-$16 monthly) will reduce.

In past years, the District paid a corporate fee to allow a discounted membership fee to our employees. Over the years, fewer employees enrolled in membership and the District decided it was no longer cost efficient to pay the corporate fee. ASCIP provided a chart of The Health – Cost Connection.

Agenda item three: *Flexible Spending Account Administrators*
A plan comparison of Flexible Spending Plan Administrators was distributed. ASCIP shared information on Discovery Benefits, Employee Benefits Specialist and Outsource One. Our current administrator is American Fidelity Assurance (AFA). The primary reason the committee recommended changing to AFA was the zero monthly administration fee. The committee acknowledged that AFA requested one-on-one meetings with each employee to ensure IRS compliance, and as part of that agreement that AFA could offer other voluntary plans. ASCIP has a relationship with Discovery Benefits. If the committee chooses Discovery Benefits as their Administrator, ASCIP will take it to their committee to waive their administration fees. A committee member questioned if the fees would be embedded in our premiums? ASCIP stated the fees are spread among all Districts in the ASCIP pool and can be insignificant compared to the premiums paid. One of the biggest concerns with AFA is their request of documentation for every Medco Rx mail-order. DeeDee has addressed this concern with AFA and they are currently working with the debit card company and Medco to assure they receive the necessary documentation/verification that the mail-order purchases are eligible FSA items. Another

member indicated an employee complained that when they contacted AFA, they were very disrespectful and rude.

Agenda item four: *ASCIP Services*

After the November 29th meeting minutes were released, there was a concern about the language of the Insurance Committee Meeting being addressed as a "District" committee. To discuss further, Dr. Conroy and Dr. Morales met with a few TAP insurance committee members. In addition to discussing the Insurance Committee being called a "District" committee, the topic of ASCIP services was discussed. This information would be shared at the next Insurance Committee meeting. However, Dan and Liz were unavailable for the January 31st meeting and the topic of ASCIP services was added to our February agenda. There were concerns from other committee members about meeting as a sub-group outside the Insurance Committee meeting. This subject and protocol would be discussed after agenda item four, under Other Topics.

Question and Answer session (responses from ASCIP):

What is the relationship between ASCIP and SISC?

ASCIP and SISC are two separate and distinct JPA's. ASCIP purchases its Anthem and Blue Shield administrative services through SISC to leverage SISC's size and get a lower rate than would be possible had ASCIP gone directly to Anthem or Blue Shield. ASCIP also purchases its individual reinsurance through SISC for the same reason, and the District has benefitted from the lower total premiums and trends over the last several years as a result. Reinsurance spreads any individual claim amounts over $150k across all SISC and ASCIP districts to protect individual districts from potential large losses due to catastrophic medical claims. The ASCIP and SISC books of business are separate, and ASCIP's underwriting decisions are made independently.

If the District chose to go with a lesser product (90/10 or 80/20), would we continue to be involved with SISC (would SISC be involved if the District selected an ASCIP deductible plan)?

SISC would still be involved if Paramount USD chooses any Anthem or Blue Shield PPO plan because ASCIP's administrative and reinsurance costs would still be based on SISC's agreement with Anthem and Blue Shield. Paramount is currently in a "legacy" SISC plan, which means that decisions SISC makes on behalf of its member groups will generally include Paramount.

Can we go directly through SISC and why did we leave SISC originally?

Paramount previously purchased directly from SISC until the 08-09 year when the committee voted to move our 100% Blue Cross PPO plan to ASCIP because SISC would not offer coverage of Non-PPO Emergency Room Services (beyond the first 48 hours). Another reason the District moved was because SISC no longer offered the 100% PPO plan in their book of business.

Could we offer multi-plans to our employee?

If multi-plans were offered, the shared risk would become greater in the 100% plan. Over time, the 100% plan would cost more and trend up faster. If the numbers in the 100% plan dropped, would the plan continued to be offered down the line? It's not that it wouldn't be offered, but it may get to a point where the cost is so high, the District may not want to continue to offer the 100% plan. ASCIP shared that the District has done a great job in managing our contributions and keeping our PPO participation stable over the past several years and this is why our PPO rates have been so stable over the past years.

How much did the District pay to ASCIP for fees last year? How the fees are determined -- based on a percentage of premiums or used for ASCIP administration/consulting services? How much of that is passed along to SISC?

JPA fees to cover administration/consulting services are 1.5% of premiums and are revisited periodically based on actual costs. The percentage is expected to drop over time because ASCIP's costs don't trend at the same rate as medical cost inflation. SISC fees (their administration, carrier administration and reinsurance) are separate from the 1.5% ASCIP fee and calculated on a Per-Employee, Per Month basis

using actual cost and claims experience. Equity is reviewed and blended into rating decisions. A committee member asked how much is the SISC fees? ASCIP will have to ask for this amount and find out if this information can be disclosed.

Is the District paying two indirect administration fees, one to ASCIP and one to SISC?
Yes, there are administrative costs with ASCIP and SISC – however there isn't redundancy. If we weren't getting the administrative deals and the reinsurance deals through SISC, we'd have to go directly with a carrier and we'd have to pay additional cost that way. Through SISC, ASCIP has found the best deal for their districts. Bottom line, premiums that have been generated over the last few years have been low relative to the market, relatively stable and have been market tested – very attractive. What ASCIP has been doing has worked over the years – and our products are less expensive over what's available through the open market. A committee member mentioned how our previous consultant agreed that ASCIP offered the best rate for the product our District receives.

Can the District go directly to SISC for our medical insurance? What would the issues involve, pros and cons?
Yes, the District can approach SISC for a quote and exit ASCIP (the District actually used to be with SISC directly before moving to ASCIP). ASCIP only requires that a written notification of the intent to withdraw be submitted 90 days prior to the next scheduled renewal date. Some of the benefits of staying with ASCIP include the shared risk renewal model that blends District experience with ASCIP pool experience to ensure that rates are more stable and predictable, local support for administrative and member issues, regulatory updates, access to claims data, legislative compliance updates and COBRA administration. ASCIP also offers wellness and prevention education assistance, and hopes to partner with the District in the future to provide additional, personalized primary care services as a strategy to improve health and lower out-of-pocket costs.

If we selected an ASCIP deductible plan and SISC made a plan change mid-year, would ASCIP require their members to make the change mid-year too?
None of the mid-year changes over the last two years impacted non-legacy plans except the Rx step therapy change where a drug patent expires and new benefits have to be introduced before doctors change their prescribing habits. ASCIP expects the only changes that would be required to be implemented mid-year would be changes where time is of the essence (like a drug patent expiring), or a change that impacts SISC at a contractual level, like changing behavioral health carriers. What's the difference between a contractual change and a plan change? If SISC makes a plan change – benefit modification to their plans such as limitation on hearing aide devices, that modification would not affect the ASCIP plans. If SISC makes a contractual change, such as a change in Pharmaceutical carriers, that effective date of the contractual change would become effective for everyone.

In the past 5 years, how many members had a Knee and/or Hip Replacement surgery? How many procedures were more than $30,000?
We don't have access to procedural level claims for the District, but published data from the CDC shows that the frequency for all knee & hip replacement surgeries (both emergency and non-emergency) is about 0.3% of adults aged less than 55 annually. Removing the emergencies would make this number smaller. Is the $30,000 cap for only the surgery procedure or for the full scope, including hospital stay and rehabilitation? What happens if there are complications and the costs became greater than $30,000? ASCIP will fight hard to have those additional costs waived. Are the hospitals aware of the $30,000 limitation? No, it's part of the responsibility of the member to contact Anthem Blue Cross and confirm the contractual amount for any procedure at any specific hospital. This particular change will be implemented at renewal time for all ASCIP plans with protection for members who followed the proper procedures and cost was still over the $30,000 limit, or for those members experiencing complications. ASCIP asked if we wanted to adopt this plan change now or at renewal. The committee agreed to not implement the change until renewal.

How large is the ASCIP JPA pool of medical health insurance?
The ASCIP medical pool is about $50M in revenue.

Is the ASCIP JPA pool independent of the SISC pool?
Yes, the ASCIP and SISC books of business are separate and ASCIP's underwriting decisions are made independently. Is there any corporate relationship between ASCIP & SISC besides the insurance "pooling" arrangement? No

Does ASCIP provide us the same consulting services as other consulting companies/brokers? Why doesn't ASCIP include Aetna, CIGNA and HealthNet?
ASCIP offers a subset of available carriers to create more negotiating leverage. The more carriers we offer, the fewer members will be in each carrier and less leverage ASCIP would have.

The topic has arisen again about going out for insurance proposal quotes. What is the downside of seeking proposals from insurance carriers every year? As a previous underwriter – when you have a bid coming at you every year, you will not get a very aggressive rate. How often should you go out to bid? Recommendation is 3-4 years.

Additional Agenda items: *Other Topics*
Protocol on sub-meetings was discussed.

Why is there a need to meet outside the Insurance Committee Meeting as sub-groups? Why are the questions asked at a sub-meeting not being addressed and asked at the Insurance Committee Meetings? TAP shared that they had requested a sub-meeting with CSEA to educate them on a meeting that was originated between TAP and District. CSEA shared that they were not informed of the topic of the meeting and were not told that another insurance company would be present. District asked why it was TAP's responsibility to share information and not the District or the committee. TAP presented the Insurance Chart created after the meeting with the District and shared at the sub-meeting with CSEA.

A comment was shared by a committee member of a distrust toward ASCIP because the District's previous Assistant Superintendent is on the Board of ASCIP as the Treasurer. A different committee member questioned the relationship between ASCIP and SISC. As previously shared, the ASCIP program operates independently of SISC, and the business alignment with SISC creates greater economies of scale for member groups, providing a greater efficiency and rate stability than would be possible for groups operating as stand-alone entities, which equates to greater purchasing power with insurance carriers. Another committee member responded that committee business decisions should be made based upon data, not personal feelings or opinions.

The final discussion topic was whether or not the committee should meet longer then 5:00 PM. A committee member shared that unless we meet longer or more often, we may not have enough time to discuss issues. It was also recalled that the time limit of 5:00 was established because members thought meetings lasted too long. The Insurance Committee agreed to pilot having two meetings a month as long as there were items to discuss, one of the two meetings devoted to District issues with ASCIP present and the other meeting would not include ASCIP.

Follow up for next meeting: *Agenda Items*
Please contact DeeDee with any agenda items and or questions.

Final agenda item: Next Insurance Committee Meeting to be held Tuesday, March 13, 2012 at 3:30 PM – Location TBD.

Attendees: Lourdes Aguayo, Jolanda Dudgeon, Ana Martinez, Cheryl Browning, Donald Lockwood, Rosemary Green, Connie Moran, Richard Morgan, John Lussman, Nelda McCone, Nancy Randall, Leonard Rodriguez, Michaela O'Neill, Vivian Hansen, Dan Sanger, Liz Garcia, Michael Conroy and DeeDee McCarty.

Meeting adjourned at 6:15 PM.