

APC Meeting  
August 3, 2011

The meeting was called to order at 5:00pm by Linda Wishard. Present were Jan Neese, Dan Paczkowski, Lois Willis, Allan Hitchcock, Earl Foster. Kay Andrews and Mel Neese were in the audience.

Justin Clark, Insurance broker for the District, made his presentation of comparable insurance companies and estimated rates for medical, dental, life, AD&D, Short and Long Term Disability. Mr. Clark described the recent merger between his company, Clark Benefits and Frost Insurance. He said they have six account managers and we would always be able to contact a real person who is familiar with our needs and requirements. They also have a full time wellness program person on the staff. Mr. Clark walked us through the bids obtained from our current medical carrier, TML, and four other competitors, UHC, Aetna, Blue Cross Blue Shield, and Humana. He reminded us that TML pools their business which is better for the District, since our specific claims do not have as much of a negative impact on the resulting rates as it would under other carriers as they would require individual underwriting. In reviewing our claims, we are currently experiencing a 97% loss ratio YTD. If we match the current coverage, our premiums will rise 5% for the coming year. Since the District had high claims last year, it seemed prudent to renew with our current carrier. Foster presented his recommendation, which will reduce the premium by \$24,000. He proposed the District stay with TML but change to the 80%/ 20% policy. A discussion ensued with Wishard, Paczkowski and Andrews over the District's policy of paying 100% of the deductible. The consensus of the Committee is that employees should have a significant financial stake in their health plan. There should be provisions to encourage employees to think about whether or not to see a physician or run to an emergency room. Significant discussion followed about how competitive our benefit plans were against other MUD's in the area. Foster provided a spreadsheet that reflected some competitive datum; however, based on her experience, Wishard indicated that it was impossible to determine if we were comparing "apples to apples". Hitchcock asked Wishard why she believed this was the case and she said that without knowing the design and coverage limits of each medical plan, for example, it was impossible to analyze the competitiveness of the plans. The Committee then agreed to a final recommendation to renew with TML with the following plan modifications: Plan Coinsurance will change from 90%/10% (90% of claims cost paid by TML and 10% paid by the employee) to an 80%/20% plan, with \$30 co-pay. In addition, the Committee believes the District should not be reimbursing employees for their incurred deductibles, a policy Foster reported had been approved by the Board some ten years ago. Inasmuch as medical costs have had a significant inflationary trend over the past 10 years and based on our discussion, Foster recommended and the Committee agreed, the employees will be responsible for the payment of the reduced \$200 deductible and the District limit its responsibility of co-payments to \$750 out-of-pocket maximum.

Mr. Clark then reviewed the bids obtained from our current carrier, Guardian, as well as MetLife, Mutual of Omaha and Assurant for the other welfare benefit plans including life, AD&D, dental, and short and long term disability. Premium costs for providing all of these plans are borne by the District in total. Wishard indicated that the renewal rates and quoted competitive rates for the life and AD&D coverage appeared to be extremely high and suggested

that these rates be negotiated further, if possible. Hitchcock agreed that we should see if the rates can be lowered on these two plans.

MetLife provided a slight reduction in rates and provides a two year rate guarantee, which Guardian would not agree to. Therefore, the Committee recommended we change to MetLife upon renewal which will result in a slight reduction in overall premium cost to \$25,263.60; a \$7,189.92 savings to the District.

Discussion on the second agenda item was brief. Wishard asked Foster about the other benefits and the role of the Committee regarding recommendations on the programs like longevity pay, service awards, vacation, etc. Foster indicated he is planning to make a recommendation regarding longevity pay in the near future.

Foster reminded the Committee there will be a meeting this Monday, Aug 8, with the Board, Finance committee and APC committee.

Meeting adjourned at 7:00 p.m.