



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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AS APPROVED

To: Local Government Self Insurance
Health and Welfare Advisory Board

From: John Nicholson
Local Government Self Insurance Program Administrator

Subject: Health and Welfare Advisory Board Meeting Minutes
August 10, 2006 meeting

HEALTH AND WELFARE BOARD MEMBERS PRESENT

Roger Neumaier Snohomish County
Richard Rodruck Public Utility Risk Management Services
Ruth Russell University Place Schools
Sheryl Smith City of Yakima
Don Johnsen Local Government Self Insurance Program

HEALTH AND WELFARE BOARD MEMBERS ABSENT

Irene Eldridge Service Employee International Union Local 925
Dennis Julnes (Teleconferencing difficulties)

CALL TO ORDER

Meeting called to order 9:30 a.m.

BOARD MEMBER NEWS/ISSUES DISCUSSION

Roger Neumaier discussed the County's continuing self insured medical program financial soundness initiatives. With an increasingly competitive local market, their program TPA is being resolicited. Reported program IBNR was increased relative to expenses. A wellness coordinator has been hired and the County continues developing strategies to incorporate Puget Sound Health Care Alliance evidence based health care decision initiatives. He observed the apparent increasing cost effectiveness of the initiatives has been favorably received by employees.

Dick Rodruck discussed measures being considered to address claims experience increases for the joint PUD benefits program he administers. His members share pool administrative costs (stop loss and PPO premiums) and 'shared claims' - i.e. the difference between pool ISL deductible and that calculated on same basis for each PUD member. Shared claims experience continues at an elevated level after increasing to 15% of total claims in 2005 and being down 8% in '04.

Ruth Russell reviewed the adverse first year large claims experience of her school district's self insured medical program and the second year renewal of the District's two year commitment to self-insuring full medical. She discussed the evaluation basis of stop loss increases being less than the premium decrease.

Sheryl Smith spoke about their City's relatively positive program experience current year noting

they had not had a stop loss claim year to date. Local economic conditions, however, will likely result in no COLA's and other related issues when labor contracts are negotiated end of this year.

LGSI REPORT

Don Johnsen reported LGSI on site examinations were on schedule with 27 on site program reviews completed year to date and 12 more to be completed the next four weeks. He reviewed Board member status and discussed Board member terms and reappointment processes for those interested in continuing after their current terms. LGSI was proposing the Board review the fee structure methodology supporting LGSI operations. The current fee structure was developed with Board concurrence when the program originated. There was also brief discussion on 'SAS 70 due diligence audits for contracted out business transactions likely to affect entity financial statements.

REVIEW OF ANNUAL FINANCIAL REPORTS

The Board reviewed the 2005 and budgeted 2006 financial profile for each of the 66 approved local government self-insured employee health benefit programs and all the program financial summary profiles. It was noted these were based on reports provided by the programs and may change based on LGSI on site reviews.

In 2005, the 66 approved programs covered 89,843 employees (EE's) w/ an average 1.7 dependents covered per EE. All program actual 2005 revenues were \$529,080,815 and expenses \$506,692,071 - a 95.8% loss ratio (L/R) - up from the 2004 all program 92.5% loss L/R but lower than the 97.8 most recent five year L/R and the 98.5% 14 year average since LGSI originated. Self insured full medical program (excl. dental and/or vision only programs) total revenues were over 98% of the all program total with a 95.6% loss ratio.

City and county programs continue to represent approximately seventy percent of revenue/expense totals, school districts thirteen percent, with the balance public utilities, public hospitals, fire and transit entities.

Actual 2005 full medical program funded incurred but not reported (IBNR) liability was 7.1 weeks of annual program expenses - down from the 2004 7.3 week and 7.4 five-year average. Budgeted 2006 IBNR liability for full medical programs is 7.0 weeks annual expenses and 2006 program assets net of funded IBNR liability are budgeted to decrease to 5.9 weeks– the lowest in thirteen years.

LGSI's field experience is that actual 2006 year to date program expenses are generally running slightly over budgeted levels and that the majority of self-insured medical programs continue to experience an increased incidence of "large" claims, approaching but not exceeding (individual) stop loss points. Generally, programs significantly increased 2005 and 2006 stop loss deductibles in return for lower premiums potentially subjecting the program to increased liability levels.

There was further discussion on the apparent continued decrease of incurred but not reported liability (IBNR) and net asset levels relative to actual expenses during 2005 and 2006. The board agreed utilization, medical cost trends and increased stop loss deductible liabilities will put increased pressures on net assets and IBNR funding and that current Guidelines for Financial Solvency of self insured EE medical benefits programs should be reviewed at the next meeting.

The all program (actual 2005 and budget 2006) financial profile will replace the previous on the LGSI site page <http://www.ofm.wa.gov/rmd/lgsi.htm>.

FUTURE MEETING SCHEDULING/BUSINESS/LOCATION

The October 12, 2006 Board meeting will be at the same time and location.

PUBLIC COMMENT

There were no public comments.

ADJOURN

Meeting adjourned 12:00 p.m.