



STATE OF WASHINGTON

**OFFICE OF FINANCIAL MANAGEMENT**

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**AS APPROVED**

To: Local Government Self Insurance  
Health and Welfare Advisory Board

From: Don Johnsen  
Local Government Self Insurance Program

Subject: Health and Welfare Advisory Board Meeting Minutes  
August 9, 2007 meeting

**HEALTH AND WELFARE BOARD MEMBERS PRESENT**

Sharon Dehaan	City of Everett
Irene Eldridge	Service Employee International Union Local 925 (SEIU)
Ruth Hultengren	King County
Dennis Julnes	Office of Insurance Commissioner (OIC) (teleconference)
Richard Rodruck	Public Utility Risk Management Services (PURMS)
Ruth Russell	University Place Schools
James Trefry	WA State Council of County and City Employees/AFSCME
Don Johnsen	Local Government Self Insurance Program (LGSI)

**CALL TO ORDER**

Meeting called to order 9:30 a.m.

**APPROVAL OF PREVIOUS MEETING MINUTES**

May 10, 2007 Board meeting minutes were reviewed and approved.

**BOARD MEMBER NEWS/ISSUES DISCUSSION**

Sharon Dehaan noted Everett's 2007 YTD utilization down and program financials improved after 2006 self insured employee medical benefits plan redesign. Nearly all employees are on same plan with deductibles and copays. Second ISL retention level increase in two years.

Irene Eldridge reviewed SEIU initiatives promoting child care worker healthcare benefits.

Ruth Hultengren discussed measures implementing King County's EE health risk assessment-based plan redesign using EE health condition factors/trend in determining EE copay. Continuing to develop an Enhanced Disease Management program. Significant (>90%) employee health assessment participation. Economist hired to quantify cost benefits.

Dick Rodruck noted PURMS members share administrative costs and 'shared claims' (difference between pool ISL deductible/that calculated for each PUD member) experience continues at elevated level. Highest cost member program implemented coinsurance plan reducing out of network utilization from 45% to under 15% as other members.

James Trefry discussed Snohomish County strategies incorporating Puget Sound Health Care

Alliance evidence-based health care screening assessments which continue favorably received by employees. Anticipated savings of continuing County's new Regence program estimated at \$700 thousand. County stop loss increased from \$150 to \$200 thousand.

Ruth Russell reviewed her school district's two year commitment to self-insuring full medical. Positive experience to date after significant first year large claims experience. Continue same stop loss level as premium decrease did not warrant increasing. Spread 15% 06-07 overall premium increase across three differently rated plans pooling claims across all plans.

Dennis Julnes reviewed OIC's major 2007 legislative initiatives including explicit OIC authority to consider carrier surplus in health insurance rate regulation.

Don Johnsen noted number of programs significantly increasing ISL deductibles and continuing decrease in reported IBNR/net assets relative to program expenses. Several years ago LGSI had discussions with GASB analyst on statements 10, 11 and 17 who observed program costs, including SIR increases, should be considered in IBNR development, not just claims.

### **REVIEW OF ANNUAL FINANCIAL REPORTS**

The Board reviewed actual 2006 and budgeted 2007 program financial summary profiles for all 72 approved local government self-insured employee health benefit programs noting these were based on reports provided by programs and may change with LGSI on site reviews.

In 2006, the 72 approved programs covered 94,271 employees (EE's) w/ average 1.7 dependents covered per EE. All program actual 2006 revenues were \$590,586,625 and expenses \$571,273,051 - a 96.7% loss ratio (L/R) - up from the 2005 all program 95.8% L/R but lower than the 97.8% most recent five year L/R and 98.5% 14 year average since LGSI originated. Self insured full medical program (excl. dental and/or vision only programs) revenues and expenses were over 98% of all program total.

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

Actual 2006 full medical program funded IBNR was 6.6 weeks of annual program expenses - down from the 2005 7.1 weeks and 7.1 five-year average. Budgeted 2007 IBNR liability for full medical programs is 6.8 weeks annual expenses. 2007 program assets net funded IBNR liability are budgeted at 5.9 weeks - the lowest in thirteen years.

LGSI's field experience is that actual YTD 2007 program expenses are generally over budgeted levels and the majority of self-insured medical programs continue to experience increased incidence of 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 discussion on the continued decrease of 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 appear to putting increased pressure on net assets/IBNR funding and that current Guidelines for Financial Solvency of self insured EE medical benefits programs should be reviewed.

### **FUTURE MEETING SCHEDULING/BUSINESS/LOCATION**

The October 11, 2007 Board meeting will be at the Sea Tac airport location.

### **PUBLIC COMMENT**

There were no public comments.

### **ADJOURN**

Meeting adjourned 12:00 p.m.