Self-Insurance Governing Board

Meeting Minutes

Virtual Meeting May 5, 2021

Attendance: Mande Lawrence, Human Resources Director

 Sara Lowe, Deputy Treasurer

 Emily Zwetzig, Budget Director

 Amie Johnson, Board Chair

Maria Vergis, Scribe

Absent: Mark Gassaway, Finance Director

 Taylor Hallvik, Deputy Prosecuting Attorney

Guests: Shelley Zhao – Aon Health Solutions

 Sarah Redford – Aon Health Solutions

 Jennifer Weddle – Aon Health Solutions

**Approval of meeting minutes from March 24, 2021-All**

* The Board had a quorum. Sara Lowe moved to approve the minutes. Mande Lawrence seconded the motion. All in favor to approve the minutes.

**IBNP Report-Shelley Zhao**

* Aon produces an annual letter for Clark County to report the estimated Incurred but Not Paid claims reserve for the self-insured medical, pharmacy, and dental plans.
* The report is an estimate of claims incurred and how much is outstanding in unpaid claims. The report also includes processed claims that have not cleared the bank.
* The estimated IBNP claims data through December 31, 2020:
	+ Regence-Medical $846,000
	+ Regence-Rx $ 4,600
	+ Dental $ 60,300
	+ Total $910,900
* Compared to 2019 the Dental reserve decreased by 3.3% and the Medical/Rx decreased by 14.3% because of faster claims processing in 2020 compared to 2019.
* Shelley said large claims in 2019, changes in payment patterns, and payment lags in 2020 with elevated claims volume in June through August 2020, added more volatility and seasonality.
* The claims volume returned to normal levels from the end of August through December.
* It is expected that more than the usual volume of unpaid claim incurred in the last few months of 2020 won’t be paid until 2021. Some of these claims are captured in the margin to account for volatility in experience.
* Aon uses a standard methodology for estimating liabilities based on claims patterns of when claims are incurred and when they are paid. Aon adds a claim fluctuation margin to address volatility of claims, and an expense load to reflect administrative fees expected from payment of outstanding claims.
* Aon uses a 5% claims margin, which is slightly higher than the most recent reserve estimate, and a 10% expense load, which is consistent with past reserve estimates.
* ORM (Office of Risk Management) revised the funding requirements in 2017. If the ORM alternative funding method is used it requires 16 weeks of reserves for medical expenses, and 8 weeks of reserves for Rx and dental expenses. The result is a higher reserve amount for ORM funding.
* The self-insured fund also holds an additional contingency reserve according to the Board’s 8-week funding policy. The estimated IBNP for medical, dental, and Rx using the most recent 6 months of data is $3.39 million as of 12/31/2020.
* Sara asked if there needs to be an action taken from the IBNP report. She asked Shelley if there were enough reserves calculated as of 12/31/2020.
* Shelley said no action needs to be taken. The report is looking at the plan’s performance, which is based on historical IBNP patterns. There will more claims paid after December 2020 that are not included in the IBNP report, which is the reason that margins are built in.
* Shelley also noted that the IBNP estimate is not 100%. There is a slight difference between estimates and realized claims experience.
* Sara said Mark uses the IBNP data for his costing model so he can calculate the rates to make sure the plan has adequate reserve levels. He also uses the IBNP data for CAFR.

**2020 Experience and COVID Impact-Sarah Redford**

* The summary is based on the period January 2020 through December 2020.
* The loss ratio determines how the plans perform on a paid basis compared to the budgeted rates. The loss ratio for the following plans:
	+ Regence MOU 105.4%. This shows that 5.4% of the rates were not sufficient based on total expenses (claims + fees).
	+ Regence DSG/CDG/SAA 74.7%. This group didn’t go above budget for 2020.
	+ Total loss ratio for Regence 99.7% compared to 95.9% for 2019.
	+ The utilization for 2020 might have run worse than it did if COVID did not reduce utilization. The COVID shut down caused a decrease in utilization, an estimated drop of 5% of the budget due to delays in medical services.
	+ Delta Dental 102.0%. The plan saw more impact due to COVID because dental offices were closed. The loss ratio would have been closer to 115-120% loss ratio because the Board bought down rates in 2020.
	+ Kaiser medical 72.0%
	+ Kaiser dental 54.3%. Sarah expects the loss ratio will bounce back in 2021.
	+ VSP 76.5%. There was a drop in claims because of COVID. There was only a 30-36% utilization rate from April to May.
	+ For Regence MOU, COBRA, and Retirees, the plan will receive $821,445 in stop loss credits for individuals with claims exceeding $200k.
	+ For Regence DSG/CDG/SAA there were no stop loss credits during the last 2 years. This group had no large claims exceeding the individual stop loss limit.
* The COVID impact on the number of services per category compared to plan years 2018-2019.
	+ 10% fewer inpatient services
	+ 3% fewer office visits
	+ 7% fewer outpatient services
	+ Rx spend was stable. Claims did not drop from the COVID impact.
	+ Aon estimates that 5% of the total medical plan was suppressed as a result from COVID.
	+ There is uncertainty on the levels of rebound claims in 2021 and 2022.
		- Claim inflators are testing, vaccination, and treatment for COVID. For vaccinations the formulary is covered by the federal government, but the vaccine administration cost can be billed to insurance.
		- Unmanaged conditions, e.g. Diabetes new or existing, late state cancer diagnosis can cause costs to rise.
		- Claim suppressors include increased use and efficiency of telemedicine, avoiding ER care. Aon is seeing more telemedicine use among its clients.
		- Continued intervention with social distancing, seeing less flu.
* Emily asked when the 2022 projections will be shared with the Board. Shelley said Kaiser will release their renewals in July so Aon should have the preliminary rates in late July.
* Sara would like more information on the changing composition of the workforce nearing retirement. She believes some employees could be using more medical services at the end of their career, e.g. having surgeries before they retire.
* She said her office demographics have changed over the last few years from an average tenure of 27 to 5 years.
* Mande said the last time she ran the numbers 30% of employees could retire within the next 5 years. She doesn’t know if those who were eligible to retire actually retired.
* Mande will have Jeremy rerun the numbers to see who is eligible to retire in the next 1, 5, or 10 years.

**HCC Update-Amie**

* Amie has filled 7 committee positions. There are 2 vacant positions.
* She is introducing new members to the HCC and making sure that they are willing and able to attend meetings.
* The next meetings in May and June will take a deep dive into benefits, review utilization, and plan design to look at rich plan benefits.

Meeting Adjourned.