

# FDAC EMPLOYMENT BENEFITS AUTHORITY

## Board of Directors Teleconference Meeting

Tuesday, July 9, 2019

3:00 p.m. – 4:00 p.m.

**Call-in Number:** 1-800-250-2600

**Participant PIN:** 451 9494

### *Agenda*

<u>Item</u>		<u>Action</u>
1.	<b>Call to Order and Introductions</b>	
2.	<b>Approval of Agenda Items</b>	<b>Action</b>
3.	<b>Public Comment</b> <i>At this time, members of the public may address the Board on any item that is not on the agenda. No action may be taken on items that are not on the agenda unless authorized by law. Comments are limited to three minutes per person.</i>	<b>Discussion</b>
4.	<b>Consent Calendar</b> <i>The Board will review and may approve the following:</i> A. Minutes – June 14, 2019	<b>Info/Action</b>
5.	<b>Preliminary Rate Discussion</b> <i>The Board will review preliminary 2020 renewal data received from the carriers, and may make a decision regarding 2020 plan rates.</i>	<b>Info/Action</b>
6.	<b>Broker Update</b>	<b>Information</b>
7.	<b>Director Comments</b>	<b>Information</b>
8.	<b>Public Comments</b>	<b>Information</b>
9.	<b>Next Meeting</b>	<b>Info/Action</b>
10.	<b>Adjourn</b>	<b>Action</b>

## **FDAC EBA Board of Directors Teleconference Meeting**

June 14, 2019

### **In Attendance**

Bill Paskle, President  
Brian Wilkes, Secretary/Treasurer  
Jodi Martin

### **Consultants/Guests**

Melissa Manchester, FDAC EBA Administrator  
Bordan Darm, Keenan  
Dawn Almanzor, Keenan  
Mary Boyer, Keenan  
David McMurchie, Legal Counsel  
Catherine Smith, SMA President

President Bill Paskle convened the meeting at 2:38 p.m. President Paskle welcomed everyone and established a quorum.

### **Approval of Agenda Items**

Director Brian Wilkes moved to approve the agenda; Director Jodi Martin seconded.

Ayes: Bill Paskle, Brian Wilkes, Jodi Martin

Noes:

Absent: Steve Kovacs, Georgette Darcy

### **Public Comment**

There was no public comment.

### **Consent Calendar**

The Board reviewed the consent calendar, which included the minutes from the April 5 meeting, April 2019 financial reports, and approval of two new members, Palos Verdes Estates and Sonoma County Fire. Director Martin moved to approve the consent calendar; Director Wilkes seconded.

Ayes: Bill Paskle, Brian Wilkes, Jodi Martin

Noes:

Absent: Steve Kovacs, Georgette Darcy

### **SMA Contract Update**

SMA President Catherine Smith informed the Board that Melissa Manchester would be transitioning out of her employment and partnership arrangement with Smith Moore & Associates (SMA), and starting her own firm, MMM Management LLC. Manchester will continue to work with the FDAC EBA through a subcontract with SMA.

### **Prescription Eligibility**

Broker Bordan Darm informed the Board that there is a new prescription drug on the market for muscular atrophy, which costs \$2.1 million for each administration. As the FDAC EBA does not currently have any participants who could benefit from this drug, action regarding its eligibility for coverage was postponed.

### **Preliminary 2019-2020 Operating Budget**

Accountant Mary Boyer presented to the Board the preliminary operating budget for 2019-20, noting that a final operating budget will be presented to the Board once the rates for the 2020

program year are set. Administrator Manchester suggested that the FDAC EBA may consider increasing the subsidiary fee to FDAC. The Board would like to include a \$30,000 fee to FDAC in the final proposed budget. Director Martin moved to approve the preliminary budget as proposed; Director Wilkes seconded.

Ayes: Bill Paskle, Brian Wilkes, Jodi Martin

Noes:

Absent: Steve Kovacs, Georgette Darcy

### **Broker Update**

Broker Darm reviewed with the Board the experience reports to date for 2019, noting that not much margin had accumulated due to a large claimant. He discussed the possibility of self-funding vision for 2020, as the program is performing well enough that a self-funded plan would have netted an additional \$80,000 to the pool for this year.

### **Annual Report**

Administrator Manchester informed the Board that the first annual report was completed and had been posted to the website.

### **Director Comments**

There were no director comments.

### **Public Comments**

There were no public comments.

### **Next Meeting**

The next meeting will be held via teleconference on July 9, 2019.

### **Adjourn**

Director Wilkes moved to adjourn the meeting at 3:29 p.m. Director Martin seconded.

Ayes: Bill Paskle, Brian Wilkes, Jodi Martin

Noes:

Absent: Steve Kovacs, Georgette Darcy

Respectfully submitted,

Melissa Manchester

2020 Renewal Summary	Carrier/Vendor	Renewal	Rate Adjustment	Notes
Self-Funded Medical - EPO/PPO Active & Pre-65 Retirees	Blue Shield Health Now Administration	2020	2.4%	Includes \$5,000 Cancer policy for subscriber reserve funding for Lasered Claimant (otherwise 24.6%)
Fully-Insured Medical - Post 65 Medicare	Retiree First	2020	Projected at <= 6.5%	Renewal released late July or early August
Fully-Insured Medical - Active & Pre-65 Retirees	Kaiser Premium HMO	2020	-5.0%	Includes \$5,000 Cancer policy for subscriber Recommend 0.0% renewal to build FDAC EBA reserve
Fully-Insured Medical - Active & Pre-65 Retirees	Kaiser Basic HMO	2020	-5.0%	Includes \$5,000 Cancer policy for subscriber Recommend 0.0% renewal to build FDAC EBA reserve
Fully-Insured Medical - Post 65 Medicare	Kaiser Plan Senior Advantage	2020	Projected at <= 5.0%	Renewal released late July or early August
Stop Loss	Swiss Re	2020	Projected at <= 15.00%	Renewal released October
Dental	Delta Dental PPO	2020	-18.44%	Recommend 0.0% renewal to build FDAC EBA reserve
Dental	MetLife DHMO	2020	0.00%	Within a rate guarantee
Vision	VSP	1/1/2022	0.00%	Rate pass, preparing self-funded option
Basic Life/AD&D, Voluntary Life	The Standard	1/1/2022	0.00%	Rate pass with two year rate guarantee
EAP	Magellan	1/1/2022	0.00%	Within a rate guarantee
Online Enrollment & Eligibility	Hourglass	9/1/2020	0.00%	Within contract period, expected renewal increase fee from \$3.50 to \$4.00 pepm
COBRA and Retiree Administration	Administrative Solutions, Inc.	9/1/2020	0.00%	Will request renewal extension until 1/1/21
Financial Administration	SETECH	2/1/2020	0.00%	Renewal Proposal to be received end of July

**FDAC EBA**  
**Medical & Prescription Drug Preliminary Renewal Projection**  
**Claims Experience through May 31, 2019**  
**Effective January 1, 2020 through December 31, 2020**

Line	<u>Line Item/Description</u>	<u>Medical</u>	<u>Rx</u>	<u>Total</u>
1	Paid Claims	\$1,995,283	\$380,585	\$2,375,868
2	Adjustments To Paid Claims: <span style="float: right;">Lasered</span> Claimant To Be Paid Outside The Renewal	-\$643,016	\$0	-\$643,016
3	Stop Loss Reimbursement	-\$86,157	\$0	-\$86,157
4	Adjusted Paid Claims	\$1,266,110	\$380,585	\$1,646,695
5	Beginning Reserves	-\$286,548	-\$14,866	-\$301,414
6	Ending Reserves	\$265,640	\$15,079	\$280,719
7	Incurred Claims	\$1,245,202	\$380,798	\$1,626,000
8	Total Covered Employees (Annualized)	1,836	1,836	
9	Claims Cost PEPM	\$678.21	\$207.41	\$885.62
10	Trend	1.11505	1.14753	
11	Projected Claims Cost Per Employee	\$756.24	\$238.00	\$994.25
12	Specific Stop-Loss Premium PEPM (assume +15%)	\$609.03	\$0.00	\$609.03
13	Aggregate Stop Loss Premium PEPM (2018 Fee Level)	\$11.45	\$0.00	\$11.45
14	Total Plan Expenses (2018 Fees + Cancer plan)	\$68.55	\$0.00	\$68.55
15	Broker Services (2.65%)	\$38.50	\$6.50	\$45.00
16	Hourglass Services (1.25%)	\$18.16	\$3.06	\$21.23
17	JPA Administration Fee (1.65%)	\$23.97	\$4.04	\$28.02
18	EBA Required Margin of 0.90%	\$6.81	\$2.14	\$8.95
19	Keenan Recommended Claim Margin of 2.10%	\$15.88	\$7.14	\$23.02
20	Required Premium PEPM	\$1,548.59	\$260.89	\$1,809.48
21	Current Premium PEPM		\$1,767.11	
22	Required Increase		2.40%	
23	Current Subscribers	153	153	
24	Base Trend	7.12%	9.08%	
25	Months Trended	19	19	

**FDAC EBA**  
**Medical & Prescription Drug Preliminary Renewal Projection**  
**Claims Experience through May 31, 2019**  
**Effective January 1, 2020 through December 31, 2020**

Line	<u>Line Item/Description</u>	<u>Medical</u>	<u>Rx</u>	<u>Total</u>
1	Paid Claims	\$1,995,283	\$380,585	\$2,375,868
2	Adjustments To Paid Claims	\$0	\$0	\$0
3	Stop Loss Reimbursement	-\$86,157	\$0	-\$86,157
4	Adjusted Paid Claims	\$1,909,126	\$380,585	\$2,289,711
5	Beginning Reserves	-\$286,548	-\$14,866	-\$301,414
6	Ending Reserves	\$265,640	\$15,079	\$280,719
7	Incurred Claims	\$1,888,218	\$380,798	\$2,269,016
8	Total Covered Employees (Annualized)	1,836	1,836	
9	Claims Cost PEPM	\$1,028.44	\$207.41	\$1,235.85
10	Trend	1.11505	1.14753	
11	Projected Claims Cost Per Employee	\$1,146.77	\$238.00	\$1,384.77
12	Specific Stop-Loss Premium PEPM (assume +15%)	\$609.03	\$0.00	\$609.03
13	Aggregate Stop Loss Premium PEPM (2018 Fee Level)	\$11.45	\$0.00	\$11.45
14	Total Plan Expenses (2018 Fees + Cancer plan)	\$68.55	\$0.00	\$68.55
15	Broker Services (2.65%)	\$49.07	\$6.50	\$55.56
16	Hourglass Services (1.25%)	\$23.14	\$3.06	\$26.21
17	JPA Administration Fee (1.65%)	\$30.55	\$4.04	\$34.60
18	EBA Required Margin of 0.90%	\$10.32	\$2.14	\$12.46
19	Keenan Recommended Claim Margin of 2.10%	\$24.08	\$7.14	\$31.22
20	Required Premium PEPM	\$1,972.96	\$260.89	\$2,233.85
21	Current Premium PEPM		\$1,767.11	
22	Required Increase		26.41%	
23	Current Subscribers	153	153	
24	Base Trend	7.12%	9.08%	
25	Months Trended	19	19	

**FDAC EBA**  
**Dental Preliminary Renewal Projection**  
**Claims Experience through May 31, 2019**  
**Effective January 1, 2020 through December 31, 2020**

Line	Line Item/Description	Dental
1	Paid Claims 6/1/2018 - 5/31/2019	\$ 1,071,435
2	Beginning IBNP Reserve as of 6/1/2018	- 52,958
3	Ending IBNP Reserve as of 5/31/2019	+ 57,579
4	Plan Change Adjustment	+ 0
5	Incurred Claims 6/1/2018 - 5/31/2019	\$ 1,076,056
6	Accumulated Covered Employees 6/1/2018 - 5/31/2019	÷ 13,271
7	Incurred Claims PEPM 6/1/2018 - 5/31/2019	\$ 81.08
8	Trend (24 Months @ 4.00% Annual)	x 1.0641
9	Expected Incurred Claims PEPM 1/1/2020 - 12/31/2020	\$ 86.28
10	Delta Dental Administration Fee (\$9.88 PEPM)	+ 9.88
11	FDAC EBA Admin Fee (1.65%)	+ 1.59
12	Hourglass Benefits Admin Fee (1.25%)	+ 1.20
13	Keenan Consulting Fee (2.65%)	+ 2.62
14	EBA Required Margin (6.29%)	+ 5.43
	Recommended Monthly Funding Margin @ 5.00%	+ 4.31
	Recommended Average Monthly Funding Level With Margin	\$ 111.31
	Recommended Funding Action With Margin	+ -18.44%

Keenan & Associates calculates a conservative minimum recommended funding level. Fire District Association of California retains the right to select the final funding amount. However, Keenan & Associates recommends implementing a conservative funding level to ensure adequate rates for the next plan year. Additionally, these projected funding levels are only estimates and

Rate Tier Description	Current Rates	Renewal w/0% Margin	Renewal w/5% Margin
Single (1.0)	\$60.00	\$47.03	\$48.94
EE + 1 (1.25)	\$75.00	\$58.79	\$61.17
EE+2+ (1.5)	\$90.00	\$70.55	\$73.40

Rate Tier Description	Current Rates	Renewal w/0% Margin	Renewal w/5% Margin
Single (1.0)	\$40.29	\$31.58	\$32.86
EE + 1 (1.85)	\$74.53	\$58.43	\$60.79
EE+2+ (3.0)	\$120.87	\$94.75	\$98.58