

## Board of Trustees Douglas County School District

## FINANCES

### HEALTH FUND RESERVES FUNDING AND RECOVERY

#### Purpose and scope

The Board shall maintain the financial capacity of the District's self-funded employee health plan to pay benefits when due, absorb reasonable claims volatility, and protect District operations. This policy governs the Self-Insurance Health Fund, including medical, prescription, dental, and vision benefits and related plan costs.

#### Fund stewardship and reserve measurement

The District shall account for the self-funded plan as an internal service fund. Employee deductions and District contributions shall be deposited in a trust fund or otherwise held in trust and used only for the purposes permitted by NRS 287.029. Amounts held for the health plan shall not be treated as available General Fund resources.

The Chief Financial Officer (CFO) shall recognize unpaid claims, including incurred but not reported claims (IBNR), using a documented annual actuarial or professionally supported estimate. IBNR is a liability and shall not be counted toward the reserve cushion. For this policy, reserve net position means Health Fund net position after recognition of all liabilities. Annual plan costs means projected claims and plan administration, stop-loss and other related costs, net of reasonably collectible reimbursements and rebates.

The minimum reserve is reserve net position equal to two months (16.7%) of projected annual plan costs. The target reserve is three months (25%). Four months (33.3%) is the upper range for evaluating prospective plan-related uses. The CFO shall recalculate dollar thresholds at least annually and after the year-end liability estimate. The District shall also maintain adequate liquidity to pay claims and other obligations as they come due.

#### Annual funding and risk management

Before the Board acts on the annual budget and health plan funding, the Superintendent shall present a forward-looking analysis of claims, enrollment, plan costs, stop-loss terms, unpaid-claim liabilities, contribution levels, cash flow, and an adverse claims scenario. Recommended funding shall cover projected annual plan costs and, while below target, include an identified reserve-recovery component. One-time resources may stabilize the plan temporarily but shall be accompanied by recurring corrective measures. All contribution and benefit changes remain subject to applicable law, plan documents, and collective bargaining obligations.

The District shall annually evaluate specific and aggregate stop-loss options, including coverage terms, premiums, deductibles, exclusions, reimbursement timing, and the financial exposure retained without coverage. The Superintendent shall document the recommendation.

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### Corrective action and recovery

When reserve net position is below the target but at or above the minimum, the Superintendent shall include a defined recovery contribution in the next budget and rate cycle. When it falls below the minimum, the Superintendent shall present a written corrective plan to the Board within 90 days. The plan shall address rates and contributions, plan cost and procurement actions, liquidity, stop-loss coverage, temporary support, and projected annual reserve milestones. If reserves fall below one month of annual plan costs or the District projects inability to pay claims when due, the Superintendent shall seek Board action within 30 days or sooner as circumstances require.

The District shall first restore recurring operating balance, then rebuild the minimum reserve as soon as practicable and ordinarily within three fiscal years of adoption of a corrective plan. It shall ordinarily restore the target within five to seven fiscal years. The Board may approve a revised schedule upon written findings explaining updated forecasts, affordability, bargaining constraints, and the actions needed to protect claims payment. Temporary General Fund support shall be separately disclosed and legally reviewed; any repayment terms shall be approved by the Board.

### Use of reserve balances

The Health Fund may pay lawful plan claims and expenses, including unexpected claim costs and vendor transition costs. Any discretionary use of the reserve cushion below the minimum requires a Board approved finding of necessity and a replenishment plan. While below target, the District shall not adopt an unfunded benefit expansion or contribution holiday. A risk-reducing or verified cost-saving action may be approved by the Board after review of its effect on recovery.

A balance above the target shall ordinarily be retained for claim volatility and rate stability. Before approving a discretionary use above target, the Board shall receive a CFO certification of liabilities and reasonably collectible receivables, a three-year expected and adverse forecast, the participant impact, and a description of the proposed use. The projected reserve must remain at or above target under the expected case and at or above minimum under the adverse case. Uses above the upper range may include prospective contribution stabilization, additional risk protection, or lawful one-time health plan investments. Recurring benefit or contribution changes require a recurring funding source. No Health Fund balance shall be transferred for an unrelated District purpose.

### Reporting and review

The CFO shall report quarterly to the Board on cash, receivables, unpaid claims and IBNR, reserve net position and months of cost coverage, contributions and claims compared with budget, stop-loss recoveries, projected year-end results, and progress against any recovery plan. Reports shall omit personally identifiable health information. The Board shall review this policy at least every three years and sooner after a material change in funding, benefits, enrollment, or financial condition.

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### Initial recovery direction

For the initial recovery period, the Superintendent shall bring an annually updated five-year plan to the Board, with a goal of reaching the two-month minimum by June 30, 2029, and the three-month target by June 30, 2031. The plan shall use audited beginning net position, current claims and IBNR estimates, and updated cost projections; illustrative dollar amounts in planning materials are not adopted appropriations. If the annual forecast is more than 10% below an approved milestone, the Superintendent shall present a catch-up plan within 60 days.

### Compliance with law

This Board Policy and the adoption of the self-funded employee health plan shall be interpreted in accordance with all applicable provisions of law and regulation, including without limitation NRS 287.010-.040, and any other applicable statutes, regulations, and legally binding requirements pertaining to self-insured health plans provided by the District. In no event shall any provision of this Board Policy be construed to require the occurrence of any act that is prohibited by or that would be in violation of any provision of applicable federal, state, or local law or regulation. To the extent that any provision of this Board Policy is determined to conflict with applicable law, the applicable law shall control, and the conflicting provision shall be construed, limited, or disregarded to the extent necessary to achieve compliance with such law or regulation.

Reference: NRS 287.010, 287.029, 288.150, 354.543

Date Adopted: TBD