

**Questions Submitted by Trustee Mrs. Prado  
June 6, 2018 Special Called Board Meeting  
Consent Item #8**

**Question: You have indicated that members of the Insurance Committee met on four separate occasions pertaining to this item. Not including members of your administrative staff, which other insurance committee members, attended on a regular basis?**

Answer: Only one committee member missed one meeting. All other meetings had 100% attendance.

**Question: If at the end of the proposed contract (November 1, 2018-October 31, 2019), the Board of Trustees decides to revert to the fully insured model, what would happen to any known outstanding claims or unknown claims resulting during the contract year?**

Answer: The Board could certainly decide to return to being fully insured next plan year but it is best the District look at this change as a multiyear strategy. However if the ISD decides to return to a fully insured plan, the run out claims will be paid by Blue Cross Blue Shield (BCBS) from the employee benefit fund. We have allocated over \$1 million in the budget for this purpose.

The stop loss policy contains a Terminal Liability Option (TLO). In the event the District returns to a fully insured plan we will exercise this option. The TLO caps the run off claims expense at a level below the reserve funds.

The Aggregate Stop Loss (ASL) caps the total liability during the year and TLO will cap the run out.

**Question: What type of Catastrophic coverage will be provided? Will it be for one year or on-going?**

Answer: The district will purchase two different kinds of insurance on a yearly basis.

Individual Stop Loss (ISL) which will limit the impact of any single individual's annual claims.

Aggregate Stop Loss (ASL) which caps the total amount the District can spend in any given year.

**Question: Currently, the district is fully insured, therefore there is no exposure to the district. Should the district change to self funded, what exposure will there be for the district**

Answer: The exposure to the District will be fully accounted for by purchasing ISL, ASL and funding the claims to the aggregate limit. We will also fund an additional \$1 million for run out claims.

**Question: In your response you stated, "the self insurance fund is not at risk of catastrophic claims". The self funded model will realize a \$1.1 million savings compared to the current cost. The district is recommending that premiums stay at the same level so a "reserve fund" is available for medical costs. If the plan is not at risk, why the reserve fund?**

**Answer: The Reserve Fund serves a couple of purposes:**

**Run Off Protection:** If the District should choose to return back to being Fully Insured the Reserve will pay the run out claims.

**Plan Stabilization:** All employee benefit plans experience ups and downs due to large claims. In those bad years the Reserve fund will help swallow a portion of the increase.

**Question: What has been our claims experience for the last 3 -5 years?**

**Answer: 2015-2016 = \$5,489,961; 2016-2017 = \$7,155,212**

**Question: Will Gallagher Consulting receive a set annual fee for their services during the contract year?**

**Answer: Set consulting fee of \$55,000.**

**Question: Or will Gallagher Consulting receive a percentage from each of the following; medical, prescription drug coverage and the Stop Loss coverage?**

**Answer: Gallagher will receive both a flat fee plus a \$1.75 per script to provide audit and prescription review services paid to them by Express Scripts through the Texas Education Cooperative.**

**Question: What is the total cost for the contract year of the Stop Loss coverage?**

**Answer: Stop Loss Premium is \$674,202**

**Question: Is the Stop Loss coverage per claim and if so, what is the run off period?**

**Answer: It is not per claim. It is per individual or on the aggregate plan expense. The District has the right to purchase TLO to cover run out claims.**

**Question: Who on our staff has the insurance background to insure the self-funding program is run properly?**

**Answer: Irma Paine, Human Resource Coordinator, has experience managing a self-funded program at her previous district.**

**Also the district will have a Third Party Administrator that will assist in the following:**

**Pays claims**

**Negotiates networks**

**Performs most customer service functions**

**Disease and utilization management**

**Acts as plan fiduciary**

District responsibilities:

Pays fixed costs

Pays claim wires

Monitors plan performance (with Gallagher)

Handles eligibility

Assists employees with appeals

**Question: Who are the principals with Gallagher Consulting?**

Answer: As a publicly traded firm Gallagher does not have Principals but the lead consultant is Nick Long.