

Questions Submitted by Trustee Connie Prado
June 6, 2018 Special Called Board Meeting
Consent Agenda Item #8

Question: I have reviewed the draft agenda for the June 6th meeting. I am assuming that Consent Item #8 is a new approach to funding our district's health insurance plan i.e., self funding our insurance plan. If I am misinformed please disregard. If I am not, I have some serious concerns. If I understand this new approach it involves a large financial "upfront" investment from the school district's funds with a potential risk with regard to irregular catastrophic illnesses. The draft agenda indicates that the recommendation and supporting documentation will be made available the night of the board meeting. Obviously, members of the insurance committee have had the opportunity to review this new plan. I am assuming members of your staff have also had the same opportunity. Therefore, why shouldn't the policy makers, the Board of Trustees, have that same opportunity? This new concept has huge ramifications. I am asking, that you reconsider your decision and provide as much information on board book. Further, that at least the supporting documentation and other relative information be available when the final agenda is posted. Members of the Board could then submit questions regarding this item prior to the meeting. This departure from the norm should be reviewed, discussed and deliberated with the upmost transparency. The "sizable investment" of the taxpayer's money should be given its due diligence. Please share my concerns and requests with the other members of the board.

Answer: In response to Ms. Prado's questions, Consent item #8 changes our employee health insurance program to a self-funded program. This change does not require "a large financial upfront investment from the school district's funds" and it does not have "a potential risk with regard to irregular catastrophic illnesses." The program is self-funded through the monthly premiums paid by the insured employees and the monthly health insurance contribution that is paid by the school district on behalf of each employee. The program also provides stop loss insurance for catastrophic claims. The self insurance fund is not at risk of these catastrophic claims. The chart below provides comparison information on what total annual cost would be for health insurance comparing our current carrier, Blue Cross Blue Shield (BCBS), to the self-funded model.

| Medical and Pharmacy Premium Summary | | |
|---|---|--------------------------------|
| <u>Carrier</u> | <u>Current Annual Premium</u> | <u>Annual Increase/Savings</u> |
| Blue Cross Blue Shield (BCBS) | \$6,106,124 | |
| <u>Fully Insured BCBS</u> | <u>Effective 11/1/2018</u> \$6,582,391 | \$476,268 |
| <u>Self-Funded BCBS with Express Scripts</u> | \$5,010,390 | (\$1,095,733) |

Although the self-funded model has a \$1.1 million savings compared to the current cost, it is recommended that we keep premiums at the same level so a reserve fund is available for future medical costs. This information will be posted to BoardBook. Please let me know if you have other questions.