



Regional School District #4
Chester – Deep River – Essex – Region 4
Region 4 Financial Task Force Meeting

Date: February 06, 2020

Committee: REGION 4 FINANCIAL TASK FORCE

Committee Members:				Administration	
Kate Sandmann (R4 BOE)	X	Virginia Carmany (CH BOF)	X	Brian J. White	X
Lori Ann Clymas (R4 BOE)		George Eckenroth (DR BOF)	X		
Jennifer Clark (R4 BOE)	X	Keith Crehan (ES BOF)	X		
Rick Daniels (R4 BOE)					
Lauren Gister (CH First Selectperson)	X				
Angus McDonald (DR First Selectperson)		Duane Gates (alternate for Angus McDonald)	X	Other	
Terry Stewart (designee for ES First Selectperson)		Kelly Sterner (alternate for Terry Stewart)	X	Audience of Citizens	X

X = present

Audience of Citizens:

The meeting began at approx. 6:00 pm.

Items/Discussion:

Superintendent White shared updates on the Capital Reserve Fund; the status of the 2018-19 audits for Region 4 (and Supervision District) which are currently on a filing extension; and the Region 4 (self-insured) Health Insurance Fund.

Mr. White reviewed the major topics of the work that the committee will be addressing throughout the rest of the year. Their work will include aspects related to the Capital Reserve Fund such as making recommendations regarding the establishment of an account for the Capital Reserve Fund; the transfer of existing funds, and the creation of capital plan and bonding needs.

The committee's work will also focus on aspects related to the Region 4 Health Insurance Fund including the discussion of strategies for building a reserve balance; paying down insurance fund deficit and IBNR (incurred but not received) claims; the development of a multi-year financial plan; the development of recommendations for future contract negotiations; and evaluating current/developing future recommended policies, practices and structure of the fund.

The committee reviewed a proposed schedule for upcoming meeting dates. It was determined that none of the proposed dates were feasible. Mr. White will have his administrative assistant contact the committee to determine future meetings dates.

There was a time for public comment.

Adjournment:

The meeting concluded at: approx. 7:30 p.m.

Proposed Dates for Future Task Force Meetings – JWMS Library

Wed., February 26th, 2020 @ 6:00 p.m.

Wed., March 11th, 2020 @ 6:00 p.m.

Wed., March 25th, 2020 @ 6:00 p.m.

Wed., April 22nd, 2020 @ 6:00 p.m.

Wed., May 13th, 2020 @ 6:00 p.m.

Health Insurance Fund

Self Insurance Revenues

- **Employer Contributions – set by budget**
 - Region 4, Supv Dist, Chester, Deep River, Essex BOE
 - Town of Deep River, Town of Essex
- **Employee contributions from payroll – set by contract**
- **Retiree and COBRA contributions – set by contract**
- **State Teacher Retiree – set by State Statute**
- **Total for 18-19 – \$7.080 million**

Self Insurance Expenses

- Claims, Stop Loss Insurance and Admin Fees from Anthem
- HSA contributions for employees
- Medicaap premiums for retirees
- Consultant Fees
- Miscellaneous Expenses
- Total for 18-19 – \$7.859 million
- Loss for 18-19 of \$779,000

End of Fiscal Year

- Need to have enough assets for
 - Bills received in June but due in July – generally for Anthem claims after 6/25
 - 18-19: \$315,770
 - Incurred but not Received (IBNR)
 - Costs for medical services for covered employees that have not yet even hit Anthem. Typically runs about 1/12 of the annual cost.
 - So if you switch health plans you have enough funds on hand to pay the claims run out from old plans
 - 18-19: \$643,122
 - Additional Cushion for a bad claims year
 - 18-19: \$0 – never planned for
- Total Asset Need for 18-19: ~\$958,000 plus cushion for a bad year

Preliminary 2018-19 Year End

- Funds on Hand - \$445,000
 - Cash on Hand - \$55,000
 - Due From Café Fund - \$ 62,000
 - Due from Region 4 - \$328,000
- Funds Needed - \$958,000 plus cushion for bad claims years
- Gap - \$513,000 plus cushion for bad claims years

Funding Proposals

- Use a conservative budget for FY20-21 Health Expenses as there is no cushion
- Amortize deficit of 5 years – Add \$100,000 to conservative budget for FY20-21 Health Expenses

Regional School District #4

Running Claim History

Net Paid Claims by Month ⁽¹⁾

	<u>2015 - 2016</u> ⁽¹⁾	<u>2016 - 2017</u>	<u>2017 - 2018</u>	<u>2018 - 2019</u>	<u>2019 - 2020</u>
July	\$ 502,261	\$ 435,380	\$ 367,551	\$ 436,675	\$ 506,022
August	\$ 355,500	\$ 466,209	\$ 408,708	\$ 625,078	\$ 558,469
September	\$ 383,398	\$ 317,655	\$ 602,439	\$ 247,541	\$ 571,040
October	\$ 543,371	\$ 473,219	\$ 435,533	\$ 564,373	\$ 539,952
November	\$ 551,386	\$ 351,555	\$ 412,015	\$ 651,844	\$ 484,138
December	\$ 698,563	\$ 420,894	\$ 376,020	\$ 418,723	\$ 455,561
January	\$ 469,138	\$ 579,360	\$ 331,978	\$ 499,490	\$ -
February	\$ 665,090	\$ 495,577	\$ 603,190	\$ 545,905	\$ -
March	\$ 594,559	\$ 461,165	\$ 527,577	\$ 386,629	\$ -
April	\$ 478,907	\$ 546,535	\$ 409,867	\$ 602,769	\$ -
May	\$ 539,650	\$ 498,805	\$ 658,902	\$ 852,946	\$ -
June	\$ 284,194	\$ 455,708	\$ 563,249	\$ 664,813	\$ -
TOTAL	\$6,066,017	\$5,502,062	\$5,697,027	\$6,496,787	\$3,115,182
Per Month	\$ 505,501	\$ 458,505	\$ 474,752	\$ 541,399	\$ 519,197
Average Contracts	366	359	348	334	324
Average Members	840	803	784	753	738
Average Cost/Contract	\$16,574	\$15,326	\$16,390	\$19,451	\$19,239
Average Cost/Member	\$7,221	\$6,852	\$7,271	\$8,627	\$8,438
% Change Cost/Contract		-7.5%	6.9%	18.7%	-1.1%
% Change Cost/Member		-5.1%	6.1%	18.6%	-2.2%

(1) 2015-2016 Net Claims by Month Not Available-All Excess Reported in June

**Regional School District #4
Medical, RX and Dental Claims
Projections vs Actual**

	July-June 2015 - 2016	July-June 2016 - 2017	July-June 2017 - 2018	July-June 2018 - 2019	YTD Thru Dec '19 July-June 2019 - 2020
I. Carrier Values					
Expected Claims	\$5,484,948	\$6,371,832	\$5,901,828	\$6,308,904	\$6,490,548
Expected Plan YTD					\$3,245,274
Actual Claims					
Gross Claims:	\$6,219,512	\$5,550,650	\$6,002,486	\$7,011,468	\$3,259,321
Excess Claims Over Stop Loss:	-\$153,495	-\$48,588	-\$305,459	-\$514,681	-\$144,139
Actual Net Claims:	\$6,066,017	\$5,502,062	\$5,697,027	\$6,496,787	\$3,115,182
Plan Year Differential	\$ 581,069	\$ (869,770)	\$ (204,801)	\$ 187,883	\$ (130,092)
% Differential	10.59%	-13.65%	-3.47%	2.98%	-4.01%
Individual Stop Loss Premit	\$441,020	\$470,240	\$489,048	\$509,549	\$579,721
Individual Stop Loss Level	\$150K	\$150K	\$150K	\$150K	\$150K
II. Non-Catastrophic/Catastrophic Claims					
Total Employer Paid	\$6,066,017	\$5,502,062	\$5,697,027	\$6,496,787	\$3,115,182
HDC Employer Paid: ⁽¹⁾	\$1,695,490	\$1,781,293	\$1,693,739	\$3,059,971	\$1,381,996
Non-HDC Employer Paid:	\$4,370,527	\$3,720,769	\$4,003,288	\$3,436,816	\$1,733,186
Members:					
Average Total Members:	840	803	784	753	738
HDC Members:	20	21	19	30	13
HDC %:					
\$:	27.95%	32.38%	29.73%	47.10%	44.36%
Members:	2.38%	2.62%	2.43%	3.98%	1.76%
Non HDC PMPM ⁽³⁾	\$433.58	\$386.13	\$425.79	\$380.30	\$391.24
Year-Over-Year % Change		-10.94%	10.27%	-10.68%	2.87%
III. Additional Data					
Claims Over \$50K Bucketed					
\$50k-75K	\$ 599,716	\$672,468	\$514,351	\$646,464	\$188,863
#	10	11	9	11	3
\$75-100K	\$ 412,894	\$339,284	\$367,688	\$450,035	\$268,039
#	5	4	4	5	3
\$100-125K	\$ 239,556	\$341,498	\$211,700	\$209,647	\$341,793
#	2	3	2	2	3
\$125-150K	\$ 143,324	\$128,043	\$0	\$553,825	\$283,301
#	1	1	0	4	2
\$150-175K	\$ 0	\$154,701	\$171,724	\$502,927	\$164,903
#	0	1	1	3	1
\$175-200K	\$ 193,552	\$192,420	\$0	\$396,434	\$0
#	1	1	0	2	0
\$200-250K	\$ 0	\$0	\$437,424	\$206,119	\$0
#	0	0	2	1	0
\$250K+	\$ 259,943	\$0	\$296,311	\$609,202	\$279,236
#	1	0	1	2	1
Highest Claimant	\$259,943	\$192,420	\$296,311	\$609,202	\$279,236

'15 & '16 Excess Claims For Different
Reporting than Bucketed Claims
Results Vary Slightly

(1) HDC = Net High Dollar Claimant (> \$50,000)

RSD 4
2020 Projection Highlights
January 27, 2020

J. Projection thru November 2019 (Previous Year Dec 2018)

A. Enrollment

1. Average Employee Counts Over the Period are Down 3.1% from 339.75 to 329.33
2. Employee Counts as of the Last Month are Down 3.3% from 336 to 326

B. Experience Period Paid Claims

1. Up 12.7% on a total dollar basis from \$6.41M to \$7.23M
2. Up 16.3% on a per employee basis

C. Large Claims

1. 28 Members over \$50K (up 6 from Previous yr. experience)
2. Up 33% to \$3.66M
3. 8 Claimants over \$150K Stop Loss Level (up 2 from previous yr. experience)
4. \$726K in claims over \$150K (up 18.6% from previous yr. experience)

D. Trend

1. Annual Trend Range: 8.78% to 11.24% (aggressive to conservative)
2. 19 Month Trend Range: 14.3% to 18.4% (aggressive to conservative)

E. Expected Claims

1. Up 13-17.1% on a total dollar basis to \$7.33M-\$7.6M
2. Up 16.8-21% on a per employee basis

F. Admin/NAF Fees/Stop Loss--ESTIMATED-Awaiting Official Anthem Renewal

1. Conservative Estimate \$1M
2. Up 30% on a per employee basis (assumes large stop loss increase)

H. Total Cost

1. Up 14.3-18.1% on a total dollar basis to \$8.3M-8.6M
2. Up 18.3-22.1% on a per employee basis

From Policy Manual Table of Contents for 4000 series

No Policy - instead **Insurance/Health & Welfare Benefits** is listed as "T/A" which means contract supersedes policy (i.e. there is no policy) it is covered in the Teachers and Administrators contracts

Compensation and Related Benefits 4140 T/A

(1) Salary Guides 4141 T/A

(2) Salary Checks and Deductions 4142 T/A

(3) Extra Pay for Extra Work 4143 T

(4) ~~Insurance~~/Health & Welfare Benefits 4144 T/A

Medical Consortium Reserve Policy Employee Self Insurance Fund

Purpose

The purpose of this policy is to provide a standard for the appropriate level of reserves that should be maintained in the employee health insurance fund and establishing a method of managing the fund in order to maintain appropriate levels of reserve and to establish a process in the event the reserves fall below the optimal levels of established by the consortium.

Policy Statement

It is the intention of the Regional School District #4 to fund the liabilities of their respective health insurance plans and provide sufficient financial resources to fund any unanticipated claims in excess of budgeted claim levels.

Reserve Level

The optimal reserve level established by the consortium is 25% of annual expected claims. Annual expected claims are defined as medical claims, fees and IBNR claims. This reserve level is established with the understanding that individual stop loss insurance of \$150,000 to \$175,000 is maintained.

Claim Reserve Maximum

Poor claim years occur periodically, which draw the reserve balance below the optimal 25% of expected claims. When this occurs, the region will restore the fund to at least 20% reserve level by increasing annual funding level over the next (three, four or five) succeeding annual budgets. The fund may also be funded through year end surplus funds as directed by the Board of Education.

Money in the reserve account cannot be used for any other purpose than funding medical expenses. Should the Reserve account exceed 25% then consideration should be given for the excess funds be applied to subsequent year's expected claims.

Budget Requests

During the annual budget process each entity will include in their respective budget requests sufficient budget amounts to cover expected claims and adjustments for the upcoming year.