

Jordan School District
Insurance Advisory Committee
February 22, 2006

Minutes

Committee Members in attendance:

Lorelee Mitchell
Scott Berryessa
Jill Durrant
Dale Garfield
Floyd Stensrud
Carole Stott
Patricia Thompson
Janet Tufts

Committee Members excused:

Jennifer Buttars
Susan Callister

Others in attendance:

D. Burke Jolley
Monte Fautin
Mike Havnes
Cheryl Matson

The meeting came to order at 4:00 p.m. in the District Administration Building. Committee members were welcomed.

General Business Items

Committee members approved the January 11, 2006, minutes as written.

Special Business Items

None

Informational Items

The following information was reviewed with committee members:

A. Medical and Pharmacy Claims for January

1. Medical \$1,654,085.47
2. Pharmacy \$821,946.81

B. EAP Quarterly Report

The EAP report showed that 13.7% of those employees enrolled in a medical insurance plan utilized the services of Blomquist Hale. Of the 13.7%, 86.8% received assistance by Blomquist Hale counselors and 13.2% were referred out to counselors in the medical plan.

C. Insurance Consultant Items

1. Health Insurance Costs for the Next Insurance Year

Medical claims submitted for payment by PEHP have been over the budgeted amount nearly every month since July. If this trend continues, premiums will have to be increased to shore up the \$2 million reserve. Mike Havnes reviewed two scenarios to fund the insurance program for the next insurance year. One scenario included shoring up the reserve with a 20% increase and the other scenario did not include the added funds to shore up the reserve and came in at a 14% increase.

Committee members asked that potential changes to the plan be brought back to the next meeting to mitigate an estimated large increase in the premium for next year. Some potential changes discussed include an increase in co-pays, increased deductible and raising the 3-month cap on mail order prescriptions.

Discussion Items

1. Insurance Committee Items

Scott Berryessa suggested that the committee look at bidding out a low-cost insurance plan for retirees in view of the new retiree benefit. He also asked that an HSA be considered for the next insurance year.

It was determined that the communication process to implement an HSA would take considerably longer than a few months; therefore, it would not be feasible to implement an HSA for the next insurance year. Monte Fautin distributed a hand-out entitled, "Introduction to Health Savings Accounts (HSAs)," which is information they use to begin the communication process for HSAs in their business. The information in this hand-out is as follows:

Overview – On January 1, 2004, the federal government instituted provisions for Health Savings Account (HSA) plans. This new program has the potential to save employees and their families money for medical insurance needs.

An HSA program is a completely new approach to the way medical care is paid. There are two ways employees pay for health care: 1) premiums taken out of paychecks; 2) out-of-pocket expenses. When employees pay more premium, they pay for a higher level of benefits such as low office visit co-pays, low deductibles, low prescription drug co-pays, etc. Monthly medical premiums that the employer and employee pay add up to quite a bit of money. Yet, the majority of employees (75%) don't use their medical benefits enough to equal the total amount of employer and employee premiums. So where do these extra insurance dollars go? In typical insurance programs, these dollars are used to pay for those with high-cost medical needs – 25% of the medically insured population on average. With an HSA Plan, the majority of the employee's money is "pooled" in their own personal Health Savings Account (HSA) rather than with the insurance company.

The HSA philosophy is – don't pay for things you don't use. Rather than paying high insurance premiums each pay period, the HSA option is set up for employees to pay lower premiums per paycheck. The tax-free money that would have gone toward premiums can now be directed to a separate Health Savings Account, which the employee owns, to be used when it is actually needed – that is – whenever medical care is needed. For

example, if an employee is on an HSA plan with a \$1,100 deductible (for single persons) or \$2,200 deductible (for two or more insured parties) and it is estimated that the gross medical costs would be less than the deductible during the medical plan year, the remainder of the \$1,100 or \$2,200 in a medical savings would stay in their personal HSA account. For those with two-party or family coverage, the HSA requires that the entire family deductible be met either by one member or the entire family collectively before any benefit is paid out.

How It Works – There are two components to an HSA Plan:

1. **Qualified High Deductible Health Plan (QHDHP):** The employee must enroll in a high deductible insurance policy designed to insure for catastrophic events. The full price (network discounts apply) for smaller medical expenses are paid until the deductible is met. Per IRS guidelines, the minimum deductible for 2006 is \$1,100 for a single and \$2,200 for a family.
2. **Health Savings Account:** A Health Savings Account is a tax exempt account within any financial institution where an employee can accumulate savings to pay for medical expenses. Contributions are made either pre-tax through a payroll deduction or as an above-the-line tax deduction. Plus, income earned on funds in the HSA will grow tax-deferred. An HSA allows tax reductions on medical needs while having affordable premiums without risking insurance protection.

Contributions:

- Can be made by account holder or family member.
- Can be made up to 100% of annual deductible with maximum limits as determined by the IRS each year.
- Catch-up contributions are available to individuals and their spouses who are between the ages of 55 and 65.

Tax Benefits:

- Contributions can be made pre-tax through a Cafeteria (Medical Reimbursement) Plan or as an above-the-line tax deduction.
- Interest and/or earnings on the assets grow tax-deferred.
- Distributions are tax-free if used for qualified medical purchases.

Allowable Distributions:

- Account holders may use money saved in an HSA for qualified medical expenses. Even if employee is terminated, the money in the account may still be used by account holder.
- HSA funds can also be used to pay COBRA or other medical insurance premiums during periods of unemployment or temporary layoff.
- At age 65, unused HSA money can be withdrawn for non-medical reasons without penalty (ordinary income tax applied).

HSA Contribution Requirements – you must meet the following requirements in order to contribute to an HSA Plan:

1. You must be covered by a Qualified High Deductible Health Plan (QHDHP).
2. You cannot be covered by any health plan other than a QHDHP.
3. You are not entitled to benefits under Medicare.
4. You may not be claimed as a dependent on another person's tax return.

The meeting adjourned at 5:50 p.m.

The next meeting will be held on Wednesday, March 15, 2006, at 4:00 p.m. in the District Office.