OREGON SCHOOL BOARDS ASSOCIATION
BOARD OF DIRECTORS' MEETING
May 20, 2007
Minutes

Local Government Center **Salem, Oregon**

In attendance:

OSBA: Jeff Sanders, Bobbie Regan, Annette Mattson, Beth Gerot, Kris Howatt, Krina Lemons, Wally Hazen, Fred Marble, Francis Charbonnier, Dean Livelybrooks, Dave Krumbein, Scott Pillar, David Beeson
OSBA STAFF: Kevin McCann, Melanie Bevens, Lisa Freiley, Shannon Priem, Dave Westmark, Tricia Yates, Ron Wilson, Dori Brattain
GUEST: Jim Gannaway, Warrenton-Hammond SD Board Member

The meeting was called to order at 12:35 p.m. by President Jeff Sanders of the OSBA Board of Directors.

Motion: Wally Hazen moved, seconded by David Beeson, to approve the consent agenda as presented.

The Board then voted on the motion. Motion passed unanimously.

Kevin McCann introduced the PACE program as the new property and casualty program, gave an overview, and commented that the three individuals reappointed via the consent agenda are really good people and guiding this program well.

President Jeff Sanders introduced agenda item II.A and gave the floor to Kevin McCann. Kevin gave a Powerpoint presentation on the OSBA Health Insurance Program renewal. He passed around the Mercer notebook of renewal information (Exhibit B) that was made available to the Insurance Oversight Committee (Craig Prewitt, Sherry Duerst-Higgins, and David Beeson) and informed the Board that the committee had reviewed the renewal process earlier in the week. David Beeson commented that the report presented by Mercer appears to be a pretty accurate forecast.

Kevin McCann gave the Board a brief history of the renewal process and explained the rationale behind it.

Kevin explained that the reserve is currently at about $65 million, but that OSBA is committed to some costs in the current year that will draw down the reserve by as much as $17 million. He stated that the final figure will not be known until the end of the plan year.

Kevin informed the Board that the committee is making five recommendations regarding the renewal and the Board is being asked to accept the Regence renewal including all five recommendations.

Kevin explained that the committee's first recommendation is that Advicare be dropped. The committee reasoned that this will reduce the overall renewal rate by 1.1 percent, the OSBA program will end next year, there is inconclusive proof the Advicare program provides any return on investment, and there is now a similar care management offering built into Regence's program and paid for in the premiums. David Beeson emphasized that Advicare was conceived as very long-term approach and it just didn't make sense to the committee to continue offering it given the fact that OSBA's health insurance program will be ending very soon.

The Board discussed the costs and benefits of Advicare and there was general agreement with the committee's recommendation.

Kevin then presented the committee's second recommendation, that the Board not buy down the renewal rate. The committee's reasoning was that Regence's renewal rates reflect the actual costs of the program. A choice by the Board to not buy down rates will eliminate the possibility of future liability for any shortfall of premium. The committee also reasoned that buying down rates for a program that is winding down is not appropriate. While buying down rates has been a very successful strategy in the OSBA program for many years, it is a long-term proposition, not a short-term proposition.

Kevin gave an in-depth explanation of buying down rates, explaining that buy-downs only allow districts to avoid the premium increases temporarily. Eventually all the buy-downs have to be made up because the actual costs of the program do not go away.

Kevin explained that the committee was also concerned that, with OEBB launching, if we buy down and create an artificially low rate for 2007-2008, in 2008-2009 OEBB, by statute, must also charge districts those artificially low rates the first year they are in the program. Then, in 2009-2010, districts will face a huge premium increase consisting of the buy-down percentage, the percentage increase for 2008-09 that is postponed by statute, and the increase for the 2009-10 plan year all combined into one year because OEBB's rates must increase to reflect the actual costs of the program.

The Board discussed the buy-down process, the pros and cons of a buy-down, and the possible outcomes. There was general agreement with the committee's recommendation.

Kevin then presented the committee's third recommendation, that the Board adopt the Regence Personal Choice program but forego adding the debit card feature. The committee reasoned that the program is optional for districts and very small in terms of cost and number of people involved. They also reasoned that it makes no sense to add the debit card feature with the likelihood that OSBA's insurance program will end in one year.

Kevin explained the program and the debit card feature. The Board discussed the debit card feature and there was some support for adding it, even in light of the OSBA insurance program's scheduled demise. Craig Prewitt and David Beeson explained the costs and confusion inherent in the first year of such an addition and, in the end, there was general agreement with the committee's recommendation.

Kevin presented the committee's fourth recommendation, that the Board ensure that Regence has no claim to the insurance program's reserves when the program ends. Kevin pointed out that the contract language in the Retrospective Funding Arrangement and Premium Endorsement covering this is in Section 22 (Exhibit C), which reads:

> "*Disbursement of final gain or final deficit. Upon termination of this endorsement and completion of the runout period, if the final settlement result produces a final gain, the final gain will be refunded to the association.*
>
> *"Upon termination of this endorsement and completion of the runout period, if the final settlement result produces a final deficit during the run out period, Regence BCBSO will absorb the final deficit.*"

He stated that the language is clear and staff are very confident in our interpretation. He acknowledged that there was confusion about this at the last meeting, but emphasized that this language has been part of the contract with Regence for four decades. OSBA representatives had a conversation with Regence early on, and Regence interprets it the same way we have.

The Board discussed the language of the contract and there was general agreement that the meaning was clear.

Kevin presented committee recommendation number five, to negotiate lower fees for Mercer's consultation services. Kevin explained that Mercer is OSBA's consulting firm and has been for a number of years. Mike Gray, our consultant, has been on this account for a decade. Mercer has done really great work for OSBA for a lot of years and has helped make our program successful. Their fee is built into the rates at the present time, so Mercer gets $1.35 per employee per month, which is comparable to what other similar sized pools pay. With the wind down of the program, it does not make sense to continue with that fee structure. Mike Gray agrees that the $1.35 is inappropriate. It will be necessary to go back through the paperwork and see how much Mercer charges us for the renewal work they do, and then staff will negotiate a new fee structure.

The Board discussed the current fee structure and there was general agreement with the recommendation.

Kevin summarized that the final renewal rate increase will be 17.84 percent and that it reflects actual program costs this year. Staff will carefully craft an announcement to members on what the renewal rate is and what it means.

Krina Lemons asked how many districts are currently in negotiations. Lisa Freiley responded that about 66 percent of districts are in negotiations right now. She added that the unions know this renewal rate is coming and are waiting for it, and that about two-thirds of districts have a flat cap in place and are therefore in a good position.

Kevin informed the Board that staff will propose to OEBB, once that board is seated, that they adopt the OEA and OSBA plan designs. He did not think they would do it, but believes it is the only way OEBB will be able to accomplish this transition within the current timelines.

The Board discussed the rate renewal and its unfortunate impact on teachers.

Motion: **Dean Livelybrooks moved, seconded by Fred Marble, to accept the renewal rates that incorporate the five recommendations of the committee.**

The Board discussed the insurance program's history and past refunds to program members. Kevin reminded the Board how that turned out and that the district business managers are almost unanimous in feeling this should not be done again.

The Board then voted on the motion. Motion passed unanimously.

President Jeff Sanders introduced agenda item II.B - Short-Term Borrowing Program. Kevin McCann presented the short-term borrowing resolution (Exhibit D). He explained the program and that OSBA does not actually get into the lending business, only facilitates this program where districts can do some short-term borrowing. He stated that it has been very helpful for some districts to have this available, particularly the small ones. This resolution would allow the renewal of this program and set down the basic guidelines.

Motion: **Wally Hazen moved, seconded by Fred Marble, to approve the resolution.**

The Board then voted. Motion passed with one abstention (Scott Pillar).

President Jeff Sanders introduced agenda item III.A and gave the floor to Dori Brattain. Dori explained the executive director evaluation process and pointed out the contents of the packets distributed to the Board prior to the meeting (Exhibit E). She reminded the Board that the evaluations need to be completed and returned to Melanie Bevens by June 6, 2007.

There being no further business, President Jeff Sanders adjourned the meeting at 2:10 p.m.

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Cleta M. McMorris, Recording Secretary

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Melanie Bevens, OSBA Administrative Specialist