MINUTES
CLARK COUNTY SCHOOL DISTRICT
SPECIAL MEETING OF THE BOARD OF SCHOOL TRUSTEES
EDWARD A. GREER EDUCATION CENTER, BOARD ROOM
2832 E. FLAMINGO ROAD, LAS VEGAS, NV 89121

Monday, June 16, 2014 5:30 p.m.

Roll Call: Members Present
Erin E. Cranor, President
Linda E. Young, Vice President
Patrice Tew, Clerk
Stavan Corbett, Member
Carolyn Edwards, Member
Chris Garvey, Member
Deanna L. Wright, Member

Pat Skorkowsky, Superintendent of Schools

Also present were: Mary Ann Peterson, Board Counsel, District Attorney's Office; Carlos McDade, General Counsel, Office of the General Counsel; Kim Wooden, Deputy Superintendent, Educational and Operational Excellence Unit; Cindy Krohn, Executive Assistant to the Board, Board Office; Elizabeth Carrero, Executive Manager, Office of the Superintendent, Lisa Chrapcynski, Administrative Secretary II, Board Office; John Vellardita, Clark County Education Association (CCEA) Executive Director; and John Vlajkovic, Trevor Fast, and Clay Levister, Mercer Health and Benefits LLC representatives.

FLAG SALUTE
Trustee Tew led the Pledge of Allegiance.

ADOPT AGENDA
Adopt agenda, except move Item 3.03 to follow Item 5.01 as 5.01a.
Motion: Young Second: Wright Vote: Unanimous
Trustee Garvey was not present for the vote.

PUBLIC COMMENT PERIOD
Stephen Augspurger said it is important that discussions regarding a districtwide health plan be conducted openly, publicly, and transparently.

Autumn Tampa agreed with Mr. Augspurger's sentiment that all employees need to be involved in this process. She said a concern she has with the current health plan involves how it is determined what percentage of the bill the employee is held responsible for after visiting an emergency room.

PUBLIC COMMENT PERIOD (continued)
Theresa Boucher thanked the Board for allowing this opportunity to bring the District together under one plan.

Irene H. Cooks read a letter that she previously sent to the Superintendent expressing her concerns with regarding the mistreatment of the teachers, staff, students, and families at Kermit R. Booker, Sr. Elementary School by the administration.

Terri Shuman thanked the Board for allowing this discussion. She said the health insurance issue is important to everyone, and it is important that a decision is reached in a timely manner.

John Carr said if there is to be a districtwide healthcare plan, all parties need to be involved. He talked about previous efforts to be involved in discussions regarding the current health plan.

HEALTH PLAN CONSULTANT
Presentation and discussion regarding a Board-approved project that is jointly funded by the Clark County School District and the Clark County Education Association for Mercer Health and Benefits LLC, an independent insurance consultant, to provide information regarding a districtwide insurance plan.

Superintendent Skorkowsky said the District is committed to providing quality, affordable healthcare to every one of its employees and their dependents. He explained that the District's support staff employees and police officers receive healthcare through plans negotiated by the District. He said open enrollment begins tomorrow and a free HMO option would be returned to those employees who qualify, reducing costs to their families. He said teachers receive healthcare through an independent healthcare trust, which has also had some challenges due to rising healthcare costs and faces an uncertain future. He said there has been a call for the District to create a districtwide healthcare plan for all employees that would feasibly offer lower rates since it would represent a larger number of people. He said an independent consultant was enlisted to look at the possibility of one districtwide healthcare plan.

Mr. Vellardita expressed gratitude on behalf of CCEA to the Superintendent and staff and the Board for embracing this concept and being will to have this discussion and look into creating a districtwide healthcare plan.

Representatives from Mercer Health and Benefits LLC presented their health plan analysis and discussed the following presentation topics with the Board: Current Situation: CCSD vs. Benchmark Data; Current Situation: CCEA vs. Benchmark Data; Forces Driving the Need for Change; Potential Options Considered; Key Elements Considered for Consolidation Strategy; Funding: Key Issues/Topics; Fully Insured vs. Self-Funded Programs; Primary Cost Components; Pros and Cons of Self-Funding; Variables Influencing Preferred Approach; Funding Analysis: Summary of Findings; Funding Analysis: Consolidation Assumptions; Funding Analysis:

HEALTH PLAN CONSULTANT (continued)
Consolidation Comments/Observations; Governance: Key Issues/Topics; Definitions, Roles and Responsibilities – Fiduciary Roles; Documentation – Key Plan Documents; Creating a Consolidated Governance Structure – 10 Key Steps; Differences Under a Shared Structure; Potential Alternatives; Sample Governance Structures; Plan Design Consolidation Considerations; Plan Consolidation Options; Should CCSD and CCEA Consider an Exchange Model? – Current Market Dynamics; How Important Will Private Exchanges Become?; Should CCSD and CCEA Consider an Exchange Model? – Exchange Structure; Should CCSD and CCEA Consider an Exchange Model? – Keys to Success – Flexibility; Should CCSD and CCEA Consider an Exchange Model? – Initial Marketplace Experience; Maximizing Value; Potential Cost Management Initiatives; A Key First Step: Defining a Strategic Direction; Plan Design Consolidation: Defining Direction; and Transition Plan: Potential Impact on Resources and Overall Timing.

Trustee Young asked if an appendix of terms and acronyms was available for people to follow through this presentation.

Mr. Vlajkovic said there was not, but that could be provided as follow-up information.

Trustee Garvey asked, with reference to the benchmark data on page 5 of 73, if there were cut marks for the number of employees until it gets closer to the number of CCSD employees.

Mr. Vlajkovic said they have the ability to create those cuts, but it would require a customized analysis.

Trustee Garvey asked Mr. Vlajkovic if in his experience he sees the gap between the data points closing as the number of employees gets larger.

Mr. Vlajkovic guided Trustee Garvey to the “National” column as a frame of reference as that encompasses a broad array of organizations, many of them significantly sized.

Mr. Vlajkovic commented that CCSD has a slightly older population with a fairly generous benefit with generous contributions, and a significantly lower baseline cost. He stated that CCSD’s cost is as low as it is because there is an aggressive pricing in place with Health Plan of Nevada. He said while CCEA’s annual cost per employee is higher than CCSD’s, it is significantly lower than the market. He said the CCEA plan also has a very generous benefit relative to the market at a lower overall cost than is represented by the market.

Trustee Young asked Mr. Vlajkovic to elaborate on the “overall timing” as referenced on page 13 of 73.

HEALTH PLAN CONSULTANT (continued)
Mr. Vlajkovic explained that the original charter was to identify an approach that would work for January 1, 2015, but it became clear that it was not a realistic target date. He said the calendar mapped out on page 60 of 73 shows what activities would be required and in what timeframe.

Trustee Garvey asked if the Fully Insured Retention, as referenced on page 17 of 73, is regulated, requiring the insurance company to pay 80 percent in claims.

Mr. Fast said that is correct.

Trustee Garvey asked if the Self Funded Retention is also regulated.

Mr. Fast said that is not regulated. He said the Self Funded Retention typically will not reach the regulated limits that are established for the full insured plans.

Trustee Garvey said then the Self Funded Retention funds can become a portion of reserves.

Mr. Fast agreed.

Trustee Young asked for clarification of "increased employer involvement" listed on the "cons" side of page 18 fo 73.

Mr. Fast explained that there are a number of administrative responsibilities in terms of compliance and fiduciary responsibilities in a self-funded arrangement that the health plan takes on in a fully insured plan.

Mr. Levister added that the process for paying claims also differs between self-funded and fully insured plans. He said with regard to HIPAA responsibilities, self-funded plan administrators would need to be more mindful of the privacy responsibilities than the fully insured plan administrators.

Trustee Tew asked if a third party administrator (TPA) could be hired to make the determination regarding claims and have that fiduciary responsibility.

Mr. Levister said yes, employers can have the TPA operate as the fiduciary.

Trustee Tew asked if the representatives wanted to offer a recommendation.

Mr. Vlajkovic offered that it is a safer position to take, but some companies do not want to relinquish that control.

HEALTH PLAN CONSULTANT (continued)
During the presentation, Mr. Fast commented that some provider systems may only be available under an insured option, such as physician and hospital networks, and Trustee Cranor asked if there were any instances where a provider system would not be available under an insured option.

Mr. Vlajkovic said yes, you could have a situation where the network choice is smaller than an alternative that may have a broad-based network.

Trustee Tew asked if the District were to choose a self-funded plan, would there be an issue with physicians and hospitals under contract with insurance plans being prohibited from providing service under the District's plan.

Mr. Vlajkovic said it is not necessarily a prohibition, but rather the way in which health plans contract with their providers. He explained that there are open contracts which are negotiated with a vast array of providers, and there is a "closed practice" model in which the providers are excluded from being a part of other network options, such as with the physicians who work for Kaiser Permanente.

During the presentation, Mr. Fast stated that if the District had been self-funded for the period of 2012-2013, it would have paid an additional $9.7 million or 7 percent in claims and said that information was most clearly outlined on page 68 of 73.

Trustee Tew asked if they could account for that finding when other areas imply that self-funding saves money.

Mr. Vlajkovic guided Trustee Tew to page 20 of 73 and said any of those issues or a combination thereof under the second bullet point could account for the difference. He said another possibility is that the health plan decided that it would aggressively price in order to make an aggressive stand in the marketplace and then recognized that the amount that CCSD is paying is not equal to the claims incurred.

Mr. Levister added that generally the only real savings being seen in a self-funded plan is just the difference in the retention with respect to the admin fee and the lack of a profit risk charge; otherwise, the claims that flow through and the underlying provider contractual arrangements with the providers is what drives the underlying costs, which are quite similar between self-funded and fully insured plans many times.

Mr. Fast pointed out that CCEA would have incurred additional costs if they had been under a fully insured plan during 2012-2013 in the approximate amount of $5.8 million or 2 percent.

Trustee Edwards commented that the charts provided on page 68 and 69 of 73 are difficult to understand without hearing the presentation.

HEALTH PLAN CONSULTANT (continued)
Mr. Vlajkovic offered to re-craft a more user-friendly chart. He said the bottom line is that if either CCSD or CCEA used the opposite funding model during 2012-2013, it would have incurred additional costs.

Trustee Cranor said the additional information being requested needs to be made available to the public and readily accessible and intuitively connected to the presentation.

Trustee Tew pointed out that CCSD's employee contribution is significantly below market value.

Mr. Vlajkovic said if the premium would have reflected claims experience, roughly $1,000 could be added to the cost, which he said is still favorable when compared to the marketplace. He said that at some point that cost will have to be recognized.

Trustee Edwards asked if it would be appropriate to place the additional information that the Board requests on BoardDocs® on the date of the agenda and indicate that it is additional information provided to the Trustees at their request during the meeting.

Superintendent Skorkowsky said he would confirm with legal counsel that it is allowed.

Ms. Peterson offered that the law says the public should get whatever information the Board gets at approximately the same time as the Board, so whatever mechanism the District has for doing that would comply with the law the best.

The Trustees agreed that the additional information would be posted on BoardDocs® under this agenda, Item 3.01, when they receive it.

Trustee Young suggested that something be place on the CCSD website that would let people know how they could access the additional information.

Trustee Edwards noted that with respect to identifying appropriate parties to oversee the plan, as outlined on page 30 of 73, Number 1, each employee group, as well as the District, should have representation.

Superintendent Skorkowsky stated that this particular study was commissioned for CCSD and CCEA, but moving forward anything in this area that is districtwide would include all employee groups.

Trustee Young asked who would be conducting the reviews of the plan documents and legislative changes as outlined on pages 30 and 31 of 73.

HEALTH PLAN CONSULTANT (continued)

Mr. Levister said they would expect the governance structure to be a board or a committee and they would transfer some of those responsibilities to staff or an outside trust administrator and perhaps an outside organization to oversee legislative and compliance issues.

Mr. Levister noted that the District has the payroll relationship with employees so the District is ultimately held responsible if the trust and other groups are not administering the plan according to Section 125 of the IRS code, which allows for pre-tax contributions for healthcare coverage.

Trustee Edwards asked then if it is recommended that the District administer the plan in terms of the pre-tax contributions.

Mr. Levister said if a trust or other group is chosen to administer the plan, that there should be a level of transparency and insight so that the Board is assured that they are administering the plan according to Section 125 provisions.

Trustee Garvey asked what level of transparency would be needed as public entity using a self-funded plan, respecting the HIPAA regulations, and being able to ensure that the plan is being administered correctly.

Mr. Levister offered that the funding nature of the plan would determine issues surrounding HIPAA so a self-funded plan is more likely to see protected health information (PHI) than a fully insured plan. He said the issue of pre-tax contributions is the same no matter which funding plan is utilized. He said it would be good practice to have provisions in place that allow for some oversight and periodic audits of a TPA.

Trustee Young asked if activities concerning oversight of the plan administration, audits of outside organizations, and the responsibility of the District to ensure proper administration of the plan would be presented in written format.

Mr. Levister suggested that that language would be added into the service agreement with the trust or outside groups.

Trustee Garvey asked for an explanation of the excise tax as mentioned on page 43 of 73.

Mr. Levister stated that the excise tax is a tax that was designed to penalize “Cadillac plans.” He explained that it is a tax that is a charge of 40 percent of the premium above certain triggers and will go into effect in 2018.

Trustee Young noted that there is an educational component here because of the array of opportunities and options in that all employees have to be informed of their choices.

HEALTH PLAN CONSULTANT (continued)
Trustee Edwards asked if the District has ever offered a healthcare plan, a "Cadillac plan," that would be subject to the excise tax.

Mr. Levister explained that the true way the excise tax works is that there are premium triggers, which would determine whether or not an individual or a family is over the threshold for their premium rates, and the amount over that threshold would be subject to the tax. He said he believed the trigger for a single party would be over $10,000 annually and over $23,000 for a family annually.

Mr. Vlajkovic added that at some point most health plans that are currently offered will hit those triggers and incur the excise tax.

Trustee Edwards asked why the amount over the threshold is not simply subject to an individual's current tax rate.

Mr. Levister stated that the excise tax is a tax placed on the insurance plans or self-funded accrual rates and is not an individual tax; therefore, it is not subject to an individual's tax rate.

Trustee Edwards understood that the amount over the threshold would still be exempt, as it is now, from an individual's income tax but would be subject to the excise tax.

Trustee Cranor asked for clarification of how the defined contribution strategy operates.

Mr. Levister said the District would be allocating a fixed dollar budget, and employees are making a choice based on those funds as opposed a benefit selection where the District is offering a finitely few set of benefits and maybe modifying the contributions to reach its enrollment objective.

Trustee Cranor understood that under a defined contribution strategy, the governing body's role would not be to negotiate health plans, but to facility the creation of options for employees and to sustain those options.

Mr. Vlajkovic offered that in theory if an array of meaningful choice is provided up front, plan design does not need to be revisited very often, but instead what is needed then is a review and management of the funding consideration, looking at the underlying structure, such as being aligned with the proper networks and discounts, ensuring that the medical management process is effective, driving wellness and healthy behaviors in the organization, possibly reviewing alternative delivery models, and possibly looking at relationships with value-based contracts.

Trustee Cranor wondered where the District currently stands in any part of this process.

HEALTH PLAN CONSULTANT (continued)
Mr. Vlajkovic said in his opinion, the District has the advantage of having experience dealing with fixed budgets, which is essentially what a defined contribution strategy is. He said the CCSD health plan has also offered significant choice in term of its number of options, though the range of choice is compressed. He said what is missing is an underlying infrastructure that would help people make effective choices and an underlying model that drives costs out of the system, along with developing a strategy.

Trustee Cranor asked in a defined contribution scenario where a fixed dollar amount is added to the employee's benefit package, would the employee be adding their own dollars to supplement whatever option they choose or would the employee contribution piece still exist.

Mr. Vlajkovic said that would depend on the designs that would be put into place, as well as all of the other scenarios discussed. He said it is possible that there could be a free option on the platform that would be covered by the allocation, and it is also likely that there will be choices that exceed the allocation. He said employees can opt to pay for that plan that cost more than the allocation, and there would be a payroll deduction to pay for that plan.

Trustee Cranor asked if having the stakeholders involved in the design of the plan and clarity of the actuarial value of each plan are the only pieces missing from CCSD's current structure.

Mr. Vlajkovic said a successful platform would include a meaningful range of choice but with an underlying infrastructure to support the employee's decision-making. He said otherwise, people would attempt to choose the plan that most closely resembles what they had previously, and then you lose the value of moving to this type of arrangement.

Mr. Fast offered that another element that is an important part of an effective defined contribution strategy is the full transparency of the underlying cost structure, which may not be apparent in the current range of options provided by CCSD. He said this means the employee would have full transparency into the defined contribution amount available to them, as well as the full premium equivalent cost of each of the options with the difference being their employee contribution. He said another difference in what is currently being offered by CCSD is that there are different subsidies for the different health plan options, which are much more expensive than simply the difference paid through employee contributions, such as the options that cover out-of-network benefits under the HMO plan options, for instance.

Mr. Vlajkovic stated that in reviewing the cost experience, at least for the upcoming year, both CCSD and CCEA are doing well with the programs that are currently in place, giving the District the opportunity to begin laying the groundwork for a January 1, 2016, solution.

HEALTH PLAN CONSULTANT (continued)

Trustee Cranor asked what steps should be taken first to begin this process, whether the stakeholder team should be formed first and then decide on the strategy or whether the Board and Superintendent team should define the goal and then put the joint governing structure together.

Mr. Levister said all stakeholders should be involved so if they are helping to define the strategy, then there is buy in from the beginning. He said if the Board defines the strategy and then asks stakeholders to execute it, there may not be the same degree of buy in.

Trustee Cranor said then that the governing body should be formulated and then that governing body should be utilized to determine the strategy, which would inform the plan design.

Trustee Garvey asked what incentives have worked toward driving healthy behaviors and encouraging a healthier workforce.

Mr. Vlajkovic said he has seen plan sponsors that have robust wellness plans in place with two sets of contributions, one for those wishing to participate in the wellness program, and one for those who do not. He said some wellness programs include simple tasks for employees to complete, such as getting their biometric screening and being physically active or other things which influence contributions. He said he has also seen design components that make some maintenance medications less costly if they are prescribed for the corresponding diagnosis, for example.

Trustee Young commented that she views this opportunity as a positive step.

Mr. Vlajkovic said during this discussion it became apparent that this is a process with the first step being to look at whether or not the District wants to pursue a consolidated effort and then looking at what it would take to make that happen, that being the creation of a governance structure and the creation of a strategy and asking those questions that are outlined on page 57 of 73 to help define the Guiding Principles, which will in turn dictate what the design will look like.

Mr. Vlajkovic guided the Board to the transition calendar on page 60 of 73 and recognized that this is not firmly set, and there are a number of variables involved in this endeavor and a variety of paths this could take. He commented that he does not believe there are any other organizations like the District offering this type of plan that the District is looking to create.

Trustee Cranor said some of this work is subject to Nevada Revised Statute (NRS) 288, so they need to know how much of this work can be done in public without breaching state statute. She asked if all the activities listed in the calendar on page 60 of 73 to be completed in the 3rd quarter could be completed in public. She asked what the Open Meeting Law (OML) implications are for the governing body that would be formed if they were to pursue a consolidated effort.

HEALTH PLAN CONSULTANT (continued)
Mr. McDade stated that the governance of a districtwide plan would have to be negotiated with each bargaining unit individually. He said that if the stakeholders come together, that would be a non-NRS 288 event, so a plan for doing that would have to be worked out. He said right now though the most immediate concern is bargaining this with CCEA, which is what is on the table as a bargaining item. He said OML applies to actions of the Board, so if the Board is participating as a stakeholder or if the Board creates a Board committee to conduct the bargaining, everything is subject to OML. He said on the other hand, if District staff works with the associations, OML would not apply.

Trustee Cranor asked if the Board could vote publically on whether it intends to pursue a consolidation strategy in July.

Mr. McDade answered yes.

Trustee Edwards asked if the District and the employee groups establish a committee that is not directed by the Board, would the governance structure that would oversee this plan then be subject to OML.

Ms. Peterson asked for further clarification.

Trustee Cranor asked what would be the best approach to the Board, a public governing body, developing a joint governing body.

Mr. McDade said if it is not a Board committee, and staff directs the committee and presents information to the Board for approval or disapproval, then that committee would not be subject to OML. He added that in terms of transparency, staff would be negotiating with the associations, and they would be involved and relaying information to their members.

Trustee Edwards said she feels that the governing body that would be formed to oversee the plan operations would want to be a group that is not subject to OML. She asked if that would be possible.

Mr. McDade answered yes.

Ms. Peterson said she would question whether that would be possible or not. She said a governing body such as that, dealing with a subject that is of interest to all of the entities involved, would be a semi-governmental entity, and those are subject to OML. She said it would have to be determined whether that governing body is a semi-governmental entity.

HEALTH PLAN CONSULTANT (continued)
Trustee Edwards said this question needs to be answered before the Board could make a decision on moving forward or not. She said they also need to know whether the various unions would be willing to operate under that structure of the OML.

Public Hearing
Mike Steinbrink, chair of Teachers Health Trust, said the Teachers Health Trust welcomes the Mercer report and accepts its findings. He said they believe with this report, everyone has received an objective, third party assessment. He said moving forward the Teachers Health Trust will support CCSD and CCEA in their efforts to create a health plan for every District employee.

Vikki Courtney, CCEA president, thanked the Board and Superintendent for entering into discussions with CCEA to look at developing a districtwide plan. She said CCEA believes that finding one solution for all employees and their families is what is best. She said CCEA supports the Mercer report and is prepared to take the next step with CCSD in developing a districtwide health plan.

The Trustees thanked the Mercer presenters for their work and for bringing this information to the Board.

CLARK COUNTY EDUCATION ASSOCIATION PRESENTATION
Presentation and discussion by the Clark County Education Association (CCEA) regarding the health plan study of Mercer Health and Benefits LLC.

Mr. Vellardita said he appreciated the Board's willingness to go in this direction with CCEA. He said he hopes that the presentation and discussion this evening clarified some points for people. He said the Teachers Health Trust has not altered benefit levels nor raised premiums, but medical claims have increased, and the Mercer report shows that the premiums did not correlate with that, and that is because the Teachers Health Trust has been drawing down reserves, and they realize that cannot continue, and the current model is no longer a viable plan. He said they embrace the idea of looking at a districtwide health plan. He said he would encourage the Board and District to be open to new ideas and things that are happening in this market where employers attempt to create some cost controls within the market while providing quality, accessible healthcare. He stated that no portion of the 23-25 percent of the District's budget allocated for healthcare costs should go to a profit but instead should be invested back into employees and health benefits.

In terms of Trustee Edwards' concern regarding the governing body being subject to OML, Mr. Vellardita said that there needs to be buy in by all the participants, and a discussion with the other associations needs to occur. He suggested that there be some discussions first to gauge the associations' positions on the points discussed before moving forward with any plans on creating a governance team. He said the Board can engage in coordinated collective bargaining under NRS 288 where all bargaining units gather together to discuss a single subject. In closing, he said what everyone wants is affordable, quality, accessible healthcare for all employees and that employees have some control over.

CLARK COUNTY EDUCATION ASSOCIATION PRESENTATION (continued)
Trustee Edwards said she would like confirmation that 23-25 percent of the District's budget is allocated for healthcare. She agreed with Mr. Vellardita's comments regarding money not going to profit, and she said that would be something the governance team could help with in making sure the money goes back into the program.

Trustee Young said her concern is that there is no disparity between employee groups in terms of healthcare programs and services. She said she has hopes that the District's wellness program is further developed, which she believes would increase morale among employees and possibly serve as an example for the community and other districts.

Public Hearing
Dave Tatlock expressed appreciation for the process that is taking place and for the attention the Board is giving this matter.

Tracy Leonard suggested that at some point there should be a review of data from comparable state entities.