

PUBLIC UTILITY DISTRICT NO. 1
OF ASOTIN COUNTY, WASHINGTON
SPECIAL MEETING – BOARD WORK SESSION MINUTES
December 10, 2018

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President Don Nuxoll presiding, the Public Utility District No. 1 of Asotin County Special Meeting was called to order at 9:00 a.m. at the PUD Office at 1500 Scenic Way.

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ROLL CALL: PRESENT Commissioners: Don Nuxoll, Judy Ridge and Greg McCall.

PUD Staff: Tim Simpson and Bob Sischo.

Invited Guest: PURMS Administrator Dick Rodruck

WORK SESSION:

Public Utility Risk Management Services (PURMS) Insurance Review

PURMS 101

PURMS Administrator Dick Rodruck provided a history of PURMS. He stated that the insurance pool, Washington Public Utility District Utility System (WPUDUS), was formed in 1952 by then Washington PUD Association Executive Director Ken Billington and his grandfather to provide newly formed public utility districts with liability insurance. The original members of the pool were Snohomish, Clark, Kittitas and Ferry. After years of serving these PUDS the first Self Insurance Agreement (SIA) was developed and adopted on December 31, 1976. In the years 1983 to 1985 Clark left the pool and the Washington Public Power Supply System (WPPSS) bond default occurred. Mr. Rodruck pointed out that even though Clark left the group, based upon the SIA they were still liable for claims. Clark filed suit but WPUDUS won the lawsuit. In 1997 property insurance was added to the fund coverage. In 1999 the original name was changed to PURMS and in 2000 medical insurance or “Health and Welfare” was added to the fund coverage. Mr. Rodruck showed the organizational chart and stated that the State of Washington Risk Manager is the regulator over the insurance pool.

Liability Pool

General liability, auto and errors and omissions coverage is provided to 17 member utilities. The coverage is \$1 million with excess insurance through AEGIS of \$35 million and through Energy Insurance Mutual (EIM) at \$25 million. The claim deductible is \$250 per occurrence. The assessment formula is 10% equal, 20% claims, 70% worker hours and a 2% cap. Employees and commissioners personal vehicles are covered while on PUD authorized business and within scope of duties.

Property Pool

Property, vehicle and equipment coverage is provided to 17 member utilities. This pool has a \$250,000 retention and \$250 deductible per occurrence. Insurance for substations is \$75,000 each. The assessment formula is 10% equal, 20% prorated, 70% risk based and a 2% cap. In order for property to be covered it must be listed at the time of the event. Property lists are provided to utilities for review annually. Payment for claims is for the cost to repair or for replacement. Personal autos are covered if on authorized PUD business but personal auto insurance is primary for claims.

Health and Welfare Pool

Medical, Dental and Vision insurance coverage is provided to 12 member utilities. This pool is risk-sharing based upon claims. Each individual insured has their own stop loss coverage based on each PUD plan and \$25,000 aggregate for each PUD and \$325,000 for the entire pool. All members individual stop loss adds up to the pool's aggregate stop loss. Once the stop loss for pooled claims is met the stop loss insurance carrier pays. \$3 million is reserved in cash for claims and reimbursements. Mostly cost-sharing based for catastrophic events. Each member's total claims drive their out of pocket costs. The assessment formula is 30% claims and 70% employees. Each PUD plan is unique. There are approximately 2,200 employees, commissioners and dependents covered under this pool. There is an identified \$275,000 risk for each individual.

Asotin Medical Plan Design Overview

Mr. Rodruck accessed the PURMS website to show the PUDs plan. He stated that the plan details we have was moved over from NRECA in 2000 when we joined the pool and that it needs be completely written to include charts and summaries of our plan for ease of use by those insured. He accessed another PUDs plan to show how it should look. The basics of the medical plan are: Deductible – \$100/Individual or \$300/family, Out-of-pocket – For network providers; \$1000 individual/\$2000 family; for out-of-network providers; \$1000 individual/\$2000 family, Claims – 80% PURMS/20% employee. For prescriptions there is a \$10 copay for generic drugs and \$20 copay for brand name drugs. Dental is mostly 50/50 with Class C crowns and major work 75/25. Vision insurance covers one (1) annual exam, one pair of glasses and frames and contacts.

ACA Change Compliance Change Requirements

Mr. Rodruck stated that a consultant was hired to review health insurance costs, prescriptions costs and to make sure all member plans were compliant with the Affordable Care Act (ACA). He provided a handout of all the changes that need to be made to Asotin PUDs plan but stated that changes are minor language tweaking to ensure eligibility requirements are met. He stated that there are dollar limits, exclusions and dependent definitions that need to be updated to meet federal guidelines. Mr. Rodruck stated that all member plans need to be updated.

Commissioner Ridge asked about the requirements of covering dependent children up through age 26 even if they are married. Mr. Rodruck stated that the law requires that as a member utility you cannot decline coverage but the parent can. It was noted that the term "Dependent" is not based upon IRS tax forms but is defined as dependent children of an employee. The manager stated that there are three (3) adult children covered under our plan. Commissioner Ridge stated that if they are going to be on our plan that they should have to pay a premium. Mr. Rodruck stated that if adult children pay a premium so would everyone else. He stated that the ACA does not allow for one insured to be treated different than another insured. They are dependents and not on COBRA insurance. He pulled up a chart showing the impact of adult dependent children on the plan and for Asotin it was negligible.

Cost of Claims / Plan Design Options

Mr. Rodruck provided a handout comparing us against the plans from Mason PUD No. 3 and Stevens PUD. He stated that it shows that putting us in a premium plan like Mason who makes employees pay a monthly premium and putting us in a very frugal plan like Stevens where they make the employee pay

for most everything changes nearly nothing about our costs. Discussion ensued regarding Skamania PUD and their hiring of an actuarial to go look at plans in the market and compare them against PURMS. Commissioner Ridge stated that they commissioners from this PUD have stated they will be leaving PURMS. Mr. Rodruck stated that it is an exercise to look at costs and when they compare it against the market or other municipal self-insurance pool they will find their insurance is good and he doubts they will leave the Pool. Mr. Rodruck displayed a chart showing the distribution of Health and Welfare expenses. 71.1% is for retained claims, 19.3% for pooled claims, 5.5% for stop loss coverage, 1.2% for stop loss claims and 2.9% for other expenses such as, claims administration, general administration, legal counsel, insurance broker, pharmacy, PPO and other costs.

PURMS Standard Plan Design Overview

Mr. Rodruck there has been much discussion about standardizing all Health and Welfare Plans rather than having all of the unique and individual member plans we have. He was instructed by the PURMS Board to come up with three (3) different plans; High Premium, Low Premium and Retiree. He will be looking at the industry standard benchmark for developing the plans. The goal is to have these different plans developed and presented the committees and Board for review in 2019.

OTHER

Discussion ensued regarding premiums. Mr. Rodruck stated that the best way to reduce costs is not through employee premiums but through plan design and deductibles. The manager asked Mr. Rodruck as a third generation administrator, how much longer he would be with PURMS and what his succession plan was. He states that he plans retire in approximately 4 years. There is no one in his family that is available or willing to run PURMS so they will need to look internal for a candidate. Commissioner Nuxoll stated that a process was initiated to ensure that Mr. Rodruck's institutional knowledge was documented in order to prepare for the eventual transition to a new administrator. The Board of Commissioners thanked Mr. Rodruck for making the trip and the valuable information provided.

ADJOURNMENT

The Special Meeting – Board Work Session was adjourned at 11:40 a.m.