

Contra Costa Community College District

Contra Costa College • Diablo Valley College • Los Medanos College • Brentwood Center • San Ramon Valley Campus • Walnut Creek Center

BOARDreport

*The Governing Board Believes In Open Lines of Communication
with Employees and the Community*

Contra Costa
Community
College District

pathways to success

BOARD MEMBERS

**John T. Nejedly, President (Ward IV) • David N. MacDiarmid, Vice President (Ward I) • Jo Ann Cookman, Secretary (Ward V)
Tomi Van de Brooke (Ward II) • Sheila A. Grilli (Ward III) • Ivan Williams, Student Member**

The Governing Board of the Contra Costa Community College District is comprised of five trustees elected from individual wards and one student member with an advisory vote selected on a rotating basis from our colleges. The Governing Board meets on the last Wednesday of the month in the George R. Gordon Education Center, 500 Court Street, Martinez. You can reach the Governing Board by calling (925) 229-1000. Minutes of the meetings are available online at www.4cd.net.

Governing Board Meeting of June 28, 2006

The Contra Costa Community College District (CCCCD) Governing Board met in the George R. Gordon Education Center at 500 Court Street in Martinez on June 28, 2006. The meeting began with a closed session at 6:00 p.m. followed by open session at 7:00 p.m. Highlights of the meeting follow:

Announcements in Public Session

Board President John T. Nejedly announced that in closed session the Governing Board voted unanimously to reject a liability claim filed against the District by Ana Petero. He also stated the Board considered the salary concessions made by all employee groups over the last two years in anticipation of financial shortfalls. In recognition of these concessions, the Board directed the District to enter into discussions with employee groups for a one-time distribution of up to \$2M to be allocated from the excess 2005-06 fund balance. This distribution is to be made equitably among all employee groups.

Introduction of Ivan Williams, Student Board Member for 2006-2007 and Administration of Oath

Board President Nejedly introduced the 2006-2007 Student Board Member, Ivan Williams and administered the oath of office for Mr. Williams. Mr. Nejedly welcomed Mr. Williams to the Governing Board.

Employee Benefits, Plan Costs and Options

Tom R. Rich, Benefit Consultant, presented an overview from 2000 to 2006 of employee health plan benefits, plan costs and options. Mr. Rich's presentation is attached.

Puente Project

Ted Wieden, Interim Special Assistant to the Chancellor, summarized the positive effects of the Puente Project within the colleges and surrounding community.

Historical Expenditures for Police Services

Police Chief Charles Gibson presented an overview of costs associated with police services from 2001 to present. He also shared information on costs associated with having the Contra Costa Sheriff's department offer the same services to the District.

New Associate of Science Degree and Certificate Program in Process Technology, Los Medanos College

The Governing Board approved a new Associate of Science Degree and Certificate Program in Process Technology for Los Medanos College (Board Report No. 92-A).

2006-07 Tentative Budget

Doug Roberts, Interim Vice Chancellor, Finance and Administration, presented a report on the 2006-07 tentative budget (Board Report No. 93-A). The budget is very conservative and reflects revenues of which the District is fairly certain because the state budget has not been passed.

Measure A (2006) Results and Future Plans

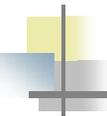
Ted Wieden Interim Special Assistant to the Chancellor, reported that the County Elections Department certified that the District bond measure passed with 57.18% of the vote.

Board Policy 1002, Agenda of Governing Board Meetings

The Governing Board reviewed amendments to the first reading of Board Policy 1002, regarding closed session and public comment at Board meetings.

Upon approval at the next regular meeting, complete Governing Board minutes for this meeting will be posted at: http://www.4cd.net/governing_board/minutes05_06.asp.

**THE NEXT MEETING OF THE GOVERNING BOARD
WILL BE HELD ON JULY 26, 2006, AT 5:30 P.M.
IN THE BFL COMMUNITY CENTER AT
DIABLO VALLEY COLLEGE**



Contra Costa Community College District

Fiscal Year Summary Report History 2000-2006

Presented By: Rich Consultants
June 28, 2006

2001- 2002

Health

- Kaiser overall average increase 8.8% (industry trend 8%).
- Health Net overall average increase of 17.89 %.
- Rich Consultants marketed the plan to other competitors; Blue Shield, was the most competitive, which cause Health Net to lower their original first round offering of a 20% increase, due to the District's last four months of *unfavorable* claims experiences. The total reduction was about a \$75,000 annual savings.
- July 1, 2000
 - District negotiated benefit co-payment increase from \$0 to \$5 for office visits and prescriptions.
 - Increased emergency room visits from \$0-\$35.
 - Added chiropractic coverage, \$10 co-pay, 30 visits per year.

Dental

- Overall Increase 3.8%.
- July 1, 2000
 - Dental benefit changes:
 - Increased lifetime maximum on orthodontic for children from \$1000 to \$2000 lifetime, with a 50% co-payment.
 - Added adult orthodontic benefit with a \$2000 lifetime maximum with a 50% co-payment.

2001-2002 continued

Vision

- District negotiated an upgrade to Plan B (\$10 materials co-pay, exams, frames, and lenses every 12 months. Added UV coatings, tints, computer glasses, progressive lenses, and increased the wholesale frame allowance from \$40 to \$60).

Life Insurance

- Rich Consultants was able to negotiate a favorable renewal increase of 9%.

Disability

- Hartford agreed to renew with no rate increase through 10/1/2002.

2002-2003

Health

- Kaiser overall average increase 24%.
 - Kaiser's base rate in this time period was 19%. The benefit change that was made in July of 2000, has still not had any favorable impact on the claims experience. The 24% increase was due to the significant increase from the prior year in retirees over age 65. Utilization of the retiree population was the highest in this year as opposed to the previous five years. This premium increase was due to retirees not assigning their Medicare benefits to Kaiser. Rich consultants developed a plan to reduce the cost of health care premiums by placing retirees into Medicare programs with the health carriers.
- Health Net overall average increase 18.2%
 - Rich Consultants was able to negotiate a decrease in the renewal with Health Net from 38.49% to an overall average increase of 18.2%. This reduction resulted in a savings to the District of approximately \$350,000.

Dental

- Rich Consultants recommendation to the District to change from the Delta Dental School Pool to the Alameda County Dental JPA, effective 7/1/02. This resulted in an overall annual savings to the District of \$177,000.

2002-2003 continued

- **Vision**
 - Rich Consultants negotiated an administrative fee reduction of \$0.33 per employee per month.
- **Life Insurance**
 - Life rate remained unchanged, as claims experience was favorable.
- **Disability**
 - Rich Consultants negotiated a rate pass with Hartford through 2/28/03.

2003-2004

- **Health**
 - Kaiser overall average increase was 12.15%.
 - Health Net overall average increase was 4.97%.
 - Overall increase of Health Net and Kaiser combined, resulted in an 8.92% increase. If UF would have made the change in July of 2003, the overall increase would have only been 5.83%.
 - July 1, 2003
 - District negotiated benefit changes with Local 1; UF changes postponed until 11/1/03.
 - District negotiated benefit co-payment increase from \$5 to \$15 for office visits and prescriptions.
 - Increased emergency room co-pay from \$35 to \$50.
 - Added a \$100 per admission hospital deductible.
 - Created a co- pay reimbursement fund for Local 1 and UF.
 - As a result of the benefit changes, the projected savings to the District was approximately \$317,000.
- **Dental**
 - Moving into Alameda County Schools Insurance group (ACSIG) for the period July 1, 2003 through June 30, 2004 the District saved approximately \$341,000. Rich Consultants proposed that the District remain in the fully insured JPA for July, August, and September, and become self funded on October 1, 2004.

2003-2004 continued

■ **Life Insurance**

- Rich Consultants marketed the group life insurance and proposed a carrier change to Sun Life on February 1, 2003. The carrier change resulted in a rate reduction of 39%, which was a three year cost savings to the District of \$146,000, and a three year employee cost reduction of \$47, 000.

■ **Disability**

- Rich Consultants marketed the disability insurance and proposed a change to Sun Life, effective March 1, 2003, with a two year rate guarantee. This change resulted in a savings to the District of \$267,000 over the next twenty-eight months.

2004-2005

■ **Health**

- Kaiser overall average increase was 17.51%.
 - This high increase was attributable to the large majority of active employees retiring.
- Health Net overall average increase was 17%.
 - Rich Consultants negotiated the renewal increase from 24.24% down to 17%. This resulted in an annual savings to the District of approximately \$350,000. This large increase was also attributable to the large majority of active employees retiring.

■ **Dental**

- The District became self funded in October 1, 2003. During the period of 10/1/03 through 6/30/04, the District realized a savings of over \$300,000. The savings was derived by taking the actual claims cost, plus administrative fees, versus the fully insured rates that were in place in the JPA.

2005-2006

Health

- Kaiser overall average increase was 3.08%.
 - Kaiser overall claims utilization went down due to the benefit change on July 1, 2003.
- Health Net overall average increase was 15.41%.
 - Rich Consultants negotiated the overall Health Net renewal increase down from 17.4% on actives to 14.5%. The retirees were reduced from 30.72% to 25.72%, the high increase was due to reduced Medicare reimbursement funding from the government. This rate reduction resulted in an overall annual savings to the district of approximately \$225,000.

Dental

- The District has been self funded since October 2003. This year the projected cost increase averaged 9%. This was basically a dental trend increase for purposes of COBRA and Pro-Rata Share employees, not an actual cost increase to the District.

Life Insurance

- The life rate was reduced by 29% and secured for the next twenty-four months.

Disability

- Due to adverse claims experience, Sun Life wanted a 13% rate increase. Rich Consultants negotiated a rate pass if the District would add the Sun Life Advisory program at the cost of \$1.76 per employee per month. The cost of this program was paid for in the reduction of the life insurance rate; therefore, there was no increase cost to the District for the group life and disability plans over the next twenty-four months.

2006-2007

Health

- Kaiser overall average increase was 5.05%.
 - Health Net overall average increase was 10%.
 - Rich Consultants negotiated the Health Net increase down from 13.8% to 10%. This resulted in a savings of approximately \$200,000.
- The benefit changes made in July 2003, are still having a dramatic impact on holding the rates at low increases.

Dental

- The self funded dental plans claims experience, and administrative costs rendered a 0% increase from the previous year's rates.

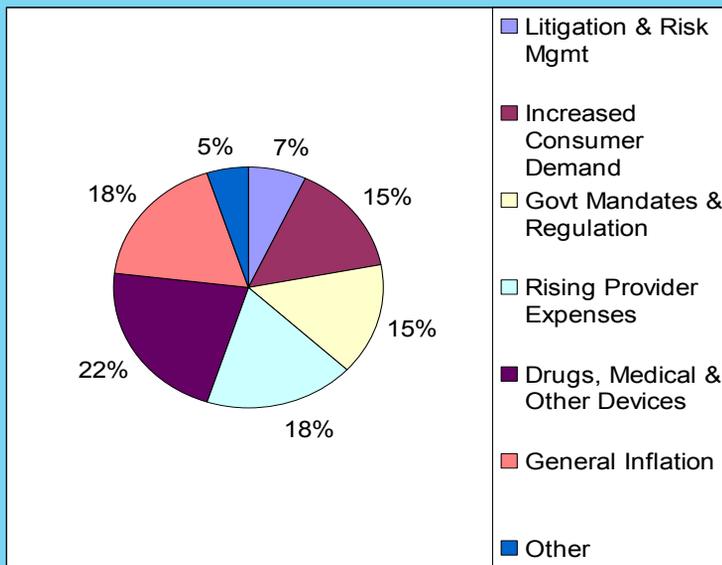
Vision

- VSP increased the self funded vision administrative rate from \$3.01 per employee per month to \$3.12. This has little impact on District costs. Rich Consultants negotiated a rate reduction of approximately 15% for the Voluntary Retiree Vision Program established by the District in July of 2005.

Rich Consultants

Coping with High Health Care Costs/Bankrupt Health Providers

Factors Driving Rising Costs in Health Care by Percentage



There are a lot of moving parts

- Premiums - inflating at 15-20% with no real abatement in the next couple of cycles.
- Benefits - employees have come to expect a lot but are being forced to take less.
- Networks - its not who's in, it's who's out that counts; the shrinking delegated model.
- Homogenous premiums, benefits and networks have created a commodity.

Some parts are moving the wrong direction

- The population is aging.
- Carrier consolidation through failure is with us for while.
- Recent casualties:
 - Lifeguard
 - Health Plan of the Redwoods
 - Maxicare
 - Tower
- Remember the S&L's - long-term fixed revenue; short-term variable costs.

The medical community is not immune

- Hospital consolidation is alive and well in Northern California.
- Medical group consolidation to avoid financial failure is with us for while.
- The system needs more money.
- Network consolidation means higher, more unpredictable costs.

Employers are not immune

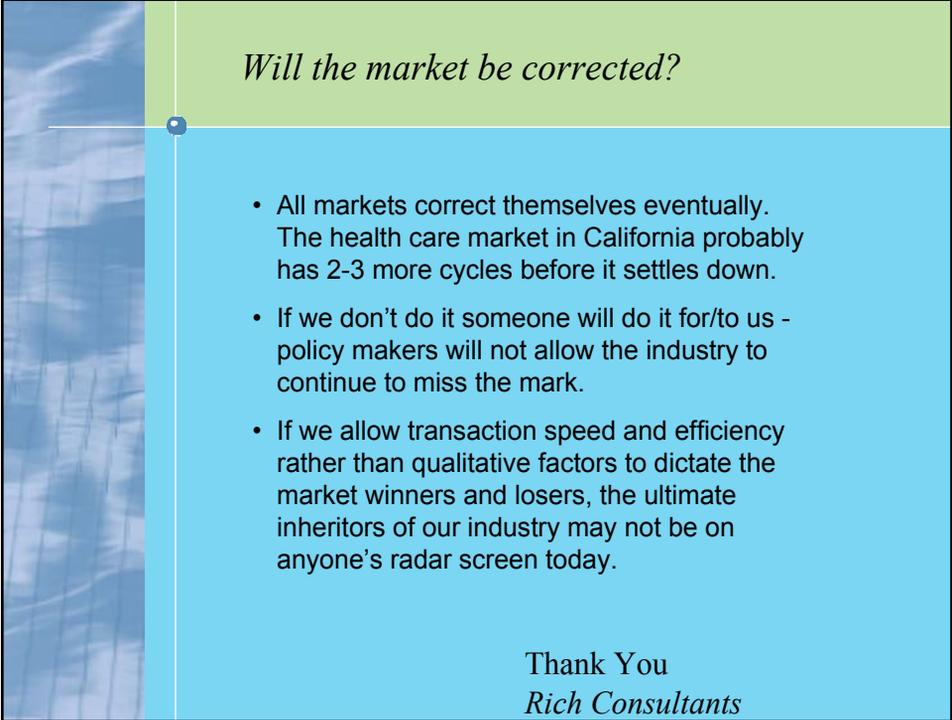
- Carrier and network consolidation leads to higher costs for employers as the lower-priced plans and providers fall away.
- Single-source providers can demand above-market prices. Carriers may pay in the short-run but employers pay in the long-run.
- During consolidation - carrier or network - prices are higher and more unpredictable.

There is hope

- Misaligned financial incentives for providers, members and employers have corrupted normal market forces. Health care is Adam Smith's worst nightmare.
- Cost, responsibility and power are being shifted to the consumer.
- Our best hope to create a disciplined market for health care lies in the correct alignment of financial incentives.
- Carriers need to dramatically improve the diagnosis and treatment of chronic disease. The health of the few will impact the cost of the many.

What is Health Care Industry doing about all of this?

- Developing consumer-driven products that align incentives rather than pit different elements of the system against each other.
- Working with employers to implement cost-sharing benefit plans and reporting mechanisms to educate employees about the costs of health care and emphasizing wellness. (still)
- Implementing focussed disease management programs aimed at not just identifying disease but improving compliance with treatment plans.
- Working cooperatively with other carriers to create efficient markets.



Will the market be corrected?

- All markets correct themselves eventually. The health care market in California probably has 2-3 more cycles before it settles down.
- If we don't do it someone will do it for/to us - policy makers will not allow the industry to continue to miss the mark.
- If we allow transaction speed and efficiency rather than qualitative factors to dictate the market winners and losers, the ultimate inheritors of our industry may not be on anyone's radar screen today.

Thank You
Rich Consultants