

AMS/GSS Extended Health and Dental Plan Committee

Date March 25, 2021

Time: 10:07 am - 11:10 am

Venue: Virtual meeting

Present:

Voting Members: Lucia Liang (Chair, AMS VP Finance), Kimani Karangu (GSS President), Nevena Rebic (GSS), Nicolas Romualdi (GSS VP University & Academic Affairs, proxying for AMS President Cole Evans)

Non-voting Member: Ahmed Mtiraoui (Health Plan Coordinator)

Guests: Keith Hester (AMS Managing Director), Vivian Tan (GSS General Manager), Lev Bukhman (Studentcare), Bahareh Jokar (Studentcare), Brent Delveaux (Hub International Insurance Brokers), Natasha Norbjerg (Hub International Insurance Brokers), Sheldon Goldfarb (AMS Clerk of Council)

Regrets: Kevin Kang (AMS), Cole Evans (AMS President)

Recording Secretary: Sheldon Goldfarb

1. Call to Order

The meeting was called to order at 10:07 am.

2. Agenda

The agenda was approved (Kimani, Nicolas).

3. Minutes

MOVED NICOLAS, SECONDED KIMANI:
"That the past minutes be approved."

Lucia:

- I just sent out the minutes for the past year, but people may not have had a chance to read them yet.
- We can postpone.

MOVED NICOLAS, SECONDED KIMANI:
"That the past minutes be approved."

... Postponed

4. Pacific Blue Cross update

Lucia:

- PBC proposed a 4.3% premium increase.
- Brent and Natasha have negotiated that down.
- The money from the subsidy is still there.
- The money owed to the Plan is still there.
- A good buffer; we're in a good spot.

Brent:

- Been able to reduce the increase to 1.98%.
- Dental is driving this.
- PBC is concerned about mental health claims.
- But we have a verbal commitment now to, basically, 2%.
- There's the agreement to refund international students who don't come:
 - We assume that's a small percentage.
 - It could impact the final number.

Lev:

- Should point out that there is another reserve fund: the claims fluctuation reserve held by PBC.
- So there's:
 - Internal reserve
 - PBC reserve
 - Student fees.
- And then there's the claims being paid out.
- In normal times there's a reasonably controlled process in which the premium is just pre-payment to the insurance company.
- The question is how much do you want to pre-pay versus later?
- Then how do you fit this in to the political context of fees?
- Reserve funds are there for a purpose; it's legitimate to ask if any fee increase will be required.

Brent:

- The PBC reserve is \$1.524 million, fully funded, 15% of the premium.
- It's a rainy day fund if something extraordinary happens.
- If we had a \$2 million deficit and left PBC, they'd eat the \$500,000 – but that wouldn't be a great partnership action.
- In a perfect world you want to break even.
- In the pandemic this is a good arrangement: you're guaranteed never to overpay.
- The only issue is the mental health increase.
 - If claims are higher than projected, it could impact the financial position.
- It would really need something extraordinary to happen to deplete the reserves.

Lucia:

- 2% is really good; that's a big difference.

Brent:

- It's all meant to balance out, break even.
- If claims go higher, they dip into the reserve.
- If lower, you get your money back.
- It's an excellent situation.

Nicolas:

- If the amount we collect is \$10.8 million and the expenses are \$11.7 million, then there's a shortfall of \$800,000.
- Then there's the PBC reserve of \$1.5 million and the internal reserve of \$2.6 million.
- I'd project a couple of years forward.

- I don't want to put the plan in a position where the annual 5% increase next year is not enough to cover the shortfall.

Lucia:

- 5% should be enough.

Brent:

- I'm super-conservative.
- I'd have some sort of increase this year.
- Although I feel comfortable with the analysis, how mental health claims will affect things raises questions.
- We should have a buffer for that.
- I'd probably go as close to a full increase as you can do.

Lev:

- Between the reserve funds, there's \$4.1 million.
- That's 35% of the total premium, which is getting up there.
- Students may ask why these reserve funds exist: are they necessary?

Brent:

- Could be a wide range of outcomes from mental health benefits.
- I'm more concerned about a COVID rebound of claims.

Nicolas:

- If we increase the fee, we should increase it as much as we need.
- Either we don't increase or we increase enough to keep self-sufficient.

Lucia:

- If we under-collect, we have the reserve.
- But I'd like to see how many more claims we're going to get.
- We doubled the mental health claims before.

Lev:

- It's a political decision.
- The COVID impact on the health side is that claims are down and they haven't bounced back.
 - Difficult to predict this year, but nothing much has changed, so I expect a bounceback.
- On the dental side there was a big drop then; now a big bounce up.
- Refund accounting has worked well for you in this COVID year.
- Financially from my perspective, it's okay either way: increase or not.
- The mechanism (refund accounting) is working exactly as it's supposed to work.
- It's okay if the reserves draw down to pay for increased claims.
- That's how you got a surplus this past year.

Keith:

- The auditors are criticizing the situation, saying the reserves are increasing too much.

Nicolas:

- I'm okay with not increasing the fee.

Brent:

- Still some uncertainty.
- Would there ever be consideration of spending from the reserve but also increasing the fee?

Nicolas:

- There's no sense in building a rainy day fund, and then if it rains, you don't use it.
- We have a reserve with money in it equal to 35-40% of the plan.
- It's highly unlikely that we'll get that big an increase.
- We were over-collecting even before COVID.
- Next year we can make a more informed decision.

Bahareh:

- The reserve may be used for the next two or three years.

Lev:

- When the committee makes a decision to draw down the reserve, it should document it.
- People may see it as a negative thing rather than as the mechanism working as it's intended to work.
- That can be forgotten, so we need a record of this.

Brent:

- From a political standpoint, you could increase the fee to cover benefits, but have the AMS cover it from the reserve.

Nicolas:

- If there's an increase, no messaging will work: it's just an increase.

Bahareh:

- The COVID experience has been extraordinary.
- We assume a return to normal eventually.
- We anticipate psychological benefits to have an impact: the reserve can help offset that.
- If we increase the cost of the plan, we could look at enhancing coverage/benefits.
- A healthy reserve could be used to adjust.
- If there's no increase this year, then next year there will have to be one.

Nicolas:

- Not going to even consider increasing benefits until things have settled down.
- I still think it makes no sense to go halfway.
- Use the reserve: there's no way to bankrupt the reserve.
- Want to look at what will happen in the next few years.
- A 5% increase would cover a 2% and a 2.5% premium increase.

Brent:

- This year's going to be an interesting year.
- And hearing from Keith about what the auditors said, maybe we do have to spend from the reserve.
- The plan's run really well: we don't need to overthink.
- If you decide no increase for one year, you'll be fine.

Nicolas:

- Worst case is a 1% deficit.

Bahareh:

- Looking at numbers for the future, with a 5% annual increase in the premium, we would have a deficit of \$10.78 million.

Nicolas:

- If the premium increases by 5%, we never catch up.

Brent:

- But except for one year we've never seen a 5% increase in the premium.
- We haven't seen 5% inflation.
- Of course, that doesn't guarantee the future, especially with the new mental health benefits.

Bahareh:

- With a 4% annual premium increase, the deficit becomes \$353,562.

Nicolas:

- We could close the gap in three years.

Bahareh:

- Future committees will have to recognize they have to increase the fee.
- It's a healthy reserve: \$4.1 million.

Brent:

- There was a surplus last year, plus \$500,000 was given back.
- You're using last year's surplus to subsidize the rate this year.
- In insurance you're always looking at risk.
- I think the no-change is the right decision politically.

Kimani:

- I'm torn.
- We can utilize the money we have to fill the gap.
- We need to document what we're doing.
- I do not want to see an increment this year.

Nevena:

- I'm more for giving back to students.
- Having gone through what we've gone through, it's a safe action not to increase.
- We won't be over-collecting.

Nicolas:

- If we have a reserve, it's to use it.

MOVED LUCIA, SECONDED KIMANI:

"That the Health and Dental Committee recommends that there be no fee increase for 2021-22."

Lev:

- This will be the first time in 20 years without an increase.

Nicolas:

- I'm confident we've thought this through.
- We're not being irresponsible.

Brent:

- You're doing what you wanted to do last year.

Bahareh:

- We couldn't logistically refund students from the surplus, so this is another way of doing that: using the surplus to avoid a fee increase.

MOVED LUCIA, SECONDED KIMANI:

“That the Health and Dental Committee recommends that there be no fee increase for 2021-22.”

... Carried

The meeting adjourned at 11:10 am.