
STATE OF INDIANA

DISTRESSED UNIT APPEAL BOARD



ONE NORTH CAPITOL AVENUE, SUITE 900
INDIANAPOLIS, IN 46204
PHONE (317) 234-2273

Distressed Unit Appeal Board Meeting Memorandum

December 4, 2017

Call to Order: A meeting of the Distressed Unit Appeals Board (DUAB or Board) was held on December 4, 2017, at 1:00 p.m. EST at Conference Room D, Indiana Government Center South, 402 West Washington Street, Indianapolis, Indiana. Members of the Board attending the meeting include Micah Vincent, Chairman, Kent Hatcher, Paul Joyce, Wes Bennett, Representative Milo Smith and Senator Eric Bassler. Courtney Schaafsma, Executive Director, was also in attendance.

Chairman Vincent called the meeting to order and recognized compliance with the Open Door Law.

Ms. Schaafsma explained that the only agenda item for the meeting was to do a contract approval for the health insurance contract for 2018 for Gary Community School Corporation (“GCSC”) pursuant to IC 6-1.1-20.3-8.7. Mr. Eric Parish, financial lead for the GCSC emergency management team (in attendance via conference call), explained that GCSC had employed an insurance consultant to identify potential providers for 2018 health insurance. Four bids were initially received, which was the first time in several years that more than one bid received, and these bids were then narrowed to two options which were evaluated extensively. Mr. Parish explained that GCSC has historically had a fully-insured plan, but bids were evaluated for both a fully-insured plan and a self-insured plan, including a modified self-insurance plan with a stop-loss provision.

Mr. Parish indicated that the self-insured plan by itself was preferable from a cost perspective. However, the emergency management team continued to work with CIGNA health insurance to address past due premiums in the amount of approximately \$3 million and an excess experience amount of \$1.3 million from prior years. The emergency management team was able to negotiate a 5.9% premium increase for a fully-insured plan from CIGNA. In addition, CIGNA also agreed to waive the excess experience amount of \$1.3 million and would agree to reduce the outstanding due amounts by \$1 million.

Chairman Vincent asked if the 2018 contract would include an excess experience clause as in the past. Mr. Parish explained that this would not be included for 2018 or 2019. Mr. Parish then indicated that CIGNA was looking for a two-year agreement provided that the 2019 premiums would not increase more than 10% over the 2018 premiums.

Dr. Peggy Hinckley, emergency manager for GCSC (also in attendance via conference call), explained that the \$1 million reduction in the outstanding amount required timely monthly payments in 2018 and \$150,000 in payment toward the past due amount each month. The penalties would come back if GCSC did not make these payments in a timely manner.

Representative Smith asked what contract amount is being requested for approval. Mr. Parish explained that the final documents are still being finalized. Ms. Schaafsma indicated that the approval would be for a 5.9% premium increase over 2017. She then recommended that the Board approve the contract terms as presented and then allow the Executive Director to review the final documents to ensure compliance with the terms noted in the memo included in the Board packet.

Mr. Bennett made a motion to accept the terms of the contract with CIGNA as presented in the memo from the insurance broker with a not-to-exceed amount of \$12,009,060 with concessions of \$2.3 million for a total of \$9,709,060 over two years, subject to the Executive Director's review. Mr. Joyce seconded. The Board approved the motion 4-0.

New business: Ms. Schaafsma informed the Board that the fifth voting member had been appointed by the Governor – Ms. Rebecca Kubacki.

Adjournment: Chairman Vincent adjourned the meeting at 1:23 p.m.