

## ***Board File: DFB***

### **RESERVING POLICY FOR DOUGLAS COUNTY SCHOOL DISTRICT MEDICAL FUND**

#### Policy Statement

Financial stability of the Douglas County School District (DCSD) Medical Fund is dependent on setting the appropriate funding rates and maintaining an adequate level of reserves. The primary purpose for establishing and maintaining reserves for the Medical Fund is to reasonably guarantee the continuous and proper function of the Fund. The Board of Education shall approve the reserves annually as specified in Exhibits A and B. These amounts are calculated at the end of each year and represent the reserves to be maintained in each subsequent year

The Douglas County School District Medical Fund accounts for the activity associated with the Kaiser HMO and Kaiser High Deductible Health Plans as well as the self-insured Cigna/Allegiance Plans – the High Deductible Health Plan and the PPO Plan. DCSD is responsible for paying *premiums* to Kaiser based on the enrollment numbers in each of the two Kaiser Plans and is responsible for paying direct *claims* under the two Cigna/Allegiance self-insured health plans. The District additionally purchases specific stop loss coverage to cover catastrophic events associated with its self-insured Cigna/Allegiance Plans. It is the self-insurance component of the Medical Fund that necessitates a reserving policy.

- I. The Reserves: This reserving policy covers the following types of reserves in which the values are specified in Exhibits A and B, attached. In reference to Exhibit B – Contingency Reserve Valuations, the Superintendent shall manage the Contingency Reserve to the Medium Contingency margin. The Superintendent shall not allow funds to go below the Low Contingency margin nor will the Superintendent allow funds to go above the High Contingency margin.
  - A. Incurred But Not Reported Reserve (IBNR) - On any given day, the Fund has a liability to pay claims that have already been incurred, but not reported as of that day. The plan is also obligated to cover the cost of administering run-out claims in the event the CIGNA/Allegiance Plan is terminated.
  - B. Contingency Reserve – This reserve represents an estimate for an event that may occur. Even if DCSD continues to fund at the expected claim level (based on standard actuarial practices), there is a risk that claims can be higher. The Contingency Reserve covers costs associated with these unexpected claims that have not met the specific stop loss threshold. This Contingency Reserve also allows for the following:
    - a. Maintaining cost effective and competitive benefits during periods of economic downturn, reduced revenues or tightened budgets.

- b. Maintaining cost effective and competitive benefits during periods of high medical trend, substantial insurance/reinsurance rate increases and an ability to absorb multiple catastrophic medical claim situations occurring simultaneously.
- c. Maintaining flexibility in the Fund regarding calculating the degree and amount of risk it is willing to assume on a self-funded basis.
- d. Maintaining the Fund's ability to respond proactively and confidently in its function rather than being a reactionary, passive entity controlled by economic and insurance market fluctuations.

## II. Non-transferability of Medical Fund Balances

It is affirmed that any reserves in the Medical Fund shall not be subject to a transfer out of the Fund for any other District need.

Approved: December 12, 2013

Revised: November 18, 2014

Revised: October 20, 2015