April 7, 2014 Staples High School

WESTPORT BOARD OF EDUCATION

*AGENDA

(Agenda Subject to Modification in Accordance with Law)

PUBLIC SESSION/PLEDGE OF ALLEGIANCE:
7:30 p.m., Staples High School, Cafeteria B (Room 301)

ANNOUNCEMENTS FROM BOARD AND ADMINISTRATION

PUBLIC QUESTIONS/COMMENTS ON NON-AGENDA ITEMS (15 MINUTES)

MINUTES: March 20 and 24, 2014

PRESENTATION:

Green Task Force Committee: Solar Panel Installations at School Buildings		David Mann

DISCUSSION/ACTION:

1. Report of the Ad Hoc Health Insurance Fund Review Committee of the Board of Education	(Encl.)	Brett Aronow Karen Kleine Paul Block Elio Longo
2. Appointment of Health and Medical Insurance Consultant	(Encl.)	Dr. Landon

DISCUSSION:

1. Projected Space Needs and Possible Modifications to Attendance Zones	(Encl.)	Dr. Landon
2. Financial Performance Objectives		Paul Block

ADJOURNMENT

*A 2/3 vote is required to go to executive session, to add a topic to the agenda of a regular meeting, or to start a new topic after 10:30 p.m.
The meeting can also be viewed on cable TV on channel 78; AT&T channel 99 and by video stream @www.westport.k12.ct.us

PUBLIC PARTICIPATION WELCOME USING THE FOLLOWING GUIDELINES:

- Comment on non-agenda topics will occur during the first 15 minutes *except* when staff or guest presentations are scheduled.
- Board will not engage in dialogue on non-agenda items.
- Public may speak as agenda topics come up for discussion or information.
- Speakers on non-agenda items are limited to 2 minutes each, except by prior arrangement with chair.
- Speakers on agenda items are limited to 3 minutes each, except by prior arrangement with chair.
- Speakers must give name and use microphone.
- Responses to questions may be deferred if answers not immediately available.
- Public comment is normally not invited for topics listed for action after having been publicly discussed at one or more meetings.

WESTPORT PUBLIC SCHOOLS

ELLIOTT LANDON
Superintendent of Schools

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To: Members of the Board of Education

From: Elliott Landon

Subject: *Ad Hoc* Health Insurance Fund Review Committee Report

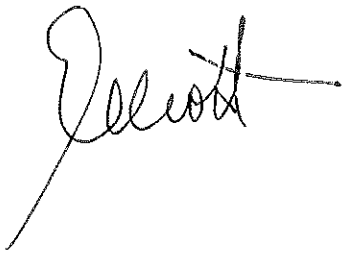
Date: April 7, 2014

I wish to complement the work of the *Ad Hoc* Health Insurance Fund Review Committee of the Board of Education for its many months of review and analysis resulting in the written report that accompanies this memorandum. In particular, deserving of recognition and praise are Brett Aronow, Chair of the Committee; Karen Kleine; Paul Block; Elio Longo; Kevin Connolly and Charles Haberstroh.

The recommendations contained in the report are significant and the analysis is most comprehensive in scope. The *ad hoc* committee's report is deserving of the unanimous approval of the Board of Education.

ADMINISTRATIVE RECOMMENDATION

Be It Resolved, That upon the recommendation of the Superintendent of Schools, the Board of Education accepts the Report of the *Ad Hoc* Health Insurance Fund Review Committee of the Board of Education with gratitude and praise to its chair, Brett Aronow, and its members Karen Kleine, Paul Block, Elio Longo, Kevin Connolly and Charles Haberstroh.



Westport Board of Education

Health Insurance Fund Review Committee

April 7, 2014

DRAFT

Executive Summary

Background

In November of 2014, the Director of Business Operations brought to the BOE's attention that the Health Insurance Fund (line item 210 in the Westport Public School (WPS) budget) experienced greater expenses than projected and raised concerns about a potential cash shortfall by year-end. The WPS manages a self-funded health care program for its teachers and employees. Because the program is self-funded, it is susceptible to inherent risk with volatility of claim expenses. As a result, the BOE formed the ad hoc Health Insurance Fund Review Committee ("the Committee") to review the Health Care Fund and provide recommendations for improved operational management. The committee worked collectively with the external auditor McGladrey LLC and the Town to examine root causes and make recommendations to prevent similar experiences from reoccurring.

Key Findings

- The WPS experienced higher than usual medical claims during FY 2012/2013.
- The BOE, with the full support of the Board of Finance, budgeted to draw down reserve fund balances in both 2012/2013 and 2013/2014.
- Because many of these claims occurred late in the FY2013/2014 budget process, this increase in claims was not included in the 2013/2014 Health Insurance Fund expenses and consequently Health Insurance line 210 was under budgeted.
- With more accurate information and more timely examining of the projections and clear reporting this issue could have been remedied
- Compounding the problem, original projections of 2013/2014 FY revenues were overstated due to a number of factors and this exacerbated the budget shortfall
- Expenses that had not been accounted for previously were identified during a detailed examination of all revenue and expense items. This indicated a further need for more operational controls and reporting
- **There was no malfeasance**
- **Health Care Claims experience in 2013/2014 has trended favorably to 2012/13 leaving the BOE with a projected cash surplus instead of a shortfall.**

Key Recommendations and Solutions:

- Create new General Ledger (GL) accounts for all significant revenue and expense items
- Maintain a template for reporting all revenue and expense items that ties all the assumptions and recommendations from the Health Care Consultant directly to the Budget line 210.
- Review health care claims experience and projections monthly beginning in January, and again immediately before BOE goes in front of BOF in March
- Work with BOF on an effective risk corridor policy to ensure that there are adequate reserves to cover all but unusual claims experience going forward.

Background

In November of 2014, the Director of Business Operations brought to the BOE's attention that the Health Insurance Fund (line item 210 in the Westport Schools' budget) experienced acceleration in expenses over the projected. As a result, the fund was forecasted to be in a cash deficit position of $681,309 at the end of 2014. Because of a lower-than-expected cash asset position, the IBNR liability of $1,307,000 was also an issue. Therefore, the total projected shortfall on an accrual basis at that time was $1,988,709. The BOE presented these findings to the BOF at a Work Session dated December 18, 2013. The BOE appointed a special ad hoc committee to verify actual cash assets, the underlying drivers of this deficit and appropriate solutions to rebalance the fund.

Scope of the Health Insurance Fund Review Committee

The Health Insurance Fund Review Committee ("the Committee") is an ad hoc committee of the BOE formed to review the Health Care Fund and provide recommendations for improved operational management. The Committee consists of the following members: Brett Aronow, Committee Chair, BOE; Paul Block, BOE; Kevin Connolly, previous member BOF; Charles Haberstroh, previous member of BOF and previous member of the Board of Selectman; Karen Kleine, BOE; Elio Longo, Director of School Business Operations.

The Committee conducted an internal review, and worked with the BOF, BOS and an external auditor to validate all financials and to ensure best practice in governance throughout the process. The Committee began by analyzing the current situation, including the root cause analysis of the operating cash deficit and the IBNR (Incurred But Not Reported (claims) balance sheet issue. Next, the Committee identified deficiencies in analysis, reporting and controls. And finally, the scope focused on recommending solutions for the deficit, working capital, risk management and the IBNR.

Timeline

When Mr. Longo discovered the deficit in the Health Insurance Fund, he began to investigate all revenues and expenses associated with the fund and with the line item. The Town's external auditor (McGladrey) was hired to verify the findings. It should be noted that the cash position has improved considerably since the Committee was formed. By February, the projected cash position improved due to favorable claim experience during November and December. On February 10th, the Committee voted to recommend that the BOE request a $1,088,709 special appropriation from the BOF for FY13/14 to resolve the new projected shortfall. This amount was the total of the new projected cash shortfall of $355,009 (which included $240,000 commitment from BOE general fund) plus a recommended risk corridor of $733,700. Based on the size of the BOE's covered population, Segal Consulting recommends the BOE maintain a 5% risk corridor on self-funded claims ($733,700 for FYE14/15) to account for claim fluctuations in excess of expected claims.

As of March 17, and based on the verification of all line 210 expenses and revenues by the McGladrey review, along with a revised projection from Segal Consulting that included continued favorable health claims from January and February 2014, the latest estimate for the FY13/14 showed an operating deficit of ($746,216). Therefore, starting with this number, adding in the contribution of $240,000 from General Fund, and a starting cash balance of $799,991, the School Administration forecasted a cash

surplus of $293,775 as of June 30, 2014. (See McGladrey Report p. 10)

On March 17th, The BOE voted to defer the above special appropriation from the BOF. Also, based on the new and lower projections from Segal Consulting report of March 17, the 5% risk corridor of FY14/15 claims had been reduced to $701,000. On March 20th the BOE voted to take $1,016,500, comprised of excess claims projections as well as the 5% risk corridor of $733,700, out of the operating budget. While it appears that the need to fund a shortfall of cash is less acute at this time, it is worthwhile to review what occurred so as to avoid a similar situation in the future. A key finding of this investigation by the Committee is that the BOE should not maintain a zero cash balance in the Health Insurance account at year-end to avoid proceedings similar to what has happened in 2013/14. With better information and a clear policy, the BOE would have been able to make a more informed and accurate budget decision.

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What Happened?

The actual cash balance, as of June 30, 2012 was $2,497,462. The WPS FY12/13 budget planned an operating deficit of $955,700 deficit or draw down from the actual cash balance in the operating budget. In March of 2013, while preparing the budget, the BOE planned to use an additional $1,567,600 of reserve fund monies to cover operating expenses. In actuality, the FY12/13 deficit climbed to $1,697,471 by June 30, 2013 (audited) leaving actual cash balance of $799,991 on June 30, 2013. (See McGladrey Report p. 6)

What Happened?	Budget FYE 2013	Actual FYE 2013	variance		Budget FYE 2014	Revised FYE 2014	variance
Operating Statement							
WPS Budget	$955,700	$955,700			$1,567,600	$1,567,600	
Actual		$1,697,471				$746,216	
Variance		$741,771				$821,384	
Additional transfer						$240,000	
Change in cash balance	$955,700	$1,697,471	$741,771		$1,567,600	$506,216	$1,061,384
				(3)			
Balance Sheet							
Beginning cash balance	$2,497,462	$2,497,462			$799,991	$799,991	
Ending cash balance (deficit)	$1,541,762	$799,991	-$741,771		$767,609	$293,775	$1,061,384
Less IBNR	$1,307,400	$1,307,400			$1,300,000	$1,300,000	
Net Position (deficit)	$234,362 (1)	$507,409	$741,771		$2,067,609 (2)	$1,006,225	$1,061,384

Source: as reported by McGladrey draft review 3/28/2014

(1) Only a 1.5% risk margin was budgeted

(2) The 12/18/13 cash deficit for FYE 2014 was estimated at $681,309 plus the $1,307,400 IBNR built the $1,988,709 total issue presented to the Board of Finance December 18, 2013. As illustrated above, the audited number for the net position deficit is now $767,609.

(3) The operating cash balance was zeroed-out with the FYE 2014 planned budget deficit of $1,567,600. In addition, the planned deficit created a net position deficit of $1,300,000 at the time

As budgets were prepared, amounts available for use were based off cash balances and not net position balances, which includes the liability for IBNR (Key Point McGladrey Report p. 6).

It was reported to the BOE that the change in net position deficit for FYE 2014 was forecasted to be ($1,902,409) due to the large operating deficit of $1,395k, the addition of the IBNR at $1,307k and the lower cash asset position of $799k. The BOE then reported this to the BOF on December 18, 2013 to alert them of the impending cash shortfall situation.

2014 FYE (12/2013)	**Estimate**
Beginning cash assets	$799,991
Operating result	($1,395,000)
Projected ending cash assets	($595,009)
IBNR	($1,307,400)
Change in net position deficit	($1,902,409)
Change in IBNR	
Interest	
Adjusted ending cash	($595,009)

As of March 17, the McGladrey validation of the numbers was completed including detailed examination of all sources and uses of funds. The main discrepancy found was that the WPS had under budgeted in the FY13/14 by approximately 235K by not accounting for the amount payable on the insurance policies of retirees over 65. At the Committee's request, Segal Consulting re-projected FY13/14 based on actual claims including January and February 2014 (See Appendix Segal 3/17/14). With the health claims experience continuing to be favorable, as of April 1 there is now projected to be an operating deficit of ($746,216). With the starting cash and the $240,000 to be transferred from the BOE general fund there is expected to be a $293,775 cash surplus, but a ($1,006,325) deficit on an accrual basis once the IBNR is included.

2014 FYE (FY 13/14)	Estimate
Projected operating result	($746,216)
Additional transfer from BOE	$240,000
Change in projected cash balance	($506,216)
Beginning cash assets	$799,991
Projected ending cash assets	$293,775
IBNR	($1,300,000)
Change in Net Position deficit	($1,006,325)

Why the Deficit Occurred

One of the principal causes of the issue was budgeting of significant operating deficits two years in a row. It's the Committee's understanding that the intention of the BOE was to reduce the cash reserve in order to decrease the operating budget and the associated need to tax. The lack of accurate, timely and transparent information along with the lack of a defined reserve policy to guide the decision made navigating an aggressive reduction of the health care fund reserve problematical. In the Committee's estimation this action seemed to be too aggressive given the increasing trend in claims. However, the BOE did alert the BOF and RTM that a calculated risk was being taken during the budgeting process and that it might be necessary to come back for an appropriation.

The facts show that there was extraordinarily high claim activity for the time period of FY12/13. For the first 5 months of the year in FYE 2013, as illustrated below from Segal Consulting, claim data was available and averaged $1,314,000 per month. If this monthly average were extrapolated out to the full year it would total $15,775,000, which was $2,625,300 over the forecasted amount of $13,142,700 in the 3/19/2013 Administration report. It is the Committee's findings that adequate claim data was available and did show an alarming variance to management's mid-year FYE 2013 forecast. Please note the fiscal year is July 1 to June 30.

Actual Monthly Paid Claims:

Month	Enrollment	Medical	RX	Total
Jul-12	878	$1,023,154	$177,300	$1,200,454
Aug-12	881	$1,180,952	$190,610	$1,371,562
Sep-12	878	$1,164,023	$180,602	$1,344,624
Oct-12	874	$1,140,065	$206,760	$1,346,825
Nov-12	874	$731,307	$193,052	$924,358

Month	Enrollment	Dental
Jul-12	869	$94,415
Aug-12	866	$91,929
Sep-12	883	$65,287
Oct-12	865	$85,447
Nov-12	864	$53,380

In the Segal Consulting presentation dated January 22, 2013, by December 2012 there were 5 claimants over $100,000 with 2 claimants already reaching the $225,000 stop loss. By the end of the FY2012/13 there were 13 claimants over $100,000 and 6 claimants exceeding the $225,000 stop loss. This is evidence of the acceleration in the number of large claims and the increase in magnitude of claims towards the end of the fiscal year. It is also evidence of the inherent variability that can occur in any given year for health claims. (See Appendix G: Segal Consulting Report 2013)

A total of $57,000 of demutualization fund monies was returned to retirees inadvertently. The administration has put in process a method to recoup these monies.

For the FY13/14 year, during the budget process, Segal Consulting overestimated the amount of money to be collected for employee contributions by $643,700 for the following reasons:

i. The number of covered employees decreased;
ii. Miscalculation based on including FSA in gross amount, when FSA should not have been included;
iii. Inaccurate projection in ex-employee headcounts for COBRA;
iv. Mistaken assumption that Retirees' under 65 contributions (100%) are the combined collection of retiree payments and applicable State of Connecticut Teacher Retirement Board (TRB) payments. The difference in revenue is a District contribution (subsidy) that was not previously, but must be budgeted for every year;
v. Miscalculation in methodology regarding HSA rates.

IMPORTANT NOTE: All monies due to WPS by contract for employee contributions have been collected and the external accountant has validated this.

It is apparent from both the Committee review and the external McGladrey Review that several material control deficiencies existed and may have amplified the problem:

i. Although there is an annual Town Audit, no separate audit was done for the Health Care internal service fund;

ii. There was lack of adequate review and supervision. Only one person was in control of transactions and reporting trend analysis;
iii. The General Ledger (GL) accounts did not capture all raw data in transparent reports.
iv. No regular formal reporting structure was used that could be tied back to budget;
v. There was a need to report on balance sheet on both cash and accrual basis;

Solutions and Recommendations:

Operational Management

1. Create new General Ledger (GL) Accounts all significant activity in the insurance funds
    - Accounts should include all revenues and expenditures
    - Create a separate accounting of WPS cash related to insurance.
    - The BOE build a budget with detailed line items: (McGladrey Report p. 10 and 16)

	WPS Proposed FYE 2015	
Cash Receipts		
General Fund Budget from line 210	$ 15,431,000	(1)
Other Fund Contributions	85,000	
Employee Contributions	2,246,100	
Cobra Participants	11,700	
Retirees under 65	250,000	
State Teachers Retirement (TRB)	140,000	
Life insurance Premiums	25,000	
Retirees over 65	440,000	
Total Cash Receipts	18,628,800	
Cash disbursements		
Medical	11,156,200	(2)
Prescription	1,939,700	(2)
Dental	926,300	(2)
Contributions to HAS	1,291,000	
Medical Administrative	460,800	
Network Access Fee	163,500	
Individual Stop-Loss	749,700	
Dental Administrative	46,100	
FSA Administrative	2,000	
Segal Fee	25,000	
ACA Related Fees	112,000	
Retirees over 65	640,000	
Total cash disbursements	17,512,300	
Change in cash balance	1,116,500	
Beginning cash balance(deficit)	293,775	
Ending cash balance	1,410,275	
Less: Incurred but not reported claims	(1,300,000)	
Net Position(Deficit) end of year	$ 110,275	

This includes all sources and funds data with respect to all health care claims and contributions, payments to HSA, fees, expenses and costs for insurance. These are all identified, collected and displayed in one schedule. This is slightly different from past practices. This format will better enable streamlined reporting and potential variance analysis. These budget line items should be entered and phased monthly.

2. There is a clear bridge between the consultant's actuarial projections for the Health Insurance Fund to the BOE's budget line 210. Below is an example of the calculation used for FY14/15:

* FY 15 Current Services detail:	
Segal Self-funded claims, net cost projection 01/22/14	$ 14,582,300
Segal recommended Claim Fluctuation Margin	$ 733,700
Net Cost Plus Margin	$ 15,316,000
- assumes all employees enrolled in HSA plan on 09/01/15	
- projection likely to change as FY14 HSA claim experience matures month to month	
Estimate of BOE subsidy for Retirees over 65 Medicare A & B (fully insured plan)	$ 200,000
Estimate of Other Funds contribution towards employee health benefits	$ (85,000)
Account 210, Net Current Services estimate	$ 15,431,000

3. The BOE meets with Health Insurance Provider and External Health Insurance Consultant to review claims and projections timing these meetings to coordinate with the preparation and adoption of the Budget at least on a bi-annual basis. The external insurance consultant should prepare a projection for initial discussions of the BOE budget in January that includes all claims through December and then re-project health care costs to include both January and February actual claims in time for the March presentation of the Budget to the BOE. This additional information should help to more accurately predict year-end cash position and give all funding bodies more confidence in the projection.

4. The scope of the Health Insurance consultant be changed to include the +65 fund and any previous other unreported expenses, and allow for quarterly, direct interaction with the BOE.

   Checks and balances are put in place The Director of Human Resources will review the reports produced by the Director of Business Operations. The Superintendent will then review the overall report. The Director of Human Resources will ensure that any changes to contracts are reflected in external consultant report and internal account management. In addition, the new reporting structure will show any surpluses or shortfalls.

Ongoing Controls

1. The BOE build clear and concise assumptions to the budget and use the assumptions throughout the year to calibrate original budget viability and variance.

FYE 2013/2014 WPS Medical Health Insurance Fund – Projected Cash Flows

The following schedule presents in the projected cash flows of the WPS Medical Health Insurance Fund, for FYE 2013/2014:

	WPS Original FYE 2013/2014	WPS Revised FYE 2013/2014	Variance FYE 2013/2014	Consultant Original FYE 2013/2014	Consultant Revised FYE 2013/2014	Variance FYE 2013/2014
Projected Cash Receipts						
General Fund Budget from line 210	$ 12,602,500	$ 12,602,500	$ -	$ 13,953,200	$ 13,197,800	$ (755,400)
Other Fund Contributions	65,000	65,000	-	-	-	-
Employee Contributions	2,874,300	2,350,000	(524,300)	2,820,600	2,404,900	(415,700)
Cobra Participants	7,900	8,100	200	190,500	12,500	(58,000)
Retirees under 65	370,000	380,000	10,000	646,100	502,500	(143,600)
State Teachers Retirement (TRS)	140,000	140,000	-	-	-	-
Life Insurance Premiums	25,000	25,000	-	-	-	-
Retirees over 65	463,000	420,000	(20,000)	-	-	-
Total Cash Receipts	16,544,700	16,010,600	(534,100)	17,520,400	16,117,700	(1,402,700)
Cash disbursements						
Medical	12,071,000	11,171,900	899,100	12,071,000	11,171,900	899,100
Prescription	2,237,600	1,988,300	249,300	2,237,600	1,988,300	249,300
Dental	981,800	900,500	81,300	981,800	900,500	81,300
Contributions to HAS	850,000	765,700	84,300	850,000	765,700	84,300
Medical Administrative	400,000	427,900	(27,900)	446,400	427,900	18,500
Network Access Fee	162,000	158,900	3,100	173,700	158,900	14,800
Individual Stop-Loss	606,200	631,500	(25,300)	606,200	631,500	(25,300)
Dental Administrative	47,000	45,100	1,900	47,000	45,100	1,900
FSA Administrative	7,800	2,900	4,900	7,800	2,900	4,900
Segal Fee	30,000	25,000	5,000	25,000	25,000	-
ACA Related Fees	73,900	-	73,900	73,900	-	73,900
Retirees over 65	643,000	639,116	3,884	-	-	-
Total cash disbursements	18,112,300	16,756,816	1,355,484	17,520,400	16,117,700	$ 1,402,700
Change in cash balance before BOE additional transfer	(1,567,600)	(746,216)	821,384	-	-	-
Additional Transfer from BOE	-	240,000	240,000	-	-	-
Change in cash balance	(1,567,600)	(506,216)	1,061,384			
Beginning cash balance	799,991	799,991	-	799,991	793,591	-
Ending cash balance(deficit)	(767,609)	293,775	1,061,384	799,991	793,591	-
Less: Incurred but not reported claims	(1,300,000)	(1,300,000)	-	(1,300,000)	(1,300,000)	-
Net Position(Deficit) end of year	$ (2,067,609)	$ (1,006,225)	$ 1,061,384	$ (500,009)	$ (506,409)	-

(1) Per consultant report dated March 14, 2014.

2. The BOE make use of CIGNA monthly claims reports when analyzing consultant reports and that the BOE attempt to develop an "early warning system" with CIGNA with regard to claims that may evolve into large claims (over $50,000).

3. The health claim data be analyzed to the fullest extent and trends and variance to assumptions are discussed and presented at quarterly meetings to the BOE using the template below. If necessary, the BOE should share its information or concern with the Town Funding bodies with ample time to address any concerns.

Board of Education
Health Insurance Revenue and Expense Variance Report
FY 2012-2013

	Projection March 2012	Projection December 2012	Variance % Dec-to-Mar	Variance $ Dec-to-Mar	Variance (F)avorable (U)nfavorable	ACTUAL FYE 2013	Variance % FYE-to-Mar	Variance $ FYE-to-Mar	Variance (F)avorable
SELF-FUNDED CLAIMS	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Medical	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Prescription Drug	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Dental	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
EXPENSES	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Medical Administrative	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Network Access Fee	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Individual Stop-Loss ($225,000)	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Dental Administrative	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
FSA Admin	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Segal Fee	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
ACA Related Fees	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
CT Vaccination Assessment	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
EMPLOYEE CONTRIBUTIONS	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Actives	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
COBRA Participants	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
Retirees under 65	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
SUBTOTAL COST VARIANCE	$ -	$ -	0.00%	$ -		$ -	0.00%	$ -	
		1.00				1.00			

4. A separate annual external audit on the Line 210 account be completed by an independent entity and reviewed by the Town's funding bodies.

Risk Plan and Management

1. School Administration and BOE, along with the Town funding bodies agree collectively on a risk and reserve policy to manage the health care account – line 210 in the BOE Budget. This policy should be put in place as soon as possible.

2. The BOE requested a 5% risk corridor in a reserve fund to protect against potential claim fluctuations in the health care account. This "risk corridor" of 5% will also provide adequate working capital to maintain a positive cash balance throughout the course of the year. The 5% Risk Corridor is based on a statistical calculation by Segal Consulting. That calculation contemplates a much larger statistical base. As such the Committee recommends that BOE and Town Funding bodies use the 5% risk corridor as a part of risk discussion, not as an absolute protection percentage.

3. The administration continues to work to be efficient with operating expenses, and any additional balances in excess of the $240,000 that have already been allocated for this purpose should be applied to the health reserve account at the end of the year;

4. A cost benefit analysis of stop-loss levels is addressed each year as part of the budget process and risk analysis.

5. The BOE go through the appropriation process to ask for additional funds to meet their obligations in the extraordinary event that the health care expenses exceed the amount held in the health care reserve.

6. The BOE request the BOF develop and implement a plan for addressing the current BOE accounting liability for IBNR claims, consistent with the recommendations of the Town's external auditor, and currently calculated in the Town's audited 2012-13 CAFR to be $1,307,400;

APPENDICES:

A. Explanation of Terms and Abbreviations

ASO - Administrative Services Only
ACA - Affordable Care Act
BOE – Board of Education
BOF – Board of Finance
BOS – Board of Selectmen
CAFR - Comprehensive Annual Financial Report
COBRA - The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances such as voluntary or involuntary job loss, reduction in the hours worked, transition between jobs, death, divorce, and other life events.
CAFR - Comprehensive Annual Financial Report
FSA Admin - Flexible Spending Account administrative fee
FY - Fiscal Year (July 1 to June 30)
FYE – Fiscal Year-end (June 30)
GL – General Ledger
HSA - Health Savings Account
HDHP - High Deductible Health Plan
IBNR - Incurred but not yet reported claims
McGladrey: McGladrey LLP, the auditing firm hired by the BOE to perform the audit of the Health Reserve
PMPM - Per employee per month fee
PPO - Preferred Provider Organization
RTM – Representative Town Meeting
Town Funding Bodies: BOF and Representative Town Meeting (RTM)
WEA - Westport Education Association
WPS – Westport Public Schools
+65 fund - Retirees Over 65 that are enrolled in Medicare A & B (premium based policy)

B. Overview of Health Care Plan

The Westport BOE has an Administrative Services Only (ASO) contract with CIGNA effective September 1, 2010. The award of the ASO contract to CIGNA, at that time, projected savings of approximately $815,000 over a two-year period. This contract establishes a fixed administrative fee for services, which include adjudication of claims; maintaining a network of hospitals, physicians, and providers; negotiating discount pricing terms with pharmacies; providing utilization review and disease management services, and providing the necessary reporting. CIGNA acts as a claim fiduciary in

processing claims to comply with the provisions of the plan of benefits established by the BOE with its collective bargaining groups.

The ASO contract with CIGNA includes two fixed fees, one of $53.05 per employee per month (PMPM) for administrative services, HIPAA certification, network access, and disease management. The other fixed fee paid to CIGNA is the insurance element, which is the specific stop-loss insurance with a specific attachment point of $225,000. The premium is $60.26 PMPM.

Claims adjudicated by CIGNA up to the specific stop-loss attachment point of $225,000 are drawn against the BOE's account. Claims that exceed the individual attachment point are drawn from the account and then credited back to the BOE within three to five business days.

Currently all of our contracted employees are on a PPO plan except for the teachers' contract (WEA). The contract with the Westport Education Association (WEA) established a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) effective September 1, 2013, and CIGNA provides support services for those accounts and the pharmacy benefit management. Therefore, claim experience included in this report occurred mostly under a PPO plan.

The High Deductible Health Plan (HDHP) negotiated with the WEA has the following provisions: A $2,000 deductible for single employees and a $4,000 deductible for families. The BOE contributes to the employee's HSA in the amount of $1,000 for single coverage and $2,000 for family coverage, representing 50% of the deductible. Covered expenses remain the same as the preferred provider organization (PPO) plan design. Preventative services (primarily routine examinations) are not subject to the deductible (as required by the Affordable Care Act (ACA)

All hospital, medical, and prescription drug claims are subject to the annual deductible. An employee can utilize monies held in his/her HSA to pay those claims. Once the deductible has been satisfied and if the member is receiving services from a participating provider, claims are paid at 100% of the negotiated fee with CIGNA. The exception to this is prescription drugs. After the deductible has been satisfied, drugs are subject to a $10 co-payment for generic, $30 co-payment for preferred brand name drugs, and a $45 co-payment for non-preferred brand name drugs until an additional $1,000 out-of-pocket expenses have occurred. After satisfying the additional $1,000 of out-of-pocket expenses for prescription drugs, drug expenses are reimbursed at 100% for the balance of the year up until August 31st.

Employee Contributions: Based on actual health expenses for the prior fiscal year, full-time employees currently pay 17% of premiums, with the BOE paying the balance. This amount gradually shifts to 18%/82% respectively on September 1, 2015. Part-time employees contribute 30% with the BOE contributing 70% for the length of the contract (until June 30, 2016) (See Appendix D).

The healthcare plan year runs September 1 - August 31. The employee's contribution obligation for the plan year is annualized then drawn biweekly from their pay over the period of September - June (10 months; 20 bi-weekly pay periods).

Health Insurance Budget Line 210-Net Current Services: This budget line is the amount of projected net self-funded claims. The Medical Health Self-Insurance Fund is used to account for the medical, prescription and dental insurance of current and retired employees of the WPS. This fund does not have a formal line item budget. The WPS Medical Health Self-Insurance Fund is defined as an internal service fund. An internal service fund is permitted under the accounting standards only if there is intent to provide goods and or services on a cost reimbursement basis and is accounted for under the accrual basis of accounting. The use of an internal service fund is appropriate only for an activity that is intended to operate on an essentially "break-even" basis over time. Under a "break-even" analysis, assets (cash balances) would equal liabilities (accounts payable and incurred by not reported claims (IBNR)) (McGladrey Report p. 3).

WESTPORT PUBLIC SCHOOLS

MEDICAL HEALTH INSURANCE BUDGET PROJECTIONS

Based on Data Through February 2014

FISCAL YEAR ENDING JUNE 30th:	2014			2015	
				All Unions on HSA Plan	
Release Date:	Projection 12/13/2013	Projection 2/10/2014	Current Projection	Projection 2/10/2014	Current Projection
SELF-FUNDED CLAIMS	**$15,290,400**	**$14,865,000**	**$14,069,700**	**$14,674,400**	**$14,022,200**
Medical	$12,071,000	$11,883,800	$11,171,900	$11,699,800	$11,156,200
Prescription Drug	$2,237,600	$2,040,800	$1,988,300	$2,000,100	$1,939,700
Dental	$981,800	$940,400	$900,500	$974,500	$926,300
EXPENSES	**$2,230,000**	**$2,134,900**	**$2,057,000**	**$2,881,500**	**$2,850,100**
Contribution to HSA Deductible for Actives	$850,000	$765,700	$765,700	$1,298,000	$1,291,000
Medical Administrative	$446,400	$430,400	$427,900	$468,300	$460,800
Network Access Fee	$173,700	$159,900	$158,900	$165,100	$163,500
Individual Stop-Loss ($225,000)	$606,200	$635,300	$631,500	$756,900	$749,700
Dental Administrative	$47,000	$45,400	$45,100	$46,600	$46,100
FSA Admin	$7,900	$4,000	$2,900	$4,200	$2,600
Segal Fee	$25,000	$25,000	$25,000	$25,000	$25,000
ACA Related Fees	$73,900	$69,200	$0	$117,400	$112,000
EMPLOYEE CONTRIBUTIONS	**($3,567,200)**	**($3,617,900)**	**($2,919,900)**	**($2,990,400)**	**($2,727,500)**
Actives	($2,820,600)	($2,405,800)	($2,404,900)	($2,393,300)	($2,246,100)
COBRA Participants	($100,500)	($8,100)	($12,500)	($7,900)	($11,700)
Retirees under 65	($646,100)	($604,000)	($502,500)	($589,200)	($469,700)
SUBTOTAL COST	**$13,953,200**	**$13,982,000**	**$13,197,800**	**$14,565,500**	**$14,144,800**
Claim Fluctuation Margin	$764,500	$743,300	$703,000	$733,700	$701,100
SUBTOTAL COST PLUS MARGIN	**$14,717,700**	**$14,725,300**	**$13,900,800**	**$15,299,200**	**$14,845,900**
LIFE & DISABILITY EXPENSES	**$281,000**	**$264,900**	**$265,100**	**$281,700**	**$281,900**
Life/AD&D	$272,900	$252,400	$252,600	$260,000	$260,200
LTD	$8,100	$12,500	$12,500	$21,700	$21,700
MEDICAL WAIVER	**$46,500**	**$39,000**	**$39,000**	**$39,000**	**$39,000**
TOTAL COST PLUS MARGIN	**$15,045,200**	**$15,029,200**	**$14,204,900**	**$15,619,900**	**$15,166,800**

NOTES:

1) Retirees over 65 are **not included**.

2) The projections in this report are estimates of future costs and are based on information available to Segal Consulting at the time the projections were made. Segal Consulting has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any cost or savings impact resulting from the new health care reform legislation or other recently passed state or federal regulations.

3) Projection of retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

4) Self-funded claim projections are based on the most recent experience for the period March 1, 2013 through February 28, 2014.

5) Enrollment counts for the medical and dental projections are based on active and retiree under 65 enrollment through February 2014 provided by CIGNA & Delta.

6) The following annual trend factors were used: 9% for medical claims, 7% for prescription drug claims, 5% for dental claims, 4% for administrative fees, and 20% for individual stop-loss fees.

7) Assumed an annual 3% increase in salary for the Life/AD&D and a 3% increase in the LTD projections.

8) Negotiated September 1, 2013 changes to the Teachers benefit design and employee cost share structure have been reflected in the projections.

9) Negotiated July 1, 2013 increases in employee cost share percentages for the Teachers and Secretaries have been reflected in the projections.

10) The projections for FYE2015 includes adjustments for all non-Teacher unions moving to the HSA plan effective September 1, 2014. The projection assumes actives will contribute 17% of HSA plan.

11) Margin is recommended to protect against claim fluctuations for a group this size. Noted above is the recommended margin equivalent to five percent of paid claims.

12) Budget estimates do not include changes in reserve levels for Incurred But Not Reported (IBNR) Claims.

13) The projections in this report include fees related to the Affordable Care Act including the Comparative Research Fee due by July 31st of each year and the Transitional Reinsurance Fee beginning in calendar year 2014, with the first payment due January 2015. Medical Administrative costs include the Connecticut State Immunization Fee paid in February of each year.

14) Employee contributions for FYE2014 are based on the current funding rates and enrollment provided by the BOE. Employee contributions for FYE2015 are based on estimated funding rates for the period and enrollment as of December 2013 provided by the BOE. Employee contributions include Life Insurance contributions as provided by the BOE.

15) Retiree contributions reflect premium dollars paid by retirees and the subsidy received by the Teachers' Retirement Board. We have assumed the Board of Education subsidizes the retiree cost by $80,000.

16) Unum LTD premium reflects an increase in the benefit from $3,000 to $5,000 beginning March 2014.

Released March 14, 2014

Segal Consulting

D. Employee Contribution Chart – one page

Employee Contribution to Insurance Coverage

Current Contracts

	Employee Contribution %			
Group	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
WEA - Teachers (Full Time)	16% (HSA)	17% (HSA)	18% (HSA)	TBD
WEA - Teachers (Part time)	30% (HSA)	30% (HSA)	30% (HSA)	TBD
WEAP – Paraprofessionals	19% (PPO)	17% (HSA)	18% (HSA)	TBD

Expired Contracts

(N)egotiation/(M)ediation/(P)ending ratification

	Employee Contribution %			
Group	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
IAA – Administrators (P)	19% (PPO)	TBA	TBA	TBA
AFSCME – Nurses and Health Aides (N)	19% (PPO)	TBD	TBD	TBD
WAES – Secretaries (N)	18% (PPO)	TBD	TBD	TBD
AFSCME-AFL-CIO – Maintainers (N)	19% (PPO)	TBD	TBD	TBD
NAGE – Custodians (M)	16% (PPO)	TBD	TBD	TBD

Non Union Employees

	Employee Contribution %			
Group	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Non Union Employees	18% (PPO)	TBD	TBD	TBD

Non Union (Cabinet) Employees

	Employee Contribution %			
Group	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Non Union (Cabinet) Employees	19% (PPO)	TBD	TBD	TBD

E. McGladrey Report (Final dated April, 2014)

F. Segal Report January 2014 – multi-page

G. Segal Report January 2013 – multi page

Common Misperceptions:

How does a $2 million problem disappear? The $2 million did not disappear it has been reduced due to a reduction in forecasted claim expenses to $1,014k

The $2 million issue was composed of two elements: the projected operating deficit of $681k represented on the income statement and the lack of a cash asset reserve on the balance sheet to offset the $1,307 IBNR liability. Together they totaled $1,988, which was communicated to the board of Finance. Because the deficit is now projected to be a surplus at June 30, 2014 due to improved claim expenses, the $681k deficit no longer exists; and, because we now have a projected surplus of $293k, the $1,307 IBNR liability is reduced by this corresponding projected cash reserve balance. So the issue has been reduced from $1,988 to $1,014.

The BOE should not have a "slush fund" in their budget. The health care claims internal service fund is a checking account only used for WPS Health Care Costs. Medical and Dental claim payments are made via wire transfers. No administrator can write a check against the account to pay for some other non-health expense. The Internal Service Fund is tested by McGladrey as part of the annual audit. The only way to "circumvent" the system would be to hold back on the BOE's contribution to the Internal Service Fund. In other words, Account 210 (currently budgeted at $14,314,500; originally $15,431,500 now less $1,116,500 by BOE vote) funds get transferred to the Internal Service Fund on July 1st as part of the entire budget appropriation. It is the first contribution item shown on Page 10. If the Director of Business Operations were to only contribute $14.0M and "hold back" $314,500 to cover some other expenditure you would see the "shorting" on the monthly variance report that has been proposed.

All monies due to WPS by contract for employee contributions have been collected and the external accountant has validated this.

More than one person should be managing this account. The reporting model that the Director of Business Operations has developed with external auditor will be so transparent that through monthly reporting the BOE (and every interested party in the Town of Westport) will be able to keep track of all our health revenues and expenditures beginning July 1 2014 and continuing for every year thereafter.

WESTPORT PUBLIC SCHOOLS

ELLIOTT LANDON
Superintendent of Schools

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TELEPHONE: (203) 341-1010
FAX: (203) 341-1029

To: Members of the Board of Education

From: Elliott Landon

Subject: Appointment of Health and Medical Insurance Consultant

Date: April 7, 2014

Elio Longo, Marge Cion and I have interviewed a number of health and medical insurance consultants as a result of the decision to no longer engage Segal and Company as our insurance consultant. As you know, Elio has spent much of the current year focused on health insurance and as a result, we believe that we must engage a consultant who will review and transform our current practices to be more responsive to the ever-changing requirements concerning, among others, HIPPA compliance and the Affordable Care Act. The Board's insurance consultant must also provide the Board with critical advice as we develop policies related to all aspects of health and medical insurance including, but not limited to internal service funds, IBNR and the appropriate level of excess claim reserves.

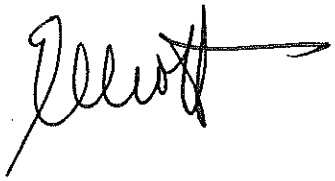
Cognizant of the fact that the Board of Education is a creation of the State, with fiduciary responsibilities far different than those of local towns throughout Connecticut, and recognizing as a result that each Board of Education member is personally liable for end-of year "budgetary deficits" in excess of its budgetary appropriation from town funding bodies, we sought consultants with extensive experience in health insurance, primarily serving school districts in the State of Connecticut. In selecting qualified candidates we checked numbers of years of experience serving local school districts, methodology for determining cost projections and philosophy with respect to necessary reserves and the need for stop loss insurance. Both Elio and I spoke with our counterparts in other districts to ensure that the candidates had performed satisfactorily in all aspects of their job. Elio had worked with several of the candidates in other districts. This provided another invaluable source of information. Of equal importance was the fee schedule for the use of such services.

Your superintendent of schools, director of school business operations, and director of human resources are unanimous in recommending to you that the Board of Education enter into a contractual relationship with **LOCKTON COMPANIES, LLS**, for the period May 1, 2014 – August 31, 2017, for an annual fee not to exceed $45,000.

Materials pertaining to this recommendation may be found appended to this memorandum.

ADMINISTRATIVE RECOMMENDATION

Be It Resolved, That upon the recommendation of the Superintendent of Schools, the Board of Education authorizes the Superintendent, with advice of counsel, to execute a contract between the Board of Education and Lockton Companies, LLS for consulting services on health insurance, dental insurance and life insurance, with such contract to include the following key terms: (1) The term of said contract shall be from May 1, 2014 through August 31, 2017; (2) The total annual cost to the Board of said contract shall not exceed $45,000 and there shall be no additional hourly or other fees for such services; (3) The contract shall define the scope of the consulting services in accordance with the attached list of services; (4) Consulting services shall be based on the experience data of Board of Education employee groups, separate from Town employee groups; and (5) The contracting parties shall be the Board of Education and Lockton Companies, unrelated to services that Lockton Companies may provide to the Town of Westport from time to time.



Finalist Presentation

Important H&W Benefit Consulting/Brokerage Services

- Strong experience in Health Benefits consulting services for public sector organizations
- Comprehensive knowledge of the mandates and laws that affect public sector groups at federal and state levels
- Highly skilled with detailed knowledge of the healthcare industry
- Proactive and collaborative approach in advising Westport BOE on all aspects of health benefits
- Strategic and comprehensive collective bargaining support
- Expert financial management of all funding arrangements
- Effective strategies for employee education and communication
- In-house data analytics and medical directors to ensure targeted Health Risk Management programs
- Full array of actuarial/underwriting services needed to perform all healthcare related analyses

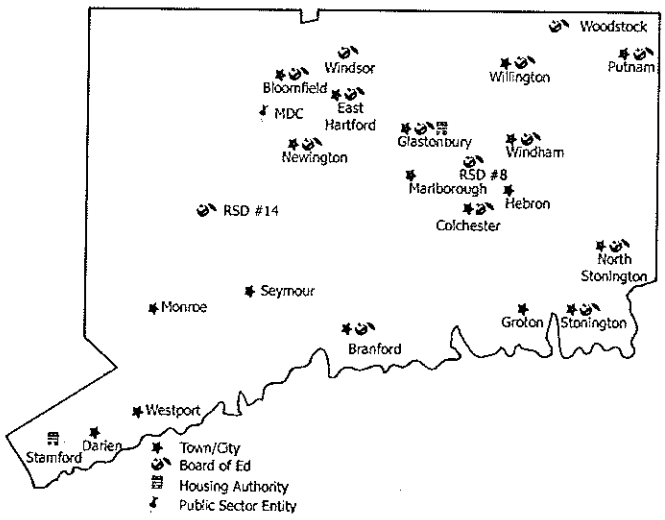
Service Enhancement Opportunities

- Analysis of existing Health Risk Management program and implementation of full claim data analytics
- Collective bargaining strategies to mitigate the effects of national healthcare reform
- Evaluation of purchasing options
- Full financial examination of the impact of Healthcare Reform
- Evaluation of carve out opportunities

Key Facts About Lockton

Clients:	35,000
U.S. Client Retention:	95% (industry average 85%)
Associates:	4,950
Premium Placed:	17+ Billion
Revenues:	$1.016 Billion (2013)
Locations:	North America, Europe, Latin America, Asia Pacific, Middle East
Offices (worldwide):	64
Headquarters:	Kansas City, Missouri, USA
Ownership:	Private
Year Founded:	1966

Connecticut Municipal Clients



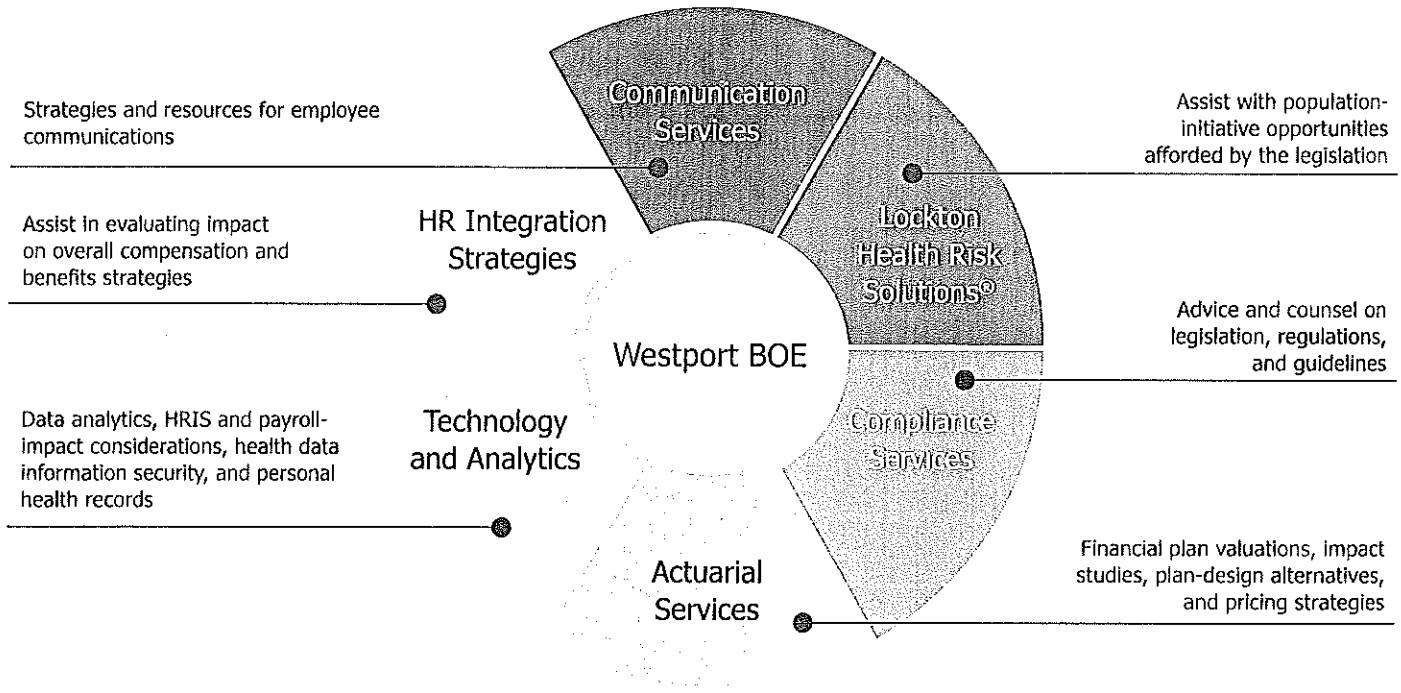
Lockton Companies U.S. Office Locations

LOCKTON

Health Reform Advisory Practice

Our Health Reform Advisory Practice objectives are clear. Our professionals will:

- Provide practical information, advice, and assistance with analysis and implementation of health reform requirements.
- Advise Westport BOE on the integration of health reform requirements with your overall compensation and benefits strategies.
- Provide financial-impact analyses.
- Deliver options and recommendations tailored to Westport BOE's unique circumstances.
- Offer Westport BOE comprehensive, integrated solutions by drawing upon expertise from key practice elements.



Collective Bargaining

Lockton's Approach

Analysis of Agreements

- Your Lockton team meets with the appropriate parties to collect the data needed to begin the analysis.
- The collective bargaining agreements are analyzed and all pertinent data is outlined by collective bargaining unit. The data is compared to the summary plan descriptions provided by your insurance carriers to ensure that all benefits are being correctly administered and to be sure that all necessary information is outlined clearly in both the collective bargaining agreement and the summary plan descriptions.

Benchmarking

- Current benefit levels are benchmarked against other municipalities based on size, location and/or bargaining units so that you will have a solid reference as you enter the negotiation process.
- In addition, information is provided on the successes and/or failures of other municipalities at the negotiation table.

Recommendations

- Recommendations will be clearly outlined for each bargaining unit based upon current trends in benefit design in both the public and private sector.
- This proves to be an extremely helpful tool for management as it helps to define the negotiation strategy in a more proactive manner.

Strategic Planning

- The development of long-term goals and objectives for the healthcare benefits of both active and retired employees is crucial in this time of skyrocketing medical costs and GASB requirements for reporting OPEB liabilities.
- Your Lockton team meets with all parties involved in the benefit and negotiation process to develop a plan that will be a constant work in progress.
- This plan is an ongoing project that is changed and updated regularly as contracts are settled, legislation is approved and new products come into play.

Communication

- At Lockton, we believe that clear and open communication with your labor force is the key to more effective contract negotiations. We have taken on the responsibility of assisting our clients with this task by coordinating quarterly meetings to provide information on current trends in costs, products, and developments in other municipalities.
- We find that the free flow of information provides for a more harmonious relationship and allows for the easy exchange of ideas and problem-solving methods.

Finalist Presentation

Lockton's Suite of Services

Consulting Expertise and Counsel

- Strategic Planning
- Program Design and Recommendations
- Budget Forecasting
- Claim Analytics and Reconciliation
- Situation Analysis and Benchmarking
- Cost Mitigation Strategies
- Employee Contribution Modeling
- Population and Health Risk Management
- Executive Benefits
- Mergers & Acquisitions
- International Benefits

Plan Management

- Regulatory and Compliance Support
- Benefit Administration Counsel
- Employee Education and Communication
- Enrollment and Training Meeting Support
- HR and Benefit Resources
- Ongoing Service and Problem Resolution
- Claim and other Benefit Management Reporting
- Periodic and Ad Hoc Meetings
- Ongoing Employer Education
- Vendor Procurement Service Management

Vendor Management

- Client Intermediary and Advocate
- Problem Solving and Task Oversight
- Plan Marketings and Negotiation
- Renewal Coordination
- Implementation Management
- Service Evaluation and Management

Market Knowledge

- Emerging Trends
- Legislative Updates
- Competitive Markets Resource
- Product Specialists
- Professional Wellness Program Counsel
- Disease Management Analytics
- Dental, Life, Disability and Other Ancillary Expertise
- Voluntary Product Solutions
- Worksite Marketing Options

Actuarial Services

- Medical Cost & Trend Analysis
- Funding Strategy and Risk Management
- Stop Loss Analysis and Procurement
- Premium/Funding Projections
- Experience Analysis/Forecasting
- Rate Development and Plan Modeling
- Employee Contribution Modeling
- Plan Participation Migration
- Budget Support and Forecasting
- Actuarial Reserve Calculations
- Certifications (Reserves, COBRA Rates & Medicare Attestation)
- Customized Financial Reporting
- Network Discount Comparisons
- Network Access and Quality Analysis
- Prescription Drug and PBM Analytics
- Retiree Medical Counsel
- Executive Support & Presentations
- Health Reform Impact with Financial Modeling

Employee Communication and Education

- Communication Strategies and Impact
- Customized Materials for Specific Needs
- Comprehensive Employee Plan Guide
- Benefit Plan Summaries
- Open Enrollment letters, presentations, etc.
- Ongoing Education newsletters, articles, etc.
- New Hire Orientation
- Customized Recruitment Materials
- Online Employee Survey
- Wellness Communication Strategy/ Materials
- Employee Benefit Statements
- Benefit Communication Insourcing
- Customized Health Reform Employee Education

Benefit Compliance and Regulatory Support

- Dedicated ERISA and Benefit Attorneys
- State Insurance Law Support
- SPD Review and Plan Document Preparation
- Administrative Guides and Support (Wellness, Domestic Partner, etc.)
- Comprehensive Education and Guidance on Complexities of Medicare Parts A-D
- Compliance Audit and Reporting
- Seminars, Webcasts and Workshops
- Compliance Advisories, Newsletters and Employer Guides
- Legislative Alerts, Briefs and Updates
- Compliance Calendar and Health Plan Notice Matrix

Collective Bargaining Support

- Plan Design Modeling
- Support Informed Decision Making
- Benchmark Data to Support Negotiations
- Member of Negotiation Team
- Education of Labor Group
- Strategic Planning
- OPEB Liability Mitigation

Prescription Drug Analytics and PBM Management

- Pharmacy Check-up Studies
- Benefit Plan Metrics
- Pricing Terms (Discounts, Rebates, Dispensing Fees, Generic Dispensing Rates, Drug Interchange Protocols, etc.)
- Mail/Retail Arbitrage Analysis
- Claim and Disease Management Analytics
- Performance Guarantees
- Contract Provisions (Lockton Best Practices by PBM)
- Drug Mix Analysis
- Specialty Pharmaceuticals
- Saving Opportunities and Value Based Decisions
- PBM Procurement Specialists
- Audit Provisions

Benchmark Information

- Plan Design
- Product and Cost
- Contribution Strategy
- Industry
- Geography
- Plan Size
- Collective Bargaining Agreement Provisions

HR Technology and Outsourcing Consulting

- HR Technology & Outsourcing Strategic Analysis & Advising
- HR Portals – Static Benefits & HR Information Site for Employees
- Online Enrollment Website (may involve add'l fees)
- Custom Consulting Services (may involve add'l fees)
  - Situational Analysis & Consulting
  - RFP Coordination and Vendor Selection
  - Implementation Process Oversight and Counsel
  - Ongoing Outsourcing Vendor and Contract Governance

Data Analytics/Disease Management (InfoLock)

- Claim Analytics
  - Standard/Customized Reporting
  - Identify Key Drivers of Medical/ Rx Costs
  - Predict Financial Exposure and Risk
  - Benefit Plan Modeling
- Health Risk Management
  - Benchmark/Stratification (30 Medical Conditions)
  - High Risk Identifications/ Interventions
  - Predictive Modeling/Future Clinical Events

Health Risk Management

- Identify Objectives and Develop Strategy
- Perform Baseline Assessment
- Program Development (w/in culture, budget and resources)
- Evaluate and Select Alternatives/Vendors
- Implement Program, Structure, Process and Identify Expected Outcomes (including compliance)
- Develop Employee Communication Strategy
- Report Participation and Results
- Ongoing Program Evaluation

Strategic Planning Process

- Proactive Lockton Approach Incorporated at Beginning of Client Engagement Cycle
- Informs Clients on Current Market Conditions and Trends in Employee Benefits
- Develops a Clear Understanding of Clients' Business and HR Issues
- Identifies and/or Reaffirms Employee Benefit Goals to Address and Support Key Business and HR Needs
- Establishes Specific Client Program Strategies and Tactics to Meet These Goals
- Utilizes Lockton's Market Update (Healthcare in America – Current Perspectives) and Strategic Planning Guide
- Incorporates Lockton's National Expertise, Best Practices and Specialty Resources Developed by Strategic Initiatives Workgroup

Health Reform Advisory Practice

- Healthcare Reform Updates and Insight
- Implementation Strategies
- Integration with Collective Bargaining Strategy
- Cost Impact Analysis
- Customized Options and Recommendations
- HR Integration Strategies
- Compliance Services
- Health Risk Management
- Technology and Data Analytics
- Actuarial Services
- Communication Services

WESTPORT PUBLIC SCHOOLS

ELLIOTT LANDON
Superintendent of Schools

110 MYRTLE AVENUE
WESTPORT, CONNECTICUT 06880
TELEPHONE: (203) 341-1010
FAX: (203) 341-1029

To: Members of the Board of Education

From: Elliott Landon

Subject: Projected Space Needs and Possible Modifications to Attendance Zones

Date: April 7, 2014

Among the Goals, Objectives and Action Plans for the 2013-14 school year is one that would have us examine the "short- and long-term impact of increased/decreased enrollments...."

I have reviewed the NESDEC enrollment projections that indicate a Staples High School enrollment of 1941 in the 2017-18 school year; the unequal distribution of students in our elementary schools; and, the impact of the unequal distribution of students in our elementary schools upon our middle schools. As a result, I can only foresee significant overcrowding and larger than desirable class sizes in the near term at Staples, Bedford and at several of our elementary schools.

Having shared and discussed my observations with central office administrators and building principals, I believe it essential that my staff and I begin in earnest the task of examining the issues and proposing solutions to alleviate the prospective problems.

Towards that end, I hereby request of the Board of Education authorization to initiate feasibility studies to determine when, and how, these prospective problems of inadequate building space and inequitable distribution of students may be addressed. It is anticipated that any such studies will be conducted almost exclusively with local staff and within the limitations of our operating budgets.

ADMINISTRATIVE RECOMMENDATION

Be It Resolved, That upon the recommendation of the Superintendent of Schools, the Board of Education authorizes the Administration to undertake feasibility studies for addressing increasing enrollment at Staples High School, the unequal distribution of students in our elementary schools, and the impact of the unequal distribution of students at the elementary school level upon our middle schools.

Westport, CT Projected Enrollment

School District: Westport, CT **11/26/2013**

Assumption: Real estate sales continue to improve for the next 6-8 years.

Enrollment Projections By Grade*

Birth Year	Births		School Year	PK	K	1	2	3	4	5	6	7	8	9	10	11	12	UNGR	K-12	PK-12
2008	221		2013-14	41	364	388	398	435	450	461	446	484	461	442	476	465	454	0	5724	5765
2009	168		2014-15	43	338	385	405	405	447	460	470	448	489	478	441	478	456	0	5700	5743
2010	192		2015-16	45	362	357	402	412	416	457	469	472	452	507	477	443	469	0	5695	5740
2011	201		2016-17	47	371	383	373	409	423	425	466	471	477	469	506	479	435	0	5687	5734
2012	195	(est.)	2017-18	49	365	392	400	380	420	432	434	468	476	495	468	508	470	0	5708	5757
2013	195	(est.)	2018-19	51	365	392	408	410	392	430	441	443	469	490	494	470	497	0	5701	5752

*Projections should be updated on an annual basis.

Based on an estimate of births | Based on children already born | Based on students already enrolled

Projected Enrollment in Grade Combinations*

Year	PK-5	K-5	K-6	K-8	5-8	6-8	7-8	7-12	9-12
2013-14	2537	2496	2942	3887	1852	1391	945	2782	1837
2014-15	2483	2440	2910	3847	1867	1407	937	2790	1853
2015-16	2451	2406	2875	3799	1850	1393	924	2820	1896
2016-17	2431	2384	2850	3798	1839	1414	948	2837	1889
2017-18	2438	2389	2823	3767	1810	1378	944	2885	1941
2018-19	2448	2397	2838	3750	1783	1353	912	2863	1951

See "Reliability of Enrollment Projections" section of accompanying letter.
Projections are more reliable for Years 1-5 in the future than for Years 6 and beyond.

Projected Percentage Changes

Year	K-12	Diff.	%
2013-14	5724	0	0.0%
2014-15	5700	-24	-0.4%
2015-16	5695	-5	-0.1%
2016-17	5687	-8	-0.1%
2017-18	5708	21	0.4%
2018-19	5701	-7	-0.1%
Change		-23	-0.3%