



Public Agency Compensation Trust
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**Minutes of Meeting of
the Board of Trustees and of the Executive Committees of
Public Agency Compensation Trust
Place: John Ascauga's Nugget Hotel,
1100 Nugget Ave., Sparks, Nevada
Time: 10:30 a.m. or
upon adjournment of Joint Board Meeting
Date: April 28, 2006**

1. Roll

Chairman Kalt, upon determination of a quorum being present, called the meeting to order at 11:45 a.m. He advised the board that to accommodate Dr. Greenwald's schedule, item 9 on the agenda would be addressed first.

Following Dr. Greenwald's presentation, Chairman Kalt recessed the meeting for lunch at about 1:00 p.m.

Chairman Kalt reconvened the meeting at 2:00 p.m.

2. Action Item: Approval of Minutes of Board and Acceptance of Committee Minutes:

- a. Board Meeting of April 28, 2005**
- b. PACT Executive Committee Meeting of November 21, 2005**

On motion and second to approve the board minutes and accept the committee minutes, the motion carried.

3. Action Item: Financial Report

Chairman Kalt commented on the financial statement as of February in the board packet and the March statement handed out. On motion and second to accept the financial report, the motion carried.

4. Action Item: Acceptance of Reports:

- a. Claims Activity Summary Report**
- b. Large Loss Report**
- c. Actuarial Update**
- d. Status Report Regarding Police and Firefighter Heart/Lung Case Activity**

Wayne Carlson reviewed the claims summary report. Doug Smith reviewed the large loss report, noting the frequency and severity of claims over \$100,000 and over \$300,000. He

commented that the frequency of claims over \$300,000 was less than 5%, but the severity was 25% of incurred claims for all years. He also noted that claims over \$100,000 constituted two-thirds of incurred claims costs, but 40% of the frequency. The largest claims were heart claims. Doug then reviewed several exhibits from the actuarial study noting the trends upward in the most recent years were being monitored but not worrisome at this point. Overall the trends developed into funding increases of 11% for municipalities, and 8% for hospitals and schools respectively. Doug then reviewed the heart-lung case activity recognizing the report given by Mike Livermore previously during the meeting.

On motion and second to accept the report, the motion carried.

5. **Action Item: Amend Articles of the Interlocal Cooperation Agreement and Bylaws**
 - a. **Amendment to Article 3, Section 4 and Article 26 of Interlocal Cooperation Agreement regarding Limitation on Right to Sue and Members' Enforcement of the Agreement to Enable Declaratory Relief Actions Seeking to Interpret the Agreement or any Fund Coverage Agreement**
 - b. **Amend Section 1.02 General Structure to be consistent with the Interlocal Cooperation Agreement and Delete Section 4.08 as obsolete.**

Wayne reviewed the proposed clarifying corrections to the Interlocal cooperation agreement and the Bylaws. On motion and second to approve both changes, the motion carried.

6. **Action Item: Amend Policy on Equity**

Chairman Kalt commented that current board policy required a minimum ratio of equity to retention of 8 to 1, but that the board normally maintained ratios in excess of 15 to 1. He said that the proposed change to a 12 to 1 ratio reflected more accurately the past practices of the board, but also affirmed the need to maintain adequate security. On motion and second to approve the policy change, the motion carried.

7. **Action Item: Acceptance of Renewal of Excess Insurance Programs and Options**

Bob Lombard commented that due to the statutory requirements for aggregate excess insurance and the heart-lung presumption, the markets for excess insurance were limited. He said that Midwest Employers has understood the heart-lung laws and also offered aggregate excess insurance, but most other markets would not do one, the other or both. Wayne added that he had attended a meeting at the Insurance Division and had sought to have the mandatory aggregate excess insurance provision changed from shall to may to permit discretion by the Commissioner based upon the financial condition. The Commissioner did not indicate she would support this, but took it under advisement.

Thus, the renewal option is only from Midwest. Bob handed out a spreadsheet showing the renewal options and pricing from Midwest. Midwest proposed an increase of 12.4% or \$77,614 if the corridor deductible remained at \$500,000, but if we increased it to \$750,000, the premium would be reduced by 8.4% or \$48,202. Wayne added that staff had reviewed this option and in light of the attachment point of the aggregate excess insurance, the additional corridor deductible would not be a significant risk given the premium savings that would go toward funding the risk and the equity position of PACT.

On motion and second to approve the renewal option II (a \$350,000 retention on all classifications except police, fire and ambulance for which a \$750,000 retention per

occurrence, a corridor deductible of \$750,000 for a premium of \$575,564), the motion carried.

8. Action Item: Acceptance of Budget for 2006-2007

Chairman Kalt referred the board to the budget summary and asked if there were questions. Hearing none, he requested a motion to approve the budget. On motion and second to approve the budget, the motion carried.

**9. Action Item: Approval to Extend SpecialtyHealth Contracts:
a. Police and Firefighter Physicals and Wellness Program
b. Managed Care Organization Services**

Mike Livermore, Workers Compensation Claims Supervisor at ASC, provided his report on the heart-lung liability and claims activity and how ASC has been working successfully with SpecialtyHealth as a Managed Care Organization for fee reduction and bill review, but more importantly for medical consultation on difficult cases such as heart disease. He stated that their involvement has helped reduced average claims severity substantially and in the aggregate. Mike handed out a chart showing the data supporting this and said that the total cost reduction since starting to work with SpecialtyHealth three years ago has generated \$1.5 million in savings. Mike said that their expertise not only helped reduce costs, but also enabled earlier return to work and successful treatment of employees.

Dr. Greenwald of SpecialtyHealth, PACT's Managed Care Organization and Cardiac Wellness Program services provider, presented an overview of the Cardiac Wellness Program. They have been evolving this program over the last four years working with the University System, the City of Sparks and PACT focusing on law enforcement agencies. He described the key elements of the program as including risk factor control, nutrition, exercise and behavior modification. He went on to describe the risk factors for heart disease and their use of the Berkeley Heart test that has enabled them to tailor prevention efforts to the genetic profile of the individual for more effective preventative measures. He explained metabolic syndrome, cholesterol and other risk factors and how he developed a "traffic" signal chart to graphically show individuals their high, moderate and low risk factors compared with benchmarks. He discussed the risks of diabetes, describing it as nearly an epidemic today, and its effect on heart disease noting that it is a preventable disease and that he wants to change behaviors in order to head it off and to save lives. He reviewed his top ten list of what people can do to prevent heart disease. He then introduced Dr. Amy Kahn, an internal medicine and behavioral change specialist who discussed her summary of the nuts and bolts of changing behavior and how that applies to cardiac wellness. Both she and Dr. Greenwald responded to numerous questions. Members who wanted to obtain access to the Berkeley Heart test were advised to call SpecialtyHealth in Reno since they are a certified lab to do this test and they would give the test for the same fee as the law enforcement pilot participants negotiated fee. Dr. Greenwald showed success stories for several of the officers in reducing their risk factors for heart disease including finding two undiagnosed diabetics among them.

Chairman Kalt thanked Dr. Greenwald and Dr. Kahn for their presentation, then called for a motion on both items 9 a and 9 b, noting that there was a contract extension and a new contract for each item. On motion and second to approve all four contracts, the motion carried.

10. **Action Item:** Action regarding these topics as required by Nevada Administrative Code:
- a. **Review of financial condition of each member and prompt notification to the Members of any Member determined to be operating in a hazardous financial condition**
 - b. **Review of the loss experience of each Member of the association**
 - c. **Review for removal of Members with excessive loss experience or Members determined by the Board to be operating in a hazardous condition**

Wayne Carlson reminded the board about the previous discussion on claims and mentioned the ongoing oversight of White Pine County by the Department of Taxation that may take a few years to turn around. He noted that no member had such adverse claims experience that warranted consideration for expulsion. Chairman Kalt added his comments about the White Pine County situation and add that Pershing General Hospital and Mineral County recently received scrutiny from the Department of Taxation, but that each of these situations did not create a financial situation that would warrant action at this time. On motion and second to acknowledge the required review of members claims, financial condition and possible removal, the motion carried.

11. **Action Item:** Election of Executive Committee
- a. **One representatives from Counties and/or Cities with less than 35,000 population for a two year term from 2006-2008**
 - b. **One representative of School Districts for a two year term from 2006-2008**
 - c. **One representative of hospitals for a two year term from 2006-2008**

Chairman Kalt referred the board to the slate of Executive Committee members and positions up for election, noting that the current members were willing to continue to serve. He opened the floor for nominations. No nominations were received. On motion and second to elect the current members for new two year terms, the motion carried.

12. **Public Comment**
No public comment was received.

13. **Action Item:** Adjournment

On motion and second to adjourn, the meeting adjourned at 2:35 p.m.

The Agenda was posted at the following locations:

N.P.A.I.P.; P.A.C.T.
201 S. Roop Street, Suite 102
Carson City, NV 89701

Carson City Courthouse
885 E. Musser Street
Carson City, NV 89701

Eureka County Courthouse
10 S. Main Street
Eureka, NV 89316

Churchill County Courthouse
155 North Taylor Street
Fallon, NV 89406

