

FINANCE & BENEFITS COMMITTEE MINUTES

January 16, 2013

Attending: Jim Manaro, Chair, Emily Chamlee-Wright, Joe Holt, Alan Chesney, Susan Vowels, Eugene Hamilton, Ed Guseman, Lansing Williams, Annie Krotee, Jeani Narcum, Cathy Naundorf and Peggy Fulton. Also present were Dean Mariaca and Courtney Beatty of Willis of Maryland.

Jim began the meeting by reviewing the latest estimated FY 14 budget projections. He stressed that these numbers are still very preliminary. The projections and increases in student charges have been discussed with Senior Staff and the Financial Affairs Committee of the Board. The enrollment target number for budgeting purposes is 430. Once final enrollment is known, other priorities for spending will be established. Jim reminded the Committee that small fluctuations in enrollment result in big revenue fluctuations. The projections also assume a 45% discount rate and an increase in the Washington Fund of \$250,000. The net result is \$1.9 million in estimated marginal revenue (new revenue). From that number, \$837,000 is already committed for expenses such as health insurance, maintenance contracts, dining hall food purchases, energy costs and depreciation. Additionally, \$40,000 has been committed to complete the Middle States project. Priority allocation expenses (to be allocated when final enrollment is determined) include a salary pool, four additional faculty positions, two additional IT programmers and two additional administrative positions which all total \$893,000. The remaining marginal revenue would be used for Admissions support, Academic support, a specialized library software contract and student recreation activities.

Jim also reiterated that this budget is predicated on a 45% discount rate which will be difficult to maintain in the current economic market. There was some brief discussion on the allocations regarding energy costs and the necessity of deferred maintenance. Our buildings are beginning to show their age and we must have a plan in place to begin some major maintenance work in order to maintain them. Energy efficiency will also be increased by having our systems work at their best capacity.

The discussion then moved to the College health insurance. Willis presented a calculated estimate of a premium increase in the amount of 19.07 percent (\$708,026)! This calculation was done using claims experience, adjustments for large losses, trend and plan adjustments and the blended model used by UHC. Needless to say, this increase was a shock to the entire committee. Willis is confident that they can negotiate the increase down to a lower number, but the budget was prepared using an of 8 percent, with the College absorbing half of that increase. There was a long discussion on how the numbers are derived, what the current trend in health care costs are and how they affect our premium increase and the age/sex demographics that tend to hurt the College. Willis presented a multi-year strategy to begin to contain costs, all which will take several years before any benefits are derived. The Committee has discussed this information for the entire year.

Jim finally drew the attention back to how the College is going to manage a \$700,000 increase in health insurance premiums. This must be the focus RIGHT NOW. He directed Willis to prepare and send to the College by next week, varied scenarios of cost

cutting if plan changes are made in the existing plans. This might include changes in deductibles, co-pays, co-insurance, and pharmacy costs.

There are also changes mandated by health care reform that will have an impact on the College health insurance plan. These changes will be discussed at the next meeting with Willis.

The next meeting of the Finance/Benefits Committee is January 31, 2013 at 3:30 in the Bunting Conference Room.