

Special Education Cost Model Task Force
Minutes of Meeting
May 17, 2018

Call to Order

Pursuant to notice filed with the Secretary of the State, the Special Education Cost Model Task Force met on Wednesday, May 17, 2018 in North Meeting Room D of the State Office Building, 450 Columbus Boulevard, Hartford, Connecticut.

Matthew Galligan, chair, called the meeting to order at 11:44 AM.

Task force members in attendance:

- Kathy Demsey, Chief Financial Officer, State Department of Education
- Liz Donohue, Deputy Chief of Staff, Office of the Governor
- John Flanders, Executive Director, Connecticut Parent Advocacy Center
- Matthew Galligan, Town Manager, East Windsor (Chair)
- David Lenihan, Director of Government Affairs, Connecticut Association of School Business Officers, (attending as a proxy for Michael Grove)
- Marie Salazar Glowski, Assistant Executive Director, Connecticut Association of Schools
- Patrice McCarthy, Deputy Director and General Counsel, Connecticut Association of Boards of Education
- Jan Perruccio, Superintendent, Old Saybrook Public Schools

Task force members participating by phone:

- David Scata, Executive Director, Connecticut Council of Administrators of Special Education
- Jeyaraj Vadiveloo, Director, Goldenson Center for Actuarial Research, University of Connecticut
- Stephen DiCenso, Consulting Actuary, Milliman, Inc.

Task Force Members Absent:

- Jeffrey Kitching, Executive Director, EdAdvance

Others in attendance:

- Kyle Abercrombie, Connecticut School Finance Project
- Martha Deeds, Connecticut School Finance Project
- Mary Glassman, Capitol Region Education Council (Presenter)
- Mandi Lewis, Office of the Governor
- Sheila McKay, Connecticut Association of Boards of Education
- Katie Roy, Connecticut School Finance Project

1. Review and Acceptance of Minutes

Task force members reviewed the draft meeting minutes from the April 11th, 2018 meeting. Ms. Glowski moved, and Ms. Donohue seconded, a motion to accept the minutes of the April 11th, 2018 task force meeting.

VOTE ON MOTION

In favor: Demsey, DiCenso, Donohue, Flanders, Glowski, Lenihan, McCarthy, Perruccio, Scata, Vadiveloo

Opposed: 0

Abstained: Galligan

Absent: Kitching

2. Presentation from Capitol Region Education Council (CREC) on CT Prime

Mary Glassman, Manager of the Office of Regional Efficiencies at CREC gave a presentation about the formation and operations of CT Prime, a captive insurance company which was started by CREC to serve municipalities and school districts. CT Prime currently has 14 member-towns and offers medical stop-loss insurance and an employee assistance plan program to its members. CT Prime, like all captive insurance companies in Connecticut, is regulated by the Connecticut Insurance Department (CID).

Discussion:

- Ms. Perruccio asked whether other insurance pools, such as the health insurance cooperative administered by LEARN, that are active in Connecticut are captive insurance companies. Ms. Glassman replied that those are informal structures without regulation or legal protections, but that those entities could form captive insurance companies in the future.
- Mr. Lenihan asked if there is a start-up cost to participate. Ms. Glassman replied that no, the only start-up cost is the initial capitalization, and that CREC loaned this funding to the captive. The CREC loan is amortized and the amortization period, along with captive management services, are included in the annual premium paid by members. All of these service costs must be approved by the CID.
- Ms. Perruccio asked who made up the board of directors of CT Prime. Ms. Glassman replied that each member town and school district decides who will represent them on the board of directors, as well as on the subcommittees of the board.
- Mr. Galligan, who is the president of the board of directors of CT Prime, discussed savings and price stabilization over time for the captive members.
- Ms. Perruccio asked whether there were requirements of members regarding the type, amount, etc. of benefits they offered to employees. Ms. Glassman replied that members are not required to change their health insurance benefit structure, but that it is possible that members may elect to unify the benefits structures in the future, in order to optimize the advantages of stop-loss coverage.

- Ms. Roy asked for further discussion of the governance structure of CT Prime. Mr. Galligan stated that the board of directors is made up of experienced municipal and district officials. CT Prime also employs an attorney and an actuary. The entire board votes on any price or member changes and the process is highly transparent. All votes, to-date, have been unanimous. CREC offers administrative support. Ms. Glassman added that towns are also engaged in subcommittees, and these representatives are not necessarily on the primary board.
- Ms. Glowski asked why some towns don't want to participate in CT Prime. Ms. Glassman stated that she is unaware of the reasons. Ms. Peruccio stated that, in her experience, there is a perception that participation in the captive might limit local control. Ms. Glassman stated that this is a fundamental misconception. In addition, there is a way that towns can participate in CT Prime in a separate pool from other member towns. Mr. Galligan stated that it takes time for municipal officials warm to the idea of joining something new.
- Ms. McCarthy and Mr. Scata asked how this relates to special education costs, because the districts do not control special education costs. Ms. Glassman stated that in CT Prime, members do not have to answer to the CT Prime regarding their providers, insurers or insurance claims. This model is parallel because towns and districts also do not control the costs of health claims of employees. If the Co-op model were implemented, the captive insurance company would not have a say in how districts provide special education services.
- Ms. Demsey suggested that the group consider insuring total special education costs, but also consider the potential for a high-cost pool, separate from regular special education costs, that would insure "excess cost" students, and lower the threshold for state reimbursement. Mr. Scata stated that that the most volatile costs are related to the highest cost students, and that if the excess cost grant was fully-funded, districts would feel less financial stress. Mr. Flanders agreed that a high-cost pool for reinsurance is a good idea to consider.
- Ms. Glassman asked Mr. DiCenso to discuss how captive insurance relates to special education costs. Mr. DiCenso stated that most captive insurance companies have voluntary participation, and that the cost volatility, compared with statewide predictability, is well-suited to actuarial stabilizing models.
- Ms. Perruccio expressed concerns regarding voluntary vs. mandatory participation. Ms. Glassman stated that the means of state reimbursement is already involuntary. Ms. Donohue stated that this would be the way that the state provided reimbursement, and that if districts would need to participate in order to receive state funding for special education, but that districts would not be forced to participate. Ms. Glassman reiterated that the Co-op model is just a cost reimbursement system and does not impact service delivery at the local level.
- Mr. Lenihan asked what would happen in years that total special education costs exceeded the assets in the Co-op. Ms. Glassman stated that a captive insurance company would increase local control and ensure that special education funds stayed within the cooperative. Ms. Roy clarified that the model includes a margin to allow for exceptional years where more costs are incurred than expected, and

the initial capitalization is there to protect against this. In addition, there would be a reserve fund, and/or a stop-loss policy that would ensure that all towns and districts would be reimbursed for 100 percent of their total special education costs.

- Mr. Galligan discussed how funds held in the Co-op could be invested on behalf of members, instead of through the Treasurer's office, and instead of those earnings going toward the state General Fund, earnings would be reinvested in the Co-op. This would ensure that all special education funds, and associated investment earnings would be used exclusively for special education. Ms. Donohue expressed that a captive model would protect special education funding from cuts by the General Assembly, during uncertain budget years. Mr. Galligan stated that he believes there is more risk to education funding within the political environment than there is in forming a captive insurance company.
- Ms. Demsey discussed the benefits of controlling volatility for local school district budgets. Ms. Glassman discussed how a captive insurance model could help ensure more equity in the delivery of special education services, no matter in which town a child lives in.
- Mr. Galligan stated that he has created a special education fund in the town budget to protect against volatile special education costs, and that the Co-op model would eliminate a need for this fund, and could eliminate some of the friction between municipalities and districts.
- Mr. Flanders stressed the importance of understanding the actuarial ramifications of the federal mandate for districts not to consider costs when determining service delivery for special education students.

3. Update from the RFP subcommittee

Ms. Donohue stated that there is no report from the RFP subcommittee due to legislative session but will bring a report to the next meeting of the task force. Ms. Roy discussed the difficulty caused by the unlimited indemnity clause in state contracts, which causes many vendors to choose not to bid on a potential state RFPs because of potential liability implications.

4. Discussion of focus groups with parents of special education students

Mr. Flanders asked that parent focus groups be included, in the report of the task force, so that the actuaries are better able to understand the underlying risks that are being insured. Mr. Flanders also discussed the need for parents to fully understand the model and participate in the policy development process, so that they feel they can support it, if the task force recommends it move forward. Ms. Glowski asked that special education directors also be included in the stakeholder feedback process. Mr. Galligan agreed that this is a good idea, because it is important to deliver a full report to the legislature which includes feedback from all stakeholder groups. Mr. DiCenso agreed that it is important the consulting actuaries understand the underlying special education risks being insured. Mr. Flanders stated that he could assist in identifying parent groups to participate in the process. Mr. Galligan asked how this process can begin. Mr. Flanders

asked that the task force put out a small RFP for a subject matter expert who could run focus groups with parents.

Mr. Flanders moved, and Ms. Glowski seconded, a motion to hold focus groups with parents, and for those focus groups to be managed by a consultant with expertise in special education.

VOTE ON MOTION

In favor: Flanders, Glowski, Galligan, Lenihan, McCarthy, Perruccio, Vadiveloo

Against: 0

Abstained: 0

Absent: Demsey, DiCenso, Donohue, Kitching, Scata

Ms. McCarthy moved, and Mr. Galligan seconded, a motion to include special education directors in focus groups held in service of the feasibility study.

VOTE ON MOTION

In favor: Flanders, Glowski, Galligan, Lenihan, McCarthy, Perruccio, Vadiveloo

Against: 0

Abstained: 0

Absent: Demsey, Donohue, DiCenso, Kitching, Scata

5. Other Business

None

6. Discussion of agenda and scheduling of the next meeting

The next meeting will be scheduled via online poll.

7. Adjournment

At 1:04 PM, Ms. McCarthy moved, and Ms. Glowski, seconded a motion to adjourn the meeting.

VOTE ON MOTION

In favor: Flanders, Glowski, Galligan, Lenihan, McCarthy, Perruccio, Vadiveloo

Against: 0

Abstained: 0

Absent: Demsey, DiCenso, Donohue, Kitching, Scata