

**State and Public School Life and Health Insurance Board
Benefits Sub-Committee**

Minutes
March 13, 2009

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, March 13, 2009 at 9:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Joe Musgrove/Proxy
Janis Harrison
Lloyd Black
Nancy Sheehan
Rhonda Hill
Jeff Altemus
Shelby McCook
Becky Walker

Members Absent

Jason Lee, Executive Director, Employee Benefits Division.

Others Present:

Kareen Dorsett, Milliman; George Platt, Amy Tustison, Leigh Ann Chrouch, Sherri Saxby, Pamela Lawrence, Sherry Bryant, Amy Redd, Erica Harris-Backus, Ethel Whittaker, Doris Brown, Cathy Harris, EBD; Bryan Meldrum, Dwane Tankersley, Novasys; Barbara Melugin, Kathy Ryan, Ron Deberry, AR Blue Cross Blue Shield/Health Advantage; Shonda Rocke, Informed Rx; George Burks, Usable Life; Sharon Marcum, LifeSynch, Marc Watts, AR State Employee Association; Wayne Whitley, Ronda Walthall, AR Highway and Transportation Department; Carol White, PDB Enterprises; Peggy Nabors, AEA, Mona Neal, Public Service Commission; Ashley Simmons, Data Path; Robbie Weaver; Donna Havens

Call to Order

The meeting was called to order by Becky Walker, Vice Chairman.

Approval of Minutes

A request was made by Walker to approve the February 13, 2009 minutes. Altemus made the motion to approve. Harrison seconded. All were in favor. Motion carried.

Benefits Strategic Planning Workgroup (BSPW) Report by George Platt
Harrison explained that in the past the BSPW and the Benefits Subcommittee discussed the possibilities of eliminating the “student” requirement for

dependents ages 19 through 23 years old but there was no further action taken on the issue at that time. Harrison said since then she has requested that EBD review the issue again considering the hard economic times.

BSPW Chairman, George Platt informed the committee that the work group reviewed the dependent age limitation in May 2008. Platt referenced the summarized report that was given to the Benefits committee last year which included the results of the analysis for the student verification process for the first quarter of CY08.

Platt said the current student verification process is of limited use and somewhat of an administrative burden and they would really like to replace the current process with a full dependent audit/verification process.

Lee informed the committee they have asked Milliman to pull together some estimated cost to the plan. Lee explained 40% of the members will have some type of premium change when non student dependents are left on the plan. Lee said there is an expected \$1 dollar per employee per month impact on the plan going forward. Lee said the rates provided in the meeting do not reflect the \$1 dollar per employee per month for the benefit change.

McCook suggested that they should consider applying an extra fee to only the people who want to keep dependents over the age of 19 on the plan instead of charging everyone \$1 dollar. McCook said most members will be willing to pay extra for a new benefit.

Lee explained they expect PSE claims to increase anywhere between \$800,000 thousand and \$1 M dollars; 60% of which they would not get back because it would not be an increase in tier to cover an additional dependent.

McCook said he is not trying to gouge the members that have dependent children; but charging all members \$1 dollar will mask true costs. McCook said they should not do this if they cannot measure what they are doing.

Altemus said only charging the individuals with dependents will add another group of people that they will have to identify in the business offices. Altemus said they would also be changing the rules they have followed in the last many years because dependents have been covered at no additional charge. Altemus said he does not mind covering the costs but does not want to get into a money making process.

A discussion ensued between Altemus and McCook about other things that mask costs.

McCook said he appreciates Altemus concerns and they will need to work on the administrative piece also so that the state and the school systems can handle the

different premiums. McCook said he is opposed to charging every member \$1 dollar to take care of less than 4,000 dependents. McCook said they need to do what is equitable.

Lee talked about another option; creating a different class based on the age of the dependent. Lee said the work group will review other options and report back to the committee.

Harrison requested that the BSPW review the various types of plans that offer benefit plan for dependent children. Harrison requested that the work group look into what McCook suggested also and provide some premium differentiation to the committee.

Platt reported the BSPW also discussed Temporomandibular Joint Disorder (TMJ). Platt provided the committee with the result of a TMJ analysis conducted by EBD. Platt said currently TMJ is handled in Case Management and this has allowed them to determine the real scope and the possibilities for a TMJ benefit. Platt said they are considering moving TMJ from case management to the benefit schedule.

McCook requested that the work group review another concept; do not apply the maximum limit once the individual has been diagnosed with TMJ; but instead, member should go directly into case management. McCook said members spend all their money before they really get any treatment for TMJ.

Platt said the work group will continue to review TMJ and bring back some information to the committee.

Recommended Plan Changes For FY2010 by Jason Lee, Milliman

Lee reported the Plan is in a unique position this year because they are not being forced to make plan design changes to cut the overall cost to the Plan. Lee said he has taken this opportunity to kick around a few suggestions that are budget neutral for the Plan.

Lee provided the proposed Plan Design Changes for the 2010 Plan Year.

- In Patient Hospital Admission \$150 Co-pay per adm (3 times max)
- Skilled Nursing Facility \$0 Co-pay
- Rehabilitation Facility Admission \$0 Co-pay
- Transplant Services \$0 Co-pay
- High Dose Radiology (MRI / CT/ MRA/ PET \$100 Co-pay (2 times max)
- Co-Insurance Out-of-Pocket \$2,000 Individual / \$4,000 Family

Lee explained that inpatient hospital stays are relatively expensive. Lee said if they can get an individual at the right level of care through good quality care and case management, the costs to the Plan will go down. Lee said eliminating co-pays at lower levels may encourage more frequent transfers with traditionally

lower claim costs because they can move people into those levels of care where it's appropriate and not apply the up front cost to the member.

Lee said he has also requested that Milliman perform some rate scenarios that would be cost neutral to the Plan.

Walker said the 20% coinsurance is a much bigger issue than the copays because it hits people harder because you can't adequately plan for coinsurance Walker commented on the Flexible Spending Account.

Walker said by decreasing the coinsurance they will generate a lot of good will among the employees and their families.

Lee said they will review copays as well. Lee said they now have the chance to do many things in a budget neutral environment that they have not been able to do before.

Altemus said he agrees the copays are hefty and have become a significant issue.

Preliminary PSE Active Rates *by Koreen Dorsett, Milliman*

Dorsett informed the committee that the 2010 rates look really good. The committee the plan year 2009 rates changes compared to the recommended rate changes for 2010.

Dorsett reported this year they are proposing a 1% increase for Health Advantage, 2% increase for Novasys ARHealth, 5% decrease for NovaSys HDPPO and a 1% decrease for Rx. Milliman does not have the Corphealth's rates so they have assumed the current rates in the preliminary report.

Dorsett explained last year they used 2007 experience to develop the 2009 rates and 2007 was a bad year; however, 2008 was a much better year and the experience looks really good and that translates to reasonable rate changes for the employee.

Dorsett said the base funding and the act 1842 funding amount is the same as last year. This year they allocated \$10 M dollars from the reserve to calculate the rates. Dorsett explained the Board recommended they allocate \$10 M dollars over a three year period. They will apply 50% of the \$10 M dollars to the plan year 2010 rates and then another 30% for the following year and 20% in the year after that. Dorsett said the preliminary PSE rates reflect the \$5 M dollars of allocation for the first year.

Dorsett explained the basis for the underwriting. They used 12 months of incurred medical claims for the period December 2007 through November 2008

(paid through January 2009). Dorsett said they are using a good majority of the 2008 experience; which is very favorable experience for the Plan.

Dorsett reported the Pharmacy underwriting is based on claims paid between January 2008 and December 2008, and the underwriting is performed at the benefit administrator level. They did not pool the Health Advantage and NovaSys claims together, but separated them because it is good practice that each benefit administrator reflect their own costs.

Dorsett said per the Board directions they have removed the \$20 Health Risk Assessment load, so it is no longer reflected in the total premium calculations.

Dorsett informed the committee they have received some proposal for the administrator fees from Health Advantage and NovaSys. Health Advantage fees will increase and NovaSys fees will slightly decrease. Dorsett said the information in the packet reflects the current fees because they did not have the information beforehand.

Dorsett reported they have assumed no net impact to rates due to benefit changes and that the annual trends are good. Dorsett explained the calculations for the 2009 -2010 PSE rate development at the benefit administrator level.

An in depth discussion ensued regarding the NovaSys HDPPO Plan.

Dorsett explained that the -43% for the HDPPO plan reflects the health status of the high deductible members and the plan is open to everyone. Dorsett said if they put through a 43% decrease or any significant decrease on the HDPPO population, everyone will move to the plan. Dorsett said they wanted to give some credit to the HDPPO plan since they are performing well but they are only willing to increase that spread to about \$105 dollars to maintain actuary integrity.

Dorsett explained the calculations for the 2% increase for NovaSys ARHealth and the -5% decrease for NovaSys HDPPO.

McCook said they have been too conservative on a HDPPO Plan, and that is the reason not many people are not in it. McCook said he believes the HDPPO Plan should have more than what Milliman is proposing. McCook requested Milliman run one more scenario to cut the premiums a little deeper for the HDPPO plan.

Dorsett said they could not cut the rate without applying a risk load for the health status of the ARHealth members who are going to move to the HDPPO plan. Dorsett said it would offset each other.

Walker said if the premiums were lower new people would probably enroll in the HDPPO plan that are relatively healthy; such as young teachers; people that would not have enrolled before because they are relatively healthy and the premiums are too high.

Dorsett explained they are trying to be conservative with this plan because there are no restrictions on who can enter the plan

McCook suggested they put together a design that would offer the HDPPO plan as a base plan and then as you buy up in benefits you pay a little more in premiums.

Lee reported the BSPW are already looking into the buy up option. Lee talked about a health plan in California that has created a web interface that has priced out each individual component of self funded health plans. Lee said their market is a smaller, more manageable self insured plan, but they have asked them to provide them with some presentations.

Black said he agrees with offering a basic plan and then giving the individual the option to move up more and more in terms of what they need. Black said he believes they would be inviting many more of the younger teachers into the plan and there is the effort now to try to get some of the younger healthy people into this plan; so the concept is worthy for them to look into.

Lee said he would consult with Milliman to see if there maybe some less conservative safe numbers available.

McCook suggested they also advertise the HDPPO plan so they can get the PSE group to enroll.

Dorsett explained if they widen the spread on the HDPPO plan, the ARHealth rate change will increase, and the HDPPO plan will be even more attractive. Dorsett said they will not only incent new teachers, but they will incent movement from the POS plan to the HDPPO plan.

Dorsett presented the 2009-2010 proposed rates with and without reserve allocations.

Lee said HB1413 provides an additional contribution of \$25M for the PSE health insurance. Lee said the Bill has been amended to add some additional senators and representatives to the sponsorship of the Bill. Lee said this would have a significant impact to the point of having ruffly cost parity on the HDPPO plan with state employees.

Dorsett said a Board member requested they show what the 2009 -2010 rates would look like if everyone moved to the HDPPO plan. The committee viewed the single option HD PPO Plan with reserve allocation.

Lee said this is a truly conservative but accurate picture of what the rates would be if the entire population had only one choice of the HDPPO. Lee said it is not the cost of an individual on the HDPPO plan given that there is free choice between the markets or between the different plans; but if this were the only

solution. Lee said this would be the price because they would be inheriting those people that have avoided the HDPPO because of their own personal costs.

Dorsett said she would review increasing the coinsurance benefit but it would potentially cost more. Dorsett said she did not think they would want to increase the coinsurance benefit and change the copays because that will have an impact on the rates because the coinsurance hits nearly everything.

Director's Comment by Jason Lee

Lee reported HB 1891 would provide that all public funded entities be brought underneath this health plan.

HB1891 - program for all publicly funded employees and retired employees; and for other purposes. To establish a unified health care benefit program for all publicly funded employees and retired employees.

A discussion ensued.

Lee informed the committee that EBD has received the 2009 Rx Benefit Innovation Award from the Pharmacy Benefit Management Institute. Lee said the proposal was submitted by Informed Rx. Lee said the DUEC committee and the Board have help to keep the pharmacy trend in check compared to national averages and are doing some rather progressive things with quantity limits, step therapies, preauthorizations. Lee congratulated everyone around the table, the other committees, the Board and the vendors.

Meeting adjourned.