

State and Public School Life and Health Insurance Board
Benefits Sub-Committee
Minutes
April 17, 2009

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, April 17, 2009 at 9:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Joe Musgrove
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:

John Bauerlein, Liz Myers, Milliman; Sharon Moore, AR Long-term Care Partnership; George Platt, Amy Tustison, Leigh Ann Chrouch, Doug Shackelford, Paige Harrington, Undrea Ellis, Sherri Saxby, Doris Brown, Donna Cook, Pamela Lawrence, Sherry Bryant, Amy Redd, Erica Harris-Backus, Raina Porchay, Acquanette Davis, Dallas Dillon, Dianna Taylor, Aisha Aimin-Velasquez, Shannon Roberts, Gina Grable, Ethel Whitaker, Cathy Harris, EBD; Bryan Meldrum, NovaSys; Barbara Melugin, Kathy Ryan, Ron Deberry, AR Blue Cross Blue Shield/Health Advantage; Shonda Rocke, Informed Rx; Diann Shoptaw, Usable Life; Ronda Walthall, AR Highway and Transportation Department; Carol White, Patricia Brown, PDB Enterprises; Peggy Nabors, AEA, Pat O'Malley, Public Service Commission; Robbie Weaver;

Call to Order

The meeting was called to order by Joe Musgrove, Chairman.

Approval of Minutes

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

Benefits Strategic Planning Workgroup (BSPW) Report by George Platt, Chairman

Platt reported the BSPW have no action items for the Benefits Subcommittee at this time. The work group meet on April 7th and discussed Requests for Proposal (RFP); Actuary, Cafeteria Plan, Health Savings Account, and Case Management. Platt said various Board members have volunteered to participate in the RFP scoring process.

Platt informed the Committee that the Board requested the work group to come up with a procedure for new vendors to offer products to the plan. Platt said the work group is trying to figure out the best way to manage this type of process. The BSPW will present the new vendor process to the Benefits subcommittee when completed.

Platt reported Humana representatives briefed the work group on the Medicare Advantage Plans in the March meeting. Platt said the work group had originally asked Humana to come back in May for a more lengthy discussion; but since that time, the work group has decided not to spend more time on this issue based on the Federal Government's plan to cut the Medicare Advantage subsidies to help pay for health care reform.

Platt said Sharon Moore talked to the work group about Long term Care Partnership and Moore is here to show a presentation about the partnership program in the benefits meeting as well.

Legislative Update by Jason Lee, EBD

ACT 1179 – Requires insurance companies to offer coverage for hearing aids. Lee said this bill does not apply to the Plan per conversations with the Department of Insurance and their interpretation of the bill. Lee said he believes it was the intent that it would apply to the plan and so it is a very good item for them to consider in order for them to have a comparable product to the market. Lee said they have receives some relatively low costs analysis from Milliman for hearing add coverage and they do not have to provide the coverage exactly as stated in the bill because the law does not apply to the plan.

ACT 1172- Retiree parity between ASE and PSE include the phrase that if funding is available and appropriated. Lee informed the committee no money was made available and appropriated at the legislative session for the purpose of retiree parity between ASE and PSE.

ACT 1193- Mental Health parity was amended to specifically include the state and school insurance program. Lee said they were already subject to the federal mental health parity so there will not be a cost impact to the plan.

ACT 950 – Requires the plan to provide Orthotic and Prosthetic Devices or services not covered under the cap. Lee said currently the plan has a \$15,000 annual benefit limit for Orthotic and Prosthetic Devices but ACT 950 requires them to eliminate that cap. Lee said the cost is rated somewhere around a nickel and it's included in the rates that will be presented in the Benefits meeting.

ACT 769- PBM transaction transparency requires state funded plan to have transparency in their PBM transactions so the employee plan sponsor can get a detail list of what was actually paid to the pharmacist. Lee said they already have this level of transparency built into the current contracts and they expect that all of the contracts from this point forward will have this level of transparency as well and there is no net impact on plan.

ACT 702- Clarification of the state's Any Willing Provider law. Lee said the state's employee benefits division plan is subject to the state AWP law and the state and school insurance program have been specifically brought into the section by statute. Lee explained AWP didn't apply to Novasys in the past because they are a third party payer but they are working with Novasys so that they and their subcontractors are AWP compliant.

SB291- provides up to \$15 M towards the PSE Actives with special language to allow the \$11.20 Active employee subsidy to be applied towards Retirees. Lee reported they now have legislative authority to continue the practice they've been doing since the 90's. Lee explained the \$15 M is paid in quarterly installments and is included in the 2009-2010 preliminary PSE rates. Lee said they have not been in contact with the Department of Ed so he suggests they wait another month to make sure there aren't any hiccups before they spend the money.

Plan Design 2010 Plan Year by Jason Lee, EBD

a. Mandate changes

Lee said they have included the hearing aid benefit in the 2009-2010 AR Health Plan design but they also want to have some form of preauthorizations to protect the plan from unnecessary costs.

b. Proposed Changes

Lee referenced the e-mail that was forwarded to the committee members before the meeting. Lee said they have had some internal discussions with vendors about a benefit rider. Lee said it is a very viable and feasible option and a new approach that has only been available to the private and individual markets. Lee said it would require web interaction, a different level of communication and payroll interaction to turn it into a group market.

Chairman Musgrove said he is concern that the most likely buyers of the buy-up option will be the imminent users. Musgrove suggested they have a selection

process and offer buy up packages through insured plans outside of the responsibility of the plan to fund.

Bauerlein explained some benefits are considered uninsurable by themselves because they are very predictable and controllable by the individual. Bauerlein said they will need to socialize some of the benefits to make them insurable benefits and then reminded the committee that the flexible spending account is an option for members as well because it is set up to allow members to get the tax advantage and reimbursement for these type services.

McCook said he believes everyone should be subject to a hearing exam as part of their coverage. McCook said hearing aids, vision and dental could be included in the same buy up package.

Bauerlein informed the committee that the price of the vision and hearing exams across the whole population would be relatively inexpensive but preventative dental is a little more expensive.

Lee explained that when they excluded the dental benefit from the plan, the same dental services were also available through voluntary products. Lee said the voluntary products offered more services than the state and school plan and those products are still available.

McCook said the dental issue is too murky and then suggested the BSPW review the dental benefit if the education folks will cooperate.

Sheehan said the PSE group dental benefit is quite expensive for what they get and it is not geared towards preventive. Sheehan said the plan could offer preventative dental at cheaper costs because it is larger group and other plans could be tailored to take that into consideration; but ASEA, school districts and other groups would have to coordinate with their dental providers.

Chairman Musgrove said his preference would be that vision and dental remain outside of the core health plan; but the plan should work very hard at soliciting private vendors and use as much leverage as they can to make the rates affordable and structured in a way that the employees who utilize it can utilize it with pre tax dollars instead of post tax dollars.

Walker said the committee reviewed utilization data in a past meeting for dental and vision and the utilization numbers were a lot lower than she expected. Walker said that was one of their reasons for dropping the two benefits and then requested the committee be provided with that information again for review.

Sheehan said she would also like to review the cost savings information for dental as well.

Chairman Musgrove said he agrees the dental issue is a little murky but would certainly like for them to do whatever they can to encourage regular dental coverage because there is a direct link between dental health and body health.

Hill encourage the committee to also strongly consider providing coverage for the service that will be needed if something is found during a preventive exam because it is the complete value and picture of a benefit design. Hill said they do not have a complete picture if they can only offer an exam but can't offer coverage for the procedure that will fix something that comes up in an exam.

Chairman Musgrove said he agrees however they will have to take a step at a time; the first and utmost important step is the determination of the evaluation and then they will see what they can do about addressing eyeglasses etc.

Motion: McCook moved they ask the plan's actuary to provide the group with the cost of adding hearing & vision examinations to the basic health plan for wellness coverage and request the Director to work with the actuaries to set a premium up grade for those who wish to have hearing and eye sight devices. Black seconded.

Bauerlein said he is not sure that anyone would insure hearing aids or vision hardware at an affordable cost. Bauerlein said if they apply a cost for a hearing aid benefit to everybody it will have a better benefit value than purchasing a separate buy up plan.

Lee informed the committee that Humana offers vision products to the state employees through comp benefits. Lee said he has asked them to look at increasing their coverage to include hearing aids.

Chairman Musgrove opened the floor for discussion to audience members.

Platt said his biggest concern is the timing because the rates have to be set by a certain time and there are also contractual issues. Platt said the BSPW will study the dental benefit at the next meeting.

All were in favor of the motion. Motion carried.

Lee referenced the e-mail that was sent to the committee members before the meeting regarding the financials and fund reserves. Lee said the financial numbers are looking good and the claims for January and February are going in the right direction and they have also seen early numbers for March as well.

Lee explained with the addition of the \$15 M from SB291 they only applied \$6 M contribution from the trust fund as opposed to the original \$10M in the PSE rate proposal. Lee said he is a little concern about the summer because typically recessions are known to create an unpredictable world of healthcare expenses.

Lee said Milliman is more comfortable with giving more credit to the HD PPO plan as opposed to merging the HD PPO and the traditional plan if they don't spend much money out of the reserve; which is the foundation for the \$6 M recommendation as opposed to last month \$10 M proposal.

Preliminary PSE Active Rates by *John Bauerlein, Milliman*

Bauerlein reported there are no big changes from last time. They have taken an additional month of claims data and updated the underwriting.

Bauerlein said the rate increases look great and trends seem to be down. Bauerlein said other plans are experiencing lower claim costs and the AR plan is seeing it in the claims experience as well; however, they don't know the actual cause.

Bauerlein explained that last time they split the rate increases between the HD PPO and the Novasys AR Health and there were a lot of discussions as a result of that. Bauerlein said since then they have dropped that to a 10% decrease and believe that is as far as they should go on reducing the rates for that experience. Bauerlein said in the past there has been some resistant with enrolling in the HD PPO but it is looking pretty attractive and in with this kind of spread they anticipate and enrollment change.

The committee reviewed exhibits for the 2009-2010 proposed rates with and without reserve allocation and hearing aid coverage and the removal of \$15K Max on Orthotics/Prosthetics. In addition, the 2009 -2010 possible buy-up package.

Bauerlein said they do not need to add anymore data or try and get more claims information because they feel pretty comfortable with the rates. Bauerlein said all that's left to do is to review the buy up options for socialize coverage issues.

Bauerlein asked the committee if they wanted to include the hearing and vision exams in the rates for the Board meeting.

McCook suggested Milliman include the hearing and vision exams and hearing aid costs in the rates as long as they can be identified because he is going to recommend that the Board adopt all three items.

Longterm Care Partnership by *Sharon Moore, State of AR Long-term Care Partnership Program*

Chairman Musgrove said the Governor, Medicaid and the Insurance Department are strongly in favor of promoting the long-term care partnership program. Musgrove explained it is a program that really just takes a regular long-term care insurance policy issued by a regular long-term care insurance company and gives it status to offset some of the assets you have to dispose of in order to be

eligible for Medicaid. Musgrove said It allows you to have some assets based on the utilization of the long-term policy because you have planned ahead and spent your money in advance to protect yourself against these costs by buying such a policy.

Musgrove said as far as the committee is concern there are two options: #1) provide a group long-term care for the employees and get somebody else to carry the risk. #2) solicit and make easily available to the employees various long-term care partnership qualified providers so the policies can be provided through payroll deductions.

McCook clarified the long-term care policy discussion will be informational only because the Board does not have any authority of long-term care products.

Sharon Moore provided the committee with a slide presentation about AR Long-term Care Partnership program. Moore explained how to maintain independence, and secure hard-earned financial resources and property with the long-term care partnership policy. Moore said it is aimed at rewarding Arkansans who plan ahead for their future long-term care needs by providing private long-term care coverage and the ability to receive Medicaid benefits while holding onto a larger portion of their assets. Moore said if you don't have a Partnership policy, you would be forced to spend-down your assets to \$2,000 in order to qualify for Medicaid.

Moore talked about the services covered by long-term care partnership policies and costs information.

Musgrove said the program has been endorsed by the Governor and the Legislature to encourage Arkansans to start making provisions today to be able to cover their needs in the future. Musgrove said since state and public school employees represent a very large segment of the population of AR citizens, it seems the committee should do that level of which they are authorized to do to facilitate long-term care partnership.

Lee said the plan had a group long-term care policy available to the state employees prior to December 31, 2008. Lee said they hope to provide a long-term care policy again to the state employees through the EBD voluntary products deduction and there have been been conversation about how they can make it available to the school district as well.

Director's Comment *by Jason Lee*

Lee introduced EBD's new Communications Manager, Doug Shackelford. Shackelford has years of journalism experience and has held the director position at a non profit organization. Lee said Shackelford has unique skills and EBD is happy to have him on board.

Meeting adjourned.