STATE AND PUBLIC SCHOOL
LIFE AND HEALTH INSURANCE BOARD
BENEFITS SUB-COMMITTEE
MINUTES
April 11, 2003

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, April 11, at 1:30 p.m., in the Hearing Room 2 of the Public Service Commission, 1000 Center Street, Little Rock, Arkansas.

Sub-Committee Members Present	Members Absent
Bobbie Davis	
Janie Roach	
Marc Watts	
Jackie Holloway	
Janis Harrison	
Sharon Dickerson	
Paul Grier	
Janie White	
Ashli Davis	

Others Present

Peggy D'Agostino, Employee Benefits Div.; Patty O'Malley, PSC; Larry Carnes, FBMC; Nicola Patterson, Kathy Diggs, John Anthony, Jim House and Eddie Freyer, USAble Life; Darryl Coker, ASP; Ted Borgstadt, Trestle Tree; John McCuin, and Arlin Tell, SDSA; Rob Thorpe, QualChoice, David Bridges and Barbara Melugin, ABCBS; John Bauerlein, Milliman.

1) Call to Order

Davis called the meeting to order.

(2) Approval of Minutes.

Watts made motion to approve minutes.

Harrison seconded.

Motion carried.

(3) Rates

Bauerlein present the projected rate increase for the next year. There was another month of claims experience added to see if that would change the rate increase any, it did not. The rates were basically the same as what was presented last month. For the PSE program Health Advantage and QualChoice were running at a projected 5% increase and PPO was showing a 13%. The Drug Rates projected rate increase of 10% reflected the plan design changes that were put through last year,

$50.00 deductible and $2500.00 out of pocket. He said the 10% was if the Committee put through the benefits on drugs.

Dickerson said that as things stand right now that particular benefit design change would not be feasible.

Means said that as long as there was a reserve he was not interested in putting any more cost on the members.

Bauerlein said that it would be a 16% rate increase if there were not changes made to the drug benefit. When the drug, at 16% rate increase, and the medical rates were blended together the 5% increase become about a 7% rate increase overall. The PPO increase would be about 14% with the 16% drug rate. On the State side for the combined medical and drug rate increase the Health Advantage rate increase would be about 5.5%, for QualChoice it would be 8.5% and for the PPO it would be about 11.5%.

Bauerlein asked the Committee if he needed to look at changing something like the co-pay amount to bring down the rates increase.

After a brief discussion it was decided that there should not be any benefit design changes.

Bauerlein said the high rate increase this year was due to the rates being based on calculating the rate increase with the benefits design changes that were later reversed. The costs were only going to continue to increase without some design changes.

(4) Design Changes

Bauerlein presented design changes to the benefits that would allow members direct access to specialists under the HMO/POS plans. There would be no requirement for a referral from the primary care physician. This design change could be offset by in increase of .25% to .5% or it could be offset by a $5.00 increase in the specialist co-pay.

A. Davis asked if the carriers had seen a shift from PPO to HMO or POS when this change occurred.

Bridges said that they hadn't seen a shift.
Bauerlein said that it was a small group and the risk of them shift was manageable.

After a discussion over whether to increase the co-pay or increase the rates
Watts asked if this was a decision that needed to be made today.

Dickerson explained that as many of the decisions as could be made today needed to be made today. She said that the new Benefits Administration system was in place and the program was being designed at this time and design changes would have to be made depending on what was decided today. The design changes should not be done now and then have additional changes made later on. She also said that EBD needed to get as much information out to the members as quickly as possible.

There was a discussion over an increase in the rate to cover the open access.

A. Davis made motion to allow open access to specialists in the HMO/POS plan with a .25% increase

in rate with no increase in co-pay.

Roach seconded.

Watts requested that the members be advised that .25% of their rate increase was due to the open access to specialists.

Bauerlein said that the committee might not want to assign an exact number since the rate increase would be between .25% and .5%.

After a discussion A. Davis withdrew her previous motion and amended it to allow open access to specialists in the HMO/POS plan with no increase in co-pay but a small increase to the rates to be determined.

Roach seconded.

Motion approved.

Bauerlein presented the committee with a benefit design change since the rate was higher for the State PPO group than the School PPO. He had looked at adjusting the ASE PPO co-pays to be equal to the PSE PPO co-pays. That would increase the out of pocket maximums to $3,000/$6,000 for in-network and $8,000/$16,000 out of network, apply 40% co-insurance out-of-network, apply $1,500/$3,000 out-of-network deductible. The Cost savings would be 2%.

After a discussion the Committee did not like the idea of adjusting the ASE to match the PSE PPO.

Bauerlein presented the Committee with a benefit design change of implementing the Pharmacy Program changes initially approved in 2002.

The Committee did not approve of that idea.

Bauerlein presented the committee with information on converting PSE to self insured. The reasons for doing this is the group is large enough to accept the risk, expectation of long term savings from lower administration and insurance margin, greater flexibility over benefits and premium rates. There would be a targeted goal of $10 million surplus reserve by September 2004. The money to generate this would come from increased funding of $4 million and there is a current surplus on the pharmacy side. The increase funding would come from the expected increase in the PSE funding from $114.00 per month to $122.00 per month.

There was discussion over the benefits of converting the PSE to self insured.

Dickerson said that this was the best timing for the PSE to go self insured.

Bauerlein said the benefits of taking the PSE self insured was that a large group in the long term would pay more under fully insured than they would under self insured.

There was discussion over if the PSE program if goes self insured would it have the same benefits as the ASE. The program would be able to be more flexible if it was self insured.

Holloway asked Bauerlein with taking cost on claims into consideration and admin fees with a 2%

savings if he still felt that the plan would still come out ahead and the premiums would still maintain.

Bauerlein said yes.

Watts brought up that there were several more items to go over so a decision needed to be made in the interest of time.

Davis said that she understood that USAble was not going to present today.

Dickerson recommended that no action be taken on the Dependent Life issue since the new Benefit Administration System doesn't accept the change. She suggested that it be postponed until January 2004.

The Committee agreed.

The discussion returned to converting the PSE to self insured.

Watts made motion to convert PSE to self insured.

Grier seconded.

Motion approved.

Bauerlein reviewed the five year plan to differentiate the under 65 and the over 65 rates for the PSE Retiree Rates. He wanted to be sure that the Committee was comfortable with the strategy and wanted to continue.

After a brief discussion the Committee agreed that this rate strategy should continue.

(5) Disease Management & Wellness

Ted Borgstadt presented Trestletree's disease management program to the Committee. This program consisted of establishing a relationship of bi-directional influence with the members, work within a 'stages-of-change' framework, change multiple critical behaviors at once, install accountability for each participant and rigorously assess clinical outcomes. The Trestle Tree approach is stratification of population post 3 months of interventions, all participants have one-on-one relationships with Health Coach, All participants involved with bidirectional relationships of influence with health coach, multiple critical health behaviors changed at the same time, and Pharmacy software to drive down prescription costs.

Meeting adjourned.