



AGENDA

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

August 7, 2015

10:00 a.m.

EBD Board Room – 501 Building, Suite 500

- I. Call to Order Jeff Altemus, Chairman***
- II. Approval of June 12, 2015 Minutes..... Jeff Altemus, Chairman***
- III. Vacant Committee Positions Jeff Altemus, Chairman***
- IV. Retiree Health Plan..... Joe Cazzell, Legacy Capital Group***
- V. EBD Report..... Lori Eden, EBD Deputy Director***

Upcoming Meetings

October 9, 2015

November 6, 2015

NOTE: All material for this meeting will be available by electronic means only asepse-board@dfa.arkansas.gov

Notice: Silence your cell phones. Keep your personal conversations to a minimum. Observe restrictions designating areas as "Members and Staff only"

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
August 7, 2015**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on August 7, 2015 at 10:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Janis Harrison
Dan Honey
Shelby McCook
Jeff Altemus
Carla Haugen
Claudia Moran
Becky Walker

Members Absent

Lori Eden, Deputy Director, Employee Benefits Division (EBD)

Others Present

Dwight Davis, UAMS; Ethel Whittaker, Janna Keathley, Stella Greene, Marla Wallace, Ethel Whittaker, Lori Eden, Gretchen Baggett, EBD; Kristi Jackson, Jennifer Vaughn, Com Psych; Raina Porchay, Catamaran; Pam Lawrence, AHH; Mark Watts, ASEA; Wayne Whitley, Ronda Walthall, Mike Boyd, AHTD; Sylvia Landers, Minnesota Life, Andy Davis, Arkansas Democrat Gazette; Ro Summers, Gini Ingram, ACHI; Jackie Baker, ASP; Takisha Sanders, Kanita Collins, Health Advantage; Martha Hill, Mitchell Williams; Steve Althoff, MTI; Karyn Langley, B.J. Himes, Qualchoice; Treg Long, ACS; Dwane Tankersley, Novasys; Joe Summers, UCB

Call to Order

The meeting was called to order by Jeff Altemus, Chairman

Approval of Minutes

A request was made by Altemus to approve the minutes from June 12, 2015. Honey made the motion to approve. Harrison seconded. All were in favor.

VACANT COMMITTEE POSITIONS: *by Jeff Altemus, Chairman*

Altemus reported the committee has two open positions, and would like to recommend Ronnie Kissire, Superintendent of Schools at Ouachita School District. McCook motioned to approve Ronnie Kissire as the new committee member. Honey seconded. All were in favor.

Motion Approved

RETIREE HEALTH PLAN: *by, Jeff Altemus, Chairman*

The State of Arkansas offers retirees a single group Medicare supplement plan. Utilizing a private exchange solution could deliver to both retirees and the State an **estimated \$30 million in annual savings** on premium, as well as many other substantial benefits. There could be significantly greater choices for retirees, and considerable financial benefits. Health Plan One's **unique exchange solution includes a group NPPO plan** that mirrors the State's current group plan. This provides retirees the choice of shopping on the exchange or securing a plan that is comparable to their current coverage.

McCook recommended more information from the Director before presenting to the board. **Honey** seconded. All were in favor.

Motion Approved.

EBD REPORT: *by Lori Eden, EBD Deputy Director*

Eden reported open enrollment begins in September for ASE, and October for PSE. The call center employees are now State employees. FSA/HSA RFP's are in the circulation process.

Harrison motioned to adjourn. Moran seconded. All were in favor.

Meeting Adjourned

Benefits of a Private Health Insurance Exchange to the State of Arkansas



August 7, 2015

Proposition

- The State of AR presently offers retirees a single group Medicare supplement plan
- Utilizing a private exchange solution could deliver to both retirees and the State an **estimated \$30M in annual savings** on premium, as well as many other substantial benefits
 - Significantly greater choice for retirees
 - In carriers, plan type, plan design and price point
 - In how the contribution from the State is actually spent
 - Considerable financial benefits
 - Estimated \$30M total savings between Retirees and State
 - More predictable renewal rate changes
 - Controllable OPEB liabilities
 - Reduced administrative burden
- HealthPlanOne's **unique exchange solution includes a group NPPO plan** that mirrors the State's current group plan
 - This provides retirees the choice of shopping on the exchange or securing a plan that is comparable to their current coverage

The Challenge with a Single Medical Plan Offering

	<u>Personal Info</u>	<u>Financial Condition</u>	<u>Medical Condition</u>
Retiree "Jane"	<ul style="list-style-type: none">• Aged 65• Married, 2 children• Resides in AR	<ul style="list-style-type: none">• Some savings• Spouse still works	<ul style="list-style-type: none">• Has migraines, high blood pressure<ul style="list-style-type: none">• Sees PCP regularly• Cancer-free for 5 years
Retiree "John"	<ul style="list-style-type: none">• Aged 70• Single, no dependents• Resides in TX	<ul style="list-style-type: none">• Little/no savings• Lives off pension and Social Security	<ul style="list-style-type: none">• Healthy, no chronic diseases• Sees PCP annually for physical
Retiree "James"	<ul style="list-style-type: none">• Aged 85• Widowed, 1 child and 4 grandchildren• Homes in AR and FL	<ul style="list-style-type: none">• Substantial savings	<ul style="list-style-type: none">• Smoker and overweight• Has high cholesterol and diabetes, recently had triple bypass surgery• Takes 8 prescription drugs daily

Each retiree is unique in many ways. Although these three retirees have differing medical needs and financial resources, they have one thing in common:

the same health insurance plan!

A single set of medical and prescription drug benefits at a single price point

A health insurance exchange would enable each retiree to select the right plan(s) and right price for them

How HealthPlanOne's Health Insurance Exchange Works

State Funds an HRA
for Medical Expenses
to Each Retiree

- The flat annual subsidy caps the State's liability
- Can vary the amount of the subsidy by benefit class
- Can vary the amount of the subsidy annually
- Retirees are not taxed on the subsidy

Retirees Purchase
Insurance through
the Exchange

- Exchange provides retirees substantial choice
- Can select a plan similar to the one currently offered by the State
- Or can select from various options of carrier, plan type, plan design and price point
- Guided by licensed and salaried Advisors and aided by an online platform with decision-making tools

Retirees Are
Reimbursed for
Qualified Medical
Expenses

- Each retiree determines how best to spend the subsidy from the State
- Qualified expenses include:
 - Premium for plans bought on the exchange
 - Premium for Medicare Part B
 - Other out-of-pocket expenses (i.e., IRS 213(d))
- Retiree is reimbursed for any expenses incurred
 - Premium can be auto-reimbursed

An Exchange Would Benefit both Retirees and the State

Benefits to the Retirees

- Wide selection of carriers, plan types and designs – often at much lower premium level than the current plan
- Premium is more predictable with smaller average annual increases
- Gain control over how contribution from the State is spent (i.e., insurance premium or other out-of-pocket expenses)
- Unbiased guidance from licensed and salaried Advisors
- Obtain a customized solution free of charge

Benefits to the State

- Deliver more choice at a lower premium level than currently paid – often as much as 20% - 40% lower
- Amount of contribution to HRA is completely controllable
- Reduce liability for other post-employment benefits (OPEB)
- Reduce the operating expense of administering benefits for retirees
- No investment required to launch or manage the solution

HPO's Exchange Expands the State's Current Offering

State's Current Offering

Group Medicare Supplement Plan

- Single carrier
- Fixed benefit
- Fixed price
- Can see any provider who accepts Medicare

HPOne Exchange Offering

National Group NPPO Plan

(Replicates the State's
Current Group Plan)

- Single carrier
- Flexible benefit design
 - Can be modeled on current plan
 - No doughnut hole
- Available nationally, single price
- Same benefits in/out of network
- Can see any provider who accepts Medicare



Multi-carrier Exchange for Individual Plans

(Expands Group Offering to
Include Individual Options)

- Multiple carriers
- Multiple plan types (i.e., Supplement, Advantage, Part D)
- Multiple price points
- Ancillary products

HPO's Exchange Provides More Choice at Lower Cost

Example: 70 year-old male residing in Little Rock, AR (72201 ZIP code)

Options with the current offering: single Medicare Supplement plan at \$359.90/month

Options with the HealthPlanOne exchange:

Medicare Product	# Carriers	# Plans Available	Highest Premium	Lowest Premium	Average Premium
Advantage	3	11	\$114.00	\$0.00	\$40.55
Part D	6	14	\$113.00	\$15.60	\$49.78
Supplement (Plan F)	16	16	\$242.00	\$147.00	\$195.89
Group NPPO	1	1	TBD	TBD	TBD

If this retiree were to elect the AARP Medicare Supplement and average-priced Part D plans:

- Their monthly cost would be: $\$176.50 + \$49.78 = \$226.28$
- Difference vs. current plan: $\$359.90 - \$226.28 = \$133.62$ monthly or **\$1,603.44 annually**

**Across 18,700 Medicare-eligible retirees,
total savings could reach nearly \$30M annually!**

Summary

- Offering a single group medical plan may not be the best or most economical way to meet the varying needs of a diverse group of retirees
- An exchange solution would provide retirees substantially more choice in carriers and plans – and simultaneously deliver significant financial benefits to both the retirees and State
 - **Potential for \$30M in total savings annually** across all Medicare-eligible retirees
- HealthPlanOne's unique exchange solution delivers the added benefit of offering a group NPPO plan side-by-side with the multi-carrier exchange
 - This provides retirees the “best of both worlds” – they may elect a plan that is essentially identical to their current group plan, or shop the exchange for a plan that is a better fit for them

Next Steps

- Provide the Benefits Sub-Committee additional education materials regarding the HealthPlanOne exchange offering
- Secure an abridged census (no PII) for Medicare-eligible retirees to enable HealthPlanOne to:
 - Perform a plan availability and pricing analysis for the multi-carrier exchange
 - Secure an estimate of the cost of the group NPPO plan

Thank You!