

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

Minutes

February 15, 2008 – 9:00 AM

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, February 15, 2008 at 9:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Joe Musgrove
Becky Walker
Debbie Veach
Shelby McCook
Jeff Altemus
Janis Harrison
Lloyd Black

Members Absent

Nancy Sheehan

Sharon Dickerson, Executive Director, Employee Benefits Division.

Others Present:

Kevin Geurtsen, Milliman; George Platt, Jason Lee, Leigh Ann Chrouch, Amy Tustison, Cathy Harris, Shannon Roberts, Sherry Bryant, EBD; Rhonda Jaster, ACH/EBD; Debbie Veach, Kim Suggs, Brian Meldrum, NovaSys Health; Kathy Ryan, Barbara Melugin, Ron Deberry, David Bridges, ABCBS/HA; Shonda Rocke, NMHC; Eddie Fryer, USAble Life; Mark Watts, ASEA, Sharon Marcum, Corphealth, Ronda Walthall, AHTD; Susan Walker

Call to Order

The meeting was called to order by Joe Musgrove.

Approval of Minutes

A request was made by Musgrove to approve the January 11, 2008 minutes. Walker made the motion to approve. McCook seconded. All were in favor. Motion approved.

HRA Update *by Sharon Dickerson, EBD Executive Director*

Dickerson informed the Committee they had hoped to reward the members a little differently in the 2009 plan year for taking the Health Risk Assessment (HRA). In addition to receiving a discount for taking the HRA, members could also receive additional money for taking their physical and maintaining their health through appropriate evaluations. However, this is no longer an option considering the Plan's current financial situation. Dickerson said she regrets they cannot suggest any new ideas to the Board for promoting wellness but will

continue to provide the current wellness and disease management program to the membership. Dickerson stated Corphealth is working on a project that will not cost the Plan any additional monies.

McCook suggested they find a way to measure the effectiveness of the HRA survey because they might be rewarding in the wrong way. McCook stated there are other ways to increase awareness levels and he would rather not take away or reduce another true benefit but take away or reduce the money for things such as the HRA.

Dickerson informed the Committee that 73% of the membership took the survey in 2007; of which, 23% indicated they had a physical. Dickerson said EBD data does not go back prior to the implementation of the HRA, but she will ask Health Advantage and Milliman to take a look at claims data in efforts to try and determine the effectiveness of the HRA. Dickerson says they have information from the HRA they can use and then talked about some of the initiatives the Plan has implemented as a result of the information from the HRA.

Chairman Musgrove stated they need to focus first on the things that have immediate results and sacrifice those that do not.

Preliminary 2009 Public School Employee (Pse) Rates by Kevin Geurtsen, Milliman

The Board requested Milliman suggest an approach to identify and allocate Plan reserves. Milliman provided a letter that outlined their suggested approach and additional detail regarding the identification and allocation of these reserves.

In prior years, the Board has applied reserve funds based on the specific circumstances of each year's update of rates and employee/retiree contributions, considering key issues such as rate increases and State funding. Milliman recommended the following approach for identifying and allocating reserves based on review of the financial reports prepared by Employee Benefits Division:

1. Gains for the plan year, identified as Net Income / Loss on the financials, will be eligible for redistribution back to employees in the form of reduced future Plan contributions. This calculation will recognize any existing reserve allocation already approved by the Board. IBNR changes, if any, will also be reflected in these calculations.
2. As claims may fluctuate from year to year, an additional provision for adverse deviations (or "PAD") reserve should be established at 3% of the prior year's total costs. Any gains will first be used to fully fund the PAD. Should the PAD exceed offset any loss). Adverse claims experience (e.g., losses), will be paid with funds provided by the PAD.
3. Any remaining amount will be distributed to employees and retirees during the following three years. The pattern for this distribution will be:

<u>Year of Distribution</u>	<u>% Distribution</u>
1	3/6 or 50%
2	2/6 or 33%

4. These allocations should be reflected on the financials as a liability (consistent with current practice).

The Committee reviewed an illustration of the recommended approach and the 2008-2009 preliminary rates.

Dickerson provided the Committee with a copy of the PSE Financials - October 1, 2007 through December 31, 2007. Dickerson said there may be some money available to offset the rates but not as much as was contributed for the 2008 plan year.

The Committee discussed the state contribution for the PSE Health Insurance Program and other initiatives that can help to save money in the future.

Chairman Musgrove suggested they run a report to identify those members that appear to be embarking upon a chronic disease so they can provide the member with health information.

Dickerson said they have been gathering data from claims reports and tracking the health of the group. Dickerson informed the committee about the number of high cost claims for ASE and PSE high risk maternity patients then talked about an incentive program she would like to propose to the Board for maternity patients.

Chairman Musgrove and McCook discussed coordinating with the Department of Health to communicate with members and partnering with other programs for additional funding.

Altemus said he believes many of the members don't know about health projections and early warning signs, therefore it might be good and helpful information to share with the members. Altemus suggested they include the information with the enrollment packet for the next plan year. Altemus said he would welcome the information.

McCook suggested they also seek out the services of the Arkansas State Employee Association (ASEA) to communicate with the membership about health care.

Chairman Musgrove said they will need assistance from school officials, state agency and other to create an interest among the members so they will read the information and follow up.

Dickerson talked about a module that is in development called "MyHealth" which can be accessed on the ARbenefits website. Members can obtain their medical

and pharmacy claims as well as other various websites information. Dickerson said member health care information can be included in the module.

Altemus suggested they also provide a link to various website about health information on the HRA survey.

David Bridges with Heath Advantage stated they would be happy to provide the link to their website if possible and then talked about Health Advantage’s website where members can obtain their personal health records. Bridges informed the Committee about some of the other joint initiatives Health Advantage is working on; Gap Analysis, Provider Transparency Data.

Dickerson took the opportunity to thank the vendors. Dickerson said “They take our mission seriously, work hard to provide us with the services that we need and they care about our members”.

Geurtsen provided an illustration for calculation of distributable reserves.

State of Arkansas
PSE Financials
Summary for Plan Year Ending September 30, 2007

Funding	\$237,864,467
Reserves Allocated for Funding	16,650,000
Funding + Reserves	\$254,514,467
Paid Claims & Expenses	\$242,247,318
Change in Reserves	0
Incurred Claims and Expenses	\$242,247,318
Net Gain / (Loss)	\$12,267,148

Distributable to Funding

Net Gain/ (Loss)	\$12,267,148
Provision for Adverse Deviation ("PAD")	
Required Level (1/2 for 1st year) 1.5%	\$3,633,710
Current Level	<u>0</u>
Funding allocated to PAD	(\$3,633,710)
Available for Distribution	\$8,633,439
<u>From BoY Net Assets</u>	<u>0</u>
Total	\$8,633,439

<u>Plan Year</u>	<u>Year</u>	<u>Amount</u>	<u>%</u>
2009 Plan Year	2	\$4,316,719	1/2
2010 Plan Year	3	2,877,813	1/3
2011 Plan Year	4	<u>1,438,906</u>	1/6
		\$8,633,439	

McCook requested EBD’s accounting staff develop a way to report the earnings / accrued interest.

Adjournment:

Altemus moved to adjourn the meeting, all members were in favor. The meeting adjourned at 10:36 a.m.