

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

Minutes

January 11, 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, January 11, 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

Members Absent

Janis Harrison
Nancy Sheehan

Sharon Dickerson, Executive Director, Employee Benefits Division.

Others Present:

Kevin Geurtsen, Milliman; Lloyd Black, AR Retired Teachers Association, Sharon Marcum, Corphealth, George Platt, Jason Lee, Leigh Ann Chrouch, Cathy Harris, Shannon Roberts, Kate Nurmohamed, Stella Greene, Sherry Bryant, EBD; Rhonda Jaster, ACH/EBD; Kim Suggs, NovaSys Health; Kathy Ryan, Barbara Melugin, Ron Deberry, David Bridges, ABCBS/HA; Shonda Rocke, NMHC; Eddie Fryer, US Able Life; Mark Watts, ASEA, Jeff Britt, Pfizer; Wayne Whitley

Call to Order

The meeting was called to order by Joe Musgrove.

Approval of Minutes

A request was made by Musgrove to approve the October 12, 2007 minutes. Walker made the motion to approve. Veach seconded. All were in favor. Motion approved.

Wellness *by Sharon Marcum, Corphealth*

In a previous meeting, the Board requested the Benefit Subcommittee review “Wellness Services” for the member population under the age of 18.

Marcum stated that while Corphealth does not provide such services, they have a keen interest in exploring the possibilities on behalf of EBD and have formed an internal workgroup. The group spent about three months doing literature review, meeting to discuss our findings, meeting with other leaders in the state and developing a list of possibilities based on our research, discussion and reviews. With a list of creative possibilities in hand, Corphealth met with the

Joseph W. Thompson, MD, MPH and Arkansas Center for Health Improvement (ACHI) then EBD for review and feedback.

Marcum presentation included information for:

- Wellness Services for the under 18 EBD Members: Pediatric Obesity and Tobacco Cessation
- Tobacco Cessation Program for under 18
- Tobacco Cessation Program for under 21

One set of basic criteria was to identify possibilities that:

- Making it easy
- Making it affordable
- Make it engaging

Dickerson said she is very interested then explained how much of it could be obtained through the school. Dickerson said she thought it was a good presentation and perhaps they could present it to the school group next year or maybe even sooner.

McCook said the whole thing is very idealistic and it appears the Plan is becoming a pioneer again. McCook said it is a matter of focusing on the delivery and avoiding duplication then suggested they seek out the services of the school nurses, the PTA and DHS.

Dickerson explained it is the first presentation and evaluation by Corphealth to try and figure out how to address the problems that are costing the Plan. Dickerson informed the Committee 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 the wellness information can be included in the module.

Chairman Musgrove stated "The Committee is starting to realize that wellness services for the under 18 population is part of a process to convert what we've been doing from sickness insurance to health insurance and there are a lot of other entities that are realizing the same thing". Musgrove urged the Committee and audience members to get the names of individuals or groups that are working on the same kind of initiatives so everyone can share their experiences.

Preliminary 2009 Public School Employees (PSE) Rates *by Kevin Geurtsen, Milliman*

Milliman presented the preliminary 2009 Public School Employees (PSE) rates for ARHealth, built upon the current 2008 PSE ARHealth rates and typical rate increases.

Geurtsen explained they assumed 2008 rates will increase 8% for medical and 10% for pharmacy, while CorpHealth will remain equal to 2008 rates; however, the actual rate increases will be known after the underwriting process is

complete. The Basic School and Act 1842 Contributions are not scheduled to increase for 2009. Thus, any increase in plan cost is passed directly through higher employee contributions.

State funding for the PSE program is provided by three sources:

- The Basic School Contribution of \$131 per participating employee per month
- Act 1842 contribution of \$35 M per year, allocated to employees and dependents of employees
- Funding provided by an allocation of PSE reserves

Geurtsen explained the Board authorized a reserve allocation of \$14 M for the 2008 plan year to help mitigate the increase in the cost of coverage for active and retired members of the PSE program. In addition, there was an additional \$1 M of Act 1842 funding available for 2008 from the prior year.

The increasing cost, combined with level funding, results in an estimated \$21 M increase in plan cost that is passed directly to employees. In addition, the \$14 M reserve allocation and \$1 M Act 1842 contributions for 2008 are assumed to be unavailable for 2009. The increase in plan costs, combined with the decrease in additional funding, creates an estimated \$36 M (or about 25% for all participants) increase in employee costs for 2009.

Chairman Musgrove said it is the result of their attempt to make things better which only delayed something worse going into the next year because they only made things artificially better momentarily.

Walker offered suggestions on how the reserve should be returned and spread out over time then suggested they look into seeking some type of legislation because they do not know what the experience is going to be from year to year.

McCook said he shares some of the responsibilities for what has happened and has probably been the most sensitive regarding the rates. McCook said he has some reservations about involving legislation then suggested they ask the Board to come up with a strict policy and provide some kind of financial mechanism. McCook also suggested the subcommittee come up with something to recommend to the Board so certain percentages of excess reserve cannot be applied to the premiums every year.

Chairman Musgrove agreed “So we can be more realistic about the responsibilities of the plan and dedicate certain monies to things that are coming in the future”. Musgrove talked about other insurance companies and surplus.

McCook and Dickerson discussed Incurred but not reported (IBNR) after which McCook suggested they establish a funding formula.

McCook commented Board members are under pressure from school and state groups whenever there is an increase in premiums. McCook talked about what should be considered when establishing a reserve required for their business plan.

- the dollar amount each year based on anticipated claims
- the claims over the past four years
- the anticipated claims next year
 - ❖ Anything that remains when use or need is satisfied is surplus.

Dickerson stated that while they didn't have a formal formula they did put money into the catastrophic fund. Dickerson said they can develop a process but the problem then becomes building up the reserve because that will make the premiums higher also. McCook said it would not matter because if they had a formal process then it would be a mathematical issue.

Altemus explained to the Committee he didn't think the subcommittee members understood how tight the money is on the public school side and the fact that there are more schools in the districts on the verge of fiscal distress than every. Altemus said his district is in the process of enforcing reductions right now and there will be no pay raises next year. In addition, pay raises will be very modest around the state. Musgrove said even if the districts manage to get their increment, they will lose a thousand dollars in purchasing power due to the 2008 health insurance cost and the cost of living increases.

Dickerson said she has very little hopes of getting any more money from legislation then talked about a meeting she had with the School Superintendents and State representatives.

Altemus said the options will need to be presented very soon and made clear to PSE and the Administrators while there is a window for which opportunities exists.

Dickerson suggested Altemus send the Preliminary 2009 PSE Rates to others that are working on the issue and she would make sure State Representatives and the Legislative Counsel is provided with a copy of the rates as well.

McCook said he understood and appreciated all of Altemus concerns. McCook said the Plan is doing a good job managing benefits; however, if they do not receive more money the only other viable alternative is to reduce benefits. McCook shared an experience he had last year at the Legislative Session in efforts to try and get something done for PSE, whereupon Altemus provided an explanation for McCook's experience in the legislative session last year.

Chairman Musgrove suggested the committee develop a strategy for how they plan to attack the issue for the 2009 session while at the same time provide documents to the public school groups and state employee groups indicating their choices. Musgrove commented they may have to remove the benefits in

the middle that more and more members utilize. Musgrove said they certainly don't want to cut wellness or the true insurance that protects a family from financial ruin.

Geurtsen informed the Committee the Arkansas State Employees (ASE) won't experience quite the increase as PSE because they didn't have much reserve to contribute.

Dickerson reminded the committee she is employed by DF&A and while she can provide the information and fulfill the Board's requests, she can not push any of it.

Chairman Musgrove clarified; "it is part of the subcommittee's strategy to work with Dickerson to develop a strategy, and for people other than EBD to execute the strategy because it is the responsibilities of the Committees, Board, Agency Directors and others that are involved".

Black commented if they are going to really have an impact they will have to develop a close relationship with the legislators on the committees. Black said he is concerned about the rate increases and the idea of reducing any more benefits; however, something has to be done. Black said they will need to get the information to the Governor before it's too late.

McCook made the motion:

- 1) EBD to develop a strategy and include legislation to increase the state contributions, and educate ASE and PSE participants on their choices.
- 2) Milliman to develop a funding formula to apply trust funds in the future and establish what reserve is required in our business plan.

Walker seconded. Motion approved.

Other Business:

ACA 21-8-701 requires certain State employees to file a Statement of Financial Interest before January 31 of each year. The Code designates "(a) (4) any agency head, department director, or division director of state government" shall file.

The previous law required that all persons serving by appointment on any state, county or local board, agency, commission or department or similar entity who are authorized through rule making adjudication or are authorized to receive or disburse State or federal funds shall file.

Adjournment:

Altemus moved to adjourn the meeting, all members were in favor. The meeting adjourned at 10:25 a.m.