

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

Minutes

July 14, 2008 – 1:00 PM

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Monday, July 14, 2008 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

**Members Present**

Jeff Altemus  
Janis Harrison  
Shelby McCook  
Nancy Sheehan  
Rhonda Hill

**Members Absent**

Joe Musgrove  
Lloyd Black  
Becky Walker

Sharon Dickerson, Executive Director, Employee Benefits Division.

**Others Present:**

Kevin Geurtsen, Milliman; George Platt, Patricia Schafer, Amy Tustison, Leigh Ann Chrouch; Stella Greene, Jason Lee; Marty Usrey, Faith Houston, Cathy Harris, EBD; Kim Suggs, Novasys; Barbara Melugin, Ron Deberry, ABCBS/HA; Shonda Rocke, NMHC; Eddie Fryer, Usable Life; Sharon Marcum, Corphealth, Larry Dickerson, Ronda Walthall, Wayne Whitley AHTD; Kristi Clark, ABA; Marc Watts, ASEA; Vicki Fleming, ADH; Dwane Tankersley;

**Call to Order**

The meeting was called to order by Janis Harrison

**Approval of Minutes**

A request was made by Harrison to approve the June 13, 2008 minutes. McCook made the motion to approve. Hill seconded. All were in favor. Motion carried.

**The Benefits Strategic Planning Workgroup (BSPW) Report** *by George Platt, Chief Operating Officer, EBD*

Platt reported the BSPW met on July 10th to determine how they could tie the monetary award for completing the HRA with the various wellness programs. The workgroup also reviewed the different Medicare part D options for employer groups. Platt said the carriers will provide information on the Medicare options in the future.

Platt requested guidance from the Benefits committee on programs and incentive design.

Questions:

1. Under the new wellness incentive program, will completion of the HRA remain as a voluntary option for the member or will completion of the HRA be mandatory for ARHealth participation?
2. Will the incentive/reward for participation in the program be associated with the member's ARHealth Premium (lower monthly cost) or will the incentive / reward be based on something other than the member's ARHealth premium (cash or non-cash benefit)?

McCook said the main objective is to motivate high risk individuals to enroll and complete the recommended programs because they want to correct unhealthy behaviors. McCook suggested the HRA continue to remain a voluntary option but that they should reward a lesser incentive for completing the questionnaire and reward a larger incentive for enrolling and completing some corrective behavior program.

Hill explained they will probably receive better and more consistent data if they continue to provide an incentive to complete the HRA. Hill explained that those individuals that are identified as having healthy behaviors and do not require any of EBD services can be given their full discount or they can be required to participate in some informational type program. Hill said there is always room for improvement and then talked about the new HRA survey design.

Dickerson reported 72% of the membership took the survey last year. Dickerson informed the committee that Milliman will have to factor in any changes to the HRA into the rates before they can be implemented.

Platt concluded the BSPW will be providing more information over the next couple of weeks.

### **ASE & PSE Retirees and ASE Actives** *by Kevin Geurtsen*

#### **ASE Actives**

Geurtsen reported two significant changes in the underwriting; the Novasys HD PPO is underwritten based on its own experience and the additional \$25 dollars per budgeted position is included in the calculations.

Geurtsen explained the funding per budgeted positions for actives has been increased by an additional \$25 dollars and they have assumed that the money will not be available until January 1, 2009.

Geurtsen talked about the overall funding strategy for ASE actives; 75% employee coverage and 50% dependent coverage. Geurtsen explained they previously reported they would need a total of \$14.6 M dollars to meet funding

targets; however, that amount has decreased to \$6.5 M because of the increase in the base funding. Geurtsen said the additional \$25 dollars produces a total of \$10 M a year; \$8.1 M will go to the actives and a portion will go to the retirees as well.

The committee reviewed the 2009 ASE Actives rates with and without additional funding available; this also included the revised underwriting approach for Novasys HD PPO. In addition; the projected rates for 2010 and 2011 assuming that the base funding is \$375 dollars per budgeted position and there are no additional reserves available in the future.

Geurtsen provided an additional exhibit that illustrated the impact to the employee cost for different funding amounts from reserves.

### **ASE and PSE Retirees**

Geurtsen explained they previously reported the total state contribution for ASE Retirees was \$28.4 M. That amount has decreased to \$1.9 M because of the additional \$25 dollars per budgeted position for ASE actives. Geurtsen explained \$1.4 M is still required from the reserves in order to meet the funding target of 60% for Retirees and 50% for dependents.

The committee reviewed the 2009 ASE & PSE Retiree rates with and without additional funding available and the projected rates for 2010 and 2011.

Geurtsen also presented additional exhibits that illustrated the impact to the actual retiree cost for each increments of \$100,000.00 from reserve each year.

Geurtsen explained they do not have a funding target of a certain percentage for PSE retirees; but instead, calculated the amount of money it would take from additional funding to make an aggregate no increase to the retirees. Geurtsen reported PSE Retirees will need a total of \$4.2 M to maintain their status quo; \$2.9 M for Retirees not Medicare eligible and \$1.3 M for Retirees Medicare eligible.

Altemus stated the PSE group can not live with anymore rate increases, and then expressed his concerns about allocating money to PSE Retirees from the PSE Actives reserves.

Geurtsen explained the allocations for PSE Actives; \$10.5 M will be allocated from the reserves for PSE Actives. Geurtsen reported they currently do not know the total amount of reserves that will be available because they have not reviewed the reserves balance or the financials for May and June.

Sheehan questioned if there will be \$4.2 M available in reserves for the PSE retirees after they allocate \$10.5 M to PSE Actives since they will not know how much is really available in the reserves until September and October.

Dickerson referenced the PSE financials and reported the PSE group's current assets are \$23 M. Dickerson informed the committee that this month has been somewhat difficult and they have not received all the bills from the Health carriers. Dickerson explained the total funding is about \$21 M a month and the summer claims expense is about \$46 M; which does not include EBD expenses and other expenses. Dickerson reported they will lose money in the summer and are bringing in about \$3 M dollars a month to offset some of the other cost.

Geurtsen talked about those things that occur in the summer months that effect claim costs. Geurtsen explained they may not recognize the claims until they have been paid in July or August and therefore the financials may look artificially bountiful.

Chrouch referenced the financials and reported Health Advantage had some technical problems so they didn't submit a full month of claims for May; therefore the claims were very low; about \$3 M to \$4 M less than normal, so claims will be higher in June. Chrouch said she can not give an accurate balance at this time; and although the balance looks hefty in the financials, there are other issues they will need to take into account regarding monies the plan will no longer be receiving.

McCook and Chrouch discussed cost comparisons for claims in May 2008 and May 2007. Chrouch reported the claims cost in May 2007 was \$14.5 M. Chrouch said she does not think they will have a problem with the \$4.2 M for PSE Retirees; but that she is however, concern with the ASE reserves.

A discussion ensued.

Sheehan concluded the real issue for the PSE side is that the allocation from reserves is just to maintain a pretty pitiful status quo that didn't get fixed in the last sessions, and the \$4.2 M is actually coming from the accrued money of the same people who are totally funding the program with their \$11.90 a month. Sheehan said they are going to have to do a good job of communicating to PSE Retirees that there is not anything else that the Benefits committee can do.

Altemus referenced the \$23 M assets for PSE and the 2009 rate increases for the PSE actives. Altemus said he is not opposed to helping the PSE Retirees but does not know if they can ask the PSE Actives to do anymore.

Dickerson and Altemus discussed the target funding for PSE retirees; \$11.20 times the number of PSE Active employees and the \$35 M Act 1842 monies. Dickerson explained the \$350 dollars per budgeted position is all for actives and the money is taken from ASE actives for the ASE retirees the same as on the school side.

Dickerson said they maybe able to decrease the rates for the PSE Actives in the future if the PSE fund balance continues to hold up. The committee discussed the problems they might encounter if they change the PSE rates midstream.

Dickerson said legislators will need to make a determination if they want to provide benefits for the state and school employees; and if so, they've got to make a determination on what percentage they want to fund. Dickerson said the plan is very comparable and no different than the surrounding states.

McCook made the motion to recommend to the Board; to adopt exhibit #4 –pg 6 of the ASE Retirees rates that include the required additional funding of \$1.4 M from the trust fund for the 2009 plan year. Hill seconded. All were in favor. Motion carried.

Sheehan Made the motion to recommend to the Board; to adopt exhibit 8C & 8D of the PSE Retiree rates and apply a total of \$4.2 M dollars from the reserve towards the PSE Retirees rates; \$1.3 M for retirees Medicare eligible and \$2.9 M for retirees not Medicare eligible. Altemus seconded. All were in favor. Motion carried.

Sheehan made the motion to recommend the Board; to review the fund balances in September 2008 and use the PSE reserve to the extent available to decrease the amount of 2009 premiums for the PSE actives. Jeff seconded. All were in a favor. Motion carried.

Chrouch explained the summer claims won't be complete until October, so they won't have a good secure reserve to report until November.

McCook made the motion to recommend to the Board; to adopt exhibit #4 –pg 6 of the 2009 ASE Active Rates with the required additional funding of approximately \$6.5 M. Altemus seconded.

Chrouch advised the committee that considering the current fund balances, and what they anticipate will be coming out of the balance; \$1.4 M plus the \$6.5 M is a little steep. Chrouch referenced the financials then explained that the balance has just recently gone up and she is not comfortable with the decision.

Dickerson said she appreciated Crouch's comments and concerns, but they have already committed to the DFA and the Governor. Dickerson reported they have the \$7.9 M catastrophic reserves if worse case scenario.

McCook said he agreed, and if they get in trouble they will take another look at it later; but right now they need to move forward.

Chrouch said she is ok with the decision as long as everyone understands they might have to use the catastrophic reserve.

All were in favor of the motion. Motion carried.

**Meeting Adjourned.**