

State and Public School Employees Life and Health Insurance Board Meeting

Minutes

June 17, 2008 1:00 p.m.

The 94th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met Tuesday June 17, 2008 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

Members Present

Janis Harrison
Renee Mallory
Joe Musgrove
Tom Emerick
Dr. Joseph Thompson / Rhonda Hill
Vance Strange
Lloyd Black
Robert Watson

Members Absent

Dr. Bobbie Davis
Shelby McCook
Anita Woodall
Charlie Campbell

Sharon Dickerson, Executive Director, Employee Benefits Division.

Others Present:

Kevin Geurtsen, Milliman, George Platt, Leigh Ann Chrouch, Amy Tustison, Jason Lee, Sherry Bryant, Kim Wilmot, Jane Young, Sharon McDonald, Sherri Saxby, Cathy Harris, EBD; Rhonda Hill, ACHI/EBD; Shonda Rocke, Barry Fielder, NMHC; Barbara Melugin, Kathy Ryan, Ron DeBerry, David Bridges, ABCBS/HA; Eddie Freyer, USable; Sharon Marcum, Corphealth; Marc Watts, ASEA; Richard Brittain, Becky Adams, DHS; Kim Henderson, ADFA ; Pat O'Malley, PSC; Jan Marie Reed, AHH; Vicki Fleming, Doris Williams, AR Health Dept; Dwane Tankersley

Call to Order

Meeting was called to order by Janis Harrison

Approval Of Minutes

The request was made by Harrison to approve the May 20, 2008 minutes. Mallory made the motion to approve as amended. Musgrove seconded. Minutes approved.

Financials by Leigh Ann Chrouch, EBD

Chrouch presented detailed financial statements for the Arkansas State Employees (ASE) January 1, 2008 through April 30, 2008 and the Public School Employees (PSE) October 1, 2007 through March 31, 2008. In Addition; the ASE Cafeteria Plan Financials 2008 for January 1, 2008 through April 30, 2008.

Chrouch reference the ASE net assets available for April. Chrouch said the amount will be reduced because next month they will take out about \$1 M for the pharmacy reward program and also increase the IBNR on the health side by \$1,825,000.

Chrouch referenced the PSE financials and informed the Board that they have subtracted \$10,500,000 that was allocated in the 2009 plan year. Chrouch said there is \$18 M remaining; and then reminded the Board that there will not be a payment from the Department of Education in June and the pharmacy reward program is estimated to be about \$1 M. Chrouch explained they get \$35 M from the Dept of Ed and it's allocated over an 11 month period.

Chrouch reported there were no penalties for state and school agencies for April and May 2008. Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

2009 Preliminary ASE & PSE Retirees and Active Rates *by Kevin Geurtsen, Milliman*

ASE & PSE Retirees

Geurtsen reported they have refreshed the data some more since last month. The underwriting is based upon claims incurred between January 2007 and December 2007 (paid through May 2008).

Geurtsen reported ASE Retirees will need an additional \$3.3 M to meet the funding target, and although there is some money available they will need to figure out how they can keep a sufficient amount of reserve, as well help alleviate premium costs.

Geurtsen said they have not allocated any reserves to the PSE Retirees; and while there is money available, they are going to spend a big chunk of that over the next couple of months. Geurtsen said they will know next month if anything can be allocated to PSE Retirees to help alleviate the premium increases.

Geurtsen presented the 2009 proposed ASE and PSE Retiree rates with and without additional funding. Included were two exhibits that illustrated the rate increases for 2010 and 2011; assuming there is no additional funding available. Geurtsen said the program performance has not changed since last month so it is really a funding issue.

Dickerson informed the Board that the Legislation states they can request \$425 dollars per budgeted position.

ASE Actives

Geurtsen reported they included one more month of "run outs" and the claims were a little lower than they had projected so they will need an additional \$14.6 M to meet funding targets.

Geurtsen informed the Board there was some discussion in the Benefits meeting about the high deductible PPO plan (HD PPO). Geurtsen explained three years ago Novasys didn't have enough experience to be underwritten own it on, so they took the BC/BS HA cost and made an adjustment for the administrative fees. Last year Novasys had enough membership so they could underwrite it on its own but the common rate increase and the existing rates established a benefit differential between the original PPO plan and the HD PPO.

Geurtsen presented an alternative HD PPO underwriting approach. Geurtsen explained that the total cost for Novasys is expected to be the same, so if they lower the cost for the high deductible plan the other plans costs will increase slightly.

The Board viewed the 2009 proposed ASE Active rates with and without additional funding. Included were two exhibits that illustrated the rate increases for 2010 and 2011; assuming there is no additional funding available.

Geurtsen also presented an exhibit that illustrated the impact of an additional \$5 per budgeted position in state funding.

Dickerson said a Board member requested that she ask the state's Chief Fiscal Officer for \$20 dollars more for state budgeted position. Dickerson said she will present the information provided by Milliman and request that he give her an answer by the next Board meeting because they have to set the rates. Dickerson said if they get \$20 dollars more for budgeted position it would be about \$8 million dollars and then they will need about \$14.6M to get to the 75/50 target.

Strange suggested that Dickerson request \$25 dollars. Strange said he hopes they understand the critical nature of providing health care and the fact that they have not adequately funded the healthcare side.

Musgrove agreed. Musgrove said he assumes it is the goal of the legislature to have every state employee covered; and if the employee contribution is a little bit less, it increases the probability of enrolling more state employees.

Motion: Musgrove made the motion to authorize the EBD Director to request an additional \$25 dollars per budgeted position from the state's Chief Fiscal Officer. Strange seconded. All were in favor. Motion carried

Musgrove requested the Board be provided with the real reserve amount and allocate 50% of the reserves toward the offset as well.

Dickerson explained that they may not have \$10 M at the end of year; but that they will provide the numbers next month.

Musgrove requested EBD do their best to estimate the real number and allocate half of that amount to the premiums. Musgrove suggested that Dickerson provide the CFO with the projected rates for 2010 and 2011. Musgrove said they will have to take action now, or take an even bigger action later, that can be even more destructive.

Dickerson she has provided the \$425 number to the CFO and requested that it be incorporated in the budget for the next biennium.

Committee Reports

The Benefits Subcommittee *by Joe Musgrove*

Musgrove informed the Board there were some discussions in terms of ways to mitigate cost increases. The committee discussed the concept of moving the Medicare Primary Retirees to a fully insured coverage; and over the next 3 or 4 months, EBD will collect some actual data for comparison.

Motion: Musgrove made the motion to authorize Milliman to conduct a study at the rate of; and not to exceed, \$15,000 to review the medical claims and rates to determine if it is feasible to have a fee schedule in line with Medicaid. Strange seconded. One opposed. Motion carried.

Geurtsen said they will probably be ready to discuss the results of the study sometime in mid August or early September because it will take about 4 weeks to get all the data and meet with the Medicaid office.

Musgrove informed the Board that the Benefits Strategic Planning Workgroup provided an update on the dependent age process and the Health risk Assessment. Dickerson said EBD have since decided not to take any more actions on the non student dependent age process at this time.

Musgrove explained the high deductible PPO plan (HD PPO) draws and different population and they have assumed that the population of the high deductible is the same as the general population. Musgrove said we don't recognize the credibility and are asking that healthier population to subsidize the unhealthier population. Musgrove said if there is any positive factor to the high deductible plan, then it would behoove them to encourage its growth.

Musgrove explained that the Benefits subcommittee recommends that the Board considers changes that they might want to make to the HD PPO plan for both the ASE and PSE group, and give some directions on whether to; enhance, discourage, or leave the plan as is.

A discussion ensued.

Motion: Musgrove made the motion to direct Milliman to calculate a blended rate based on credibility between the actual experience of the high deductible plan

(HD PPO) and the general experience of the population. Strange seconded. All were in favor. Motion carried.

Musgrove suggested they also provide some counseling to any new enrollee about the HD PPO plan.

Dickerson said EBD Communications and others have communicated this to the agency and school representatives during the enrollment meetings. Dickerson said they do their best to communicate to the members about the HD PPO plan, but can also create some type of communication to send to them as well.

The Drug Utilization and Evaluation Committee (DUEC)

Dickerson reported the DUEC had an Emergency meeting on May 28, 2008 to discuss preauthorizing the drug Revlimid in Chronic lymphocytic leukemia (CLL) because one of the Oncologists wanted it covered immediately. Some of the Board members attended the meeting also.

Given the data that is available, the DUEC viewed as an experimental drug for CLL; and as new information becomes available, the DUEC will reconsider the issue at an appropriate time. EBD will communicate with the physician.

The Quality of Care Committee

Dickerson reported the committee met on June 11, 2008. ACHI presented the HEDIS Quality of Care analysis to the Employee Benefits Division's Quality Sub-Committee regarding the Quality of the Care currently being provided to their health plan enrollees. Shirley Tyson reported on six HEDIS indicators that were selected by the EBD Quality Committee and the analytic team at ACHI for initial analyses. Dickerson said she will send the results to the Board Members.

Dickerson informed the Board that Dr. Golden reported that he presented at the Governor's Roundtable on Health Care recently and the Regional Quality Initiative (RQI) data is on the AFMC website. The data project ends at the end of June and they have a commitment from the fund's sponsor to continue funding the project.

Dickerson reported Dr. Thompson updated the committee on the trauma system proposal that is under development.

Other Business by Sharon Dickerson

Dickerson informed the committee about the new enhancement program, Mommy 2 B.

Dickerson introduce Jan Marie Reed, Vice President of American Health Holding (AHH) Client Services. Dickerson informed the Board that AHH has saved the

plan \$1.1 M on CAT scans and MRIs; and \$400,000 on PT, OT and Chiropractic services.

Dickerson said she received a report from PDB Enterprises; and the return on investment (ROI) is \$1.1 M dollars.

Dickerson informed the Board that her last day with EBD will be October 31, 2008 and she will be contacting Board members so they can create a committee to hire the next EBD Executive Director. Dickerson said it has been a privilege to serve the state and school employees.

Emerick said it saddens him that Dickerson will be leaving and thanked her for all her good work and wished her well. Dickerson commented the Board and Committee members have been wonderful.

Kim Henderson, AR Development Finance Authority informed the Board about an experience a coworker had with case manager nurse, Kathy Harris. Henderson said the member suffered some illness late last year and was assigned a case manager that has taken very good care of him. Henderson said the member is improving and doing well and requested that she pass the information to the Board.

Meeting Adjourned.