State and Public School Life and Health Insurance
Benefits Sub-Committee
Minutes
June 13, 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, June 13, 2008 at 9:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present	**Members Absent**
Joe Musgrove	Jeff Altemus
Janis Harrison	
Shelby McCook	
Nancy Sheehan	
Becky Walker	
Lloyd Black	
Rhonda Hill	

Sharon Dickerson, Executive Director, Employee Benefits Division.

Others Present:
Kevin Geurtsen, Milliman; George Platt, Amy Tustison, Leigh Ann Chrouch; Stella Greene, Jason Lee; Kim Wilmot, Faith Houston, Sherry Bryant, Marilyn Jersild, Tammy Henson, Cathy Harris, EBD; Kim Suggs, Novasys; Kathy Ryan, Barbara Melugin, Ron Deberry, ABCBS/HA; Shonda Rocke, NMHC; Eddie Fryer, Usable Life; Sharon Marcum, Corphealth, Larry Dickerson, Ronda Walthall, Wayne Whitley AHTD; Jeff Britt, Pfizer; Kathy Kohl; Dwane Tankersley; Richard Hutchinson; Susan Walker

Call to Order
The meeting was called to order by Joe Musgrove, Chairman.

Approval of Minutes
A request was made by Musgrove to approve the May 16, 2008 minutes. McCook made the motion to approve. Harrison seconded. All were in favor. Motion carried.

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

Platt reported the workgroup is in the process of working out the details for the suggestions the Benefits Sub Committee and the Board had regarding the dependent age and the Health Risk Assessment (HRA) recommendations.

Platt said there is probably some age discriminatory issues with a non student dependent age policy, so they will need to do some more research; also, the workgroup will need clarification from Dr. Thompson on his proposal.

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

ASE and 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 said they still have about three months of 'run outs" and they will also have to make adjustments for the 2009 benefit design. Geurtsen said the majority of the cost is still going to be driven by the calendar year 2007 experience for both the retirees and the actives.

Geurtsen explained there is a very small decrease in the active and retiree cost because the Incurred but not reported (IBNR) is higher than they estimated last month.

Geurtsen reported there is a funding requirement of $3.3 M to meet the target 60/50 ASE Retiree and dependent split. Geurtsen said PSE Retirees will have a 20% rate increase for employee only coverage without any allocation from reserves and a decision has to be made as to what monies might be available for PSE Retirees to help offset the increase in employee cost.

The rate increase for Retirees not Medicare eligible is a 13.3% for medical and 10.7 % for pharmacy. The rate increase for Retirees Medicare eligible is 5.3% for medical and 9.0 % for pharmacy.

Geurtsen presented the 2009 proposed ASE and PSE Retiree rates with and without additional funding. Included were two exhibits that show what the rate increases will be for 2010 and 2011; assuming they have the same trends and there is no additional funding coming into the program.

Dickerson informed the committee there have been some discussions at EBD about making the Medicare Primary Retirees fully insured. Dickerson said she believes the increases would be less if they were fully insured because they would be included in a larger group and the rate increases wouldn't be as significant.

Geurtsen said the two components that impact the retiree's costs are either the costs to the plan or the amount of funding that is available. Geurtsen explained currently, the federal government is contributing a large portion of the actual cost through its bid process and Milliman has reviewed a couple of vendors in the state and found a couple of viable options that are similar in plan design for the medical component. Geurtsen said if a large portion is pay by the federal

government in terms of their subsidy, they are certainly very viable options. Geurtsen said he believes rate increases will become more stable as long as the federal government continues to subsidize the portion they are currently subsidizing and privatization of public healthcare is definitely in the future and the election will be a big driver as well.

Dickerson said her goal is not to hurt the retirees in any way but only to shift some of the financial responsibility so they don't continue to have high rate increases every year. Dickerson said an F Medicare supplemental plan would cost somewhere around $142 dollars for the exact same benefit retirees have right now; however, it does not include a pharmacy benefit and that will hurt the ASE retirees. Dickerson said they have compared their drug list with several others that offer a Plan D but they still encounter the donut hole "coverage gap".

Geurtsen explained they can purchase a full spectrum health component in the neighbor hood of about $130 to $150 dollars depending upon a variety of things. Geurtsen said it would almost be a wash on the medical side; but the average per month premium is about $35 dollars for Medicare part D pharmacy coverage and it only covers about 50% of the actual cost of drug in addition to the deductible. Geurtsen said the state's plan is significantly richer and then talked about ways to supplement the cost for a Medicare advantage prescription drug plan.

Geurtsen reported MIlliman has already contacted a couple of different Medicare advantage providers in the state and received permission from them to look at some information that they use in their bidding process.

McCook commented that he is all for saving money and getting the best deal if it will offer the retirees the same benefits; however, the donut hole is a big concern. McCook said there will be a lot of discussion during the next legislative session about health insurance so they should not do this right now. McCook suggested they discontinue the discussion until they can get some informal proposals or some examples.

Dickerson said if they can not get something to supplement the donut hole she would not make a recommendation to adopt a fully insured program.

Chairman Musgrove suggested EBD and Milliman collect some data over the next 4 months for comparisons purposes for the committee to evaluate. Musgrove added they want to be very careful because the plan has excellent providers in the network whereas some of the Medicare advantage plans are a little spotty in some areas.

ASE Actives

Geurtsen explained that similar to retirees they did a data refresh and reviewed some additional months of "run outs" which showed a reported savings of

$400,000 last year. Geurtsen said because of this, the estimated recurred claims have gone down slightly from the prior estimate and now they will only need $14.6 M in additional funding to meet funding target.

Geurtsen reported the rate increase for Health Advantage has gone down slightly to 3.9% while everything else remain similar to what was seen last month. Exhibit 6 & 7 illustrated the 2010 and 2011 cost; assuming everything goes as planned, which is about a $100 dollar increase in two years.

Geurtsen reiterated the only way to really change what the employee is paying is to change the cost of what the plan is delivering, or the money that is available.

Geurtsen explained there have been a couple of discussions in terms of ways to mitigate cost increases for the employee; one concept is to take out large claims from each of the carriers and pool them together and then spread them across all populations. Geurtsen said large claims have a big impact on the actual rate and then talked about the analysis they did for claims that had a build amount greater than $800,000.

Dickerson commented it is a very valid way to look at rates and how to project them in the future because any company coming into the plan that doesn't have a large number of participation is not going to be viable for very long if they have large claims that will increase their rates because people will leave and go to a low cost plan. Dickerson said one vendor would be a lot simple for EBD, but politically it would be better if they had more than one vendor for competition purposes.

A discussion ensued.

McCook provided a historical perspective on blended rates. McCook said he believes the pooling concept is a reasonable to a degree; as long as they don't stifle the vendors desire to get the plan the best deal that is available.

Chairman Musgrove opened the floor to the Carriers. Ron Deberry, Health Advantage and Kim Suggs, Novasys shared their thoughts on pooling vs. a stand alone plan.

Chairman Musgrove suggested they look at the situation and eliminate and adjust claims for differences between networks because that's a controllable cost. Musgrove and Milliman discussed offsetting the random flux and its effect on the size of a population.

McCook stated that Milliman has reported that it would cost $15,000 dollars to review and determine if it is feasible for the plan to have a fee schedule.

Geurtsen talked about the high deductible 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 said the HD PPO population is performing well, but because of the merging experience and benefit differential, it's now a little on the high side. Geurtsen said the committee and the Board will have to decide if they want to underwrite Novasys on its own and stop it from tying into the Health Advantage cost.

McCook said it will be a good faith effort to make the HD PPO plan a real sustainable plan if they look at it own it's own and then split the difference. McCook said he was one of 42 people that enrolled in the HD PPO plan in the first year it was offered because he believed it was the right thing to do and no other Board member wanted to enroll in the plan. McCook said he paid a few dollars less in monthly premiums but spent $3,500 dollars in out of my pocket expenses. McCook said they are never going to get the high deductible plan rolling unless they get the premium where it will attract people because people are taking a chance we they enroll in the HD PPO plan.

Geurtsen explained that the people that are enrolled in the high deductible plan are helping to keep the premiums down in the other plans, and if they bring down the cost it will make the other plans cost go up because it will not change the total cost to the plan. Geurtsen commented the high deductible plan only appeals to 80% of the people who only have 20% of the cost and was derived for savvy consumers that are able to predict and control what they think their medical claims are going to be.

Chairman Musgrove commented if the plan changes the behavior of the people in the population then there is justification for the rates to be adjusted.

Walker said if the rates were more attractive they might actually have more participants on the school side because there are employees that can't afford anything that is offered. Walker said most importantly, they might capture some lives that might not be covered otherwise; but, there will be fewer participants next year if the rates are increased and there will not be enough membership on the school or state side to rate the plan on its own.

Dickerson explained how the state side is funded for ASE actives. Dickerson said she believes the people that do not participating on the state side are people who probably have insurance elsewhere.

McCook said he disagreed because there are a great number of low paid employees in the rural areas that are receiving the same reimbursement that they got over several years ago and some of them can't afford insurance. McCook said because they haven't had a physical or other preventive service they are only receiving treated when something has gone wrong and after which some might enroll in the plan during the next open enrollment and incur high cost claims. McCook said they should make the high deductible plan work or get rid of it.

Dickerson informed the committee about her meeting with the legislators. Dickerson said it was just an informational meeting to discuss an alternative to the high cost for the school group. Dickerson said she talked to them about the HD PPO plan, the Health Savings Account and fully insured plans for Medicare primary retirees. Dickerson said she told them that the bottom line was that they needed more money.

A discussion ensued.

McCook stated the HD PPO folks are subsidizing the other plans but if the plan had it's our own fee schedule they can have the same plan for everyone, with an option buy up.

Chairman Musgrove concluded they have to change behaviors or they haven't accomplished anything. Musgrove said they need to ask the Board if they are committed to making the HDDP plan a viable option; if so, it will require some subsidy to get it started.

Motion: McCook made the motion to recommend to the Board that they considers any changes that they might want to make to the HD PPO plan for both groups and give the subcommittee directions on the Board desire on whether to; enhance the plan, leave it as is, or discourage the plan. Sheehan seconded. All were in favor. Motion carried.

McCook requested MIlliman provide the Board with some statistics also.

Hill requested information on what the acceptable premium rate amount is that individuals are willing to pay for a HD PPO plan vs. a fully insured plan.

Motion: McCook moved to recommend to Board that they authorize Milliman to conduct phase one of the study to determine the feasibility of having a fee schedule of payments for the amount of $15,000.

Geurtsen said they will probably be ready for discussion 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.

McCook requested MIlliman provide the committee with a concise report to present to the Board.

Other Business *by Sharon Dickerson*

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

Dickerson said she received a report from the Chief Fiscal Officer and there are 34,031 budgeted positions.

McCook made the motion to adopt Hill as a member to serve on the Benefits Subcommittee. Walker seconded. All were in favor. Motion carried.

Dickerson reported American Health Holdings has saved the plan $1.5 M dollars in the first Quarter of 2008.

Musgrove said he would like to explore what avenues are available for offering increased incentives for those members with chronic illnesses who participate in disease management programs and disincentives for those that do not participate. Musgrove said it is not fair to the participating individual or to the plan for somebody with a chronic illness to decline to participate in a disease management program.

Dickerson said they will have to research the legalities. Dickerson clarified the Plan offers wellness programs and not disease management programs.

Meeting Adjourned.