

# **State and Public School Employees Life and Health Insurance Board Meeting**

Minutes

March 14, 2008 1:00 p.m.

The 92<sup>nd</sup> meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met Friday, March 14, 2008 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

## **Members Present**

Shelby McCook  
Renee Mallory  
Joe Musgrove  
Tom Emerick  
Dr. Joseph Thompson  
Anita Woodall  
Charlie Campbell  
Vance Strange

## **Members Absent**

Dr. Bobbie Davis  
Lloyd Black  
Janis Harrison  
Robert Watson

Sharon Dickerson, Executive Director, Employee Benefits Division.

## **Others Present:**

Kevin Geurtsen, John Bauerlein Milliman; George Platt, Amy Tustison, Stella Greene, Paige Harrington, Tammy McGill, Sherry Bryant, Kim Wilmot, Kristie Cox, Cathy Harris, Jane Young, EBD; Rhonda Jaster, ACHI/EBD; ACHI; Shonda Rocke, NMHC; Barbara Melugin, David Bridges, Kathy Ryan, ABCBS/HA; Eddie Freyer, USable; Ronda Walther, Wayne Whitley, AHTD; John Erickson, MN Life; Bryan Meldrum, Kim Suggs, Novasys; Peggy Nabors, AEA; Marc Watts, ASEA;

## **Call to Order:**

Meeting was called to order by Shelby McCook

## **Approval of Minutes:**

The request was made by Musgrove made the motion to approve the February 19, 2008 minutes as amended. Mallory seconded. Minutes approved.

## **Financials by Amy Tustison, EBD**

Tustison presented detailed financial statements for the Arkansas State Employees (ASE) January 1, 2008 through January 31, 2008 and the Public School Employees (PSE) October 1, 2007 through January 31, 2008; In addition, the ASE Cafeteria Plan Financials 2008 - January 1, 2008 through January 31, 2008.

Tustison reported that there were 34,398 ASE members enrolled at the beginning of the 2008 plan year, and from October 2007 through January 2008 there were 50,578 PSE members enrolled.

Tustison explained the net income for ASE is deflated by about \$150,000 dollars because they do not have the accrual for the Medicare D subsidy this month; therefore, expect the number to go up in February and March when the prescription drug numbers come in from the vendors. Tustison then reported the net income loss after reserve activities and the net assets available after all the reserve activity allocations.

There was one penalty in the month of January for a state agency due to late payment and no penalties for the month of February. There were three penalties in January and two penalties in February for the school district due to late reporting.

For the fiscal year of 2006 the Plan collected 2.4 M interest income for the PSE fund and 2.2 M interest income for the past nine months for fiscal year 2008.

***Other Business by Sharon Dickerson, EBD Director***

Dickerson talked about the letters she received from members requesting the Board reconsider the elimination of the dental and vision benefits. Dickerson said they are concerned about the membership, in particular the Retirees; however, they are trying to come up with enough money going forward, and the rates would be higher if the dental and vision benefits were added back into the program. Dickerson said the benefits were not monetary, and then reported on the percentages of ASE and PSE members that utilized the dental and vision benefits in the 2006 plan year.

Dickerson informed the Board she recently met with one of the vendors that offers dental coverage as part of the voluntary product package for ASE and requested that they look into an individual policy for the retirees.

Dr. Thompson requested in the future the Board discuss the two benefits separately if ever they contemplate bringing the benefits back into the program because they seemed different. Dickerson explained the plan coverage policy for dental and eye care. Dr. Thompson suggested they communicate with the members also about the kind of vision and dental procedures that are covered by the plan.

Chairman McCook explained that many of the PSE members had dental coverage with another carrier, which created a billing issue also.

Dickerson talked about the letters she received from members regarding the premium increases. McCook suggested they utilize the EBD newsletter to communicate with the members about plan costs.

### **Health Risk Assessment (HRA) Discussion by Sharon Dickerson**

Dickerson informed the Board the Governor requested that the Plan continue to provide the HRA to the members. Dickerson said they have no current plans to discontinue the program.

Chairman McCook explained the EBD staff has agreed to research the progress of the HRA program and report any improvements that need to be made.

Musgrove said the information that has been obtained from the HRA has been invaluable and suggested they do whatever they can to increase the participation in the HRA program. Dickerson reported 73% of the membership took the HRA survey in the 2008 plan year.

Dr. Thompson said he believes it is the key to improving health and controlling health care costs.

Dickerson talked about the possibilities of micromanaging the medical component like the pharmacy by contracting directly with the provider community. Dickerson talked about the other states that contract directly with the provider community.

Musgrove urged they be very attentive and careful of the administrative expenses incurred in renegotiation and maintaining all of the provider contracts. Musgrove said they should also look very effectively at the penetration they would receive.

### **Committee Report by Joe Musgrove, Benefits Subcommittee**

Musgrove reported the Benefits Subcommittee met on March 14, 2008. As a result of the meeting the Committee had one recommendation.

**RECOMMENDATION:** To adopt exhibit #5 (projected rate with plan design change and the inclusion of the anticipated investment income and \$8 million of reserve allocation). Approve the plan design and all the premiums and all the conditions represented only in exhibit #5.

Musgrove reported on the amount of out of pocket expense PSE members paid in coinsurance last year.

### **Preliminary 2009 (PSE) Rates by Milliman**

Bauerlein presented the adjustments that were made since the February 15<sup>th</sup> meeting and the proposed plan design alternatives for the 2009 plan year.

#### **Proposed plan design changes:**

- 20% coinsurance & \$1,500/3,000 OOP  
(Currently 10% coinsurance and \$1,000 / \$2,000 OOP)

- Increase deductible for High Deductible plan to \$1,500
- \$35 M Act 1842 Contribution is recalculated based on current enrollment
- \$8 M reserve allocation (\$3 M reserves, \$5 M withhold settlement)
- \$2.5 M anticipated investment income allocation

Bauerlein presented the PSE rates with no change in the plan design, no reserve or investment income allocations and lost of reserve allocations. Bauerlein said they have not assumed in the scenario any loss of employee or younger healthy employee enrollment.

Exhibit #6 included the PSE rates with the proposed plan design changes, reserve allocations, and investment income. Bauerlein said they are allocating the reserve and the investment income the same as the 35 M – Act 1842 monies, because the Board decided to allocate some of the money towards an additional dependent subsidy to help offset the premiums. Bauerlein explained the reserve allocation would be a lot less if they followed the formula for distribution of reserves.

Chairman McCook explained while they do need to adopt the formula, he does not think it is the right time for them to hold back excess funds. McCook said the changes will help to keep younger healthier people in the plan; thus have a positive impact next year. In addition, there are some groups that are trying to get additional funding during next year legislative session.

Dr. Thompson suggested they document the savings they would have had if they had followed the formula then present the information in the legislative session.

Musgrove referred to the 17 M that was indicated in the PSE financial for the summer month's expenses. Musgrove said they would have to review the past 12 months or the end of last year for the real assets position.

The Board discussed the anticipated 8 M allocation, after which Bauerlein calculated the adjustments that were made last year, in particular for the summer months and the 35 M – Act 1842. Bauerlein explained they set the rates based on an average for the year so the Plan does make money leading up to the summer and they expect it will make money from now until June. Bauerlein said he believes they will be over 8 M by the end of the fiscal year. Dickerson talked about the HA withhold.

Campbell said he understands the delima they are up against; however, they have reached a point where plan changes will not substantially help to stabilize the rates. Campbell said he is believes there will be a major push for funding in the next session and is comfortable with the advice of the actuaries.

Campbell and Bauerlein discussed the 80/20 vs. 90/20 plan and the projected effect on the per member per month (PMPM). Campbell said until they can address the PMPM they will continue to have issues and struggles even after the next biennium for increase funding.

The Board reviewed the Projection (Without Plan Changes or Reserve / Interest Income)

- 2008 - 2009 Plan Year
- 2009 - 2010 Plan Year
- 2010 - 2011 Plan Year

Dr. Thompson asked the school officials in the audience if they preferred lower premiums this year in exchange for the projected premiums for the next two years.

Peggy Nabors with Arkansas Education Association (AEA) explained they have united with others to get some additional state contribution. Nabors said she hopes the 2010 and 2011 projections are not the case; but if it they are, it will be because of the work they do in the legislative session. Nabors said they don't like the plan design changes but understood that the premiums are of major importance, therefore imperative that they take the risk.

Dr. Thompson made the motion to adopt the subcommittee recommendation. To adopt exhibit #5 (projected rate with plan design change and the inclusion of the anticipated investment income and \$8 million of reserve allocation). Approve the plan design and all the premiums and all the conditions represented only in exhibit #5. Mallory seconded. All were in favor.

**Meeting Adjourned.**