

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

Minutes

March 14, 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, March 14, 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  
Nancy Sheehan

**Members Absent**

Janis Harrison  
Lloyd Black

Sharon Dickerson, Executive Director, Employee Benefits Division.

**Others Present:**

Kevin Geurtsen, John Bauerlein, Milliman; George Platt, Amy Tustison, Stella Greene, Cathy Harris, Shannon Roberts, Sherry Bryant, Paige Harrington, Tammy McGill, Marilyn Jersild, EBD; Rhonda Jaster, ACH/EBD; Kim Suggs, Brian Meldrum, John Ryan, NovaSys Health; Kathy Ryan, Barbara Melugin, Ron DeBerry, David Bridges, ABCBS/HA; Shonda Rocke, NMHC; Eddie Fryer, USABLE Life; Marc Watts, ASEA, Sharon Marcum, Corphealth, Larry Dickerson Ronda Walthall, AHTD; Peggy Nabors, AEA; John Erickson, MN Life

**Call to Order**

The meeting was called to order by Joe Musgrove.

**Approval of Minutes**

A request was made by Musgrove to approve the February 15, 2008 minutes. Walker made the motion to approve. Altemus seconded. All were in favor. Motion approved.

**Preliminary 2009 PSE Rates by Milliman**

Bauerlein presented the adjustments that were made since the February 15<sup>th</sup> meeting.

- Reflect current enrollment as of 2/15/08
- Remove pre-65 retirees from pharmacy claims
- Adjust vendor admin fees to reflect current arrangements

The adjustments took about \$20.00 off of the employee only monthly premium before any plan design changes.

Bauerlein presented the proposed plan design alternative.

- 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

McCook commented the approach will help keep the young healthy members in the plan and have a residual effect. McCook stated there are people working real hard to get additional funding for school employees; in the meantime, they have to utilize what they have.

Chairman Musgrove and Dickerson discussed the 8 M reserve allocation. Dickerson explained if they do not use the reserve there will be a tremendous loss of younger members and the plan can not sustained such a loss.

Sheehan suggested that they try and recruit more of the younger school employees because many cannot afford to participate in the insurance program. Sheehan talked about the basic school contribution for participating employee per month.

Altemus said he wanted to do everything possible to offer school employees as low a rate as possible. Altemus requested Milliman provide the Committee with the projected rates for 2010 and 2011 also.

Bauerlein said they will provide the information in the Board meeting. Bauerlein explained funding has to be increased on an ongoing base in order to keep up with cost increases. Dickerson said she will present the information to the Adequacy Hearing as well.

Chairman Musgrove stated their primary responsibility is to the Plan and the costs to the Plan and the employer is responsible for the employee costs. Musgrove stated they are making revisions as a response to the out of pocket costs to the teachers, when it is the funding that is different; and, are not taking the ASE group into consideration. Musgrove said he would rather they focus first on creating an affordable overall insurance and then address the plan design.

Dickerson said the ASE group does not have much reserve so they probably will be facing the same issue as the PSE group; therefore, the proposal will be just as effective for the ASE group.

McCook referenced the enabling legislation. McCook explained that one of the Board's responsibilities is to provide affordable insurance, so they must be sensitive to all facets of the funding.

Bauerlein reported the program is doing a great job managing pharmacy claims and keeping the cost down. Bauerlein said they may want to think about doing something similar on the medical side. Dickerson said the physicians and providers must be contracted with the Plan instead of a third party administrator in order to do that; but, it maybe something they want to look at in the future.

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

Exhibit #5 included the PSE rates with the proposed plan design changes, reserve allocations, and investment income. Bauerlein explained they allocated the reserve and the investment income the same way they did 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 said the plan design changes generated a 4% medical reduction in the overall plan cost, which is passed on to the employee premium. Geurtsen reported the total plan design changes offset the employee premium by \$9.50.

Walker said members have told her they would rather pay an extra \$10 dollars if the premiums are not going to be adjusted by \$25 or \$30 dollars a month. Walker said \$9 dollars can be budgeted but expenses for services that will require a 20% coinsurance are unexpected expenses. Walker talked about the flexible spending account.

Sheehan stated the biggest complaint made by the PSE group is the premium cost.

Chairman Musgrove opened the floor to the audience members.

Larry Dickerson with the Arkansas Highway Department said it was reported in the last meeting that they would have three months of data; but, the Incurred but not reported (IBNR) indicated only 45 days of data. Mr. Dickerson explained the IBNR reserve is a pipeline that has expenses from prior years working its way through the old plan design. Mr. Dickerson said without a statement of change in cash position they really don't know exactly how much cash they are hemorrhaging until they see the statement each month. Mr. Dickerson suggested they do a comparison statement of change in financial position in conjunction with the 2008 plan change, then prepare a Pro forma statement of change in cash position to see how much cash they are actually hemorrhaging; because, they are working on the assumption that they have seen three months of data.

Peggy Nabors with the Arkansas Education Association (AEA) said the cost of the premiums is a hugh concern among the school employees. Nabors reported

AEA's findings from a study they conducted on the history of the healthcare premiums and the percent paid by the employee over the last five years. Nabors referenced information from the Kaiser Family Foundation. Nabors informed the Committee AEA is developing their case for the next legislative session because they recognize the help has to come from the state level. Nabors said she does not like the plan design changes; but, it is the best that can be done right now because the rates are most important in keeping the plan stable and available to more people.

McCook made the motion to adopt exhibit #5, which includes the projected rate with plan design change and the inclusion of the anticipated investment income and \$8 million of reserve allocation. McCook requested the consultants provide the Board and the Benefits Committee members with the projected premiums for the next two years based on this plan. Sheehan seconded. All were in favor.

Altemus requested the projected rates be published to the PSE members also.

Chairman Musgrove called for clarification of the Motion.

McCook clarified the projected rates are only intended for the Board and Benefits Subcommittee members and not the intention that the EBD staff or any state government office publish the information to the public.

Motion for Reconsideration: Approve the plan design and all the premiums and all the conditions represented only in exhibit #5. Sheehan seconded. One opposed. Motion carried.

Altemus explained why he wanted the projected rates published to the public. Altemus said things might fall apart before the legislative session and there will be no resources available to deal with it next year.

Dickerson suggested Altemus send the information to the members. Altemus stated it would not be official unless it came from EBD.

Chairman Musgrove explained they can only request the actuaries to project what the cost will be to the plan. Musgrove stated it would be irresponsible for them to officially publish the information to the public, because the funding issue is not the responsibility of the Board. Musgrove said those who do have the responsibility may utilize that data as they choose.

Dickerson said she will give the information to the Adequacy Committee and anyone who request it because the information is vital to the continuation of the plan.

Chairman Musgrove stated it is in the best interest and the responsibility of the Committee and the Board to have a projection from the actuaries on their best

information of what the cost to the plan is going to be for the next two years and then review the benefits structure.

Dickerson and Mr. Dickerson discussed the statement of change in cash position. Chairman Musgrove asked Mr. Dickerson to attend the Board meeting to report his suggestions. McCook suggested Mr. Dickerson also presents his suggestions and comments to Paul Louthian with the Office of Accounting.

Dickerson recommended the Benefits Subcommittee allow EBD to develop a work group to assist them. Dickerson said the group will review some of the more technical issues and make recommendations to the Benefits Committee. Platt said the group will consist of stakeholders with expert opinions on plan design, quality and more.

Chairman Musgrove requested that in the future any suggestions or request be brought forth and distributed to the Committee before the meeting so they have time to review.

McCook suggested the work group review the HRA survey and other programs associated with wellness. Platt said they have already put together an internal group and have prepared a preliminary document regarding the HRA, and will provide additional information in the future.

Sheehan requested EBD provide the demographic data of the total PSE and ASE population that do not have health insurance. Sheehan said they need to figure out a way to bring these people into the program. Dickerson said the data will be somewhat limited because of how the employees with no health insurance are enrolled in the system; however, perhaps they can send a survey to the non participating employees.

Veach said the information may help support the mission to get additional funding for the PSE group

Marc Watts with the Arkansas State Employee Association (ASEA) addressed the Committee and referred to the comment made by Dickerson earlier that the ASE population is sicker than the PSE population. Watts requested a copy of the data.

Dickerson clarified the statement she made earlier in the meeting. Dickerson said the ASE population has a higher utilization rate than the national average and agreed to provide Watts with the requested information.

**Meeting adjourned.**

The meeting adjourned at 10:42 a.m. The next meeting is scheduled for April 11, 2008 at 9:00a.m in the EBD Board room.