

**State and Public School Life and Health Insurance Board
Minutes
May 19, 2009**

The 100th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met Tuesday, May 19, 2009 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

Members Present

Shelby McCook
Lloyd Black
Joe Musgrove
Vance Strange
Dr. Joseph Thompson
Janis Harrison
Anita Woodall
William Goff
Dr. Andrew Kumpuris
Renee Mallory
Robert Watson

Members Absent

Charlie Campbell

Jason Lee, Executive Director, Employee Benefits Division.

Others Present:

John Bauerlein, Koreen Dorsett, Liz Myers, Milliman, George Platt, Leigh Ann Chrouch, Doug Shackelford, Amy Tustison, Stella Greene, Erica Backus-Harris, Sherri Saxby, Latryce Taylor, Florence Marvin, Pamela Lawrence, Cathy Harris, Paige Harrington, EBD; Rhonda Hill, ACHI/EBD; Barbara Melugin, Kathy Ryan, David Bridges, Ron Deberry; ABCBS/HA; Dwane Tankersley, Novasys; Mona Neal, Public Service Commission; Ronda Walthall, Wayne Whitley, AHTD, Joseph Chang, MN Life; Jeff Britt, Pfizer; Karen Henson, Pamela Hickman, AGFC; Kim Henderson, ADFA; Susan Walker, Data Path; Carol White; PDB; Shonda Roche, Informed Rx; Sharon Marcum, LifeSync; John Greer, Humana; Judy Prewitt, Highway Retirees; Peggy Nabors, AEA; April Carson; Diann Shoptaw, EBI; Vicki Fleming, Doris Williams, AR Dept of Health; Derrick Smith, Mitchell Williams Law firm; Saintete' Martinez; Dwight Davis

Call to Order

Meeting was called to order by Shelby McCook

Approval of Minutes

The request was made by McCook to approve the April 21, 2009, minutes. Strange made the motion to approve. Mallory seconded. Minutes approved.

New Board Member *by Chairman McCook*

Chairman McCook introduced the new Board member Dr. Andrew Kumpuris. Dr. Kumpuris' speciality is Cardiovascular Disease and Internal Medicine.

Financials *by Leigh Ann Chrouch*

Chrouch presented detailed financial statements for the Arkansas State Employees (ASE) January 1, 2009 through March 31, 2009 and the Public School Employees (PSE) October 1, 2008 through March 31, 2009. Chrouch also presented the ASE Cafeteria Plan Financial 2008 for January 1, 2009 through March 31, 2009.

Chrouch provided a report of the penalties assessed for state and school agencies for April 2009. There were three school district and four state agencies that were penalized because payments and state contributions were not received by April 30, 2009.

Musgrove made the motion to accept the financials. Strange seconded. All were in favor. Motion carried.

PSE Actives *by Jason Lee, EBD*

Bauerlein presented the 2009-2010 Plan Year PSE Rates for Active Employees.

Bauerlein explained the basis for underwriting. Health Advantage and NovaSys underwriting is based on claims incurred between January 2008 and December 2008 (paid through March 2009); Maintained current \$11.20 retiree subsidy.

Bauerlein reported a 1.05% rate adjustment for impact of proposed benefit changes of hearing aid coverage, removal of \$15,000 max on orthotics/prosthetics and addition of hearing & vision exams.

Bauerlein said they propose a 1.5% increase for Health Advantage, 7.0% increase for Novasys AR Health, -10% for NovaSys HDPPO, 0.5% increase for Rx and no rate increase for Corphealth.

The Board viewed the 2009 -2010 PSE Actives rates exhibits:

- without reserve allocation,
- with \$6M reserve allocation (50% / 30% / 20%) allocation rule beginning in 2010)
- with \$5M reserve allocation (50% / 30% / 20%) allocation rule beginning in 2010)

Lee said they included an additional scenario with only \$5 Million contribution to PSE Actives as opposed to the \$6 Million discussed last month so they could give more money to the PSE Retirees.

PSE Retirees

Bauerlein referenced Exhibit 4B that showed a contribution of \$6M reserve allocation (50% in 2010). Bauerlein reported both PSE retiree groups (Medicare and Non-Medicare) result in a significant rate increase.

Lee explained the PSE Retiree group is taking a triple hit; traditional trend increase, enhanced benefit to add hearing aids / vision exams / hearing exams, and significant contribution from reserve last year (\$4.2 Million).

Black referenced ACT 1172 and then asked the Board to consider giving more relief to PSE retirees. Black said there are people who cannot retire because they cannot afford the health insurance premiums.

An in depth discussion ensued regarding a reserve amount to allocate to the PSE retiree group and an allocation approach for Medicare Primary and Non-Medicare Primary groups.

The Board decided to allocate \$4M to PSE Actives and \$8M to PSE Retirees.

Dr. Thompson made the motion to maintain the 50% / 30% / 20% allocation rule in their decision to allocate \$4M reserve allocation to PSE Actives, and requested Milliman to come back with a rate analysis for different scenarios of reserve allocation for PSE Retirees. Watson seconded. All were in favor. Motion carried.

ASE Actives

Bauerlein reported the rate increases for ASE Actives: 0.8% HA, -8.1% NovaSys AR Health, -1.1% NovaSys HDPPO, -9.7% RX and no rate increase for Corphealth. Bauerlein said the 2010 funding is based on \$390 per budgeted position (allocated to Actives and Retirees).

Bauerlein explained the basis for underwriting and rate development. Bauerlein reported there is a 1.05% rate adjustment for impact of proposed benefit changes of hearing aid coverage, removal of \$15,000 max on orthotics/prosthetics, and addition of hearing & vision exams

The Board viewed the ASE Actives 2010 proposed rates.

Lee said the ASE rates reflect the \$390 per budgeted position contribution and result in meeting the 75% state contribution level without the need for any trust fund contribution.

Musgrove made the motion to adopt the 2010 Plan year ASE rates for Active employees. Harrison seconded. All were in favor. Motion carried.

ASE Retirees

Bauerlein explained ASE target funding is 60% for retirees and 50% for dependents, if funds are available. For the 2010 plan year it is 66% for retiree coverage and 51% for dependent coverage with no reserve allocation used to meet funding target.

Bauerlein reported 1.5% rate adjustment for retiree not Medicare eligible and 6.5% rate adjustment for retiree not eligible for the impact of proposed benefit changes of hearing and coverage, removal of \$15,000 max on orthotic/prosthetics, and addition of hearing & vision exams.

The Board viewed the 2010 preliminary ASE retiree rates without reserve allocation.

Harrison made the motion to adopt the 2010 plan year ASE retiree rates. Strange seconded. All were in favor. Motion carried.

Dr. Thompson commented that the plan does not have financial reserve for conditions like the swine flu.

Meeting adjourned.