

STATE EMPLOYEE GROUP BENEFITS ADVISORY COUNCIL MEETING MINUTES

Room 172, State Capitol Building
Helena, Montana

August 24, 2010

SEGBAC Council Present

Member: Monte Brown, Operations Manager, Department of Transportation
Member: Kelly DaSilva, Human Resource Manager, Legislative Services Division
Member: Richard Cooley, Portfolio Manager, Dept of Commerce, Board of Investments
Member: Erin Ricci, Admin. Asst. / ICCW Representative, Department of Natural Resources & Conservation
Member: Tom Schneider, Montana Public Employees' Association
Member: Amy Sassano, Deputy Budget Director, Governors Office, OBPP
Member: Tom Bilodeau, Representative, MEA-MFT
Member: John McEwen, Representative, State of Montana Retirees
Member: Mike Cooney, Senator, Senate District 40
Member: Mary Dalton, Medicaid & Health Services Branch Manager, DPHHS, Health Resources Division

SEGBAC Council Absent

Chairman: Karen Wood, Acting Administrator, Department of Administration, Health Care and Benefits Division
Member: Steve Barry, Administrator, Human Resources, Department of Corrections

Staff

Lance Zanto, Chief, Workers' Compensation Management Bureau	Kim Pullman, Wellness Officer
Cathy Reagor, Case Manager	Jessica Jones, Program Integrity Auditor
Melanie Denning, Health Officer	Sherri Rickman, Case Manager
Debra Rapaport, Case Manager	Stephanie Stephens, Safety Officer
Jackie Dunbar, Medical Management Supervisor	Jessie Eickert, Systems Analyst
Paige Tabor, Early Return to Work Officer	Amber Godbout, Attorney
John Thomas, Senior Health Officer	Amber Thorvilson, Financial Manager
Charlotte Hafer, Customer Service Assistant	

Kelly Grebinsky, FSA, Principal, Actuaries Northwest

Guests

Ginger Lindsey, BCBS	Gary Burgess, New West
Bernard Khomenko, MAHCP	Sheryl Olson, Director's Office
John Larson, PEAK	Craig Linke, It Starts With Me
Erin Huffman, BCBS	Paula Stoll, DOA

Call to Order & Old Business

Lance Zanto called the meeting to order at 8:35 AM. He explained that Karen, our acting Administrator has a family emergency and will not be attending the meeting. Tom Schneider moved to accept the changes of the minutes. Monte seconded the motion. All approved, motion passed.

Financial Report

Kelly Grebinsky, with Actuaries Northwest Inc, went over the second quarter financial report. He explained that the table on page 1 is the comparison of Medical, Rx, and Dental claims. This table shows the 12 month trend. Medical is at 8.5%. This is a decline from the first quarter. There are some large claims that will be paid in the third quarter. Dental is at a 2.1% decline. The table on page 2 is the update on general reserves. We are at 51.1 million in the fund balance. This is compared to 40.2 million at the end of June 2009. The recommended reserves balance is 52.9 million. He then moved on to page 4. This

table shows the income and expense by combined medical plans and dental plan. We currently have a \$7.8 million gain. The table on page 9 is the split of Actives and Retirees. There is a 78.6% loss ratio between the Actives and COBRA, 163.1% loss ratio for retirees under 65, 85.8% loss ratio for retirees 65 and over. There is a total loss ratio of 118.2% for all retirees.

Premiums and Rate Structuring

This year Kelly, Karen, and Amber Thorvilson worked on the rates similar to the way the University system does rates. First Kelly went over the funding vs. expenses chart. For 2011, with the state share increase, there is enough funding to cover the expenses. The expenses are claims, administrative fees, and reserve contributions.

There are four components in developing the 2011 rates. They are claim costs, administrative expenses, contributions to reserves and retiree subsidy.

The claim costs are 86% of the total expenses. The claims cost is calculated using a blend of claims data for the most recent 12-months and prior 12-months. It incorporates annual trend assumptions for medical, pharmacy, and dental. It also includes required benefit changes under health care reform. These changes include the elimination of lifetime maximum, coverage of dependents to age 26, and no other benefit changes.

The administrative expenses are everything that is not a claim. These include TPA Administrative (ASO) fees, wellness/medical management, payroll/SABHRS fees, and operating expenses. The administrative expenses are based on most recent 12 months of actual expenses, with adjustments. This includes BCBS refunds received and the timing of Health screenings. There is also an assumed annual expense trend of 5%.

The retiree subsidy measures the amount included in active medical rates to cover losses associated with retiree coverage. This also relates to the GASB 45 liability. This is leveraged due to much higher numbers of active employees. One dollar subsidy per active employee equates to approximately four dollars subsidy per retiree.

Kelly explained how to calculate the rates by plan. They compared the efficiency scores of each plan. Blue Cross and New West Managed care plans scored evenly and the traditional plan had the least efficient scores. Next, to calculate rates by tier he continued to standardize tier relationships across family types while keeping subsidization of dependents.

Kelly then went over the final numbers for the rates for active employees. The percentage of increase is from 4% to 13%. After the State share increase, contribution changes range from \$17 reduction in premiums to \$53 increase per month. With regard to the retirees, their percentage increases are from 2% to 12%. Their contribution increases range from \$18 to \$101 per month. For the Medicare retirees, their percentage increases from -2% to 11% and their contribution changes from \$11 reduction to \$56 increase per month.

The dental rates for all members on the plan increased 2%. The rates are the same for actives and retirees.

There was discussion about whether or not we can charge a different premium for the retirees and the active employees.

Administrator Update & Legislation

Sheryl Olson updated the council on Connie's replacement. She announced that Russ Hill will be the new Administrator of Health Care and Benefits Division. He will be starting September 13. He brings with him many years of experience.

Sheryl also mentioned that there will be two pieces of legislation that are currently being worked on for the up-coming Legislative session. The first will address subrogation issues. The second piece of legislation addresses about the confusion on insurance laws and trying to put all insurance laws in one place in statute.

Benefit Changes

Jackie Dunbar talked about the proposed deductible changes and the out of pocket changes. There was a lot of discussion about whether this is the right time to make these changes in light of raising the rates. Kelly mentioned that we do have a choice on whether or not to make the deductible changes. It

isn't detrimental to do it right now. But we will have tough choices to make in the next couple of years. The discussion centered on making all the changes now or waiting until next year. There was consensus to raise the deductibles for out of network claims. Kelly pointed out that about 10-12% of claims are out of network. We want to try and keep members in network. Jackie pointed out that if a member needs to see a provider that is out of network for a procedure where services are not available in network, that we do process those claims as in network.

Jackie also mentioned that we have decided not to continue to offer PEAK to our members. This only affected 96 members and a total of 250 covered people. A letter was sent out to all members on the PEAK plan notifying them of the change. They do have the option to go under one of the managed care plans.

We also are not going to be continuing our contract with Reliant Behavior Health. Approximately 2.5% of our members actually use the EAP program. We will be bringing these services in house. All members will receive four free counseling visits. The four visits will count toward the maximum visits allowed. Then the benefit will be 75/25. The plan will pay 75% of the cost and the member will pay 25%. This is only for in network providers. Another program that we will be continuing to offer is Mommy Trax. This will be handled by our nurse case managers and our wellness officer. We will also be offering health coaching and changing the Why Weight benefit. We will also be posting on our website places where members can go to receive free legal advice and some of the other services that RBH offered.

Jackie also mentioned that this year we will be doing paperless annual change for employees. Retirees and Legislators will still get paper copies.

Health Care Reform

John Thomas went over some of the changes we have made due to health care reform. We have been having a special enrollment for members to add their dependent children back onto the plan up to age 26. Randi Carter reported that in July we added 80 dependents and in August we added 12 dependents. The enrollment period was from July 1-August 27.

We have also eliminated the pre-existing conditions for dependents under age 19. The life time maximums have also been eliminated.

Mary Dalton gave everyone an update on what is happening with SCHIP. Her office is working on allowing state employees to put their children on SCHIP.

Executive Action

Lance asked for a motion to accept the deductibles and copayment changes. Richard Cooley moved to not accept the changes. Kelly DaSilva seconded the motion. All approved, the motion passed to not increase the deductibles and copayments.

John McEwen moved to reconsider the previous motion. Tom Schneider seconded the motion. All approved, motion passed.

John McEwen moved to adjust the out of network deductibles and copayments. Tom Schneider seconded the motion. Mary mentioned that she is opposed to increasing the out of network deductibles and copayments. Tom mentioned that we really shouldn't wait until next year to make some of these changes. The motion was passed with two declining votes, Mary Dalton and Richard Cooley.

Tom Schneider moved to reject changing the copayments and deductibles for traditional and in network plans. Mary seconded the motion. All approved, motion passed.

Amy Sassano moved to approve the new rates. Tom Schneider seconded the motion. The motion was passed with two declining votes, Monte Brown and John McEwen.

Lance asked if there was any public comment. There was no public comment. John McEwen moved to adjourn the meeting. Tom Schneider seconded the motion. Motion passed. The meeting adjourned at 11:20 AM.