

STATE EMPLOYEE GROUP BENEFITS ADVISORY COUNCIL MEETING MINUTES

Room 172, State Capitol Building
Helena, Montana

May 20, 2010

SEGBAC Council Present

Chairman: Connie Welsh, Administrator, Department of Administration, Health Care and Benefits Division
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: Steve Barry, Administrator, Human Resources, Department of Corrections
Member: Tom Bilodeau, Representative, MEA-MFT
Member: John McEwen, Representative, State of Montana Retirees
Member: Mike Cooney, Senator, Senate District 40

SEGBAC Council Absent

Member: Mary Dalton, Medicaid & Health Services Branch Manager, DPHHS, Health Resources Division

Staff

Karen Wood, Chief, Employee Benefits Bureau	Kim Pullman, Wellness Officer
Lance Zanto, Chief, Workers' Compensation Management Bureau	Cathy Reagor, Case Manager
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	Jessica Jones, Program Integrity Auditor

Kelly Grebinsky, FSA, Principal, Actuaries Northwest

Guests

Ginger Lindsey, BCBS	Gary Burgess, New West
Bernard Khomenko, MAHCP	Sheryl Olson, Director's Office

Call to Order & Old Business

Connie called the meeting to order at 8:35 AM. Connie introduced our new staff. We have reconfigured to have two Bureaus. She introduced James Oster as our new Benefits Specialist, Debra Rapaport as our new RN Case Manager and Stephanie Stephens as our new Safety Officer. She asked for any changes to the minutes from February 23, 2010. John McEwen moved to approve the minutes, Tom Schneider seconded the motion. All approved, motion passed.

Financial Report

Kelly Grebinsky, with Actuaries Northwest Inc, went over the first 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 8.9%. It is a bit lower than the projected. Rx is showing a negative trend

due to URx. Right now we are showing a 25% savings with URx. The table on page 2 is the update on general reserves. He mentioned that our IBNR has stabilized. We have seen a decline in large cases. Projected fund balance is close to \$50 million by the end of the year. He then moved on to page 4. This table shows the income and expense by combined medical plans and dental plan. We are ahead of where we were last year. Page 7 shows the Indemnity Plan. These are the higher risk people. This plan has a loss ratio of 92.3%. Page 8 shows the Managed Care plan. Peak had a 6.5% loss ratio, Blue Cross had a 65% loss ratio, and New West had a 116.3% loss ratio. This year 2800 people moved off the New West plan and onto the Blue Cross. The table on page 9 is the split of Actives and Retirees. There is a 75.9% loss ratio between the Actives and COBRA, 146.1% loss ratio for retirees under 65, 82.3% loss ratio for retirees 65 and over. There is a total loss ratio of 109.2% for all retirees. Page 10 shows the projected Health Care funding vs. Expenses. The third column represents the plan year. The Red funding line shows that we are right on track.

Kelly mentioned that there is always a lag between the actual and the trends. We are a bit more aggressive with our trend at 10%. He said that we are still working on our OPEB report for 2009. This is a complete evaluation. We are looking at our assumptions and comparing it with other states and justifying why we are doing things the way we are. Our liability has come down. The final report will be out soon.

AON Briefing on Health Care Reform

Brent Crane was conferenced in to go over the new Health Care Reform Bill and how it affects our plan. He explained that the goal is to expand coverage. He also stated that Health reform is a journey, not an event. He went over a timeline of events. First, in June 2010, there is a temporary reinsurance program for employers who provide coverage for early retirees (non-Medicare). There was a discussion regarding the early retiree insurance program subsidy. Health Care and Benefits will be filing an application in the near future.

For plans that renew after September 23, there are a number of things that must be implemented upon renewal; our plan renews January 1, 2011. The items that must be implemented include no pre-existing condition exclusions for dependents under age 19, prohibit lifetime maximums, and extend dependent coverage to age 26.

In 2011, over the counter medications will no longer be an eligible expense for flex spending accounts (FSA). Employers will be required to disclose the value of health benefits on W-2 forms. In 2012, employers will be required to provide employees with a uniform summary of coverage (24 months post-enactment). In 2013, there will be a cap on FSA contributions of \$2500 per year. In 2014, the Bill bans pre-existing conditions exclusions for all individuals, bans waiting periods greater than 90 days, and employers are permitted to offer employees wellness incentive rewards of up to 30% of health plan premiums.

Under the new health plan, we are permitted to charge a different rate for dependent (26) children. It is the employee's choice to keep or drop the child. It is unclear whether grandfathering is maintained if the plan is amended significantly.

The cost to our plan to have children on the plan until age 26 is less than 0.1%. The elimination of lifetime plan benefit maximum (currently \$2 Million) will cost the plan 0.4%.

Plan Member Request-Myles Braccio

Myles Braccio brought up his concerns to the committee about how deductibles are applied and administered. There was discussion among the committee about alternatives and suggestions were offered by both the committee and Mr. Braccio. The committee ultimately determined that we are administering the deductibles appropriately.

Connie opened the meeting up for public comment.

Mike Cooney moved to close the meeting. Tom Schneider seconded the motion. Motion passed. The meeting was adjourned at 11:30 AM.