

STATE EMPLOYEE GROUP BENEFITS ADVISORY COUNCIL MEETING MINUTES

Capitol Room 137
Helena, Montana

August 13, 2014

SEGBAC Council Present

Director: Sheila Hogan, Department of Administration
Chairman: Karen Wood, Acting Administrator, Health Care and Benefits Division
Member: Erin Ricci, Admin. Asst., Department of Natural Resources & Conservation
Member: John McEwen, Representative, State of Montana Retirees
Member: Quint Nyman, Montana Public Employees' Association
Member: Beth McLaughlin, Administrator, Supreme Court
Member: Mary Dalton, Branch Manager, DPHHS, Medicaid and Health Services Branch
Member: Kelly DaSilva, Human Resource Director, Legislative Services Division

SEGBAC Council Not Present

Member: Richard Cooley, Senior Investment Officer, Dept of Commerce, Board of Investments
Member: Christopher Abbott, Office of Public Defender
Member: Amy Sassano, Assistant Budget Director, Office of Budget and Program Planning
Member: Senator Jim Keane

Staff

John Thomas, Senior Health Officer
Amber Godbout, Attorney
Charlotte Hafer, Customer Service Assistant
Lance Zanto, Bureau Chief, Workers' Compensation Management

Kelly Grebinsky, FSA, Principal, Actuaries Northwest

Guests

Ginger MacDonald, BCBS
Leslie Ferry, Legislative Services
Sherri Rickman, HCBD
Melanie Denning, HCBD
Lynn Morrison, Cigna
Don Creveling, MAHCP
Jimmie Barnwell, Director Clinical Operations, CareHere

Mark BCBS
Amanda Burkhart, HCBD
Kim Pullman, HCBD
Amber Thorvilson, HCBD
Brittany Chandler, Delta Dental
Mike Manion, DOA
Representative Steve Gibson

Call to Order & Old Business

Karen Wood called the meeting to order at 1:05 pm. Karen asked if everyone had a chance to review the minutes from April 23, 2014. She did have one correction to the minutes. She then asked for a motion to approve the corrected minutes. John McEwen moved to accept the approved minutes. Erin Ricci seconded the motion. Motion passed.

Plan Financial Performance

Before Kelly presented the financials, Karen reviewed several factors that have contributed to a greater increase in costs to the plan than was previously projected.

One of the components that have contributed to the rise in costs to the plan include the Affordable Care Act requirements to cover preventative care at 100%. This adherence to the laws and regulations has been an investment we are making on behalf of our members. The plan has been proactive and has additionally incentive members to participate in wellness and routine services including health screening. In previous years, our plan supported approximately 4500 health screenings. That number has swelled to over 12,000. By conducting this many health screenings, we are finding diseases that are not being treated, thus resulting in a cost to the plan as members engage in their health care and seek treatment for these various conditions.

The second reason is that last year was an open enrollment year. There were 500 new enrollees onto the health plan. The new enrollment brought members on to the plan that had cancer and many other chronic diseases. While rates last year were adjusted to accommodate this open enrollment, several of the new enrollees had high cost conditions such as cancer.

The third reason is increased costs from providers, primarily outpatient hospital services. The plan saw a significant increase in the outpatient hospital costs for our members.

Kelly Grebinsky, with Actuaries Northwest Inc, gave his report in a [power point presentation](#). His report covers the first quarter with data ending March 31. He reported that enrollment is stable with reasonable variance. He said that there was a 1.7% increase in revenue and total expenses of \$49.618 million for a loss of \$9.935 million for the first quarter. There are three key drivers. First there was a planned loss in 2014 of \$4.8 million. Second, the Cigna claim lag time was longer than expected and that figures a cost of \$5.5 million. Third, large claims increased.

Kelly explained the claim lag for medical. This is actually a measure for the IBNR (incurred but not reported). The claim lag from January through March 2013 was due to implementation. It was taking .6 month longer on average to process claims. This information was not planned for. Karen has talked to Cigna about how this can be fixed. Karen pointed out that this is the performance guarantee that Cigna has not met. Cigna since streamlined their process and is continue to make adjustments to their process to speed up the claim processing. Now that we know their claims lag, it can be accounted for. The industry standard for claim lag is 1.3-1.6 months and Cigna was at 1.9 months.

Kelly explained that large claims drive the costs. He stated that hospital outpatient costs accounted for an \$8 million increase. The main disease that continues to drive the costs is cancer and diseases of the circulatory system.

He then went over the enrollment by groups and the plans they are on. There are currently 94% of active employees and COBRA members on the Capitol plan. There are 80% of non-Medicare retirees on the Capitol plan. There are 44% of Medicare retirees on the Capitol plan.

In 2015, the state share will increase to \$887 per month for active employees.

Public Comment

Representative Steven Gibson asked to give public comment early due to prior engagement and wouldn't be able to stay for the entire meeting. One of his questions was why the second quarter results were not being discussed. Kelly

mentioned that the second quarter ended June 30 and the data has just been received and being reviewed. He mentioned that it take time to get the data from the vendors to our data warehouse company, MAHCP and then onto Actuaries Northwest. Representative Gibson’s other question had to do with the two different scenarios that there was either going to be a \$47 million deficit or \$69 million deficit. He was wondering why the discrepancy. It was explained that there was a \$30 million drop in reserves. The discrepancy also had to do with the three financial drivers that were already explained, change in claim lag, variance in large claims, and an increase in members with illnesses that are being treated.

2015 Benefit Changes

Karen highlighted the proposed 2015 benefit plan changes. First the classic plan would be eliminated. She noted that it only covers 6% of active employees. The classic plan offers less benefit at a higher cost. There is no difference in the provider network. The second change would be to reduce the retiree subsidy by 15%. The marketplace has solutions available. Health Care and Benefits will be educating retirees on their options and give them additional support. Retirees would also be offered a retreat option. This will allow them to come back onto the plan if they leave the plan and then wish to come back.

Karen then went over the other proposed benefit changes with regard to deductibles. The proposal would increase the deductibles as follows.

Benefit	2014	2015
Deductible (In-network)	Single: \$500 Family: \$1,000	Single: \$750 Family: \$1,500
Deductible (Out-of-network)	Single: \$750 Family: \$1,750	Single: \$1,250 Family: \$2,750
Maximum Member Liability – Medical & Pharmacy (In-network)	Single: \$4,150 Family: \$8,300	Single: \$4,950 Family: \$9,900
Maximum Member Liability – Medical & Pharmacy (out-of-network)	Single: \$5,900 Family: \$12,800	Single: \$6,600 Family: \$14,200
Office Visit Copay	\$15	\$20

The Live Life Well incentive will stay at \$30 per person or \$60 per family. The requirements for 2015 will include 4 of the next step items instead of just 3.

2015 Plan Changes

Next the proposed plan changes for 2015 were discussed. First is to eliminate the classic plan. This plan only covers 6% of active employees. It offers less benefit at higher costs. There is no difference in provider network.

The second plan change is to reduce the retiree subsidy by 15%. There are marketplace solutions available. HCBBD will provide education and support to retirees. Retirees will be offered a retreat option. This option will allow retirees who chose to leave our plan two years to come back to the plan.

For 2015 the following are assumptions:

- Medical trend at 8%
- Pharmacy trend at 10%
- Dental trend at 8%
- Vision trend at 3%
- Administration trend at 2%
- There will be no contributions to reserves and maintain assets at projected 146% of ACL

- There will be no change to the dependent subsidy
- The state share will cover the core benefits for a single employee

2015 Rate Changes

Kelly explained that 2015 is a catch up year for what we didn't do in 2014.

The proposed rates for 2015 are as follows for active employees on medical:

- Employee Only will be \$845
- Employee and Spouse will be \$1070
- Employee and Children will be \$935
- Employee and Family will be \$1134
- Joint core will be \$873

The proposed rates for 2015 are as follows for non-Medicare retirees on medical:

- Retiree Only will be \$931
- Retiree and spouse will be \$1314
- Retiree and children will be \$1117
- Retiree and family will be \$1345
- Retiree and Medicare Spouse will be \$1114
- Retiree and Medicare spouse and children will be \$1184

The proposed rates for 2015 are as follows for Medicare retirees on medical:

- Medicare Only will be \$371
- Medicare and spouse will be \$738
- Medicare and Children will be \$607
- Medicare and family will be \$771
- Medicare and Medicare spouse will be \$646
- Medicare and Medicare spouse and children will be \$662

The proposed rates for dental for both employees and retirees are as follows:

- Member only will be \$22 for the basic plan and \$40 for the premium plan
- Member and spouse will be \$34 for the basic plan and \$61 for the premium plan
- Member and children will be \$32.50 for the basic plan and \$59.50 for the premium plan
- Member and family will be \$37.50 for the basic plan and \$68.50 for the premium plan
- Joint core will be \$26 for the basic plan and \$47 for the premium plan

The proposed rates for vision hardware are the same for 2015 as it was for 2014 for both employees and retirees are as follows:

- Member Only is \$7.64
- Member and spouse is \$14.42
- Member and Children is \$15.18
- Member and Family is \$22.26

There was extensive discussion about the rates. Kelly DaSilva feels that too much is being done at once by raising rates, raising deductibles, etc. She thinks the Legislature will look at the reserves and be concerned.

Administrator Update

Sheila Hogan, Director of Administration, gave an update on the administrator position. Marilyn Bartlett was selected as the new Administrator. She is currently working for EBMS in Billings. She will begin her new position the Tuesday, following Labor Day, September 2.

Karen asked for a motion for benefit changes and rates. The state share covers employees at a higher level. John McEwen moved to not approve the changes, Brian seconded. Mary then made a substitute motion. John withdrew his motion.

Instead, Karen asked for a motion to approve the benefit plan changes. John moved to approve the benefit changes. Quint seconded the motion. There was extensive discussion. Quint feels that there are too many unknowns going into negotiations. John voted to approve the changes. Brian, Quint, Mary, Erin, Kelly all voted against the motion. The motion did not pass.

Next Karen asked for a motion to reduce the retiree subsidy and educate retirees on their options. Quint moved to reduce the retiree subsidy and educate them. Kelly seconded the motion. There was extensive discussion. Quint liked the idea of educating the retirees and providing them support. John doesn't support reducing the subsidy. The motion passed.

Karen then asked for a motion to approve the rates for 2015. Mary moved to approve the proposed rates for 2015. Brian seconded the motion. There was extensive discussion. It was noted that the state share of \$887 will cover an employee's core plan that includes premium dental. Quint understands the reasons behind the rate increases but cannot vote in favor of it. Mary and Erin voted in favor of the rate increases. Quint, Brian, Kelly, John voted against the rate increase. The motion did not pass.

Karen mentioned that the outcome of the meeting will be passed along to the Governor's office. She appreciates the concerns of the council.

Public Comment

Quint wanted it noted how much work has been done at HCBD without an administrator.

The next meeting will be announced later.

The meeting was adjourned at 4:55 pm.