

MEETING SUMMARY

**STATE AND PUBLIC SCHOOL
LIFE AND HEALTH INSURANCE PROGRAM
LEGISLATIVE TASK FORCE**

**Tuesday, December 17, 2013
1:30 p.m.
Room 171, State Capitol
Little Rock, Arkansas**

Senator Jim Hendren, the Chair of the State and Public School Life and Health Insurance Program Legislative Task Force, called the meeting to order at 1:30 p.m.

MEMBERS OF THE STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM LEGISLATIVE TASK FORCE IN ATTENDANCE: Senator Jim Hendren, Chair; Representative Harold Copenhaver, Vice Chair; Senator Cecile Bledsoe; Senator Eddie Cheatham; Senator Linda Chesterfield; Senator Jason Rapert; Senator David Sanders; Representative Bill Gossage; Representative Allen Kerr; and Representative George McGill.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Alan Clark; Senator Jonathan Dismang; Senator Jane English; Senator Uvalde Lindsey; and Representative David Meeks.

Remarks by the Chair and Vice Chair

Senator Hendren said he appreciated the willingness of members to serve on the Task Force. He said members all share the same vision of providing affordable health insurance for state and public school employees. He said this is important work and expressed urgency in finding a solution. Senator Hendren next gave an overview of issues to be covered in the meeting.

The Honorable Harold Copenhaver, State Representative, District 58, and Vice Chair of the Task Force, was recognized. Representative Copenhaver requested that Task Force members listen diligently, review all facts, and check all available resources because time is short and efficiency will be appreciated.

Minutes:

Without objection, the minutes of October 25, 2013, were approved as written.

Exhibit:

Exhibit C – 10/25/13 Minutes

Review of the Historical Development of the State and Public School Employee Health Insurance Program

Presenter & Synopsis:

Ms. Nell Smith, Administrator, Policy Analysis and Research Section, Bureau of Legislative Research, was recognized. Ms. Smith presented a historical review of the state's method of funding public school employees' health insurance and provided a timeline of events in a memo. Ms. Smith's discussion covered legislative changes and other events from the 1995 legislative session through the 2013 session that had affected the structure and funding of the Public School Employees' Health Insurance Plan.

Issues Included in the Discussion:

- continuing to fund positions of those not taking part in the health insurance plan,

- differences between the funding Matrix and foundation funding,
- range of school district contributions to health insurance,
- taking regional differences in salary structure and benefit packages into consideration when designing an insurance plan,
- possibility of structural changes in how dollars are sent back to school districts,
- issues, including local wealth, that affect school districts' decisions about employee benefit packages, and
- state's annual contribution per employee to public school employee health insurance.

Handouts:

2013 Health Insurance Match Expenditures by Funding Source
History of Public School Employees' Health Insurance, Memo

Update on the Public School Employee Health Insurance Program

Presenter & Synopsis:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander stated that information on how much each school district contributes to health insurance and the participation percentage by each school district had been broken down and provided to the Bureau of Legislative Research (BLR). He discussed the average contribution per employee by school districts. Mr. Alexander went on to review the Public School Employees (PSE) Financials – January 1, 2013 through November 30, 2013. He said the financials show a \$4.7 million loss for November and a loss of \$11 million for the year. He explained that IBNR (incurred but not reported) reserves had been dipped into in the amount of \$1.2 million. He said it was part of the June projections that the numbers would be in the negative by the end of the year. Mr. Alexander went on to discuss the 2014 enrollments in the Gold, Silver, and Bronze Plans, including losses and additions. He said participation was just shy of 60%. He emphasized the need for a contract to be in place if another plan option will be made available by July 1.

Contributor to the Discussion:

Mr. Doug Shackelford, Deputy Director, Employee Benefits Division, Arkansas Department of Finance and Administration

Issues Included in the Discussion:

- when projections are made for the end of the year,
- maintaining the projection for a 10% maximum premium increase,
- getting to the number for school districts' average contribution for health insurance,
- Health Savings Accounts (HSA),
- plans to communicate availability of products,
- procurement, vendor contracts, and coverage of services,
- the need for legislators to understand the full scope of health insurance plan administration, and
- the need for structural reform.

Handouts:

Contribution Range
Public School Employees Enrollment Update
Public School Employees (PSE) Financials – January 1, 2013 through November 30, 2013
Public School Employees Update 2014

Senator Hendren commented that it is essential for the Task Force to secure expert advice from consultants in order to make good decisions on this issue since it involves tens and hundreds of millions of dollars over the next few years. He said two consultants would be making presentations today.

Discussion of Actuarial Services Available to the Task Force

Presenter & Synopsis:

Mr. Jody Carreiro, Vice President, Osborn, Carreiro and Associates, Incorporated, was recognized. Mr. Carreiro stated this actuarial firm does a variety of pension and health plans all over this region. He said the firm has experience working on public pension plans, self-insured insurance funds, and reports for governmental entities. He said it has advised the Joint Retirement Committee for the last seven sessions. He noted the firm has an approved two-year contract with the BLR already in place which includes a provision to provide actuarial services to other committees. He provided a completed report on a proposed bill on the topic of funding for the Arkansas State Employee (ASE) and Public School Employee (PSE) health insurance funds to illustrate the firm's experience with this issue. Mr. Carreiro said that the firm is prepared to go to work.

Contributor to the Discussion:

Mr. Steve Osborn, President, Osborn, Carreiro and Associates, Incorporated

Issue Included in the Discussion:

≡ clarification that Amount Paid by School Districts on Appendix A of the handout is state money.

Handout:

Draft Senate Bill with Additional Proposal

Presentation Concerning the CHROME (ContinuousHealth Reform Optimizer and Management Environment) Impact Modeler

Mr. Stuart Collier, Chairman & CEO, Collier Insurance, Memphis, TN, was recognized. Mr. Collier stated that taking a deliberate approach to planning strategically is the best way to understand the effects of health care reform. He said Collier Insurance has worked with Mr. Eric Helman and CHROME Compass for about two years. He introduced Mr. Helman.

Presenter & Synopsis:

Mr. Eric T. Helman, Founder and CEO of ContinuousHealth, LLC, was recognized. In a PowerPoint presentation, Mr. Helman described the product, CHROME Compass, as an analytic and financial management platform that has been run on over 2,800 firms since the summer of 2010. He said, metaphorically, that health care reform is the single greatest opportunity to rethink how compensation is allocated to benefits. He said it is a catalyst that is changing how every employer in the United States deals with a situation called health care inflation. He commented that for the first time ever legislation dictates a definition about to whom you have to offer health insurance, what you have to offer, and what employees have to pay for it. He discussed acceptable levels of insurance, affordable contributions, employer-provided insurance, and private insurance acquired outside of the employer, and the significant impact these are having on benefits. Mr. Helman explained how CHROME Compass provides the strategic framework for planning and execution of employee benefit plans.

Issue Included in the Discussion:

≈ employee classifications and sourcing of work.

PowerPoint Presentation:
CHROME Impact Modeler

Other Business

Presenter & Synopsis:

Ms. Jill Thayer, Legal Counsel to the Director, Bureau of Legislative Research, was recognized, and explained options for contract procurement.

Relevant Actions:

The Honorable Harold Copenhaver, State Representative, District 58, was recognized, and made the following motion:

Mr. Chairman,

I move that the State and Public School Life and Health Insurance Program Legislative Task Force utilize the services of Osborn, Carreiro and Associates, Incorporated, through its existing contract with the Bureau of Legislative Research, for any actuarial services that the Task Force may require. I further move that the Chair act as the authorizing agent for payment for actuarial services authorized by a vote of the Task Force.

Senator Hendren stated this contract has a limit of \$50 thousand and sets an hourly rate for billing. He noted that the approval of this motion for actuarial services for the Task Force was necessary because the current contract had only been approved for use with other committees. He clarified that the motion does not preclude the use of other suppliers. He commented that regardless of whether an additional consultant for strategic advice is hired, the Task Force needs actuarial services. He said he saw no harm in approving this contract, then having a subsequent discussion on the need for strategic advice.

Pursuant to the motion by Representative Copenhaver, and without objection, the motion was carried.

A discussion by members of the Task Force regarding the need for and the process to secure strategic consulting services ensued. Among topics discussed were:

- need for a large pool of prospective firms,
- utilization of a RFP (Request For Proposal) selection process under the auspices of the Bureau of Legislative Research (BLR),
- process for approval of a contract for services by the Legislative Council,
- time frame for the selection process.

Relevant Actions:

The Honorable Linda Chesterfield, State Senator, District 30, was recognized and made a motion to authorize the Chair and the appropriate staff of the Bureau of Legislative Research to initiate the process for the possible selection of additional strategic consulting services by the Task Force. Without objection, the motion was carried.

Next Scheduled Meeting:

Tuesday, January 7, 2014, at 1:30 p.m. in Room 171 of the State Capitol

Adjournment:

The meeting adjourned at 3:41 p.m.

Approved: 01/07/14