

MEETING SUMMARY

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

**Tuesday, March 11, 2014
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 Copenhagen, Vice Chair; Senator Cecile Bledsoe; Senator Eddie Cheatham; Senator Linda Chesterfield; Senator Jason Rapert; Senator David Sanders; Representative Bill Gossage; Representative Allen Kerr; Representative George McGill; and Representative Tommy Wren.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Alan Clark; Senator John Cooper; Senator Bruce Holland; Senator Johnny Key; Senator Uvalde Lindsey; Senator Bobby Pierce; Representative Charles L. Armstrong; Representative John Catlett; Representative Bruce Cozart; Representative Gary Deffenbaugh; Representative Jon Eubanks; Representative Charlene Fite; Representative John Hutchison; Representative Joe Jett; Representative Sheilla Lampkin; Representative Homer Lenderman; Representative Fred Love; Representative Jim Nickels; Representative James Ratliff; Representative Sue Scott; and Representative John Walker.

Remarks by the Chair and Vice Chair

Senator Hendren, noting that all consultants were present, reminded everyone about the importance of cooperation in this undertaking. He remarked that a survey had been sent to every school district in the state requesting certain employment-related data. Senator Hendren said it is critical that the consultants to the Task Force receive the data by the deadline of March 14, 2014, in order to develop policy alternatives for the Task Force to consider.

Representative Copenhagen added that cooperation is vital in all areas. He stated the Task Force is very pleased with the response to date; but school districts with outstanding surveys should expedite their return.

Update on the Activities of the Task Force's Consultants

Presenter & Synopsis:

Mr. Jody Carreiro, Vice President, Osborn, Carreiro & Associates, Inc. was recognized. Using a handout, Mr. Carreiro reported that his firm is sharing information with Collier Insurance and the Employee Benefits Division (EBD), and communication among the parties has been good. He said various aspects of the Public School Employee (PSE) plan are continuing to be analyzed and actuarial costs for policy alternatives are being developed for inclusion in the pending report to the Task Force. Citing examples of items being reviewed contained in the handout, Mr. Carreiro went on to discuss the analyses of the behavior of large claims (Over \$50,000) in PSE plan in Arkansas compared to national averages.

Issues Included in the Discussion:

- ◆ source of data that drive the graphs,
- ◆ necessity of a plan-to-plan comparison both with like plans and with plans in the private sector,
- ◆ availability of figures for large claims in 2011 and 2012,
- ◆ expansion of the large claims analyses,
- ◆ rationale behind large claim analyses, and
- ◆ dollar amounts of the majority of claims.

Handout:

Osborn, Carreiro & Associates, Inc., Activity Update, March 11, 2014

Presenter & Synopsis:

Mr. Eric Helman, President and Chief Executive Officer, ContinuousHealth, LLC, was recognized. Mr. Helman updated members on data gathering and validation activities. He reported that, following a request to school districts to provide “hours worked” information directly to Collier Insurance, data from 30% of the districts, representing 23,863 employees, had been received as of March 10, 2014. He went on to discuss the preparations and consultations for the meeting on April 16, 2014. At the request of Senator Hendren, Mr. Helman presented a preview of the kind of data expected to be presented at the April meeting.

Contributor to the Discussion:

Mr. Henry Lindeman, Vice President, Business Development Specialist, Collier Insurance

Issues Included in the Discussion:

- source and content of request made to the school districts,
- running scenarios before the April meeting, and furnishing information to Committee members for consideration,
- fixing the PSE plan first, then seeing if data points towards plan consolidation,
- using data on all publicly funded health insurance plans in Arkansas that the Bureau of Legislative Research (BLR) is gathering for an interim study as a possible resource,
- necessity for reform of the ASE plan which is on a track two or three years behind the PSE plan,
- looking at various strategies of a multi-choice plan design vs. a simplistic plan design, and
- looking at all “plays.”

Handout:

Collier Activity Update, March 11, 2014

Senator Hendren announced that the Committees would pass over Item D, Discussion of Draft Amendment to House Bill 1045 of the Fiscal Session of 2014, and take it up in a meeting after the consultants have delivered their report on April 16th.

At the request of Senator Chesterfield and Senator Bledsoe, Senator Hendren stated that issues regarding the amendment to House Bill 1045, including Section 21(7)(A)(i), “By developing a nationwide centers-for-excellence program for healthcare,” would be completely addressed when the amendment is covered.

Handout:

Proposed Amendment to House Bill No. 1045

Senator Hendren announced that there would be a deviation from the agenda, and the Committees would next take up Item G.

Discussion of Issues Regarding the Coverage of Bariatric Surgery by the Employee Benefits Division

Presenter & Synopsis:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander said the Arkansas Center for Health Improvement (ACHI) does a lot of outsource work for EBD, including the Bariatric Surgery Program. He introduced Ms. Rosemary Summers to give a presentation on the program.

Presenter & Synopsis:

Ms. Rosemary Summers, Research Assistant, Arkansas Center for Health Improvement, was recognized. Ms. Summers reviewed the report, *Bariatric Surgery Costs for the Arkansas Employee Benefits Division*. She discussed the five-year bariatric surgery pilot program which is a benefit on state and public school employee health insurance plans. She noted that, at this point, about two years of non-clinical cost data are available. She covered the report's background and findings, including eligibility, enrollment, costs incurred, and surgery impact. She said that more than 500 surgeries have been performed during the first two years of the program, and at least 60 members are under review for services. She said the program ends December 31, 2017. She said she has been reviewing results of national studies that show trends in this type of surgery. Ms. Summers concluded by stating that data is not available on the long-term impact on the plan or on members' health benefits. She commented that what is known is that enrollment continues to increase, surgeries between year one and year two increased 73%, and that more time is needed to do a case-by-case analysis with claims and clinical data to show whether or not the program has had an impact.

Contributors to the Discussion:

Mr. Mark Meadors, BancorpSouth Insurance, Consultant to EBD

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

Issues Included in the Discussion:

- issues in determining per member/per month cost,
- expectations that enrollment and costs with regard to the pilot program will increase in 2014,
- regulatory authority of EBD,
- cost for and number of individuals suffering from Type 2 diabetes or hypertension undergoing the surgery,
- statistics by plan, *i.e.*, Gold, Bronze, or Silver, of those involved in bariatric procedures,
- deadline for making changes in the administration of the PSE plan,
- whether bariatric surgery is covered by either fully-insured or self-insured private insurance plans in Arkansas,
- legislative requirements and other mandates contributing to the rise in costs of the PSE plan,
- comparison of ASE and PSE plan coverage to coverage in the private sector, and
- distinguishing between mandatory and non-mandatory coverages.

Senator Hendren announced that he was going to ask that issues of compliance with providing coverage, along with the draft amendment, and any other cost-saving measures be put on the agenda for the May meeting of the Task Force. He stated that a lot of decisions are going to have to be made between now and May in order to present the preliminary report and recommendations to the General Assembly in June.

Mr. Marvin Parks and **Mr. Leo Hauser**, representing Johnson & Johnson, were recognized. Mr. Parks made preliminary comments regarding the issues raised by the Task Force's discussion of bariatric surgery. He offered to provide the Committees with additional information regarding issues surrounding this procedure once a meeting has taken place with the EBD. Mr. Hauser thanked Senator Hendren for opening the door for having the conversations with EBD and the Committees.

Senator Hendren observed that there were three (3) options as he saw it concerning the Bariatric Surgery Program:

1. We can continue as is, realizing that we are going to spend \$6 million in 2015.
2. We can limit the program by strict criteria to admissions which would dramatically reduce the expense.
3. We can put the program on pause either temporarily or permanently.

Senator Hendren requested data from Mr. Parks and Mr. Hauser on long-term savings over a ten- to twenty-year period based on available information. Senator Hendren asked Mr. Alexander if he was of the opinion that the State and Public School Life and Health Insurance Board (Board) had the authority to make programmatic changes without statutory authorization. Mr. Alexander stated that he believed the Board had that authority.

Handouts:

Bariatric Surgery Costs for the Arkansas Employee Benefits Division, ACHI (Arkansas Center for Health Improvement), March 2014
EBD Bariatric Surgery Program
Journal of the American Medical Association, Article

Senator Hendren announced that the Committees would return to Item F on the agenda.

Discussion of the Subrogation Process Used by the Employee Benefits Division

Presenter & Synopsis:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander discussed a Health Advantage State and Public School Employees report prepared by Trover Solutions documenting the savings by EBD through subrogation. In response to a previous question concerning an automobile wreck, Mr. Alexander stated that the courts in Arkansas have applied the made-whole doctrine in subrogation cases. (The made whole doctrine requires that the insured be fully compensated for their loss before the insurer can recover from a settlement or judgment.) Under the made-whole doctrine, an insured's loss includes pain and suffering and there is almost nothing left to pay medical bills. The subrogation process for automobile claims has decreased from 150 cases in 2012 to 41 cases in 2013. The Trover Solutions report indicates there are 22 open automobile claims. Subrogation for automobile claims is typically based off the claims database and savings from these types of claims have been reduced. Utilizing accident codes or codes related to accidents, the subrogation process is considered uniform under a typical insurance plan.

Contributor to the Discussion:

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

Senator Rapert was recognized. He thanked Mr. Alexander for his report. He said he would follow-up through the Insurance and Commerce Committee with the issue of subrogation to see how Arkansas compares with other states.

Handout:

Health Advantage State & Public School Employees Combined Results Subrogation 2012-2013

Senator Hendren announced that the Committees would pass over Item E, Discussion of the Case Management System Used by the Employee Benefits Division, and take it up at a future meeting.

Handout:

State of Arkansas ARBenefits, Quarterly Review, March 6, 2014

Other Handout:

Excerpts from Shelley Smith Letter

Next Scheduled Meeting:

Wednesday, April 16, 2014, at 8:00 a.m. at the Little Rock Marriott Hotel

Adjournment:

The meeting adjourned at 2:50 p.m.

Approved: 04/16/14