

MEETING SUMMARY
STATE AND PUBLIC SCHOOL
LIFE AND HEALTH INSURANCE PROGRAM
LEGISLATIVE TASK FORCE

Wednesday, April 30, 2014
10:00 A.M.
Committee Room A, MAC Building
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 10:00 a.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; Representative George McGill, and Representative Tommy Wren.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Ronald Caldwell; Senator Jimmy Hickey; Senator Johnny Key; Representative Nate Bell; Representative David Branscum; Representative John Catlett; Representative Ann Clemmer; Representative Bruce Cozart; Representative Andy Davis; Representative Gary Deffenbaugh; Representative Charlotte Vining Douglas; Representative David Hillman; Representative Joe Jett; Representative Sheilla Lampkin; Representative Homer Lenderman; Representative Kelley Linck; Representative Fredrick Love; Representative Stephen Meeks; Representative Betty Overbey; Representative James Ratliff; Representative John Vines; Representative Jeff Wardlaw; and Representative Butch Wilkins.

Morning Session

Minutes:

Without objection, the minutes of April 16, 2014, were approved as written.

Exhibit:

Exhibit C – 04/16/14 Minutes

Remarks by the Chair and Vice Chair

Senator Hendren remarked that the purpose of today's meeting is not to take action, but to hear recommendations. He said there is a lot of information to cover, and noted the biggest obstacle to overcome is the disparity in the numbers being presented. He said he has asked for explanations and support for the projections being provided in order for the Task Force to make good decisions.

The Honorable Harold Copenhaver, State Representative, District 58, and Vice Chair of the Task Force, was recognized, and commented on the need to hear options and the correct numbers.

Continued Discussion of Programmatic Options Regarding the Public School Employee (PSE)
Health Insurance Program

Presenter & Synopsis:

Mr. Mark Meadors, BancorpSouth Insurance Services, Inc., Consultant for Employee Benefits Division (EBD), was recognized. After reviewing its mission and the services provided by BancorpSouth Insurance Services, Inc. (BancorpSouth), Mr. Meadors shared with the Task Force the results of his review of the PSE and the Arkansas State Employee (ASE) health insurance plans. He discussed the methodology used to develop his recommendations, assumptions, and projected savings, as well as the need for changes in plan design and EBD's internal procedures. During the course of his presentation, Mr. Meadors discussed plan changes already made, changes being presented to the EBD Board for their consideration, recommended plan changes for 2015 or beyond, and the estimated savings. Included in his review were three (3) proposals that would require legislative action: ending coverage for part-time school employees, verifying dependent eligibility, and excluding coverage for spouses who can obtain insurance elsewhere.

Contributors to the Discussion:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration
Mr. Brian Davidson, BancorpSouth Insurance Services, Inc., Consultant for EBD

Issues Included in the Discussion:

- rationale for establishing a \$1,000 deductible on the Gold Plan,
- minimum required contribution level for the Bronze Plan,
- structural changes that would save money for taxpayers, not EBD,
- adjusting rates for those who abuse the use of an emergency room,
- development of "wellness" incentives for plan members,
- coverage of part-time employees who work for insurance and the Affordable Care Act (ACA),
- requesting an additional \$20 million of state revenue for the plan,
- how getting affordable insurance from an employer affects qualifying for a subsidy on the Exchange,
- effect of cost shifts on savings,
- role of the Medical Utilization and Evaluation Subcommittee (MUES),
- behavior of employees leading to the high cost of the plan, and
- taking care of funding formulas in the Matrix.

Senator Hendren reviewed BancorpSouth's responses to his series of questions on the calculations of savings.

Mr. Jody Carreiro, Vice President, Osborn, Carreiro & Associates, Inc., was recognized, and provided actuarial information regarding the calculations of savings.

A lengthy discussion ensued regarding the assumptions that had been made, the significant disparity in savings projections, and the need for a cautionary approach in projecting savings forward.

PowerPoint Presentation:

A Presentation for the State & Public School Life & Health Insurance Task Force

Handouts:

2015 Schedule of Benefits - Gold
BancorpSouth Response to Senator Hendren
ContinuousHealth Plan Options Information
Osborn, Carreiro & Associates, Inc., PT Employee Calculation

Senator Hendren announced that the Task Force would recess for lunch until 1:00 p.m.

Afternoon Session

Senator Hendren called the afternoon session of the meeting to order at 1:00 p.m.

Senator Hendren requested that a consensus be reached by the actuarial consultants that \$17.7 million is a conservative, realistic estimate to utilize in savings. He also requested speakers from the state's education associations to address certain questions in their presentations with philosophical thoughts on whether:

1. active teachers and staff should pay higher premiums in order for the retiree population to have lower premiums,
2. employees with families should continue having lower rates, or going to a defined contribution method which would keep premiums lower in the Employee Only category.

A discussion on assumptions, variables, expectations, projections, and savings calculations, and an exchange of opinions around issues pertinent to the potential recommendations ensued.

Contributors to the Discussion:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration

Mr. Jody Carreiro, Vice President, Osborn, Carreiro & Associates, Inc.

Mr. John Colberg, Principal Consulting Actuary, Cheiron, Inc.

Mr. Stuart Collier, Chief Executive Officer, Collier Insurance

Mr. Eric Helman, President, ContinuousHealth, LLC

Mr. Mark Meadors, BancorpSouth Insurance Services, Inc., Consultant for EBD

Issues Included in the Discussion:

- ◆ average claims cost for a dependent vs. an employee,
- ◆ draft legislation is a framework for discussion, not a recommendation,
- ◆ the ability of EBD to audit its participants,
- ◆ impact on people who serve in positions in which they work for insurance,
- ◆ bariatric surgery program in 2014,
- ◆ handling of administrative component,
- ◆ inclusion of an educational component,
- ◆ ideas of state rates for different plans,
- ◆ difference between actuarial value and any other value,
- ◆ considerations for mandatory disease management,
- ◆ concerns about managed care,
- ◆ possibility of getting districts to help contribute to Health Savings Accounts (HSAs),
- ◆ alleviating the hardship of deductibles with a consumer-driven HSA plan,
- ◆ looking at all of the options, and
- ◆ including impact of \$17.7 million vs. \$5 million.

Senator Hendren reviewed five pieces of draft legislation and the potential savings: 1) public school employee retirees/*savings not given*; 2) bariatric surgery/*\$0-\$5.6 million*; 3) spousal exclusion/*\$3.4 million*; 4) dependent eligibility verification/*\$5 million*; and 5) eligibility requirements/*\$17.7 million*. He noted that these standards could be applied to the ASE plan to utilize more savings, as well. Senator Hendren said the Task Force would decide if there is support for any of these proposals.

Exhibit:

Packet of Draft Legislation, Senator Hendren

Remarks by Representatives of the State's Education Associations

Presenters & Synopses:

Mr. Mike Mertens, Assistant Executive Director, Arkansas Association of Educational Administrators, was recognized. Mr. Mertens stated that he was comforted that the recommendations made by EBD included both the ASE and the PSE plans. He said the Arkansas Association of Educational Administrators (AAEA) believes the original intent of the legislation establishing state plans was to strive for parity on both the ASE and the PSE insurance programs. He said he is pleased that the legislature is being proactive on these issues. Mr. Mertens next discussed those issues supported by the AAEA, including changes in the makeup of the Insurance Board to include more representation by public school employees; a statewide insurance program for educators which includes retirees; and an aggressive wellness and preventive program to reduce claims. He discussed funding and financial calculations, impacted by the requirements of the Act 3 mandate, and the requirements of Act 25 of 2006. Mr. Mertens said a long-term solution to this problem should not only be in the form of additional cost to school districts, but should also include additional dedicated state funds.

Senator Hendren requested clarification from Mr. Mertens on the position of the AAEA regarding disposition of funds should part-time employees be eliminated from the plan.

Mr. Tom Dooher, Executive Director, Arkansas Education Association, was recognized. Mr. Dooher concentrated his remarks on funding. He said health insurance costs have increased over salary increases and that the AEA believes the legislature must provide a more equitable funding system for public school employee health insurance. He noted national and state comparisons of employer/employee premium payments and discussed the effect of funding on participation in plans. He said the plans can change and the co-pays can be changed, but unless and until the funding system can be addressed in an equitable way, this problem will persist. With regard to Senator Hendren's questions, Mr. Dooher stated the AEA supports retirees and supports families.

Mr. Ron Harder, Policy Service & Advocacy Director, Arkansas School Boards Association, was recognized. Mr. Harder noted the key, no matter what choices are made, is to educate plan participants on why those choices were made. He discussed a list of statutes that the Arkansas School Boards Association (ASBA) believes may require amending or repealing to achieve a lasting fix to the solvency of the PSE program. He said, no matter what the fix, it should be aligned with all of the statutes. He reviewed the ASBA's suggestions, which were based on options presented by consultants to the Task Force.

Dr. Michele Linch, Executive Director, Arkansas State Teachers Association, was recognized. Dr. Linch discussed the results of a survey of its members conducted by the Arkansas State Teachers Association (ASTA) on the issue of public school employee health insurance. She stated school employees need more representation on the Insurance Board. She said these plans should provide affordable and effective healthcare insurance premiums and programs in order to recruit and retain quality educators for schools.

Ms. Donna Morey, Executive Director, Arkansas Retired Teachers Association (ARTA), was recognized. Ms. Morey commented that, hopefully, the intent is that we want the best school experience for all the school children of Arkansas. She stated that pre-Medicare retirees are not subsidized at the level that the Medicare retirees are. She said the Arkansas Retired Teachers Association (ARTA) wants to recruit, retain and reward public school employees in Arkansas. Addressing a clarification requested by Senator Hendren about leaving the plans combined so that retired teachers do not have such high rates, Ms. Morey responded that the ARTA wants the best possible insurance retirement benefits for our retired public and retired school employees in the state.

Handouts:

Arkansas Education Association Testimony
Arkansas Retired Teachers Association, Letter
Arkansas School Boards Association Testimony

Senator Hendren commented that action would be taken on potential recommendations at the next meeting.

Next Scheduled Meeting:

Wednesday, May 14, 2014, at 10:00 a.m. in Committee Room A, MAC Building

Adjournment:

The meeting adjourned at 3:30 p.m.

Approved: 07/15/14