

MEETING SUMMARY

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

Wednesday, August 24, 2016
10:00 A.M.
Room 171, State Capitol
Little Rock, Arkansas

Senator Eddie Cheatham, 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 Eddie Cheatham, Chair; Senator Linda Chesterfield; Senator Alan Clark; Senator Jason Rapert; Representative Grant Hodges; and Representative George McGill.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Jonathan Dismang; Senator Joyce Elliott; Representative Charlotte Vining Douglas; Representative R. Trevor Drown; Representative Bill Gossage; Representative Michael John Gray; Representative David Meeks; Representative Mathew Pitsch; and Representative James Sorvillo.

Minutes:

Without objection, the minutes of June 9, 2016, were approved as written.

Exhibit:

Exhibit C – 06/09/16 Minutes

Update on the Fiscal Status of the Employee Benefits Division (EBD)

Mr. Chris Howlett, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Howlett requested that the Chair recognize Ms. Marla Wallace and Mr. John Colberg to make the presentations.

Presenter:

Ms. Marla Wallace, Chief Fiscal Officer, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Ms. Wallace discussed financials for Arkansas State Employees (ASE) and Public School Employees (PSE) for the periods from January 1, 2016 through June 30, 2016 and January 1, 2016 through July 31, 2016. She noted financials for the same periods in 2015 had also been included for comparative purposes. Ms. Wallace explained the anomalies, with regard to the June 2016 ASE financials, that made claims so much higher. She said all June claims have to be booked in June, so six weeks of claims, instead of four, were paid in June. She said a transitional reinsurance fee of about \$644,000 also had to be booked. She stated a loss of \$3.69 million was shown for the month; a gain of \$6 million was shown year-to-date. She compared June 2016 numbers with those from the same period in 2015. Ms. Wallace stated because so many claims had to be paid in June for the end of the fiscal year, there were only three weeks of claims shown paid in the ASE financials for July 2016, leading to the show of a gain of \$8.89 million for the month. She said there were no other anomalies for this time. She compared June 2016 numbers with those from the same period in 2015.

Ms. Wallace said that, with regard to the PSE financials for June 2016, in addition to paying six weeks of claims, no funding from the Arkansas Department of Education (ADE), and booking a transitional reinsurance fee of a little over \$1 million, there was a loss of \$12 million shown for the month. She compared June 2016 numbers with those from 2015. She said with only three weeks of claims in July 2016, and the receipt of \$6.9 million in funding from the ADE, the PSE financials show a gain of \$11.9 million in July 2016. She compared June 2016 numbers with those from 2015.

Issues Included in the Discussion:

- reason for funding over eleven months for PSE,
- clarification of *loss* with regard to \$12 million loss for the month of June for PSE,
- unallocated reserves, and
- cause for and amount of recent late payments to pharmacies.

Handout:

EBD Financials

Update on and Discussion of Health Insurance Premium Rates for Arkansas State Employees (ASE) and Public School Employees (PSE) for Plan Year 2017

Presenter:

Mr. John Colberg, Principal Consulting Actuary, Cheiron, Inc., was recognized. Mr. Colberg stated meetings covering the rate-setting process are held from about February to July of each year. He said today's prepared information would summarize about four to five meetings held this year, and is an amalgamation of all presentations, supplemented with additional information and updates. Mr. Colberg walked Committee members through each slide in a PowerPoint presentation, *ASE and PSE Health Benefits Program Funding and Contribution Rate Projections*. He covered points made in rate-setting meetings; how plans are funded; decisions made for 2017; what the Board is thinking for 2018 and going forward to try and keep employee contributions down to a reasonable level; trends in funding claims and utilization; plan design; and final Board decisions.

Issues Included in the Discussion:

- funding and contributions not meeting the annual rise in costs for PSE,
- allowing reserves to go down and rates to go up,
- anticipating problems in healthcare costs,
- making incremental increases in healthcare costs for PSE,
- taking a look at benefits that are not used and slimming down the PSE Plan,
- financial impact of the elimination of health insurance payments for unfilled budgeted state employee positions,
- clarifying the slope line in the graph for PSE Funding on page 5,
- significant changes possibly coming to PSE and ASE Plans for 2018,
- cause of rate difference in PSE and ASE Plans,
- plotting out future scenarios for retirees,
- monthly rates for pre-65 retired persons,
- effect of drug costs on the Plans, and
- benefit of a Wellness discount for retiree premiums.

PowerPoint Presentation:

ASE and PSE Health Benefits Program Funding and Contribution Rate Projections

Handout:

ASE and PSE Health Benefits Program Funding and Contribution Rate Projections

Update on the Status of the Employee Benefits Division (EBD)'s Medical Management Services Contract

Presenter:

Mr. Chris Howlett, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Howlett presented a brief timeline for EBD's Medical Management Services Contract. He stated the evaluation panel was reconvened on August 1, 2016 for an evaluation period that lasted through August 18, 2016. He said the evaluation panel recommended to the Office of State Procurement (OSP) that Active Health Management, Incorporated, be the winning bidder of the solicitation. He said on Monday August 22, 2016, the winning bidder was posted, with an anticipation to award which should conclude on September 5, 2016. He remarked that once the anticipation period is complete, the contract will be submitted for the legislative review process; and, once review is complete, the OSP will finalize that award. Mr. Howlett noted that with some of the circumstances around the reevaluation, as well as taking into consideration that this would be a new vendor, EBD will review the implementation timeframe and adjust accordingly. He said, most importantly, that process should be seamless to the membership.

Other Handout:

ASE and PSE Premium Rate Information, 2017 Plan Year

Next Scheduled Meeting:

The next meeting date is TBD.

Adjournment:

The meeting adjourned at 11:24 a.m.

Approved: 12/12/2016