



**Washington State
Health Care Authority**

Public Employees Benefits Board

February 18, 2009 Meeting



Public Employees Benefits Board Meeting

February 18, 2009

1:00 p.m. – 3:00 p.m.

Health Care Authority
Sue Crystal Center
Lacey, Washington

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AGENDA

Public Employees Benefits Board

February 18, 2009

1:00 – 3:00 p.m.

Health Care Authority

Sue Crystal Center

Lacey, Washington

Conference call dial in 1-877-597-2663, conference ID 9771860

1:00 p.m.	Welcome and Introductions	Steve Hill	
1:05 p.m.	Approval July 9, 2008, meeting minutes	Steve Hill	
1:10 p.m.	2009 Governor's Budget Overview	Steve Hill	Information
1:30 p.m.	PEBB Eligibility Project	Mary Fliss Jason Siems	Information
1:50 p.m.	UMP 2010	John Williams	Information
2:10 p.m.	Procurement Schedule	Elin Meyer	Information
2:20 p.m.	Board Q & A		
2:50 p.m.	Public Comment		
3:00 p.m.	Adjourn		

The Public Employees Benefits Board will meet Tuesday, February 18, 2009, at the Health Care Authority, Sue Crystal Center, 676 Woodland Square Loop Southeast, Lacey, Washington. The board will consider all matters on the agenda plus any items that may normally come before them.

This notice is pursuant to the requirements of the Open Public Meeting Act, Chapter 42.30 RCW.

Direct e-mail to: board@hca.wa.gov

Materials posted at: <http://www.pebb.hca.wa.gov/board/>

PEBB Board Members

Name	Representing
Steve Hill, Administrator Health Care Authority 676 Woodland Square Loop SE PO Box 42700 Olympia WA 98504-2700 V 360-923-2828 steve.hill@hca.wa.gov	Chair
Greg Devereux, Executive Director Washington Federation of State Employees 1212 Jefferson Street, Suite 300 Olympia WA 98501 V 360-352-7603 greg@wfse.org	State Employees
Lee Ann Prielipp 29322 6 th Avenue Southwest Federal Way WA 98023 V 253-839-9753 leeannwa@comcast.net	K-12 Retirees
Robert Porterfield 10423 – 65 th Avenue South Seattle WA 98178 V 206-722-8194 robertporterfield@comcast.net	State Retirees
Dr. Penny Palmer 7511 Old Richmond Road Redmond WA 98023 V 253-714-2674 pennypalmer@msn.com	Benefits Management/Cost Containment
Eva Santos, Director Department of Personnel PO Box 47500 Olympia WA 98504-7500 V 360-664-6350 evas@dop.wa.gov	Benefits Management/Cost Containment

PEBB Board Members

Name	Representing
Vacant position*	K-12
Margaret T. Stanley 19437 Edgecliff Dr SW Seattle WA 98166 V 206-484-9411 mtstanley@comcast.net	Benefits Management/Cost Containment
Yvonne Tate, Director* Human Resources City of Bellevue PO Box 90012 Bellevue WA 98009-9012 V 425-452-4066 ytate@ci.bellevue.wa.us	Benefits Management/Cost Containment

Legal Counsel

Melissa Burke-Cain, Assistant Attorney General
7141 Cleanwater Dr SW
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Olympia WA 98504-0109
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*non voting members

D*R*A*F*T
Public Employees Benefits Board
Meeting Minutes

July 9, 2008
Health Care Authority
Lacey, WA
1:00 p.m.

Members Present:

Steve Hill
Greg Devereux
Robert Porterfield

Via Telephone:

Eva Santos
Margaret Stanley
Lee Ann Prielipp
Yvonne Tate

Members Absent:

Penny Palmer
Yvonne Tate

Call to Order

Steve Hill, Chair, called the meeting to order at 1:00 p.m. Sufficient members were present to allow a quorum. Audience and board self-introductions followed.

Approval of June 25, 2008, PEBB Meeting Minutes

It was moved, seconded, and carried to adopt the June 25, 2008, PEBB Board meeting minutes.

Procurement

The board reviewed the procurement in detail at its June 25, 2008, meeting. Greg Devereux asked for an explanation as to why the Group Health Classic Plan went up 13.3%. Elin Meyer, Health Care Authority, said that in Group Health financial statements reported to the Office of the Insurance Commissioner, Group Health incurred an \$18 million loss last year. This is a jump from the \$4 million loss reported two years ago and that in 2007 there was a significant increase in cost and utilization of services for Group Health members. Ms. Meyer added that it is too early to determine whether this is a trend, or if it was the result of an increase in services. Steve Hill said there have been changes in the leadership at Group Health on the plan side. Health Care Authority will be meeting with Group Health staff following procurement to determine the reasons for the increase and to strategize how to move forward.

Mr. Hill asked for public comment. John Kwamme provided testimony.

The board voted on the proposed resolutions as follows:

1. Resolved, that the PEB Board approves modification of the hearing aid benefit of \$300 Maximum for Managed Care and \$400 Maximum for Self-Insured Plans every 36 months to an \$800 Maximum every 36 months.
(Slide 3, Board Presentation of June 25, 2008)

It was moved and seconded to adopt Resolution 1. Approved by board vote, 6-0.

2. Resolved, that the PEB Board approves the Active and Pre-65 Retiree premium contributions for Plan year 2009.
(Slides 6 and 7, Board Presentation of June 25, 2008)

It was moved and seconded to adopt Resolution 2. Approved by board vote, 6-0.

3. Resolved, that the PEB Board approves the maximum of \$182.89 State Contribution to Medicare retirees for the Plan Year 2009, as set forth in the 2008 legislative budget appropriation.
(Slide 8, Board Presentation of June 25, 2008)

It was moved and seconded to adopt Resolution 3. Approved by board vote, 6-0.

Opposite Sex Domestic Partners

At the June 25, 2008, meeting the board revisited opposite sex domestic partner benefit coverage. Mercer's 2007 cost projections for extending these benefits in FY 2009 was \$15.7 million. HCA asked Mercer to update its estimates in order to inform the Legislature of the most current cost estimates. Mary Fliss, Health Care Authority, reported that Mercer has provided a draft estimate of \$20.4 million to implement, and the cost per member per month would increase by approximately 1%. Mr. Porterfield asked how many members this would affect, and Mr. Hill said approximately 2-3% of members.

The board voted on the resolution as follows:

Resolved, that the PEB Board hereby requests that the Legislature and Governor provide the Health Care Authority financing and authority to extend PEBB benefits to the Opposite Sex Domestic Partners of PEBB participants.

It was moved and seconded to adopt the resolution. Approved by board vote, 3-2.

Mr. Hill said the Health Care Authority will submit this to the Governor's Office as a decision package, and will report back to the board.

Public Comment

No public comment received.

Mr. Porterfield asked about the status of the BAIAS project. Mr. Hill said the agency has signed a contract with Accenture to keep the project moving forward using existing funding.



Megan Atkinson is leading a team working with the Office of Financial Management to structure the project for bond funding and is receiving excellent and support and collaboration. Health Care Authority staff are preparing for meetings with legislators and other interested parties to tell the BAIAS story and why it is important.

Mr. Devereux said he is concerned that the bonding approach may result in extra costs to members and that there may be a precedent set where employees are paying for computer systems either directly or indirectly. Ms. Atkinson said that any costs would be borne in the employer portion of the PEBB fund, and that members will not incur any surcharge.

Mr. Hill announced that the July 16, 2008, PEBB Board meeting is cancelled. The board will meet again at the annual retreat in October.

The meeting was adjourned.

Respectfully submitted,

Steve Hill, Chair

DRAFT

2009 Budget Overview

February 2009

Health Care Authority

- Insurance coverage programs
 - Public Employees Benefits Board
 - Basic Health
- Support of state government health purchasing
 - Prescription Drug Program
 - Health Technology Assessment
 - Prevention and Wellness for state agencies
- Improvement of overall health system
 - Community Health Services grants
 - Health Insurance Partnership
 - Prescription Drug Consortium
 - Health Information Technology
 - Washington Quality Forum
 - Patient Decision Aids

Basic Health

- State-subsidized coverage to 100,000 at or below 200% of federal poverty level
- Enrollees share in cost of coverage
- Coverage provided through contracts with private, managed care plans
- Annual cost to state is approximately \$250 million

Public Employees Benefits Board

- Covers 336,000 people
 - Retired and active general government and higher education employees
 - Retired K-12 employees
 - Some K-12 and political subdivision employees
- Program expenditures \$3 billion for 2007-09 biennium
- Health coverage
 - Self-insured
 - Uniform Medical Plan: 181,000
 - Aetna Public Health: 26,265
 - Insured managed care
 - Group Health: 110,000
 - Kaiser Permanente: 7,100

HCA FY 2009 Budget

- Reductions of approximately \$18 million in savings
 - Savings in Basic Health enrollment & benefits (\$13.7 million)
 - Terminated and mothballed HIP program (\$2 million)
 - Shutdown BAIAS project (\$1.67 million)
 - Administrative savings (\$582,000)

Governor's 2009-11 Budget for HCA

- 42% reduction in Basic Health (\$274.5 million)
- Increase in Community Health Services grants (\$40 million)
- Elimination of Health Insurance Partnership (\$11.8 million)
- Elimination of Quality Forum (\$1.3 million)
- Dental Residency program not funded (\$1.95 million)
- Community Collaborative Grants not funded (\$4 million)
- Total proposed budget \$628 million (18.5% below current)

HCA – Budgeted Activities Related to APP-H (\$000)

Activity	FTEs	Health Svcs Account	Total Budgeted
Administrative Activity	107.4	\$13,164	\$35,408
Community Health Services	5.9	\$29,818	\$29,818
Prescription Drug Program	5.3	\$1,411	\$9,238
Health Care Planning	15.7	\$3,195	\$5,874
Basic Health program	110.6	\$522,521	\$622,586
Community Clinic grants	0.0	\$124	\$2,557
Health Ins. Partnership	7.4	\$5,377	\$5,377
TOTAL	252	\$575,610	\$710,858

HCA 2009-11 Proposed Budget Changes

Activity	FTEs	Near General Fund
Reduce Basic Health	0.0	(\$274,517)
Community Clinic Safety Net	0.0	\$40,000
Eliminate Dental Residency	0.0	(\$1,954)
Eliminate Health Ins. Partnership	5.0	(\$11,834)
Eliminate Quality Forum	0.0	(\$1,288)
TOTAL BUDGET	309.4	\$628,114
Difference	(18.4)	(142,120)
% Change from current biennium	(5.6%)	(18.5%)

Washington State Health Care Authority Public Employees Benefits Board (PEBB) Program Employee Eligibility Legislation – SB 5869



Presentation by:

**Mary Fliss, HCA Assistant Administrator,
PEBB Program**

**Jason Siems, HCA Legal Services
Director**

Agenda

- Context
- Problem Statement
- Strategy
- Approach
- Implications

Context

- PEBB Program Scope:
 - 130,000 eligible employees and 330,000 members
 - \$1.3 billion in annual benefits expenditure
 - Daily changes of enrollment
- Eligibility is determined at each agency – 450+ agencies determine who receives benefits - more than 2,000 people interpreting/applying rules.

Problem Statement

- PEBB's statutes (Chapter 41.05 RCW) do not provide a clear eligibility framework.
- The 1993 'substantially equivalent' standard is a vague and widely interpreted standard.
- HCA has no enforcement authority to require that state employers apply eligibility criteria consistently.
- Current eligibility requirements contain contradictory requirements making consistent application impossible.
- PEBB rules are complex for those with variable work patterns.

Strategy

- Defend the Moore v HCA/State of WA class action lawsuit.
- Investigate eligibility of comparable states.
- Develop legislation that promotes clarity and defines current PEBB eligibility criteria.
- Actively engage stakeholders to promote an open dialogue.
- Implement eligibility rules that:
 - help recruit and retain quality employees;
 - are more easily understood;
 - employers can apply consistently.

Approach

- Eligibility standards:
 - define the term “employee” for purposes of benefits eligibility;
 - define terms such as “half-time or more” and “8-hour rule;”
 - Revise substantially equivalent
- Agencies required to:
 - determine, upon filling a position, whether that position will be benefits eligible;
 - inform the hired employee of that decision (and his or her appeal rights.) to comply with HCA directives.
 - comply with HCA directives.
- K-12s:
 - change funding to align with their fiscal year
 - allow districts to set employee/employer contribution
 - allow districts to set eligibly (similar to Political Subdivisions)

Approach conti.

- Authorization:
 - Expressly provide HCA full authority to promulgate rules to implement any portion of RCW 41.05.
 - Expressly require and authorize HCA to develop an administrative appeals structure.
 - Require that appellants exhaust administrative remedies before being allowed to sue the state in court.

Implications

- Legislation establishes a “floor” for eligibility and the PEB Board’s authority to promulgate rules.
- PEB Board’s role:
 - policy decisions regarding retirees, dependents;
 - appropriate expansion to employee eligibility;
 - assessment of agency penalties.
- PEBB Program’s role:
 - implement policy;
 - make and implement administrative decisions.

Closing

Thank you for your support in this project.

Q & A

HEALTH CARE AUTHORITY (HCA) & PEBB UPDATE

Feel free to forward your comments, feedback or questions regarding the following budget and project update to Lynn.Kennedy@hca.wa.gov

Budget Highlights:

- BAIAS Project, Health Insurance Partnership and Quality Forum eliminated;
- Proposed:
 - Collectively bargained salary increases not funded; but current level of benefits maintained
 - Opposite sex domestic partner benefits not funded
 - 42% reduction in funding for Basic Health
 - Increased grants to clinics
 - Dental residency, and community collaborative grants not funded
 - Eliminate Department of Health “universal purchase” of vaccines
 - Eliminate DSHS General Assistance/Unemployable (GAU) program
 - Lower DSHS pediatric rates by an overall of 7% and Healthy Options rates by 1%
 - Sustain DSHS children’s medical eligibility program for families under 250% FPL

2009 Open Enrollment Summary

- Redesigned and streamlined member materials based on group feedback, increasing quality and saving \$134,000;
- Increased Web site functionality;
- Improved customer service levels;
- Fewer members make plan changes, but more change online;
- Implemented legislative changes for adult dependent coverage and tribal governments; and
- Clarified rules for member appeals.

PEBB Eligibility Project

HCA drafted legislation on the Governor’s behalf to clarify and simplify eligibility criteria, based on input from the Governor’s and Attorney General’s Offices, labor, agencies, higher education, and other groups. This proposed legislation re-establishes the Board’s authority to determine eligibility, and if passed, will make eligibility determinations easier, consistent, and more transparent for employers and employees.

UMP 2010 Project

Efforts to contract with a Third Party Administrator are proceeding on schedule. The Request For Proposal was released on December 1, bids are due on January 20, with a projected contract award mid-April, providing an 8-9 month transition period. Premera, Regence, CIGNA, Aetna, and United Health submitted letters of intent to bid.

Group Health Strategic Partnership

To support the shared vision of a more efficient and effective delivery system that lowers the cost and premium trends, improves health outcomes and supports data transparency, GHC established the following 2009 – 2013 goals:

- Expansion of the Primary Care Medical Home to all GHC “owned/operated” clinics by 2010;
- Reduction in clinical variation and enhanced care management;
- Improved provider contracting;
- Improved member engagement through shared decision making; and
- Enhanced benchmarking and data transparency related to medical costs, quality of care and member satisfaction.

PEBB 2010 Procurement Schedule

- April 14: Release of Requests for Renewal
- May 29: Bid Rates Due
- June 16 – 19: Governor and Individual Board Member Procurement Briefs
- June 24: Board Meeting: Procurement Brief & HCA Recommendations
 - ✓Benefit Design
 - ✓Pre-65 Member Contributions
 - ✓Medicare Explicit Subsidy
- July 8: Board Meeting: Vote on 2010 Resolutions
 - ✓Benefit Design
 - ✓Pre-65 Member Contributions
 - ✓Medicare Explicit Subsidy
- July 22: Tentative Board Meeting (if needed to finalize resolutions)

PEBB Meeting Schedule 2009

Working Lunch 11:30 a.m. – 1:00 p.m.
Board meetings 1:00 p.m. – 3:00 p.m.

Proposed dates:

January 20, 2009

February 18, 2009

March 18, 2009

April 15, 2009

May 20, 2009

June 24, 2009

July 8, 2009

July 15, 2009

July 22, 2009

October 28, 2009 Board Retreat