



**Washington State
Health Care Authority**

Public Employees Benefits Board

April 21, 2010 Meeting

Public Employees Benefits Board Meeting

**April 21, 2010
1:00-3:00 p.m.**

Health Care Authority, Sue Crystal Center
676 Woodland Square Loop Southeast
Lacey, Washington

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Public Employees Benefits Board

April 21, 2010

1:00 – 3:00 p.m.

Health Care Authority, Sue Crystal Center
676 Woodland Square Loop SE
Lacey, Washington 98503
Conference dial in: 1-877-597-2663, code 8771860

1:00 p.m.	Welcome and Introductions	Steve Hill	
1:05 p.m.	Approval July 8, 2009, meeting minutes	Steve Hill	Action
1:10 p.m.	2010 Open Enrollment Wrap-Up Impacts of Recent Federal Changes	Mary Fliss Elin Meyer	Information
1:30 p.m.	Health Care Costs 2008-2009	John Williams	Information
1:45 p.m.	PEBB Budget Briefing	Tim Smolen	Information
2:00 p.m.	Potential 2011 Benefit Strategies	Michele Ritala Elin Meyer	Information
2:30 p.m.	Public Comment		
3:00 p.m.	Adjourn		

The Public Employees Benefits Board will meet Wednesday, April 21, 2010, 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.

Prior to the meeting, pursuant to RCW 42.30.110(l), the board will meet in Executive Session to "consider proprietary or confidential non published information related to the development, acquisition, or implementation of state purchased health care services as provided in RCW 41.05.026." The Executive Session will begin at 11:30 a.m. on April 21, 2010, and be concluded no later than 1:00 p.m. No "action," as defined in RCW 42.30.020(3), will be taken at the Executive Session.

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
Phil Karlberg* Arlington Public Schools 315 N French Ave Arlington WA 98223 V 360-593-6275	K-12
Robert Porterfield 10423 – 65 th Avenue South Seattle WA 98178 V 206-722-8194 robertporterfield@comcast.net	State Retirees
Lee Ann Prielipp 29322 6 th Avenue Southwest Federal Way WA 98023 V 253-839-9753 leeannwa@comcast.net	K-12 Retirees
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
Margaret T. Stanley 19437 Edgecliff Dr SW Seattle WA 98166 V 206-484-9411 mtstanley@comcast.net	Benefits Management/Cost Containment
Yvonne Tate 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
(vacant)*	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 8, 2009
Legislative Building, Columbia Room
Olympia, WA
1:00 p.m.

Members Present:

Steve Hill
Greg Devereux
Phil Karlberg
Lee Ann Prielipp
Eva Santos
Robert Porterfield
Margaret Stanley

Via Telephone

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. Board introductions followed.

Approval of June 24, 2009, PEBB Meeting Minutes

It was moved and seconded to approve the June 24, 2009, PEBB Board meeting minutes. Minutes approved by unanimous vote.

Annual Rule Making Brief

Ms. Mary Fliss, Public Employees Benefits Board (PEBB) Program, presented employee eligibility policy proposals for board action.

The board unanimously voted to approve the following resolutions:

1. RESOLVED, that, a benefits-eligible position is any position held by an employee who is eligible for benefits. A benefits eligible position ends if the employment relationship is terminated, or the employee voluntarily transfers to a non-eligible position. Voluntary transfers do not include transfers due to lack of funds or an employer's organizational change.
2. RESOLVED, that all non-faculty hours worked in a single agency are counted ("stacked") in determining whether an employee is eligible for benefits.
3. RESOLVED, that faculty who lose eligibility regain eligibility if they return to a faculty position where it is anticipated that they will work half time or more for the quarter/semester no later than the 12th month after the month in which they lost eligibility.

-
4. RESOLVED, that for seasonal employees, “half-time” is defined as working an average of at least eighty hours per month.

Procurement

Mr. John Williams, Ms. Elin Meyer, and Ms. Nicole Oishi, Health Care Authority, provided a procurement recap for board review and action. Chair Hill reminded the board and audience members that the board had been briefed at several previous meetings in executive session and that at the June 24, 2009, meeting the procurement materials were reviewed in the public meeting. In addition, the procurement information has been available to the public since the June 24, 2009, meeting. The board took public comment on the procurement.

The board voted to approve the following resolutions, 4-3.

Voting to approve: Mr. Hill, Ms. Tate, Ms. Santos, Ms. Stanley.

Voting no: Mr. Devereux, Mr. Porterfield, Ms. Prielipp.

1. RESOLVED, that the PEB Board approves the modified benefit design of the Aetna PEP Plan.
(Slide 6, Board Presentation)
2. RESOLVED, that the PEB Board approves the modified benefit design of the Uniform Medical Plan.
(Slide 6, Board Presentation)
3. RESOLVED, that the PEB Board approves the modified benefit designs of the Group Health Cooperative Non-Medicare Classic and Value Plans.
(Slide 7, Board Presentation)
4. RESOLVED, that the PEB Board approves the modified benefit design of the Kaiser Non-Medicare Classic and Value Plans.
(Slide 8, Board Presentation)
5. RESOLVED, that the PEB Board approves the 2010 Active Employee Contributions.
(Slide 10, Board Presentation)
6. RESOLVED, that the PEB Board approves the modified benefit design of the Kaiser Medicare Senior Advantage Classic and Value Plans.
(Slide 14, Board Presentation)
7. RESOLVED, that the PEB Board approves the modified benefit designs of the Secure Horizons Medicare Value Plan.
(Slide 15, Board Presentation)

The board voted unanimously to approve the following resolution

8. RESOLVED, that the PEB Board approves the maximum \$182.89 Employer Medicare Contribution set forth in the legislative budget appropriation.
(Slide 16, Board Presentation)

The meeting was adjourned.

Respectfully submitted,

Steve Hill, Chair



**Washington State
Health Care Authority**
Public Employees Benefits Board

PEB Board Meeting
April 21, 2010

PEBB's 2010 Open Enrollment Summary

The PEBB Program finished its 2010 open enrollment period on November 30. PEBB implemented several revisions to rules and benefits design. Revisions to improve materials and processes continued. The highlights include:

Verified dependents

Conducted the Dependent Verification project where we:

- Sent 81,000 letters to families who cover 145,000 dependents
- Processed the voluntary disenrollment of 1.8% of all dependents (2,600 people.)
- Verified 132,000 dependents.
- Followed up with the 800 account holders who sent incomplete or illegible information.
- Worked collaboratively with the agencies to assure they received information needed to support our efforts.

Implemented the Employee Eligibility changes

Implemented the legislation and rules related to Employee Eligibility by:

- Conducting a broad based communication campaign to assure decision makers, payroll staff and HR/personnel staff throughout the State understand the revisions made.
- Finalizing and sending the tools HCA developed to guide eligibility determinations. Tool set included a Worksheet Guide; 14 Worksheets and a set of Q & As. Described to agencies the requirements if they choose not to use the HCA tool set. Created assessment tools for agencies that will not be using the HCA tool set.
- Creating policies in support of the Rule changes.
- Starting the efforts of automating monitoring and tracking. Next steps will be to create an escalation path and penalty criteria.

Implemented revised domestic partner eligibility

2009 state law expanded PEBB dependent eligibility to opposite sex domestic partners registered through the Secretary of State. PEBB revised its dependent eligibility to align with the Secretary of State criteria starting January 1, 2010.

Continued the redesign and streamlining member materials, based on member input PEBB and other HCA staff

- Changed the Retiree and Employee Materials to be more relevant resulting in estimated savings of \$160,000.
- Streamlined PEBB COBRA materials and revised based on the changes to the Federal COBRA Subsidy program.
- Redesigned all materials to accurately reflect the significant benefit revisions.

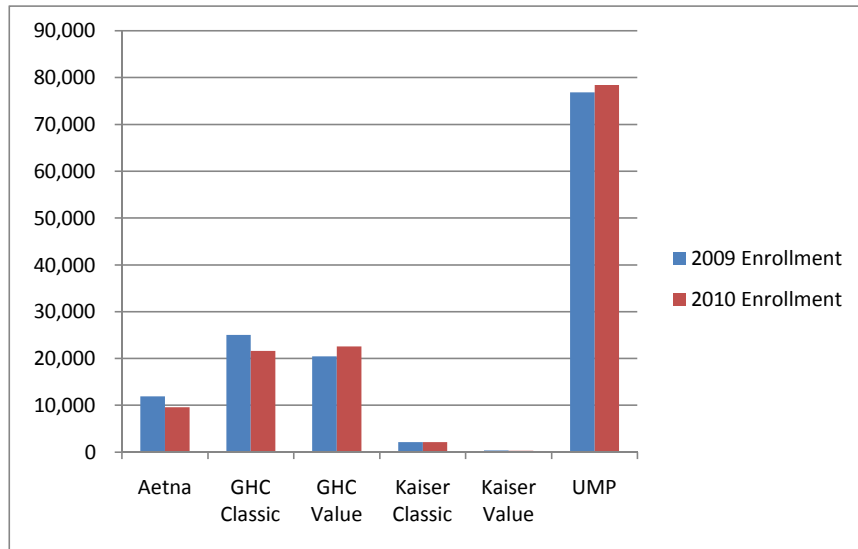
Customer service levels

PEBB experienced significantly increased volumes this Open Enrollment as reflected in the Service Levels.:

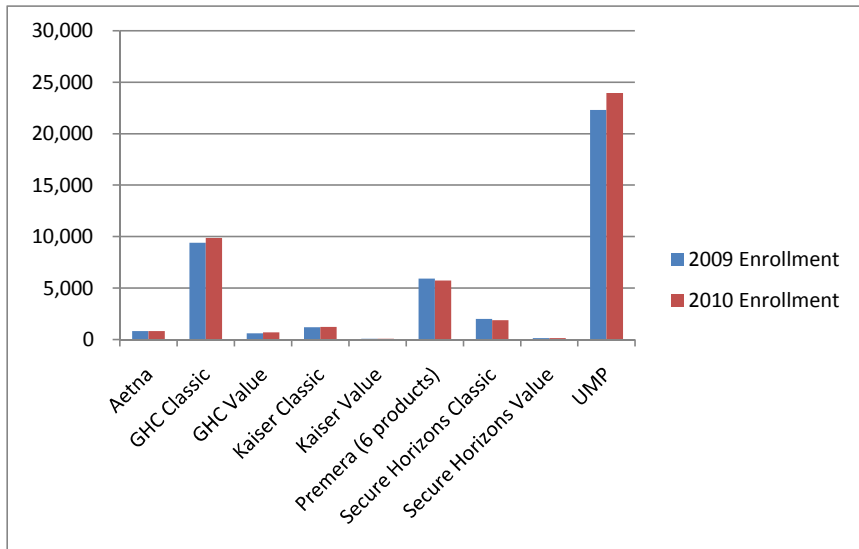
	November 2008	November 2009
Phone calls received (daily average)	450	945
Goal: 80% answered in 60 seconds	90%	57%

PEBB Enrollment Changes for 2010						
	Health Plan	Jan-09	Jan-10	Change		Percent of Total Subscribers
				No. of Subscribers	% Changed	
Employees and non-Medicare Retirees (subscriber count)	Aetna	11,899	9,603	(2,296)	-19%	7%
	GHC Classic	25,009	21,584	(3,425)	-14%	16%
	GHC Value	20,452	22,571	2,119	10%	17%
	Kaiser Classic	2,118	2,159	41	2%	2%
	Kaiser Value	372	301	(71)	-19%	0%
	UMP	76,849	78,433	1,584	2%	58%
	Total Subscribers	136,699	134,651			
Medicare-enrolled Retirees (subscriber count)	Aetna	824	819	(5)	-1%	2%
	GHC Classic	9,411	9,873	462	5%	22%
	GHC Value	584	686	102	17%	2%
	Kaiser Classic	1,171	1,214	43	4%	3%
	Kaiser Value	54	65	11	20%	0%
	Premera (6 products)	5,915	5,737	(178)	-3%	13%
	Secure Horizons Classic	1,987	1,877	(110)	-6%	4%
	Secure Horizons Value	119	117	(2)	-2%	0%
	UMP	22,297	23,961	1,664	7%	54%
	Total Subscribers	42,362	44,349			

Employees and non-Medicare Retirees (subscriber count)



Medicare-enrolled Retirees (subscriber count)



Health Care Reform & PEBB

- Dependent child coverage
 - Mandated to age 26 (*effective 2011*)
- Employee coverage
 - Automatic enrollment (with opt-out option)
 - Report the value of health benefits on the W-2 (*tax year 2011*)
 - Employee eligibility (guidance on full-time, seasonal & temporary employee eligibility is expected later)
- FSA
 - Limited to \$2,500 (*effective 2013*)
- Retiree reinsurance program
 - Temporarily reimburses employers for some of the cost for providing health benefits to non-Medicare retirees.

MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS ACT OF 2008

Medicare Supplement Impact

- Eliminates new enrollment in Plans E and J, without prescription drugs, after May 31, 2010.
 - PEBB members enrolled in E & J may keep their plan, with no benefit changes, through December 31, 2010.
 - Plan E & J members may not add new Medicare eligible dependents to their plan after May 31, 2010.
- Plan F will be offered to PEBB retirees and WA state residents June 1, 2010.
 - Benefits substantially equivalent to Plan J, without prescription drugs.
 - Statutes require that a single rating pool be created for each of the group Medicare Supplement plans (One Plan E, One Plan J, One Plan F, etc.). Employer group plans will not be individually experienced rated as in the past.
 - Lower premiums than Plan J, without prescription drugs

Medicare Advantage Impact

- Funding reductions
- Tightened marketing and sales practices

Health Care Costs 2008-2009

OVERVIEW

- CY 2009 claims cost experience for the two PEBB self-insured medical plans increased significantly over CY 2008 experience.
 - First quarter of 2010 indicates trend is moderating to “normal” levels (prior to 2009).
- The PEBB fully-insured medical plans experienced similar significant increases in CY 2009.
- See handout for details.

**WASHINGTON HEALTH CARE AUTHORITY
BRIEFING PAPER**

2008 – 2009 PEBB MEDICAL COST EXPERIENCE

OVERVIEW

- ❖ CY 2009 claims cost experience for the two PEBB self-insured medical plans increased significantly over CY 2008 experience.
- ❖ The PEBB fully-insured medical plans experienced similar significant increases in CY 2009.

SELF-INSURED MEDICAL PLANS EXPERIENCE

- ❖ As late year claims are processed, a more complete understanding will develop, but preliminary analysis shows the increased costs in both self-insured plans were driven by:
 - Increased **utilization** of services and products
 - Increased **unit costs** for services and products
 - Increased numbers of **large claims** for individual members (\$25,000 or more for a single member over a 3-month period).
- ❖ Overall trend increases exceeded the annual trend projection used to set the budget
 - UMP budget trend increase projection: 7.1%. Actual quarterly experience: 11.5-20.0%.
 - Aetna PEP budget trend increase projection 8.0%. Actual quarterly experience 13.0-22.2%.
 - Dramatic trend increases of 17.6-43.3% occurred in both plans in the large claims category.
 - Claims trends excluding large claims also exceeded expectations in both plans, ranging from 7.3-14.2%.

SELF-INSURED PLANS EXPERIENCE DETAIL

- ❖ Cost increase drivers varied across service categories in both plans
 - Hospital inpatient increases driven primarily by Unit Cost in both plans
 - Emergency Hospital increases in Aetna PEP driven primarily by Unit Cost
 - Outpatient Surgery increases in UMP driven primarily by Unit Cost
 - Outpatient Surgery increases in Aetna PEP driven primarily by Utilization
 - Office/Home Visit increases driven primarily by Utilization in both plans
 - Total Physician Services (including Radiology) increases driven primarily by Utilization in both plans
 - Prescription Drug increases in UMP driven primarily by Unit Cost

ENVIRONMENTAL FACTORS

- ❖ Significant increases began in the 2nd Quarter of 2009 in both the PEBB self-insured and fully insured medical plans. This timing coincides with the annual PEBB procurement cycle and the legislative session during which potential increases in member cost sharing obligations were under discussion.
- ❖ The impact of the economy and potential for layoffs on service utilization is still being investigated.
- ❖ Early indications of deterioration in average health status are being further explored.

March 19, 2010

PEBB Budget Review

		TREND AT 7.5%			TREND AT 10%			
Legislative Budget	FY 10	FY 11	FY 12	FY 13	FY 11	FY 12	FY 13	Key Assumptions
Funding rate (per employee per month)	\$745	\$850	\$906	\$966	\$850	\$930	\$1,018	Funding rate = \$850 for FY2011 IBNR fully funded, restore PSR over 3 years
Percent change in Funding Rate	n/a	14.1%	6.6%	6.6%	14.1%	9.4%	9.5%	
State Agency Revenue	\$1,032	\$1,177	\$1,254	\$1,337	\$1,177	\$1,287	\$1,409	in millions
GF-S dollars (48.8% of state agency revenue)	\$504	\$574	\$612	\$653	\$574	\$628	\$688	in millions
GF-S dollars, change from FY 10	n/a	\$70	\$108	\$149	\$70	\$125	\$184	in millions
Reserve position, excess/(deficit) compared to target	(\$103)	(\$77)	(\$36)	\$0	(\$93)	(\$44)	\$0	Restore PSR over 3 years in millions
	CY 10	CY 11	CY 12	CY 13	CY 11	CY 12	CY 13	
EE premium contribution, \$	\$87	\$102	\$111	\$119	\$106	\$116	\$126	weighted average
EE premium contribution, %	11%	12%	12%	12%	12%	12%	12%	EE contribution rate = 12%
Medical trend		7.5%	7.5%	7.5%	10.0%	10.0%	10.0%	

Potential Self-Insured Changes

Option Under Consideration	UMP Savings
Non-Duplication of Medical Benefits for Actives & Non-Medicare Members	1-3M
Prescription Drugs: Same Coinsurance for drugs at Mail Order and Retail. (Tier levels: 10%, 30%, 50%) Lower out-of-pocket max to \$50 for Tier 1 & 2 for 30-day supply	5.5M
Emergency Room (ER) Copay: \$75 for first visit; \$200 for second; \$300 for third. Waived if patient admitted.	2.3-4.7M
Total	\$8.8-13.2M

Non-Duplication of Benefits for Actives & Non-Medicare

- Affects dependents who have other coverage that is primary (5.6% UMP members; 2.6% Aetna PEP).
- Currently, plans pay up to 100% of allowed amount, reimbursing members for deductible, coinsurance and copays. Member pays zero.
 - With no cost-sharing, utilization is typically higher, driving up total costs.
- With non-duplication, the plan pays its “normal” benefit; member pays applicable cost-sharing.
 - Benefit is the same for these dependents as it is for subscribers.

Prescription Drug Benefit

- **Current:**
 - Retail Coinsurance: 10%; 30%; 50%
 - Max out-of-pocket for Tier 1 & 2 at \$75 per 30-day supply.
 - No deductible for Tier 1 drugs
 - Mail Order: \$10; \$50; \$100
 - No deductible for Tier 1
- **Proposed – Same Benefit at All Locations**
 - Apply 10%; 30%; 50% at Mail Order
 - Lower Out-of-pocket max to \$50 for Tier 1 & 2 for both mail order & retail

Benefits of Prescription Drug Change

- Easier to understand; costs are transparent
- Lower OOP maximum adds more incentive to buy Tier 1 & 2
- “Winners” from Change
 - 45,000 members would save money in 2011 (both mail order & retail)
- “Losers” from Change (if no one changes tiers)
 - 38,300 mail order users would pay more
 - 13,600 would pay <\$10 per month more
 - 12,700 would pay \$10-\$25 more per month
 - 12,000 would pay >\$25 more per month

Member Costs for Top 25 Tier 3 Drugs by Number of Prescriptions and Alternatives (90-day supply)

Brand Name	# Patients	# Rx 2009	Average Drug Price	Member Cost 2010	Member Cost Share 2011	Change in Member Cost	Tier 2 Alternative	Cost Share of Tier 2		Member Cost Share of Tier 1
								Alternativ	Tier 1 Alternative	
LIPITOR	1359	3747	\$304	\$100	\$152	\$52	Crestor	\$91	simvastatin	\$2
NEXIUM	786	2224	\$547	\$100	\$274	\$174	None	\$0	omeprazole	\$8
LEXAPRO	674	1716	\$272	\$100	\$136	\$36	None	\$0	citalopram	\$2
ZETIA	565	1588	\$278	\$100	\$139	\$39	Niaspan	\$127	fenofibrate	\$14
CYMBALTA	557	1467	\$483	\$100	\$242	\$142	Venlafaxine ER	\$90	venlafaxine	\$13
CELEBREX	539	1369	\$403	\$100	\$202	\$102	None	\$0	nabumetone	\$12
VYTORIN	412	1123	\$277	\$100	\$139	\$39	Crestor	\$91	simvastatin	\$2
DIOVAN	369	1031	\$243	\$100	\$121	\$21	Benicar	\$61	losartan	\$11
PREVACID	271	271	\$574	\$100	\$287	\$187	None	\$0	omeprazole	\$8
BONIVA	264	658	\$280	\$100	\$140	\$40	None	\$0	alendronate	\$4
ACTONEL	262	436	\$263	\$100	\$132	\$32	None	\$0	alendronate	\$4
DETROL LA	241	644	\$355	\$100	\$177	\$77	Vesicare	\$107	oxybutynin er	\$24
PREMARIN	222	551	\$139	\$100	\$70	(\$30)	None	\$0	estradiol	\$3
ACIPHEX	218	570	\$592	\$100	\$296	\$196	None	\$0	omeprazole	\$8
LYRICA	215	559	\$492	\$100	\$246	\$146	None	\$0	gabapentin	\$11
TRICOR	195	483	\$286	\$100	\$143	\$43	Niaspan	\$127	fenofibrate	\$14
DIOVAN HCT	169	481	\$255	\$100	\$128	\$28	Benicar HCT	\$66	Losartan/HCTZ	\$23
NASONEX	166	241	\$281	\$100	\$141	\$41	Nasacort AQ	\$83	fluticasone	\$6
AVAPRO	148	432	\$207	\$100	\$104	\$4	Benicar	\$61	losartan	\$11
MICARDIS	139	369	\$218	\$100	\$109	\$9	Benicar	\$61	losartan	\$11
LOVAZA	132	325	\$367	\$100	\$183	\$83	Niaspan	\$127	fenofibrate	\$14
LUNESTA	120	309	\$426	\$100	\$213	\$113	None	\$0	zolpidem	\$1
ASTELIN	119	213	\$237	\$100	\$118	\$18	None	\$0	fexofendadine	\$15
ATACAND	117	335	\$223	\$100	\$111	\$11	Benicar	\$61	losartan	\$11
AMBIEN CR	98	266	\$409	\$100	\$204	\$104	None	\$0	zolpidem	\$1

ER Copay for Multiple Visits

- Increase would affect estimated 3% of members
 - 14,500 UMP members visited ER once in 2008 (no change)
 - 3,600 visited ER twice
 - 1,800 visited ER 3 or more times
- **Current:**
 - \$75 copay + 15% professional fees
 - Copay waived if patient admitted
- **Proposed:**
 - \$75 first visit; \$200 second; \$300 subsequent visits + 15%
 - Waived if admitted

ER Copay Change continued

- Goal: Provide disincentive for unnecessary ER utilization
- Outreach program to members with multiple ER visits to access primary care or case management
- Members with medically necessary ER usage can appeal

Aetna PEP – Drop or Redesign for 2011?

- **Background**
 - Aetna PEP offered in 2008 as a self-insured co-pay product
 - CHPW and Regence products left PEBB same year
 - Low copays like HMO but no gatekeeper and no referral requirements
 - Hospital discount rates not as good as UMP
 - Bid rates based on UMP's experience; underestimated actual experience
 - With higher premiums, low out-of-pocket costs, and no gatekeeper, the plan design attracted high utilizers.
- **Plan operating at a loss**
 - **2008 Experience: 110%** incurred loss
 - **2009 Experience: 126%** incurred loss
- **PEBB Decision for 2011 benefit year**
 - Drop Aetna PEP co-pay product from PEBB Portfolio *or*
 - Convert to co-insurance product and redesign with value-based initiatives

PEBB Procurement Calendar

SCHEDULE	ACTIVITY
April 21	Board Meeting: Budget and Procurement Brief
April 28*	Request for Proposals Issued to fully-insured plans
May 27	2011 Proposals Due
June 23	Board Meeting: 2011 Procurement and Eligibility Policy Brief
July 14	Board Meeting: Recommended Resolutions <ul style="list-style-type: none">➤ Plan Design➤ Employee Premiums➤ Medicare Explicit Subsidy➤ Eligibility Policy
July 21	Board Meeting: Resolution Vote

*May 25 and July 7 are tentative PEBB meeting date placeholders.

PEBB Meeting Schedule 2010

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

Proposed dates:

February 17, 2010

March 17, 2010

April 7, 2010

April 21, 2010

May 25, 2010

June 23, 2010

June 30, 2010

July 7, 2010*

July 14, 2010*

July 21, 2010*

October 27, 2010 Board Retreat

*tentative meeting date placeholders