



**Washington State
Health Care Authority**

Public Employees Benefits Board

June 30, 2010 Meeting

Public Employees Benefits Board Meeting

June 30, 2010

1:00-3:30 p.m.

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

Table of Contents

Meeting Agenda	1-1
Member List.....	1-2
Meeting Minutes April 21, 2010	2-1
PEBB Procurement Process Overview.....	3-1
Potential Benefit Design Alternatives for Aetna PEP 2011	4-1
Meeting Schedule 2010	5-1

AGENDA

Public Employees Benefits Board

June 30, 2010

1:00 – 3:30 p.m.

Health Care Authority, Sue Crystal Center

676 Woodland Square Loop SE

Lacey, Washington 98503

Conference dial in: 1-877-597-2663, code 9771860

1:00 p.m.	Welcome and Introductions	Doug Porter	
1:05 p.m.	Approval April 21, 2010, meeting minutes	Doug Porter	Action
1:10 p.m.	PEBB Procurement Process Overview	Marilyn Wilfong Tim Smolen Elin Meyer	Information
2:10 p.m.	Potential Benefit Design Alternatives for Aetna PEP 2011	Jay Sheehy Debbie Dexter	Information
3:10 p.m.	Public Comment		
3:30 p.m.	Adjourn		

The Public Employees Benefits Board will meet Wednesday, June 30, 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 June 30, 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
Doug Porter, Administrator Health Care Authority 676 Woodland Square Loop SE PO Box 42700 Olympia WA 98504-2700 V 360-923-2829 portejd@dshs.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
Gwen Rench 3420 E Huron Seattle WA 98122 V 206-324-2786 gwenrench@covad.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
Harry Bossi* 3707 Santis Loop SE Lacey WA 98503 V 360-689-9275 hbossi@comcast.net hbossi@spipa.org	Benefits Management/Cost Containment
Legal Counsel	
Melissa Burke-Cain, Assistant Attorney General 7141 Cleanwater Dr SW PO Box 40109 Olympia WA 98504-0109 V 360-586-6500 melissab@atg.wa.gov	

*non voting members

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

April 21, 2010
Health Care Authority, Sue Crystal Center
Lacey, WA
1:00 p.m.

Members Present:

Steve Hill
Harry Bossi
Greg Devereux
Phil Karlberg
Lee Ann Prielipp
Gwen Rench
Eva Santos
Margaret Stanley
Yvonne Tate

Call to Order

Steve Hill, Chair, called the meeting to order at 1:10 p.m. Sufficient members were present to allow a quorum. Board introductions followed. Chair Hill announced that the board has two new members. Gwen Rench replaces Robert Porterfield as the state retirees representative. Harry Bossi fills the non-voting benefits management/cost containment slot vacated by Christine Sargo. Mr. Hill thanked Mr. Porterfield for his service and hard work on behalf of the Public Employees Benefits Board.

Approval of July 8, 2009, PEBB Meeting Minutes

It was moved and seconded to approve the July 8, 2009, PEBB Board meeting minutes. Minutes approved by unanimous vote.

2010 Open Enrollment Summary

Ms. Mary Fliss, Public Employees Benefits Board (PEBB) Program, provided a summary of the results of the 2010 PEBB Open Enrollment. Ms. Fliss added that PEBB also made revisions to improve processes, including the dependent verification project, implementation of employee eligibility changes, and revised domestic partner eligibility.

Ms. Fliss and Ms. Elin Meyer also said that the passage of federal health care reform affects PEBB, and that a complete analysis of the bill is currently underway. Ms. Meyer also provided an update on the Medical Improvements for Patients and Providers Act of 2008.

Health Care Costs 2008-2009

Mr. John Williams said that 2008-2009 health care costs experience exceeded in UMP and in Aetna Public Employees Plans. The agency actuarial firm, Milliman, is working to help understand whether the 2009 experience is something we need to plan for in the future. Milliman's assessment is not yet complete as they still need the next quarter's claims data. Mr. Williams reported that UMP and Aetna saw significant increases in medical costs and

utilization. The overall trend increases exceed the annual trend projection used to set the budget.

Mr. Williams said that Health Care Authority is still in procurement for the UMP TPA for 2011. Regence Blue Shield has been announced as the Apparently Successful Vendor and debriefing for the unsuccessful bidders is underway. He said the agency anticipates having a signed contract in early May 2010, with a go live date of 1/1/11 under the new contract arrangement.

PEBB Budget Briefing

Mr. Tim Smolen gave the board an update on the budget that has passed the Legislature but is not yet signed by the Governor. He said the \$850 funding rate is expected but that the projection on that basis is reserves are underfunded by \$77.5 million for FY 2011.

Potential 2011 Benefit Strategies

Ms. Michele Ritala and Ms. Elin Meyer presented potential self-insured plan changes.

Public Comment

Mr. Brad Samples gave comment.

Chair Hill announced that this is his last meeting with the Health Care Authority and as PEBB Board Chair. Mr. Hill is resigning as Administrator and effective May 1 will be the Director of the Department of Retirement Systems. Mr. Hill will remain on the Governor's Health Care Cabinet. Doug Porter has been appointed as the new HCA Administrator effective May 1, 2010.

The meeting was adjourned.

Respectfully submitted,

Steve Hill, Chair



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

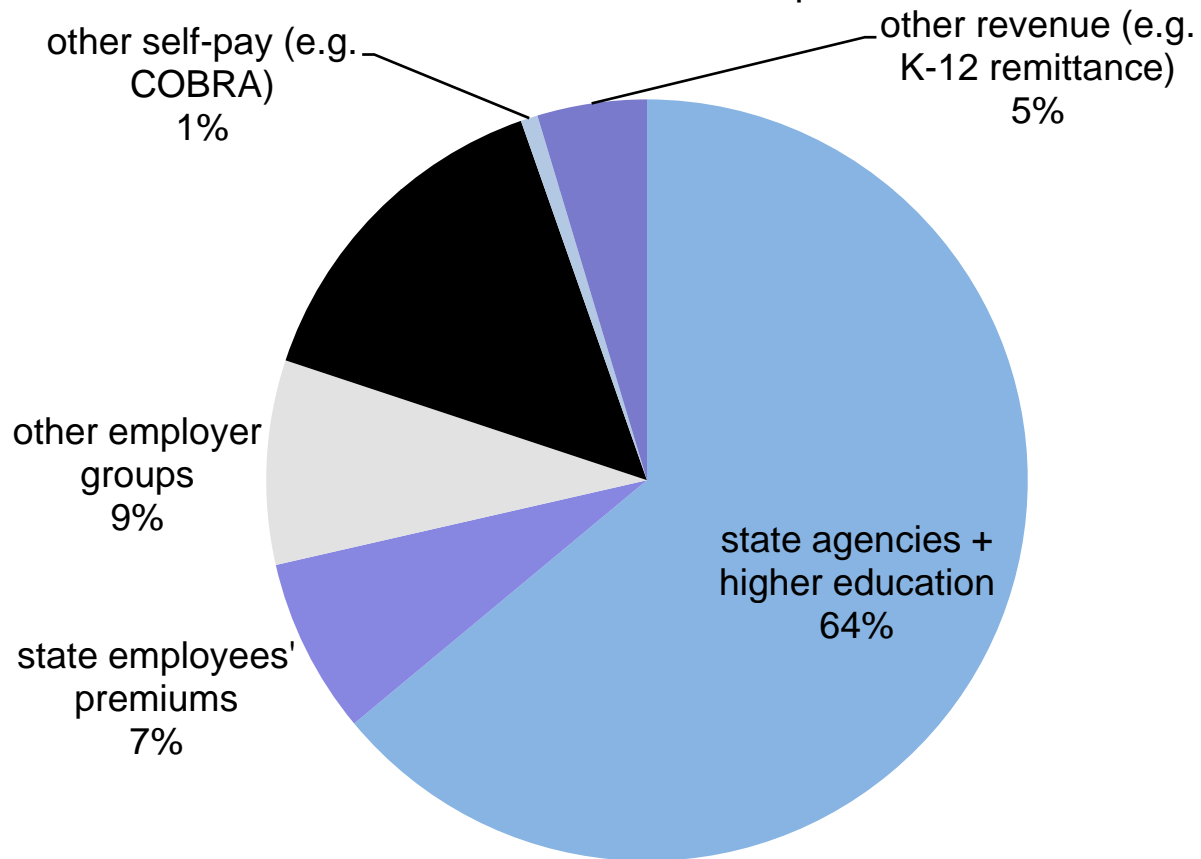
PEBB Procurement Overview
June 30, 2010

PEBB Fund Components

1. Direct cost of services for enrolled members
2. Administrative costs
 - Administrative expenses of carriers/vendors
 - HCA Administrative expenses
3. Reserves
 - Incurred but not paid claims
 - Contingencies

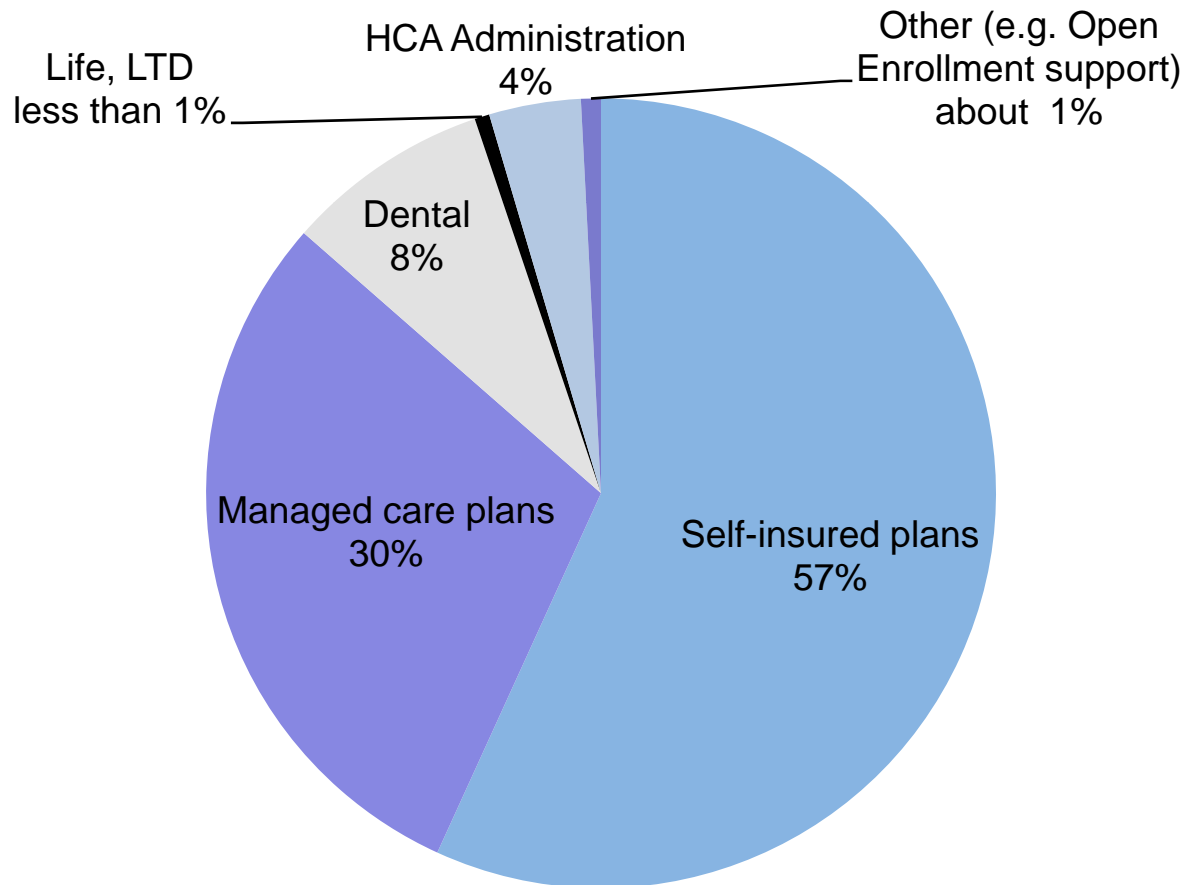
Revenues

PEBB Fund Sources of Revenue 2009-11 Biennial Total = \$3.27 billion



Expenditures

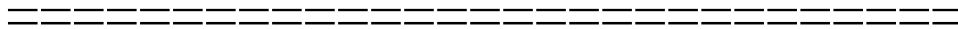
PEBB Expenditures 2009-11 Biennial Total = \$3.46 billion



The PEBB Benefits Portfolio

Benefits for employee, retirees, their dependents

- Medical: both insured and self-insured
- Dental: both insured and self-insured
- Life Insurance
- Long-Term Disability Insurance



- Long-Term Care Voluntary Insurance
- Auto/Home Insurance Voluntary Insurance
- Flexible Spending Account (FSA)
- Dependent Care Assistance Program (DCAP)

PEB Board's Role in Procurement

- Approve benefits plans for employees and retirees
- Authorize premium contributions for employees
- Authorize the Medicare explicit subsidy (employer contribution towards premium)
- Establish eligibility policies

Typical Procurement Cycle

- October–March: HCA formulates Procurement Strategy in collaboration with Board
- March: HCA develops medical target ‘budget rate’ per subscriber
- April: HCA releases Request For Proposal
- May: HCA Receives Proposals From Insured and Self-Insured Plans
- June:
 - HCA and Actuarial Consultant Evaluation and Negotiation of Proposals
 - HCA Bid Rate to Budget Evaluation
 - Board Review of Relevant Procurement Results and Solicitation For Feedback
 - HCA and Actuarial Consultant Finalize Proposals
- July:¹
 - HCA presents Plan Design & Premium Recommendations to Board for Consideration
 - Call For Board Resolution Vote

¹Presentation of HCA Recommendations and Request for Board Resolution Vote scheduled one week apart

Set Budget Targets for Procurement

- HCA staff and actuaries use projection model for the entire portfolio
 - Plan design changes
 - Claims cost per enrollee
 - Medical trend (projected health care inflation)
 - Reserves
 - Administrative expenses
 - Employee premium contributions
 - State contribution toward premiums for Medicare retirees
 - Contributions from K-12, for retirees from that system
- Translate into a target 'budget rate' per subscriber

Bid Rate Development

● Insured plans

- average cost of claims
- benefit design
- trend
- provider reimbursement or network structure
- administrative costs
- reserves
- margin
- premium tax

● Self-insured plans

- average cost of claims
- benefit design
- trend
- provider reimbursement or network structure
- administrative costs
- reserves

Evaluate Bid Rates

Plan Name	Budgeted Rate	Bid Rate	Budgeted Mos. Payments	Bid Mos. Payments .	Enrollment
Plan A	\$ 460	\$ 450	\$ 1,380,000	\$ 1,350,000	3,000
Plan B	\$ 380	\$ 400	\$ 380,000	\$ 400,000	1,000
Plan C	\$ 425	\$ 425	\$ 2,550,000	\$ 2,550,000	6,000

Example – not actual data

Calculate State Contribution: Index Rate

Weighted average methodology for employer contribution

Plan	Plan Bid Rate	Enrollment (Employee)	Plan Bid Rate x Enrollment = Monthly Costs
Plan A	\$ 450	3,000	\$ 1,350,000
Plan B	\$ 400	1,000	\$ 400,000
Plan C	\$ 425	6,000	\$ 2,550,000
Total Monthly Costs			\$ 4,300,000
Divided by Total Enrollment			10,000
Equals Weighted Average per employee per month cost			\$ 430
Times 88% (per collective bargaining agreement and operating budget)			88%
Equals employer contribution per employee per month			\$ 378.40
Round to whole dollar			\$ 378

Example – not actual data

Employee Contribution Rates

Index Rate	\$ 378
------------	--------

Plan Name	Bid Rate	Subscriber	Sub. & Spouse or Partner	Sub. & Child(ren)	Full Family
Plan A	\$ 450	\$72	\$154	\$126	\$208
Plan B	\$ 400	\$22	\$54	\$39	\$71
Plan C	\$ 425	\$47	\$104	\$82	\$139

Example – not actual data

Calculate Medicare Retiree Premiums

Plans	Bid Rate	Subsidy Amount	Retiree premium
Plan D	\$ 450	\$ 182.89	\$ 267
Plan E	\$ 425	\$ 182.89	\$ 242
Plan F	\$ 350	\$ 175.00	\$ 175

Example – not actual data



Solving for Today. Preparing for Tomorrow.

**Strategies that work for you.
Benefits that work for your employees.**

**Public Employees
Plan of WA**

June 30, 2010



Our vision begins with the people who use our services



Aetna's
Values



Aetna PEP Benefits Strategy

Move from Present State to Future State

Present State	Future State
Highest premium share	Lowest premium share
Lowest out of pocket costs	Modest out of pocket costs with ability to manage more effectively through choice
Employee perceived entitlement	Employee engagement & ownership
Employee health status / risk is poor	Health & productivity improvement
Segmented service delivery	Coordinated service delivery across health care spectrum
No true "Care Coordinator"	Care coordinator as an integral part of health management
Multiple points of employee / patient contact	Minimal points of contact
No need for decision support tools	Comprehensive suite of decision support & transparency tools
Low member engagement	Personalized action plans
Increasing trend with limited cost control	Sustainable trend management



Design Principles

- Encourage employees to take charge of their health & invest in themselves
- Drive productivity and healthy behaviors
- Lower costs without compromising quality
- Affordable & accessible health care for everyone
- The cost to participants is aligned with their behavior
- Align incentives to drive engagement and awareness
- Protect employees from catastrophic loss
- Deliver a multi-dimensional benefit strategy that efficiently brings all components together

Aetna PEP 3 Year Wellness Strategy

YEAR 1

Theme: Awareness of your Wellness

Program Emphasis

- Strong program Base: Primary Health Coach
- Targeted outreach & support
- Programs and tools available (Simple Steps, PHR, IHL, Price Transparency, DM)
- Health Assessment & Member Health Engagement Plan
- Know Your Numbers Campaign

Plan Change:

- Steerage to high performing providers / Centers of Excellence
- Steerage to Primary Care
- Align incentives to increase health assessment completion, Nurse engagement & Healthy activities
- Disincent ER utilization
- Radiology Precert Program

Cultural Support

- Tie into Washington Wellness initiative
- Assess environmental offerings (Café, gym, vending machines)

Communications

- Aetna Benefits Advisor to help with plan selection
- Brainshark to help with ongoing education
- 12 month health & wellness observance campaign
- Custom member website to promote resources and education

YEAR 2

Theme: A Culture of Wellness

Program Emphasis

- Incentives to drive Spouse awareness
- Health Assessment and Member Health Engagement Plan
- Incentives continue to be activity-based
- Continue Primary Health Coach
- Targeted outreach and support

Plan Change:

- Hospital tiering
- Domestic medical tourism

Cultural Support

- Create dashboard as introduction of performance metrics related to health and wellness

Communications

- Communicate program success
- Targeted, frequent promotion of programs
- 12 month health & wellness observance campaign

YEAR 3

Theme: Embracing Your Wellness

Program Emphasis

- Incentives are more Results-oriented
- HA completion required for specific plan enrollment (removed financial incentive)
- Onsite screenings and educational event campaigns
- Targeted program promotion informed by Year 1-2 findings
- Implement MedPsych Program

Plan Change:

- Introduce High and Low plan, placing members based on Health Assessment completion
- Introduce Defined benefits

Cultural Support

- Continue to publish Health & Wellness dashboard

Communications

- Publish dashboard results
- Acknowledge & celebrate successes
- Targeted, frequent promotion of programs
- Campaign emphasizing use of High Quality/Cost Effective providers via Transparency tools

The Current Aetna Public Employees Plan

Benefit	Current 2010 Plan Design Open Access Aetna Select	
	Individual	Family
Deductible	\$250	\$750
Out of Pocket Limit	\$2,000	\$6,000
Copays		
Office Visit (any type)	\$25	
PCP	N/A	
Specialist	N/A	
ER	\$75	
Inpatient Medical, MH & CD	\$200 per day / \$600 max per year	
Outpatient Surgical or ASC	\$100	
Ground Ambulance	\$75	
Air or Water Ambulance	\$100	
Plan Coinsurance		
PCP Office Visit	100% except for DME, paid at 80%	
Urgent Care visit	N/A	
Hospice	100%	
Preventive services	100%	
Tobacco Cessation	100%	
Hearing Hardware		
	\$800 max every 3 calendar years	
Vision Hardware		
	\$150 max every 24 calendar months	

- Most expensive EE contributions
- Lowest out of pocket cost when using services
- No incentive to choose Primary Care
- No integrated disease management or targeted clinical support
- No integrated incentives
- Higher Risk population
- High plan utilization



Proposal for 2011

- Restructure plan design to raise awareness of health care costs
- Create plan design incentives to select more efficient providers & Centers of Excellence
- Create strong clinical program base & member support
- Create incentives to reward members for healthy behaviors
- Year long communication & education campaign



Option 1: Aetna Health Fund Health Reimbursement Account

- Goals: Lifelong optimal health & lower medical costs, as well as higher productivity
- Participants in Consumer-Directed Health Plans (CDHP) are more educated, regularly access health information and take greater control over personal health care decisions.
- Comprehensive member decision support tools
 - Full suite of cost of care transparency tools
 - Physician-specific clinical quality & efficiency indicators

AHF HRA Plan Design

Benefit	Value Plan - AHF HRA Open Access Aetna Select	
	Individual	Family
HRA Fund	\$750	\$2,250
Deductible	\$750	\$2,250
Out of Pocket Limit	\$3,000	\$6,000
Plan Coinsurance (after deductible unless noted)	85%	
PCP Office Visit	95%	
Specialist Visits	85% Aexcel / 65% non-Aexcel	
Urgent Care visit	85%	
ER	85%	
Ground Ambulance	85%	
Air or Water Ambulance	85%	
Inst. Of Quality - Bariatric	85% IOQ / 0% non-IOQ	
IOQ - Musculoskeletal	85% IOQ / 65% non-IOQ	
Centers of Excellence - Diabetes	85% COE / 65% non-COE	
Hospice	100% after deductible	
Preventive services	100% no deductible	
Tobacco Cessation	100% no deductible	
Hearing Hardware	\$800 max every 3 calendar years	
Vision Hardware	\$150 max every 24 calendar months	

- Health Reimbursement Account provides 1st dollar coverage before application of deductible
- Creates incentive to make better health care decisions to stretch fund dollars
- Higher coinsurance to incent the use of Primary Care
- Preventive care paid 100% outside the fund & deductible
- Higher coinsurance for accessing quality providers
- Wellness incentives to buy-down the deductible/coinsurance
- Net Savings
-\$50 to -\$62 PMPM or -9.9% to -12.3%



AHF Contribution Strategy

Aetna BoB perspective

- If CDHP is lowest valued plan with lowest premium contribution for EEs, we generally see between 5% - 20% enrollment
- If Employer contributes more towards CDHP or offers it as zero EE contribution plan, we have seen enrollment between 20% - 40%



Why CDHP?

Aetna Health Fund members are making better decisions about when and where to access medical care

- 10%-15% greater spend on preventive care
 - => Breast & Cervical cancer screenings for women
 - => Diabetes-related tests & screenings
- 5%-10% lower PCP & Specialist Utilization
 - Increase in preventive & routine visits
 - Decrease in non-routine PCP and Specialist visits
 - Members with chronic conditions maintained the use of drug therapies for their condition
- 5%-10% lower ER utilization
- More Active health care consumers
 - Use online tools & cost of care information twice as often
- HRA Fund use
 - 14% use none of their fund
 - 33% use only some of their fund
 - 53% use all of their fund



Option 2: Aetna Select Incentive Plan

- Goals: Lifelong optimal health & lower medical costs, as well as higher productivity
- Increased member engagement & lower medical trends
- Comprehensive member decision support tools
 - Full suite of cost of care transparency tools
 - Physician-specific clinical quality & efficiency indicators

Aetna Select Incentive Plan Design

Benefit	Value Plan - Tiered Network Open Access Aetna Select	
	Individual	Family
Deductible	\$500	\$1,500
Out of Pocket Limit	\$3,000	\$6,000
Copays	Applies after Deductible Satisfied	
Office Visit (any type)	\$0	
ER	\$100 (1st 2 visits) / \$200 all others	
Ground Ambulance	\$100	
Air or Water Ambulance	\$250	
Plan Coinsurance (after deductible unless noted)	80%	
PCP Office Visit	90%	
Specialist Visits	80% Aexcel / 50% non-Aexcel	
Urgent Care visit	80%	
Inst. Of Quality - Bariatric	80% IOQ / 0% non-IOQ	
IOQ - Musculoskeletal	80% IOQ / 50% non-IOQ	
Ctr of Excellence - Diabetes	80% COE / 50% non-COE	
Inpatient	80%	
Outpatient Surgical or ASC	80%	
Hospice	100% after deductible	
Preventive services	100% no deductible	
Tobacco Cessation	100% no deductible	
Hearing Hardware	\$800 max every 3 calendar years	
Vision Hardware	\$150 max every 24 calendar months	

- Higher deductible to raise awareness of health care costs
- Higher coinsurance to incent the use of Primary Care
- Preventive care paid 100% before the deductible
- Higher coinsurance for accessing quality providers
- Wellness incentives to buy-down the deductible
- Net Savings
-\$60 to -\$71 PMPM or -11.9% to -14.1%



Clinical Support for both Options

- Aetna Primary Health Coach
 - Dedicated team of nurses trained to support both Case Management and Condition Management. A single nurse works with member across continuum of care
 - Full spectrum of case management and disease management supported by the Aetna Health Connections DM triggers and identification algorithms.
 - Opportunity to customize certain case management triggers, member messaging, scripting, and communications.
 - Includes additional targeted outreach specific to the population needs, including pre and post admission support, frequent ER utilization, and medication non-compliance.
 - Opportunity for strong collaboration and co-management between medical and behavioral health.



Quality Network & Patient Safety

- Aexcel Performance Specialty Network
 - 12 highest volume Specialties / 55% of total Claim costs
 - Custom ‘Aexcel slim’ to steer members to upper 25th percentile of specialists; the most efficient
- Institutes of Quality, Institutes of Excellence and Centers of Excellence
 - Cardiac Care, Musculoskeletal, Bariatric, Diabetes, Transplants, etc.
- MedQuery – Patient safety alerts and care considerations identifying gaps in care
- Flex Medical Management



Wellness Incentives for both Options

Year 1: Focus on Raising Awareness

- Provide up to \$250 in wellness incentives to help offset higher deductible
 - \$100 for completing Health Assessment
 - \$100 for engaging with Primary Health Coach
 - Incentives for progress towards completion of personalized health-related tasks, such as
 - Tracking health metrics
 - Preventive screenings



Member Support Tools

- Simple Steps to a Healthier Life
 - Online Health Assessment
 - Healthy Living Activity programs
 - Online Disease Management programs
- Personal Health Record
 - Personalized Member Health Engagement plan
 - Online Health trackers



A Strategy for Change

- Multi-year approach that achieves the quality and financial objectives set forth by the HCA on behalf of the members
- An integrated strategy that engages the members and providers
- Provides a viable long term alternative for the members and the State
- Aetna is confident in our ability to implement and deliver on commitments

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 14, 2010*

July 21, 2010*

October 27, 2010 Board Retreat

*tentative meeting date placeholders