



**Washington State  
Health Care Authority**

# **Public Employees Benefits Board**

**July 21, 2010 Meeting**

## **Public Employees Benefits Board Meeting**

**July 14, 2010**

**1:00-3:00 p.m.**

Legislative Building, Columbia Room  
416 Sid Snyder Avenue  
Olympia, Washington

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## **Public Employees Benefits Board**

**July 21, 2010**

**1:00 – 3:00 p.m.**

Legislative Building  
Columbia Room  
416 Sid Snyder Avenue, Rm 111  
Olympia, Washington  
Conference call-dial in 1-877-597-2663, conference ID 9771860

<b>1:00 p.m.</b>	<b>Welcome and Introductions</b>	Doug Porter	
<b>1:05 p.m.</b>	<b>Approval July 14, 2010, meeting minutes</b>	Doug Porter	Action
<b>1:15 p.m.</b>	<b>Annual Rule Making Resolutions with public comment</b>	Doug Porter	Action
<b>1:25 p.m.</b>	<b>Annual Rule Making Information</b>	Mary Fliss Barb Scott	Information
<b>1:35 p.m.</b>	<b>Procurement Resolutions 1-5 with public comment</b>	Doug Porter	Action
<b>2:15 p.m.</b>	<b>Proposed Meeting Schedule 2010-2011</b>	John Williams	Information
<b>2:30 p.m.</b>	<b>Adjourn</b>		

The Public Employees Benefits Board will meet Wednesday, July 21, 2010, at the Legislative Building, Columbia Room, 416 Sid Snyder Avenue, Olympia, 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](mailto:board@hca.wa.gov)

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

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**PEBB Board Members**

<b>Name</b>	<b>Representing</b>
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 <sup>th</sup> 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

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**PEBB Board Members**

<b>Name</b>	<b>Representing</b>
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
<b>Legal Counsel</b> 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**

July 14, 2010  
Legislative Building, Columbia Room  
Olympia, WA  
1:00 p.m.

**Members Present:**

Doug Porter  
Harry Bossi  
Greg Devereux  
Lee Ann Prielipp  
Gwen Rench  
Eva Santos  
Margaret Stanley  
Yvonne Tate

**Members Absent:**

Phil Karlberg

**Call to Order**

Doug Porter, Chair, called the meeting to order at 1:05 p.m. Sufficient members were present to allow a quorum. Board and audience introductions followed.

**Approval of April 21, 2010, PEBB Meeting Minutes**

It was moved and seconded to approve the June 30, 2010, PEBB Board meeting minutes. Minutes approved by unanimous vote.

**Annual Rule Making Policy Resolution**

Ms. Mary Fliss began by announcing that HHS has provided guidance with regard to coverage for children up to age 26, whether married or single. Coverage for children up to age 26 will be applied in the same manner as coverage for any other dependent child.

The policy proposal is to amend eligibility, as it relates to children of any age with disabilities who are incapable of self-support, to require evidence that the condition occurred before the age of 26. PEBB will be asking for the board's vote on this proposal at the July 21 board meeting.

**2011 PEBB Medical Plans Benefit Designs**

Mr. John Williams led a discussion of the work to date on the Aetna Public Employees Plan (PEP), which is one of two self-funded plans in the PPO. He said that the PEP has been unable to meet budget targets since its creation in 2008 and is consequently drawing down the PEBB reserves each year. The results of careful evaluation reveal that the issue lies primarily in the current plan design. Aetna has worked diligently with Health Care Authority (HCA) to try to improve plan utilization and has met with staff to discuss redesign of the plan. Over the course of the discussion period Aetna developed several plan design alternatives for

discussion. The design presented to the Board, at the July 14 board meeting, has features moving to a co-insurance model and builds in incentives to drive healthy member behavior. The established target outcomes for plan redesign were to achieve a PEP premium equal to or less than that of the Uniform Medical Plan (UMP) and establish a plan design that would be attractive to PEBB members. Results of the HCA analysis of the PEP redesign proposal indicate that neither of the two target outcomes could be sufficiently achieved to assure the viability of the PEP program in 2011.

### **2011 Non Medicare Plans**

Mr. Williams said that HCA can continue 2010 benefit designs for the other PEBB medical plan products for 2011 under two scenarios -- if the Aetna PEP Plan is removed from the portfolio or if substantial changes are made to the Aetna plan design that keep the plan within budget targets. Today's presentation materials include bid rates and subscriber premiums for each scenario. After evaluating the information, Mr. Williams stated the premiums for the redesigned Aetna PEP plan are not competitive when compared to UMP.

Ms. Elin Meyer briefed the Board on HCA's decision to eliminate the Kaiser Value Plan from the portfolio in 2011. Members who do not elect another health plan for 2011 will default to the Kaiser Classic Plan. This change would also affect Medicare retirees who are enrolled in the plan.

### **2011 Medicare Plans**

Ms. Elin Meyer briefed the Board on the HCA's decision to terminate several plans offered to Medicare retirees due to low enrollment:

**Kaiser Value Medicare Plan:** Members who do not elect another plan for 2011 will default to the Kaiser Classic Plan.

**Secure Horizons Value Medicare Plan:** Members who do not elect another plan for 2011 will default to the Secure Horizons Classic Plan.

**Medicare Supplement Plans E, J (with and without Rx benefit) for both Medicare retirees and the disabled:** Members who do not elect another plan for 2011 will default to the Medicare Supplement Plan F. Members in Plan F that wish to have drug coverage need to purchase an individual Medicare Part D Prescription Drug Plan or enroll in UMP, Group Health, Kaiser or Secure Horizons, which include creditable drug coverage.

**Aetna PEP Medicare Plan:** Regardless of whether Aetna PEP is removed from the PEBB Portfolio for Non-Medicare subscribers, the redesigned Aetna PEP plan would not be offered to Medicare retirees as it does not represent a good value to members who have Medicare as their primary coverage. The Aetna PEP Medicare premiums would be relatively high and as secondary payer to Medicare, members would not realize the value of the financial incentives built into the redesigned Aetna product. Members who do not choose another plan for 2011 will default to UMP.

**Focused Change in Plan Administration**

Ms. Meyer briefed the board on a proposal to administer non-duplication of benefits for non-Medicare self-insured plans. Non-duplication of benefits ensures that, in total, dependents with dual coverage receive benefits up to what they would have received if UMP was their only source of coverage. This proposal maintains the UMP patient cost of health care services, encourages enrollees and dependents to utilize services effectively and efficiently, and is commonly administered in self-funded plans. If adopted, HCA will track the financial implications of this change to determine if medical expenditures are reduced for UMP and will provide the results to the Board at the close of the 2011 benefit year.

**2011 Budget Overview**

Mr. Tim Smolen presented an overview of the 2011 budget and projected enrollee premium costs. The overall budget target for 2011 can be met in either case of PEP being removed from the portfolio or retained under the proposed redesign.

**HCA Recommendations**

Mr. Williams presented HCA recommendations to the board to use in consideration of the board vote at the July 21, 2010, meeting.

**Public Comment**

None received.

The meeting was adjourned.

Respectfully submitted,

Doug Porter, Chair

**Resolution on policy that will take effect January 1, 2011**

Resolved that children of any age with disabilities who are incapable of self support are eligible provided such condition occurs before age twenty-six.



PEBB

# Annual Rule Making

July 21, 2010

# Purpose of this briefing

- Board action: Vote on resolution of policy presented on July 14, 2010
- Information: Provide high-level information related to the annual rule making (the scope).

## Policy resolution related to dependent eligibility

- Children of any age with disabilities who are incapable of self support are eligible provided such condition occurs before age twenty-six.

# Scope of the Rule Making

- Implement board policy
- Implement state legislation and federal regulation:
  - Federal health reform
  - Align special open enrollment rules with federal regulations

# Scope of the Rule Making

- Technical corrections and clarification including:
  - Clarify that the definition of “layoff” is limited to PEBB rules.
  - Clarify language around faculty eligibility.
  - Insert omitted language from RCW 41.05.065.



## Next steps

- August – File proposed amendments
- October – Public hearing
- October – Adopt final rules
- January – Effective date of amended rules

Resolution 1

Resolved that the PEB Board endorses HCA removing the Aetna PEP Plan from PEBB, beginning January 1, 2001.

## Comparison: 2011 UMP & Proposed Aetna PEP Benefit

	<b>UMP</b>	<b>Aetna PEP</b>
<b>Employee Premium Contribution</b>	\$53/\$156	\$95/\$271
<b>Out-of-Pocket Maximum</b>	\$2000/\$4000	\$3000/\$6000
<b>Deductible</b>	\$250/\$750 medical \$100/\$300 Rx (Tier 2/3)	\$500/\$1500 (ability to buy down to \$250)
<b>Office Visit</b>	15%	PCP: 10%; Specialist: 20% Aexcel; 50% non-Aexcel
<b>Preventive Services</b>	\$0	\$0
<b>Inpatient Hospital</b>	\$200/day; \$600/yr facility 15% professional services	20%
<b>Diagnostics</b>	15%	20%
<b>Prescription Drugs</b>	Retail: 10%/30%/50% Mail: \$10/\$50/\$100	Retail: \$20/\$40/\$60 Mail: \$40/\$80/\$120
<b>Bariatric, Musculoskeletal &amp; Diabetes IOQ/COE</b>	Specialized bariatric program for any coverage.	20% IOQ/COE; 50% non-IOQ/COE
<b>Durable Medical Equipment</b>	15%	20%
<b>Ambulance</b>	20%	20%
<b>Emergency Room</b>	\$75 + 15% professional	\$150

Resolution 2

Resolved that the PEB Board endorses 2010 Benefit Designs without change for 2011 for the GHC Classic Plan, the GHC Value Plan, the Kaiser Classic Plan, and the Uniform Medical Plan.

# 2010 PEBB Non-Medicare Plan Design\*

## Benefit Designs Remain the Same For 2011

	UMP	Group Health Classic	Group Health Value	Kaiser Classic
<b>Out-of-Pocket Maximum</b>	\$2000/\$4000	\$2000/\$6000	\$2000/\$6000	\$1500/\$3000
<b>Deductible</b>	\$250/\$750 medical \$100/\$300 Rx (Tier 2/3)	\$250/\$750	\$350/\$1050	\$0
<b>Office Visit</b>	15%	\$25	\$30	\$20 primary; \$30 specialty; \$40 urgent
<b>Preventive Services</b>	\$0	\$0	\$0	\$0
<b>Inpatient Hospital</b>	\$200/day; \$600/yr facility 15% professional services	\$200/day; \$600/yr	\$300/day; \$900/yr	\$200/day; \$1000/max admit
<b>Diagnostics</b>	15%	\$0	\$0	\$10
<b>Prescription Drugs</b>	Retail: 10%/30%/50% Mail: \$10/\$50/\$100	Retail: \$20/\$40/\$60 Mail: \$40/\$80/\$120	Retail: \$20/\$40/\$60 Mail: \$40/\$80/\$120	Retail: \$15/\$30 Mail: \$30/\$60
<b>Durable Medical Eqmt.</b>	15%	20%	20%	20%
<b>Ambulance</b>	20%	\$75 ground; \$100 air	\$75 ground; \$100 air	\$100
<b>Emergency Room</b>	\$75 + 15% professional	\$75	\$75	\$75

\*No recommended Medicare plan design changes; Medicare Advantage plans subject to 2011 Medicare benefit mandates.

Resolution 3

Resolved that the PEB Board approves Non-Duplication of Benefits for UMP and Aetna PEP Non-Medicare Plans.

# Coordination of Benefits

## Administer Non-Duplication of Benefits for Non-Medicare Self-Insured Plans

- Non-duplication of benefits affects dependents who have other coverage that is primary; 5.6% UMP members.
- Non-duplication of benefits ensure that, in total, dependents with dual coverage receive benefits up to what they would have received if UMP was their only source of coverage (but not in excess of that amount).
- Non-duplication of benefits maintains the UMP patient cost of health care services, encouraging enrollees and dependents to be smarter consumers of health care services in PEBB and in other health plans.
- Non-duplication of benefits is commonly administered in self-funded plans and would eliminate the need to pay special fees to UMP's third-party administrator (TPA) to manually process full coordination of benefits claims (UMP would be the only client in TPA's book of business administering full coordination of benefits).

Resolution 4

Resolved that the PEB Board approves the Active Employee Contributions for the GHC Classic Plan, the GHC Value Plan, the Kaiser Classic Plan, and the Uniform Medical Plan.

# Active Employee Contributions (No Aetna PEP Plan for 2011)

<u>Product Line</u>	Employee Contribution by Family Tier							
	2010 and Proposed 2011							
	CY 2010	CY 2011	CY 2010	CY 2011	CY 2010	CY 2011	CY 2010	CY 2011
	Employee	Employee	Employee & Spouse or Partner	Employee & Spouse or Partner	Employee & Child(ren)	Employee & Child(ren)	Full Family	Full Family
GHC Classic	\$ 71	\$ 71	\$ 152	\$ 152	\$ 124	\$ 124	\$ 205	\$ 205
GHC Value	\$ 22	\$ 30	\$ 54	\$ 70	\$ 39	\$ 53	\$ 71	\$ 93
Kaiser Classic	\$ 72	\$ 105	\$ 154	\$ 220	\$ 126	\$ 184	\$ 208	\$ 299
Aetna PEP	\$ 132	N/A	\$ 274	N/A	\$ 231	N/A	\$ 373	N/A
Uniform Medical Plan	\$ 41	\$ 60	\$ 92	\$ 130	\$ 72	\$ 105	\$ 123	\$ 175
Average Employee Contribution								
Average % Employee Contribution of Required Premium								<b>12%</b>
Budget Assumption								12%

Resolution 5

Resolved that the PEB Board approves the maximum \$182.89 Employer Medicare Contribution set forth in the legislative budget appropriation.

## Estimated Medicare Retiree Premium After \$182.89 Employer Contribution\*

<u>Product Line</u>	2010 Retiree Only Contribution	2011 Retiree Only Contribution
Group Health Classic	\$ 132.36	\$ 137.51
Group Health Value	\$ 124.44	\$ 131.12
Kaiser Classic	\$ 166.40	\$ 183.42
Secure Horizons Classic	\$ 210.70	\$ 247.28
Uniform Medical Plan	\$ 162.86	\$ 194.13
Premera Med Supp F Retired	\$ 88.58	\$ 93.15
Premera Med Supp F Disabled	\$ 146.08	\$ 153.98

\*Employer contribution limited to the lesser of \$182.89 or 50% of plan premium.

## Proposed Meeting Dates 2010-2011

### 2010

August 18  
September 15  
October 20  
November 17  
December 15

### 2011

January 12 (board retreat)  
February 16  
March 16  
April 20  
May 18  
June 15  
July 6  
July 20