



**Washington State
Health Care Authority**

Public Employees Benefits Board

August 18, 2010 Meeting

Public Employees Benefits Board

August 18, 2010

1:00 – 3:00 p.m.

Health Care Authority
Sue Crystal Center
676 Woodland Square Loop Southeast
Lacey, Washington
Conference call-dial in 1-877-597-2663, conference ID 9771860

1:00 p.m.	Welcome and Introductions	Doug Porter	
1:05 p.m.	Approval July 21, 2010, meeting minutes	Doug Porter	Action
1:10 p.m.	PEBB Redesign Project	John Williams	Information
1:25 p.m.	UMP Expenditure Categories for 2009	Shawna Lang John Williams	Information
2:50 p.m.	Public Comment		
3:00 p.m.	Adjourn		

The Public Employees Benefits Board will meet Wednesday, August 18, 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.

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

July 21, 2010
Legislative Building, Columbia Room
Olympia, WA
1:00 p.m.

Members Present:

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

Call to Order

Doug Porter, Chair, called the meeting to order at 1:00 p.m. Sufficient members were present to allow a quorum.

Approval of July 14, 2010, PEBB Meeting Minutes

It was moved and seconded to approve the July 14, 2010, PEB Board meeting minutes. Minutes approved by unanimous vote.

Annual Rule Making Policy Resolution

The resolution was moved and seconded. The board voted to approve the following:
Resolved that children of any age with disabilities who are incapable of self support are eligible provided such condition occurs before age 26.

No public comment received.

Voting to approve: Mr. Devereux, Ms. Santos, Ms. Stanley, Ms. Prielipp, Ms. Rench
Voting no: none

Ms. Mary Fliss and Ms. Barb Scott presented information to the board related to the annual rule making.

Procurement Resolution 1

The resolution was moved and seconded. The board voted to approve the following:
Resolved that the PEB Board endorses HCA removing the Aetna PEP Plan from PEBB, beginning January 1, 2010.

No public comment received.

Voting to approve: Mr. Devereux, Ms. Santos, Ms. Stanley, Ms. Prielipp, Ms. Rench
Voting no: none

Procurement Resolution 2

The resolution was moved and seconded. The board voted to approve the following:
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.

No public comment received.

Voting to approve: Mr. Devereux, Ms. Santos, Ms. Stanley, Ms. Prielipp, Ms. Rench
Voting no: none

Procurement Resolution 4

The resolution was moved and seconded. The board voted on the following:
Resolved that the PEB Board approved the Active Employee Contributions for the GHC Classic Plan, the GHC Value Plan, the Kaiser Classic Plan, and the Uniform Medical Plan.

No public comment received.

Voting to approve: Ms. Stanley, Ms. Santos, Mr. Porter
Voting no: Mr. Devereux, Ms. Prielipp, Ms. Rench

The board moved into a ten-minute recess. Ms. Tate joined the meeting via telephone.

Reconsideration of Procurement Resolution 4

It was moved and seconded to reconsider the motion regarding procurement resolution 4. The board voted on the reconsideration.

No public comment received.

Voting to approve: Ms. Tate, Ms. Stanley, Mr. Porter, Ms. Santos
Voting no: Mr. Devereux, Ms. Prielipp, Ms. Rench

Procurement Resolution 4

The resolution was moved and seconded. The board voted to approve the following:
Resolved that the PEB Board approved the Active Employee Contributions for the GHC Classic Plan, the GHC Value Plan, the Kaiser Classic Plan, and the Uniform Medical Plan.

No public comment received.

Voting to approve: Ms. Tate, Ms. Stanley, Mr. Porter, Ms. Santos
Voting no: Mr. Devereux, Ms. Prielipp, Ms. Rench

Procurement Resolution 5

The resolution was moved and seconded. The board voted to approve the following:
Resolved that the PEB Board approves the maximum \$182.89 Employer Medicare Contribution set forth in the legislative budget appropriation.

No public comment received.

Voting to approve: Ms. Tate, Ms. Stanley, Mr. Devereux, Ms. Santos, Ms. Prielipp, Ms. Rench
Voting no: none

Procurement Resolution 3

The resolution was moved and seconded. Ms. Stanley offered an amendment to modify the wording of the resolution, which was seconded. The board voted to approve the amendment striking the words, "and Aetna PEP" from the resolution. The amendment was moved and seconded. The board voted to approve the following:
Resolved that the PEB Board approves Non-Duplication of Benefits for UMP Non-Medicare Plans.

No public comment received.

Voting to approve: Ms. Tate, Ms. Stanley, Ms. Santos, Ms. Prielipp, Ms. Rench
Voting no: Mr. Devereux

Ms. Prielipp noted that retirees typically already spend one quarter of their pension on health care benefits and are on a fixed income. Ms. Prielipp requested that the board consider future redesign of all plans for retirees. She said that non-Medicare retirees are paying for large increases and that a redesign consideration should be pursued to help retirees with health care costs.

Proposed Meeting Dates 2010-2011

Mr. John Williams presented proposed meeting dates for the rest of calendar year 2010 and for calendar year 2011 for board consideration.

Public Comment

None received.

The meeting was adjourned.

Respectfully submitted,

Doug Porter, Chair

August 18, 2010 PEBB Board Meeting Presentation**HCA STRATEGIC INITIATIVE: PEBB PORTFOLIO REDESIGN****Scope:**

- A. Provide a plan to proceed with redesigning the PEBB program, including identifying needed legislation to support the redesign. Include in the redesign elements that address:
 - 1. Enhancing wellness programs;
 - 2. Improving targeting of specific diseases and keeping patients on effective therapies;
 - 3. Using a combination of financial carrots and sticks to influence behavior and outcomes;
 - 4. Pooling insurance – teachers, local governments.
- B. Support recommendations of the DRS Pension Review Committee on matters relating to retirees.

Desired Outcomes:

- A. The PEBB program offers an array of affordable health-related insurance products that supports participating members to improve and maintain individual health status, access effective quality health care services consistent with individual needs, and provide a financial safety net against catastrophic acute incidents and chronic health conditions.
- B. The redesign addresses the short-term need to manage annual expenditure increases over a one to five year period and begins moving PEBB toward the long-term goal to achieve lasting reduced cost trends for the future through fundamental health care reform.

Focus: For purposes of focusing the redesign effort to maximize positive impact, the initial effort will deal with employer-sponsored medical and pharmacy benefit plans.

Objectives: The redesign project will strive to:

- A. Address the existence of three member groups: active employees, retirees not eligible for Medicare, and Medicare-eligible retirees, and takes into account similarities and differences among the three groups.
- B. Favor high value services, high value products, and high value behaviors on the part of the State as the purchaser, the contracted PEBB vendors as the payers, the in-network and out-of-network providers as the care delivery system, and the plan members as the consumers. Conversely, the redesign removes or reduces low value services, products, and behaviors.
- C. Provide a balanced approach to effectively and efficiently serving members across the spectrum of health status from the healthy individual to the individual experiencing advanced stages of illness and disease.
- D. Provide a balance between an acceptable level of employer financial investment in the health and productivity of public employees (State, K-12, local jurisdictions, etc.) and an acceptable level of member investment in managing individual health and effective financial management of the health plans.

- E. Proactively address the health literacy of PEBB members to enable meaningful understanding of the medical plans and products offered and the associated benefit design features and to create an awareness of the need for members to be actively engaged health care consumers.
- F. Integrate with other State efforts to improve employee wellness and productivity.

Redesign Approach:

- A. The Uniform Medical Plan will be the single PEBB self-insured medical plan for this redesign and may have multiple product variations within the plan.
- B. Regence BlueShield of Washington will serve as the Uniform Medical Plan single third party administrator through the term of its contract with HCA. The contract will cover all products created within the Uniform Medical Plan under this redesign.
- C. The Group Health Medical Plan will be the primary PEBB fully-insured medical plan for this redesign and may have multiple product variations with the plan.

PEB Board Participation:

- A. Individual member participation in design discussions (1-3 members per workgroup)
- B. Board retreat discussion and endorsement of core portfolio structure.
- C. Board input to 2012 bid rate setting instructions.
- D. Board approval of 2012 PEBB benefit plan designs.

UMP Non-Medicare Population Expenditures

Aug. 18th PEB Board Meeting

All figures shown are for CY 2009
UMP Non-Medicare Members

2009 UMP Member Cost Sharing

	Individual 2009	Family 2009
Monthly Employee Premium	\$26	\$82
Annual Employee Premium	\$312	\$984
Annual Medical Deductible	\$200	\$600
Coinsurance After Deductible	10%	10%
Copayment (deductible does not apply)	ER: \$75 Facility Inpatient: \$200/day \$600 max	ER: \$75 Facility Inpatient: \$200/day \$600 max
Annual Out of Pocket Maximum	\$1,500	\$3,000

All figures shown are for CY 2009
UMP Non-Medicare Members

2009 UMP Pharmacy Cost Sharing

Annual Rx Deductible (applies to Tier 2 & 3 only)	\$100 per person	\$300 per family
Tier Level	Network Pharmacy (up to a 90-day supply)	Mail-Order Pharmacy (up to a 90-day supply)
Tier 1 Generic drugs	10% No deductible	\$10 copay No deductible
Tier 2 Preferred brand-name drugs	30%	\$50 copay
Tier 3 Non-preferred brand-name	50%	\$100 copay
Specialty Drugs — Limited to a 30-day supply.		Bioscript Mail-Order Pharmacy
Tier 1 – Preferred	N/A BioScrip mail order only	\$10 copay No deductible
Tier 3 – Non-preferred	N/A BioScrip mail order only	\$100 copay Deductible applies

All figures shown are for CY 2009
UMP Non-Medicare Members

2009 UMP Non-Medicare Stats

Total Plan Costs for NonMedicare (includes Medical and Pharmacy):

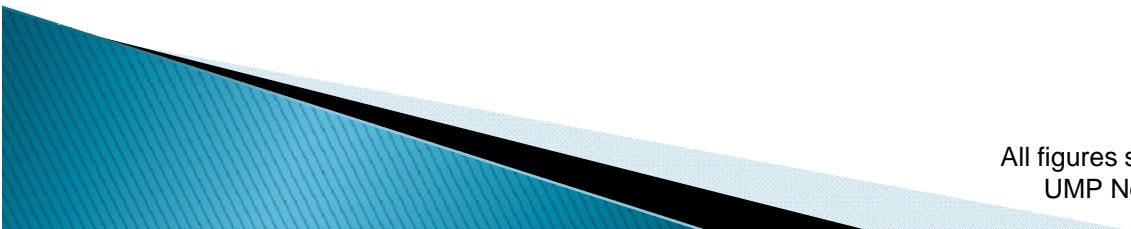
CY 09	Allowed Amount	Total Membership	Member Share
UMP Total (Medical and Rx)	\$798,785,559	166,156	\$139,488,916.17
Medical	\$677,498,623		
Pharmacy	\$121,286,936		
Average Member Allowed	\$4,807		
Average Member Share	\$840		
Average Member Medical	\$4,077		
Average Member Rx	\$730		

*Allowed Amount Includes plan payment and patient payment

*Mbr Share= coins+copay+deductible+denied

All figures shown are for CY 2009
UMP Non-Medicare Members

Annual Medical Costs



All figures shown are for CY 2009
UMP Non-Medicare Members

Distribution of Annual Medical Costs (Allowed Amount)

UMP, NonMedicare, Medical Only, CY 09

Allowed Amount	# of Mbrs with Claims Costs	Total Medical Claims Costs (Allowed)	Total Mbr Share	% of Total Mbrs	% of Total Medical Claims Costs	% of Total Member Share
\$0	16,949	\$0	\$0	10%	0%	0%
\$1-\$499	41,374	\$9,724,043	\$6,757,502	25%	1%	6%
\$500-\$999	24,585	\$17,903,711	\$7,548,583	15%	3%	7%
\$1,000-\$4,999	55,728	\$132,872,476	\$34,611,464	34%	20%	30%
\$5,000-\$14,999	19,799	\$166,426,121	\$33,841,618	12%	25%	29%
\$15,000-\$39,999	5,492	\$129,366,348	\$18,452,101	3%	19%	16%
\$40,000-\$99,999	1,640	\$98,623,757	\$8,605,859	1%	15%	7%
\$100,000+	589	\$122,582,167	\$5,268,105	0.4%	18%	5%
Totals	166,156	\$677,498,623	\$115,085,232			

All figures shown are for CY 2009
UMP Non-Medicare Members

Discussion: Characteristics of Annual Medical Cost Distribution

2009 UMP Non-Medicare	Allowed Medical Cost
Low	\$0-\$499
	\$500-\$999
Moderate	\$1,000-\$4,999
	\$5,000-\$14,999
High	\$15,000-\$39,999
	\$40,000-\$99,999
	\$100,000+

All figures shown are for CY 2009
UMP Non-Medicare Members

Low Cost – \$0 to \$999

A. 5,384 members using only preventive services (3.2% of membership)

- Total claims costs under \$1,000
- No member out-of-pocket costs (deductible = \$0)
- State share for preventive services 100%

B. 25,743 members with out-of-pocket costs of \$1–\$200 plus preventive services (15.5% of membership)

- Total claims under \$1,000
- Member out-of-pocket costs between \$1–\$200 (deductible)
- State share for preventive services 100%

C. 34,832 members with out-of-pocket costs more than \$200; possibly with preventive services (21.0% of membership)

- Total claims under \$1,000
- Member out-of-pocket costs > \$200 (deductible plus some co-insurance)
- State share for preventive services 100%

Moderate Cost – \$1,000 to \$14,999

- A. Subscribers–only have paid full deductible and are in co–insurance period (out–of–pocket maximum not yet met.)
- B. Subscribers with spouses and/or dependents have paid full deductible and are in co–insurance period (out–of–pocket maximum not yet met.)

- ❖ Examples of services

- Deliveries without complications and healthy baby
- Bladder removal
- Appendectomies
- Multiple therapeutic sessions for a single condition
- Hysterectomies
- Simple orthopedic procedures
- Re–occurring diabetic office visits – chronic condition (adults)
- Re–occurring asthma office visits – chronic condition (children)

High Cost – \$15,000 to \$39,999

A. Subscribers–only have paid full deductible and have reached out-of-pocket maximum.

State share at 100%

B. Subscribers with spouses and/or dependents have paid full deductible and are in upper end of co-insurance period (out-of-pocket maximum not yet met.)

State share at 90%; Member share at 10%

❖ Examples of services

- Knee and Hip Replacements
- Bariatric Surgery
- Inpatient stay for serious mental health condition

High Cost – \$40,000 to \$100,000+

All categories of subscribers reach out-of-pocket maximum by approximately \$60,000 and then all costs are paid by State.

(State share at 100%)

❖ Examples of services (\$40,000 – \$99,999)

- Transplants
- Cancer treatment
- Serious cardiac events
- Surgical procedures with complications

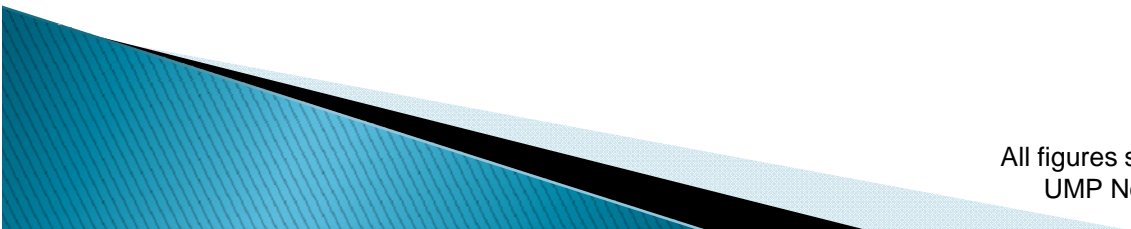
❖ Examples of services (\$100,000+)

- Extended intensive care unit stay
- Dialysis
- Pharmaceutical injections and infusions for auto-immune diseases, HIV
- Hepatitis C
- Newborns with medical conditions

Medical 5 / 52: Overview

2009 UMP Non-Medicare

- ▶ 5% of the population / driving 52% of medical costs
- ▶ > \$15,000 or more per year / per member
 - 7,721 Members = 5% of total membership
 - \$350,572,271 = 52% of total allowed medical costs
 - \$45,405 PYPM spent per HC member
 - \$4,077 PYPM spent per average member



All figures shown are for CY 2009
UMP Non-Medicare Members

Medical 5/52: Inpatient

UMP 2009 Non Medicare

Hospital Inpatient Medical Procedures of the 5/52 group	Total Allowed
Spinal Fusions	\$8.5 Million
Knee Replacements	\$6 Million
Cardiac Procedures	\$4.5 Million
Hip Replacements	\$4.5 Million
Ventilator	\$3 Million
Blood Infections	\$2.5 Million
Severe Mental Conditions	\$2.5 Million
Respiratory Disorders	\$2 Million
Liver and Pancreas Disorders	\$1 Million
Bariatric Surgeries	\$1 Million

All figures shown are for CY 2009
UMP Non-Medicare Members

Medical 5/52: Outpatient

UMP 2009 Non Medicare OP Hospital

Hospital Out Patient Medical Procedures of the 5/52 group

Total Allowed

Hospital Out Patient Medical Procedures of the 5/52 group	Total Allowed
Infused Drugs	\$6 Million
Radiation Treatment	\$4 Million
Cardiac Procedures (Stents, Caths)	\$2 Million
ER Visits	\$2 Million
Office Visits	\$2 Million
Electrophysiology Evaluations	\$1 Million
CT Scans	\$1 Million

All figures shown are for CY 2009
UMP Non-Medicare Members

Medical 5/52: Professional

UMP 2009 Non-Medicare Professional

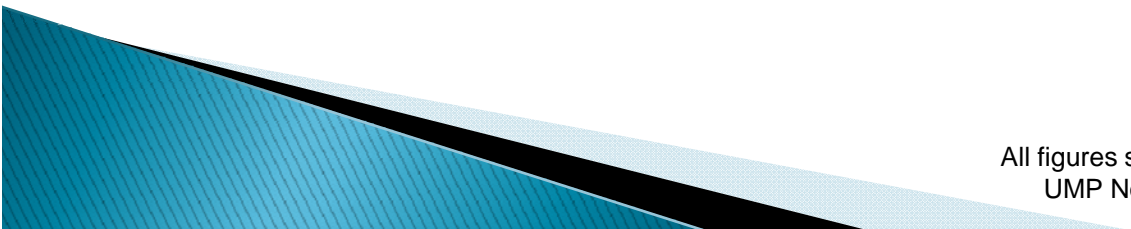
Professional Medical Procedures of the 5/52 Group

Total Allowed

Professional Medical Procedures of the 5/52 Group	Total Allowed
Office Visits	\$6.5 Million
Infused Drugs	\$6.5 Million
Physical Therapy	\$4 Million
Psych Visit	\$2 Million
Massage Therapy	\$1 Million
ER Visits	\$1 Million

All figures shown are for CY 2009
UMP Non-Medicare Members

Annual Pharmacy Costs



All figures shown are for CY 2009
UMP Non-Medicare Members

Distribution of Annual Pharmacy Costs (Allowed Amount)

**UMP,
NonMedicare,
Pharmacy Only, CY
09**

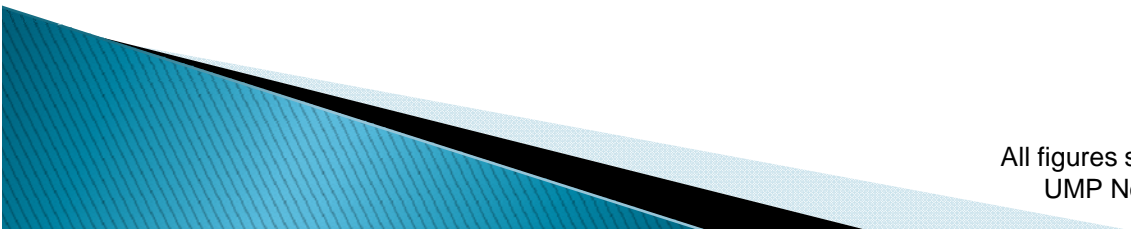
Allowed Amount	# of Mbrs with Claims Costs	Total Rx Claims Costs	Total Mbr Share	% of Total Mbrs	% of Total Rx Claims Costs	% of Total members here
\$0-\$499	77,544	\$10,487,807	\$3,060,904	47%	9%	13%
\$500-\$999	14,089	\$10,124,985	\$3,065,446	8%	8%	13%
\$1,000-\$1499	7,529	\$9,258,687	\$2,733,340	5%	8%	11%
\$1,500-\$1999	4,729	\$8,184,287	\$2,314,665	3%	7%	9%
\$2,000-\$3,000	5,375	\$13,132,253	\$3,471,064	3%	10%	14%
\$3,000-\$3,999	3,023	\$10,438,799	\$2,507,579	2%	9%	10%
\$4,000-\$4,999	1,798	\$8,016,409	\$1,756,661	1%	7%	7%
\$5,000-99,999	4,465	\$51,643,710	\$5,494,025	3%	43%	23%
Totals	118,552	\$121,286,936	\$24,403,684			

All figures shown are for CY 2009
UMP Non-Medicare Members

Pharmacy 4/50: Overview

2009 UMP Non-Medicare

- ▶ 4% of population/driving 50% of Pharmacy costs
- ▶ > \$4,000 or more per year / per member
 - 6,263 Members = 4% of total membership
 - \$59,660,119 = 50% of total allowed pharmacy costs
 - \$9,525 PYPM HC member
 - \$730 PYPM average member



All figures shown are for CY 2009
UMP Non-Medicare Members

Pharmacy 4/50 Therapeutic Classes

UMP 2009 Non Medicare Pharmacy

Therapeutic Classes of the Pharmacy 4/50 Group	Total Allowed
Auto Immune Medications to treat RA, Crohns, Lupus	\$9 Million
Medications to treat Multiple Sclerosis	\$6 Million
Insulin	\$3 Million
Narcotics	\$2 Million
Proton Pump Inhibitors (Reduction of gastric acid)	\$2 Million
Antidepressants	\$2 Million
Anticonvulsants	\$1.5 Million
Antipsychotics	\$1.5 Million
Medication to Treat ADD/ADHD	\$1.5 Million

All figures shown are for CY 2009
UMP Non-Medicare Members

Meeting Dates 2010-2011
Health Care Authority
Sue Crystal Center
1:00-3:00 p.m.

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