



**Washington State
Health Care Authority**

Public Employees Benefits Board

May 20, 2009 Meeting



Public Employees Benefits Board Meeting

May 20, 2009

1:00 p.m. – 3:00 p.m.

Health Care Authority
Sue Crystal Center
Lacey, Washington

Table of Contents

Meeting Agenda	1-1
Member List.....	1-2
Meeting Minutes April 15, 2009	2-1
Annual Rule Making Brief	3-1
UMP 2010 Brief	4-1
Budget Overview	5-1
Procurement Update	6-1
Meeting Schedule 2009.....	7-1

AGENDA

Public Employees Benefits Board

May 20, 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 April 15, 2009, meeting minutes	Steve Hill	Action
1:10 p.m.	Annual Rule Making Brief	Mary Fliss Barb Scott	Action Information
	<ul style="list-style-type: none"> • Policy Resolutions • Employee Eligibility Implementation 		
1:30 p.m.	2010 UMP Brief	John Williams	Information
1:50 p.m.	Budget Overview	Marilyn Wilfong Kim Grindrod	Information
2:20 p.m.	Procurement Update	Elin Meyer Janet Peterson	Information
2:50 p.m.	Public Comment		
3:00 p.m.	Adjourn		

The Public Employees Benefits Board will meet Wednesday, May 20, 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.

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 May 20, 2009, 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
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
(vacant)	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
Phil Karlberg* Arlington Public Schools 315 N French Ave Arlington WA 98223 V 360-593-6275	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
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 15, 2009
Health Care Authority
Lacey, WA
1:00 p.m.

Members Present:

Steve Hill
Greg Devereux
Robert Porterfield
Eva Santos
Lee Ann Prielipp
Yvonne Tate

Members Absent:

Penny Palmer
Margaret Stanley

Call to Order

Steve Hill, Chair, called the meeting to order at 1:15 p.m. Mr. Hill said that the board met in Executive Session to consider proprietary or confidential non-published information related to development, acquisition, of implementation of state purchased health care services as provided in RCW 41.05.026. The Executive Session began at 11:30 a.m. and concluded at 1:00. p.m. No action, as defined in RCW 42.30.020(3), was taken during Executive Session. Sufficient members were present to allow a quorum. Audience and board self-introductions followed.

Approval of February 18, 2009, PEBB Meeting Minutes

It was moved, seconded, and carried to adopt the February 18, 2009, PEBB Board meeting minutes.

Annual Rule Making Brief

Ms. Mary Fliss and Ms. Barbara Scott, Public Employees Benefits Board (PEBB) Program, gave board members and overview of Health Care Authority's (HCA) annual rule making action. The board will be provided policy proposals related to implementation of state and federal legislation, technical corrections to administrative rules, domestic partner eligibility, and dependent enrollment, and asked to vote on them at the May 2009 board meeting.

Budget Impact

Mr. Richard Onizuka, HCA, presented highlights of the 2009-2011 budget proposals.

PEBB Market Focused Division Brief

John Williams, HCA, gave board members an updated on HCA's organizational changes.

Public Comment

No public comment received.

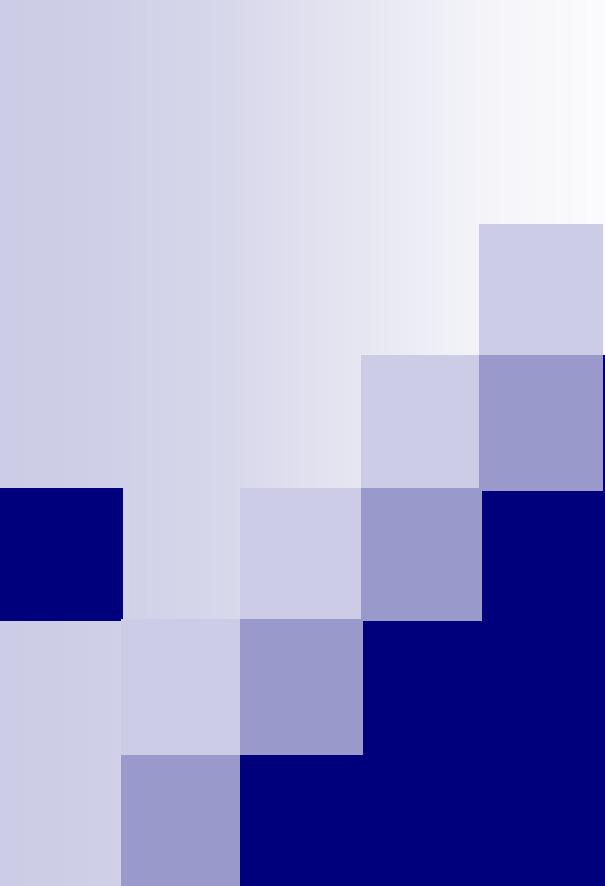
Steve Hill announced that the July 22, 2009, PEBB meeting has been moved to Monday, July 20, 2009.

The meeting was adjourned.

Respectfully submitted,

Steve Hill, Chair

DRAFT



PEBB Annual Rule Making

May 20, 2009

Purpose of this briefing

- Board action: Vote on resolutions of policies presented April 15

- Information: Legislation affecting PEBB eligibility
 - Domestic Partner
 - Employee

Policy Resolutions

Legislation Affecting PEBB Eligibility

- Domestic Partner Eligibility
 - PEBB required to recognize state registered domestic partners, including opposite sex partners 62 or older
 - Annual open enrollment for 2010

Legislation Affecting PEBB Eligibility

- Employee Eligibility: Policy Development
 - Identify required policy decisions
 - Stakeholder proposed policies
 - Bring recommendations to Board June 24
 - Bring resolutions to Board July 8

Legislation Affecting PEBB Eligibility

- Employee Eligibility: Operational Implementation
 - Create comprehensive training kit for agencies
 - Create member communications
 - Create system to track employees not receiving benefits
 - Create a review and feedback loop with agencies on eligible/non-eligible employees
 - Determine imposition of penalties on agencies as authorized by the Board

Next Steps

- June - Policy recommendations related to employee eligibility
- July – Resolutions for proposed eligibility policies
- August – File proposed amendments and new rules
- September – Public hearing & adopt final rules
- January – Effective date of new and amended rules unless otherwise necessary to implement legislation

Materials to be distributed at meeting.

**09-11 PEBB Benefits Budget (Fund 721)
Governor's Budget Request**

Section 912 - Compensation Insurance Benefits

Subsection (1)	Funding Rates*	
	FY 2010	\$ 774.00
	FY 2011	\$ 831.00

	V2.0 Gov. Leg Budget Request		
	FY2010	FY2011	Biennial Total
REVENUES			
State Agency Revenue	\$ 1,090,086,120	\$ 1,170,363,780	\$ 2,260,449,900
State Employee Contribution	122,860,855	135,854,530	258,715,385
Other Active Revenue (K-12, Political Subdiv	141,842,627	155,244,768	297,087,395
Retiree Premiums	236,849,722	258,554,315	495,404,038
Other Self Pay Premiums (COBRA, LWOP/R	7,509,069	8,019,100	15,528,169
Other Revenue (Non PEBB K-12 Remittance	77,420,289	84,651,936	162,072,225
	\$ 1,676,568,682	\$ 1,812,688,430	\$ 3,489,257,112

Notes:

*The "Funding Rate" includes revenue for Medical, Dental, Life, Long Term Disability, Retiree Subsidies and Agency Administrative Costs on a fiscal year basis.

Final Budget

Section 914 - Compensation- Insurance Benefits

Subsection (1)(a)	Funding Rates	
	FY 2010	\$ 745.00
	FY 2011	\$ 768.00

	Change from V2.0 Gov, Budget Request			% Change from Gov's budget
	FY2010	FY2011	Biennial Total	
REVENUES				
State Agency Revenue	\$ (40,843,020)	\$ (88,727,940)	\$ (129,570,960)	-6%
State Employee Contribution	(4,786,439)	(12,571,933)	(17,358,372)	-7%
Other Active Revenue (K-12, Political Subdivisi	(4,838,025)	(12,426,507)	(17,264,532)	-6%
Retiree Premiums	(7,059,310)	(19,148,307)	(26,207,617)	-5%
Other Self Pay Premiums (COBRA, LWOP/RIF	(237,452)	(622,989)	(860,442)	-6%
Other Revenue (Non PEBB K-12 Remittance, I	(998,486)	(3,184,136)	(4,182,622)	-3%
Shortfall	\$ (58,762,731)	\$ (136,681,813)	\$ (195,444,545)	-6%
Impact to CY 2010 Revenue	\$ (117,525,463)			

Plan Design Change Needed to Meet Budget

CY2010	Non-Medicare	
	Insured	Self-Insured
Premium Inflation	8.00%	7.00%
Plan Design Change	-7.41%	-6.54%
Resulting Premium Increase	0.00%	0.00%
CY2011	Non-Medicare	
	Insured	Self-Insured
Premium Inflation	8.00%	7.00%
Plan Design Change	-4.63%	-3.74%
Resulting Premium Increase	3.00%	3.00%

2010 PEBB Benefits Renewal Brief May 20, 2009

Medical, Dental, Life, and
Long-Term Disability

Washington State Health Care Authority

Overview of Today's Discussion

- Baseline Bid Rates and Budget Implications
- Plan Design Options
- Board Feedback

2010 Proposed Rates & Budget Impact

Active and Non-Medicare Retiree Medical Procurement Baseline Bid & Budget Overview

Health Plan	Bid Rate Increase	Bid Rate		Enrollment
		2009	2010	
Group Health Classic	Redacted	\$502.41	Redacted	46,759
Group Health Value	Redacted	\$420.07	Redacted	43,751
Kaiser Classic	Redacted	\$470.51	Redacted	4,246
Kaiser Value	Redacted	\$427.79	Redacted	725
Aetna PEP Classic	Redacted	\$507.35	Redacted	23,738
Uniform Medical Plan	Redacted	\$421.16	Redacted	142,082
Weighted Average Budgeted Rate Increase: 0.0%				
Weighted Average Bid Rate Increase: 8.7%				
Budget Variance: (\$104,558,000)				

Medicare Medical Procurement Budget and Bid Rate Overview

Health Plan	Bid Rate Increase	Bid Rate		Enrollment
		2009	2010	
Group Health Classic	Redacted	\$272.44	Redacted	15,531
Group Health Value	Redacted	\$241.45	Redacted	2,716
Kaiser Classic	Redacted	\$330.45	Redacted	2,090
Kaiser Value	Redacted	\$265.90	Redacted	161
Secure Horizons Classic	Redacted	\$360.14	Redacted	2,688
Secure Horizons Value	Redacted	\$276.99	Redacted	173
Premera Med Supp E	Redacted	\$132.24	Redacted	2,634
Premera Med Supp J	Redacted	\$191.06	Redacted	3,577
Aetna PEP Classic	Redacted	\$379.08	Redacted	2,076
Uniform Medical Plan	Redacted	\$327.87	Redacted	42,649
Weighted Average Budgeted Rate Increase:		0.3%		
Weighted Average Bid Rate Increase:		1.0%		
Budget Variance:		(\$1,617,000)		

Dental Bid and Budget Overview

Plan Name	Bid Rate Increase
DeltaCare	0.0%
Willamette Dental	8.5%
Uniform Dental Plan	6.8%
Weighted Average Budgeted Rate Increase: 8.0%	
Weighted Average Bid Rate Increase: 6.6%	
Budget Variance: 1.4%	

Life Insurance and Long Term Disability Bid and Budget Overview

Plan Name	Bid Rate Increase	Budget Variance
ING	0%	0%
Standard	0%	0%

Plan Design Options

Aetna Public Employees Plan

- 2010 bid rate for Aetna PEP results from high medical utilization in the plan
- PPO design: Members are not required to coordinate care through a Primary Care Physician
- \$10 Office Visit copay is not typical for this type of PPO plan design
- For design like current Value Plans (Option A), premium of \$582.75 is still very high
- Option B has much higher cost-sharing than other PEBB plans, but costs more than UMP
- Neither option will be attractive to enrollees
- Option A increases PEBB funding needs by around \$20M more than Option B

Option A, \$582.75 premium: -6.2% decrease from bid rate		
	2009	2010
Deductible	No Deductible	\$100/\$300
Office Visit Copay	\$10	\$20
Outpatient Hospital	\$100	10%
Inpatient Hospital	\$200/day;\$600/yr	\$200/day; \$600 yr
ER Copay	\$75	\$150
Out-of-pocket Maximum	\$750/\$1500	\$1500/\$3000

Option B, \$500 premium: -19.3% decrease from bid rate		
	2009	2010
Deductible	No Deductible	\$500/\$1500
Office Visit Copay	\$10	\$50
Outpatient Hospital	\$100	20%
Inpatient Hospital	\$200/day;\$600/yr	\$500/day; \$1500 yr
ER Copay	\$75	\$200
Out-of-pocket Maximum	\$750/\$1500	\$2000/\$4000

Scenario 1

Non-Medicare Health Plan Assumptions:

- GHC/Kaiser Classic Plans assume Value Plan Design/2010 Bid Rates
- GHC/Kaiser Value Plans capped at 2009 bid rates (no increase)
- UMP @ a 3% Increase from 2009 Bid Rate
- Aetna Copay Plan premium @\$500

UMP Preliminary Cost Sharing Design: -3.7% Decrease From Bid Rate		
	2009	2010
Medical Deductible	\$200/\$600	\$250/\$1500
Network Coinsurance	10%	15%
Inpatient Hospital	\$200/day;\$600/yr	No change
ER Copay	\$75	\$75
Out-of-pocket Maximum	\$1500/\$3000	\$2000/\$4000
Non-Network Coinsurance	40%	No change

COMMENTS

Eliminates current Classic Plan design

Retains a high and low plan option for Group Health and Kaiser

Supports sustainability of the high option by reducing premium spread between plans

Minimizes the impact on UMP plan design

Scenario 2

Non-Medicare Health Plan Assumptions:

- No 2010 Bid Rate Increase From UMP and Insured Plans
- Aetna Copay Plan premium at \$500

UMP Preliminary Cost Sharing Design: -6.5% Decrease From Bid Rate		
	2009	2010
Medical Deductible	\$200/\$600	\$300/\$900
Network Coinsurance	10%	20%
Inpatient Hospital	\$200/day;\$600/yr	No change
ER Copay	\$75	\$150
Out-of-pocket Maximum	\$1500/\$3000	\$2000/\$4000
Non-Network Coinsurance	40%	No change

COMMENTS

Significant premium spread between Classic/Value Plans may cause enrollees to leave Classic Plans.

Classic Plans would likely need to add a deductible to achieve targeted rate

Reduction from current plan design is similar for UMP, Group Health and Kaiser Plans; other than Aetna PEP, the impact is roughly proportional on all plan options

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 20, 2009

October 28, 2009 Board Retreat