

MISSOURI CONSOLIDATED HEALTH CARE PLAN
BOARD MEETING
JANUARY 28, 2010

Attending: Patrick Naeger, Chairman
Roslyn Morgan, Vice-Chairperson
Senator Frank Barnitz
Carla Owens Braziel
Senator Tom Dempsey
Margaret T. Donnelly
John Huff
Nikki Loethen
Representative Rob Schaaf
Kelvin Simmons
Representative Terry Swinger (via conference call)
Garry Taylor

Absent: Kaye Newsome

Others attending: Richard Bowles, Executive Director; Henry Curran, Associate Executive Director; June Striegel Doughty, General Counsel; Stacia Fischer, Chief Fiscal Officer; Darla Struempf, Sr. Administrative Specialist; Steve Walli, United Healthcare; Crystal Wessing, Budget and Planning; and visitors.

Mr. Naeger called the meeting to order and asked if anyone wished to address the Board for public comment period. Representative Terry Witte requested to address the Board. He is a Missouri State Representative from the 10th district, representing all of Pike County and parts of Lincoln, Montgomery, Audrain and Callaway Counties.

Representative Witte said he received one e-mail complaint in August 2009 regarding MCHCP's change from Mercy to United Healthcare. However, in December and January he received 48 e-mail complaints. The complaints center around members residing in Pike and Audrain Counties who have had the same providers for years and are unhappy that they have to change plans. Members must pay out of pocket expenses if they live in these two counties in order to receive services from Hannibal Regional Hospital or their clinics.

Representative Witte said some of the members were upset that employees at the Ozark Correctional Center were able to choose Mercy Health Plans. Mr. Bowles said a special open enrollment period to change to Mercy was held and only available to members in the southwest and south central regions. Additional regions or areas were not opened up for a second enrollment.

Mr. Curran said this issue will need more research, but he knows that United rents part of their network from First Health in that area. Mr. Walli said United Healthcare rents the First Health network in the northeast region because they were not contracted with Hannibal Regional Hospital. Members in Hannibal have access to providers at Hannibal Regional Hospital and their clinics. But, members in outlying counties will have issues using the First Health providers

due to the rental arrangement. United has recently contracted with some of the providers at the Hannibal clinics to deal with members in the outlying counties.

Mr. Walli said United is working on the issues and will provide additional information to the Board when it becomes available. Mr. Naeger said MCHCP will work with United on possible solutions to the issue.

Mr. Simmons made a motion to approve the minutes of the December 10, 2009, Audit Committee meeting. Ms. Braziel seconded. Motion passed unanimously.

Ms. Donnelly made a motion to approve the minutes of the December 10, 2009, Regular Board of Trustees meeting. Mr. Simmons seconded. Motion passed unanimously.

Ms. Donnelly made a motion to approve the minutes of the January 25, 2010, Appeals Committee meeting. Mr. Taylor seconded. Motion passed unanimously.

Mr. Bowles informed the Board that MCHCP has released a request for information to several Medicare insurance companies. Seven responses have been received. A request for proposal will be released after the February Board meeting and will be due on March 15, 2010. A contract will be awarded by April 22, 2010.

Mr. Bowles said a Medicare roundtable was held on January 21, 2010, at the MCHCP office which included the Department of Transportation, Department of Conservation, University of Missouri, MOSERS and the Department of Social Services. All members of the group have the same issues on how Medicare members are covered. He said he looks forward to presenting other opportunities for Medicare retirees.

In addition, MCHCP met with representatives from Medicaid regarding dual eligible members who receive services from both Medicaid and Medicare. There may be some way for MCHCP to cover these individuals as well, without an extra cost to the State of Missouri.

Ms. Fischer updated the Board regarding the MCHCP budget. The original department core request was \$435 million. That amount has been adjusted to \$432 million for transfers related to estimates projected by the Office of Budget and Planning for statewide employee headcounts. MCHCP retained the status of the "E" from the Governor's recommendation. However, the Governor chose not to recommend MCHCP's proposed cost to continue payment in the amount of \$9.9 million or the dental program payment in the amount of \$2.3 million.

The Governor recommended \$4.3 million related to autism. There was also a small adjustment of \$65,000 for reallocation of expense and equipment to personal service from Department of Natural Resources (DNR). The recommendation included an increase of \$4.9 million for cost to continue and a new personal service increase in the amount of \$5.7 million.

Senator Barnitz asked for an explanation of the DNR cost. Ms. Wessing, said that DNR moved some of their expense and equipment funds to personal service. The Division of Budget and Planning wants to ensure that there's enough money in the employee benefits budget for coverage of the personal service dollars.

Senator Barnitz asked if money is being pulled back into the employee benefits budget due to a transfer of the funds within DNR. Ms. Wessing agreed.

Senator Barnitz then asked for clarification regarding the amount of \$5.7 million for new personal service. Ms. Fischer said that MCHCP covers approximately 97% of all state employees. When new state employees are hired, it is not known whether they will elect coverage with MCHCP. This amount is based on an analysis conducted by Budget and Planning of all state budgets submitted to their office in October. Budget and Planning then estimates the number of employees who will elect coverage based on the information submitted to their office.

Senator Barnitz asked for further clarification. Ms. Wessing said their office uses estimated PMPM contribution rates to calculate the amount needed if new hires elect coverage with MCHCP.

Ms. Donnelly asked for a translation of that amount in terms of new hires. Ms. Wessing said she did not have that information with her today. However, this year the Governor's budget includes elimination of the federal budget stabilization positions and putting them into general revenue. So, even though they show up as new hires in the calculations, they are not necessarily new hires in state government.

Senator Barnitz asked for a comparison of this amount to the FY2010 amount. Ms. Fischer said the FY2010 amount was in the range of \$4 million for FY2010.

The Board then reviewed cash flow projections. On the CY2009 report, Ms. Fisher reported that state & member contributions are trending at the projected rates based on active enrollment of 42,797 members for the fourth quarter. Active enrollment in January 2010 is 42,931.

MCHCP continues to manage the trust for OPEB contributions related to retirees of the plan. In 2008, the Board approved a policy that moved MCHCP to a moderate investment approach with a goal to reach a 33% equity involvement. MCHCP is currently trending at approximately 19%, with 70% in fixed income and approximately 11% of those funds in T Bills. The weighted benchmark is 7.15% and MCHCP's performance through December 31, 2009, was 8.2%. Therefore, the MCHCP is realizing returns greater than the benchmark.

During November 2009, the Governor imposed funding restrictions related to OPEB. MCHCP will not receive additional contributions for the remainder of 2010, but may again receive funding during the next budget cycle.

Ms. Fischer reported that claims came in slightly higher than expected and for the calendar year through November 2009 trended at \$30.9 million. This amount is within 1% of the projected \$30.6 million.

Pharmacy costs are trending at \$7.7 million which is approximately 7% lower than expected. However, that trend may not continue.

The IBNR has been revised to reflect current enrollment and mature claims through the third quarter results. It has also been revised due to reopening of the fully insured plan in the southwest and south central regions.

Since 2010 is the first year of the contract with UMR, MCHCP does not yet have a report of January activity. The 2010 calendar year estimates reflect results of open enrollment, updated pricing of the UMR contract and reduced IBNR for the southwest and south central regions. Pharmacy rebates have been updated to reflect the most recent 2010 enrollment file. The Mercy memorandum of understanding is a new item which adds \$4 million (\$1 million for each of January, February, March and April 2010). That amount is reflected in cash projections.

The increase in MCHCP 2010 net assets is the result of updated pricing, a decrease of the IBNR estimate in the amount of \$6 million based on the southwest and south central arrangement, and the impact of the Mercy Memorandum of Understanding in the amount of \$4 million.

MCHCP has made no revenue estimates for the upcoming legislative activity after June 30, 2010, but will monitor the legislative process as hearings occur.

Mr. Bowles provided an update regarding contracts. Staff is addressing the issue of whether to move Pulaski County to the south central region. Negotiations continue with UMR before the contract is signed. MCHCP is auditing the current vendors/contractors to ensure that the plan is receiving the services outlined in the contracts.

Mr. Bowles informed the Board that Towers Watson would be holding a strategy session tomorrow (January 29) with MCHCP management staff and the Board chairperson and vice-chairperson. In preparing for the meeting, all MCHCP management previously submitted SWOT analyses of different scenarios for healthcare in order to determine the direction MCHCP needs to move. Following a conclusion summary of the meeting, an off-site retreat will then be scheduled for the full Board to determine the direction in which the Board wants to move.

Mr. Korbecki said MCHCP must determine what products and services to provide in the next three to five years.

Senator Dempsey asked if MCHCP will review the design of the High Deductible Health Plan. Mr. Bowles said MCHCP will look at what types of products should be offered rather than plan design.

Mr. Curran provided a legislative update.

- HB 1715 - Eliminates retiree healthcare coverage for those hired after January 1, 2012
- HB 1583 - Retiree incentive bill allows state employees who retire by September 1, 2010, to receive healthcare coverage at the same cost as active employees

Senator Barnitz asked how HB 1511 (Establishes the MO Science and Innovation Reinvestment Act and the MO Science and Innovation Authority) will impact MCHCP. Mr. Curran said state employees hired under this bill would be covered by MCHCP. Senator Barnitz said he believes these individuals are already employed by the state. Mr. Curran said he was under the assumption that they are not currently state employees.

Senator Dempsey asked about SB 715, which proposes to combine all state plans under the MCHCP. It was not included in the Board's legislative update, but he said it should be reviewed by staff.

Ms. Doughty informed the Board that MCHCP is preparing to promulgate a new rule which includes procedural changes to the appeals process. When the Appeals Committee met on January 25, 2010, they were in agreement with the rule changes.

The MCHCP receives two types of appeals: administrative and substantive. The MCHCP Board previously adopted guidelines and has agreed with decisions of the Appeals Committee according to these guidelines.

This rule change would promulgate the guidelines and authorize the staff to approve appeals which meet the guidelines. In the future, the Appeals Committee and Board would only consider appeals which do not meet the guidelines. This process will reduce the volume of appeals which are reviewed by the Appeals Committee and Board.

Substantive appeals are also addressed in the rules. These appeals involve individuals who are denied coverage of services through a provider or third party administrator (TPA). The member must exhaust two levels of appeal with their plan before the appeal is considered by MCHCP. The rule will acknowledge the 180-day limit placed on appeals by the TPA.

Since MCHCP has changed over the years from a fully insured plan to a self-insured plan, substantive appeals are now handled differently. When MCHCP was fully insured, the insurance company presented and defended their appeal decision before the Administrative Hearing Commission (AHC). The AHC would then issue a Findings of Fact and Conclusions of Law which was submitted to the Board.

Now that MCHCP is self insured, a case that comes to MCHCP after two rounds of appeal would be decided by the executive director. If the appeal then goes to the Board because the executive director recommends denial, Ms. Doughty would represent the MCHCP's self insured position in that hearing.

Following the hearing, the Board would need another attorney to advise them in their final deliberation.

Senator Barnitz made a motion to authorize the Executive Director to promulgate rules for 22 CSR 10-2.075 and 22 CSR 10-3.075 regarding the appeals process. Ms. Morgan seconded. Motion passed unanimously.

Mr. Naeger addressed the Board regarding his recent appointment to the MCHCP Board of Trustees. He said he was originally appointed by Governor Blunt in 2004 and served until this past year when he was reappointed by Governor Nixon. His reappointment must now be confirmed by the Senator from his district. However, he has learned that his senator will not sponsor him. Based on that information, this may be his last meeting. He said the plan has been through challenging times but he respects and admires all of the Board members and thanked them.

The Board discussed election of chairperson and vice chairperson. Mr. Bowles said that in the history of the MCHCP, secret ballots have only been used twice. But, according to the statutes a secret ballot must be used for elections. Ms. Donnelly agreed that the statutes call for a secret ballot. Ms. Doughty then read the MCHCP statute which states that elections must be conducted by secret ballot.

Dr. Schaaf nominated Ms. Morgan as chairperson of the MCHCP Board of Trustees.

Mr. Simmons made a motion to nominate Mr. Huff as chairperson of the MCHCP Board. Ms. Donnelly seconded.

Ballots were distributed to the Board. The ballots for chairperson were then collected and counted. Mr. Huff received nine votes and Ms. Morgan received two votes. Mr. Huff was elected as chairperson.

Mr. Simmons made a motion to nominate Ms. Morgan as vice-chairperson. Ms. Donnelly seconded. Motion passed unanimously.

Mr. Simmons made a motion that by acclamation, Ms. Morgan be elected as vice-chairperson of the MCHCP Board of Trustees. Senator Barnitz seconded. Motion passed unanimously.

Before the Board moved into executive session, Mr. Bowles recommended that the executive session portion of the meeting not be recorded by audio tape. Ms. Doughty said there is no procedure for handling recorded minutes, but there should be a provision for destruction of the recordings once the minutes have been prepared and approved.

Mr. Huff said he would recommend that MCHCP continue to record the executive session meeting and not make the change today. He further stated that he would recommend that the MCHCP staff draft a proposal for the Board's review regarding the destruction of the recordings after the minutes have been finalized.

As the new chairperson, Mr. Huff said he would like to thank Mr. Naeger for leading the Board and MCHCP and for keeping the plan strong.

Mr. Naeger made a motion to go into executive session to discuss approval of minutes, general counsel report, Appeals Committee report and personnel report. Ms. Donnelly seconded. A roll call vote was taken and the motion passed with Ms. Morgan, Senator Barnitz, Senator Dempsey, Ms. Donnelly, Mr. Huff, Ms. Loethen, Ms. Braziel, Dr. Schaaf, Mr. Naeger, Mr. Simmons, Mr. Taylor and Dr. Swinger in favor.

Upon return to open session, Mr. Taylor made a motion to adjourn. Ms. Donnelly seconded. Motion passed unanimously.