MISSOURI CONSOLIDATED HEALTH CARE PLAN
BOARD MEETING
JULY 28, 2016

Attending: Director John Huff (via conference call)
Representative Kip Kendrick (via conference call)
Mark Langworthy
Linda Luebbering
Director Peter Lyskowski (via conference call)
Senator David Sater
Viola Schaefer
Senator Scott Sifton (via conference call)

Absent: Chairperson Doug Nelson
Representative Caleb Rowden
Michael Warrick

Others attending: Judith Muck, Executive Director; Kim Backes, Research Coordinator; Denise Chapel, Director of Vendor Relations; Shelley Farris, Director of Benefit Administration; Stacia Fischer, Chief Financial Officer; Tammy Flaugher, Senior Administrative Specialist; Bethany Goodin, Member Services Manager; Garry Kornrumpf, Internal Auditor; Chris Lindsey, Wellness Operations Manager; Bruce Lowe, Chief Information Officer; Mia Platz, Communication and Publication Manager; Kimberly Radmacher, Clinical Services Supervisor; Jennifer Stilabower, General Counsel; Julie Watson, Chief Population Health Officer; and visitors.

Ms. Muck called the meeting to order. There were no public comments.

Ms. Luebbering made a motion to approve the open session minutes of the June 23, 2016, regular MCHCP Board of Trustees meeting. Ms. Schaefer seconded. Motion passed unanimously.

Ms. Muck presented the 2017 final plan design and rates. The 2017 draft plan design was reviewed at the June board meeting. Ms. Muck is not proposing any changes from what was discussed in June. In essence with minor adjustments, the 2017 plan design will mirror the 2016 plan design. The minor differences are focused on elimination of the disease management program. In addition, diabetic drugs would be available at one-half the applicable copayment and glucometer, test strips and lancets available at 100 percent for preferred provider organization (PPO) Plans and 100 percent after deductible is met for Health Savings Account (HSA) Plan members. Ms. Muck added the network options into the document for transparency. Again, if the board approves these

design options for the state plan options, we will mirror them as appropriate for the Public Entity (PE) offerings.

Senator Sater asked if this would be a good time to discuss the July 21, 2016, United States Court decision. Ms. Muck responded that this would be discussed in closed executive session.

Ms. Muck then discussed rates and contribution strategy. She began with the contribution strategy. This is the total premium rates developed by the actuary. They are final for actives and non-Medicare Retirees and have not changed from what was presented at the June board meeting. The rates for actives enrolled in the PPO Plans are increasing 2.3 percent and about 2.2 percent for the HSA Plan. Retirees without Medicare are remaining relatively flat with about a 0.3 percent decrease for those enrolled in PPO Plans and a 0.2 percent decrease for those enrolled in the HSA Plan.

Rates for Medicare retirees are still preliminary. The actuaries are waiting on information that is yet to be published by the Centers for Medicare and Medicaid Services (CMS) before they can finalize the Medicare retiree rates. Ms. Muck stated that the rates will not increase from where the preliminary rates are today. If anything they may decrease. Ms. Muck will ask the board to vote to approve the final rates for actives and non-Medicare retirees and that the board approve MCHCP staff to work with the actuary to finalize Medicare retiree rates without further board approval as long as they do not increase from the stated preliminary rates. Ms. Muck will report back to the board in August with the final Medicare rates. This allows MCHCP to go to print before late August and keeps us on track to get Open Enrollment (OE) materials ready.

Ms. Muck then discussed for the board the contribution strategy. Ms. Muck provided two active employees contribution strategies to the board for consideration. Both are based on the premise that the employee's portion of the premium remains flat. First, she presented the contributions that would be made by active employees that participate in the Tobacco-Free Incentive. If they fail to participate, $40 would be added to the employee's portion and another $40 would be added to the spouse's portion. The employee's portion is the same. MCHCP received about $2 million in our fiscal year (FY) 2017 budget for that purpose. MCHCP's portion will be going up to cover that 2.3 percent increase. For instance, the PPO 600 Plan MCHCP subsidy was $521 or about 92.71 percent of the premium for employee-only coverage. In 2017, MCHCP would pay $534 for that same coverage tier or about 92.87 percent of total coverage. The strategy is to keep the amount the employee is paying in 2016 and move it forward to 2017, with MCHCP using trust fund dollars to make up the difference. For FY 2017, that will be a little in excess of $32 million to fund the difference.

Mr. Langworthy joined the meeting.

For the next strategy, there is nothing different about the subsidies for the tiers with employee, employee and spouse, or employee with children. It is the tiers where the employee has added both spouse and children that we are asking the board to focus their attention. In our current model, if you add the HSA Plan tiers with Partnership Incentive for employee and spouse ($73) and employee and one child ($12), you have a total of $85 dollars. However, if you look at the rate for employee, spouse and one child, we are actually charging $102. A difference of $17. There is a similar story for the remaining tiers whether it is for the HSA Plan or PPO Plans. That difference has been in place for a number of plan years. Employees have inquired as to the reason for the difference. MCHCP researched and it dates back to 2004.

In 2004, the 92nd General Assembly, second regular session had specific instructions to MCHCP in regard to the state subsidies offered to employees. For employee only and employee with children, they instructed no more than 94 percent would be contributed by MCHCP of the low cost plan and employee/spouse and employee/family no more than 80 percent would be contributed by MCHCP of the low cost plan. With that instruction, the tiers that include employee, children and spouse were set to be roughly the same as employee and spouse. Since 2004, MCHCP has adjusted the actual percentages but never addressed the underlying premise that if an employee covered both children and spouse, they would receive less than if they separately covered their spouse or separately covered their children.

Ms. Muck reviewed the table with costs to active employees that have the premiums smoothed to adjust the premium to reflect an amount that would go to employees for their coverage, a separate amount for spouses, and a separate amount for children. MCHCP has taken the tiers for employee and spouse and combined the tier for employee and children and ensured that the member does not pay more if they choose to cover both their spouse and children than if they separately covered them. When looking at the HSA Plan for example, the employee pays $73 if they cover their spouse and $12 if they cover only one child. If they choose to cover both their spouse and their child, MCHCP would charge them $85 rather than $102. So for the HSA Plan we subsidize the employee at 100 percent, coverage for a spouse at roughly 89.5 percent, and at roughly 95 percent combining those we subsidize an employee, spouse and child at roughly 90 percent. (The subsidy percentage is dependent on the cost of the coverage of each type of dependent. So high costs of spouses, overshadows the cost of kids pulling the overall subsidy to a family coverage tier closer to coverage of a spouse). To smooth the subsidy for family coverage tiers will cost the plan a little less than $2 million.

Ms. Muck then reviewed the retiree and long term disability contributions. We are proposing no change to the formula as promulgated in rule – 2.5 percent per year of service capped at 26 or more years of service. The maximum subsidy would then be 65 percent. On average MCHCP contributes approximately 55

percent. Ms. Muck modeled it for those receiving the maximum subsidy so the board could see the impact to the final rates for those without Medicare and preliminary impact to those with Medicare. Again, those with Medicare may go down but will not increase from what is modeled before you. So a non-Medicare retiree with retiree-only coverage pays $328 for the PPO 600 Plan in 2016 if they participate in all the incentives and will pay $327 for the same coverage in 2017. A Medicare retiree with retiree-only coverage pays $113 for PPO 600 Plan coverage in 2016 and will pay $109 in 2017 for the same coverage. There is a similar impact for all other coverage tiers to both retirees and long-term disability subscribers.

Ms. Luebbering made a motion to approve the 2017 plan design and premiums as presented and to authorize the executive director to implement the Medicare retiree premiums when finalized by the actuary so long as the final premiums do not increase from the preliminary rates as presented to the board. In addition, active employee contributions shall be set at the same levels as 2016, except family coverage tiers shall be smoothed as described. Retiree contributions shall continue as promulgated in regulation. Senator Sater seconded. Motion passed unanimously.

Ms. Muck presented the contract renewal for Cerner who administers the *Strive for Wellness*® Health Center on MCHCP's behalf.

There are two remaining negotiated renewal options available. For 2017, Cerner has agreed to maintain the monthly management fees with no increase from 2016 and has a slight increase in monthly clinic costs for medical supplies that reflect actual cost experience. They are requesting it be moved from $4,816.67 to $5,500 per month, a difference of $683.33 per month.

With that change, the cost of the clinic will move from $472,957.86 annually to $481,157.82, a difference of approximately $8,200.

As discussed and agreed upon in recent board meetings, MCHCP is moving forward with expanding services to include behavioral health counseling services. For the beginning of 2017, MCHCP is proposing to have two providers, each available for 24 hours per week. Cerner has provided the pricing for us to include either the addition of two part-time licensed clinical social workers (LCSWs) or the addition of one part-time psychologist and one part-time LCSW. In addition, Cerner has offered pricing should MCHCP want to move to full-time access to the clinic later in the year.

Ms. Muck reviewed the part-time costs since that is what MCHCP will be using to begin this expansion. If we move to two LCSWs, we will increase our base cost by $204,657.84. This is an increase to the monthly management fees. There will be no increased monthly clinic costs as a result of this change. If we

move the mix to a psychologist and LCSW, the annual increase would be $217,048.32.

Ms. Muck originally estimated the increase to the monthly costs would be $200,000. Clinical staff are in the midst of evaluating which mix makes the most sense to move forward with this initiative.

It is staff's recommendation to renew the contract with Cerner for 2017 to continue existing services and to expand the clinic services to include counseling services. Given that the difference of costs between the two options on provider mix are so similar, we are asking that the board authorize the executive director to make that decision on which provider mix to proceed with for the clinic.

Ms. Luebbering asked if we had input on what the needs are surrounding behavioral health. Ms. Muck responded that based on services that members are accessing and the work that our clinicians have done — depression and anxiety disorders are a big concern of members. We are having that diagnosis at a higher rate than other states. Anecdotally there are issues with access to providers and appointments for availability. MCHCP is hoping that with the addition of these services, behavioral health care can be more readily available to members. Studies have shown that patients with these type of diagnoses tend to miss work at a higher rate, and if they have comorbid conditions those conditions are more severe than without those diagnoses. Depression and anxiety disorder is interfering with their ability to follow recommendation and treatment of their physical condition. Ms. Watson added that the third top visit diagnosis for the health center is a grouping of stress and anxiety disorders.

Senator Sifton asked if members would be accessing services via telehealth. Ms. Muck responded that these services would be provided in person.

Senator Sater asked if MCHCP had requests for psychological services. Ms. Muck added that we would be leaning in the direction of a psychologist/LCSW provider mix.

Senator Sater also asked if the members visit to the health center was introductory and then they would be referred. Ms. Muck responded that the member can seek counseling regularly for full counseling services at the health center. Ms. Watson added that the member can self-refer or be referred by an outside provider to receive these services at the health center. The services would be provided at the health center unless the member needed higher acuity care or to be admitted for services.

Ms. Luebbering stated that the salaries seemed a little higher than she anticipated and asked if the salaries were transparent to know how much was spent on salaries and administrative costs. Ms. Watson responded that MCHCP would have access to the health center's employee salaries.

Senator Sater made a motion to renew the contract with Cerner for 2017 to continue existing services and expand the clinic to include counseling services as presented. Mr. Langworthy seconded. Motion passed unanimously.

Ms. Muck discussed the participating higher education entity (PHEE) and request of Lincoln University.

As mentioned at the June board meeting, Senate Bill (SB) 997 was signed into law by Governor Nixon. A section of that bill provided that a PHEE may become part of the Plan by its own election. At the last board meeting, Ms. Muck indicated that MCHCP believed the soonest a higher education entity would come on board would be January of 2018. Since that time, Ms. Muck has met with Lincoln University who expressed an interest to join the Plan starting Jan. 1, 2017. At the time of the meeting, Lincoln University was interested in having their employees, and their dependents as well as retirees with a retiree effective date of Jan. 1, 2017 and their dependents. Lincoln University has sent a letter, which was provided to the board, expressing their interest in coming on to the plan effective Jan. 1, 2017. Lincoln University has indicated that they need a little more time to evaluate their options. They will complete their analysis next week. At that time, MCHCP staff is prepared to work with Lincoln University to bring them onboard Jan. 1, 2017, if that is their final decision. Ms. Muck will update the board in August of progress.

Ms. Muck also provided the board members with a draft regulation that MCHCP may be asking the board to approve next month so we may file with the Secretary of State and Joint Committee on Administrative Rules at that time.

The draft rule establishes time frames for joining the plan. An election letter is needed by August 1 for January 1 effective date. The public institution is responsible for eligibility of their employees and retirees and complying with laws pertaining to such.

The new language did not modify the board's responsibilities and it continues to have authority over the administration of the plan including benefits, plan design, rates, incentives and contribution levels of plan members and the employers.

The rule explains what happens to a PHEE for non-payment of contribution.

The legislation provides a first year adjustment should the population be substantially and materially different from the MCHCP population. At the end of the first year of coverage, MCHCP will ask our actuary to evaluate whether the population is substantially different and what the adjustment amount should be to be paid by the PHEE.

Finally, the draft rule outlines how to withdraw from the plan after five years.

The board briefly discussed how rates would be effected with the addition of Lincoln University.

At this time, Ms. Muck has not heard from any other entities expressing an interest in joining MCHCP.

Ms. Fischer presented the financial update. She highlighted the areas of interest for June 2016. The June column is noted as preliminary as it reflects our FY 2016 fiscal year end measurement period and we will have some more mature information related to rebates and a look back period for our claims Incurred But Not Reported (IBNR) estimates allowing us to provide an update to the fiscal year end June column in a future meeting.

Monthly state contributions from the employer of $32,548,466 and member contributions of $9,322,731 represents contributions from 53,455 subscribers and 96,036 covered lives for June 2016.

The Plan received $4,522,457 in rebates during the month of June for rebates associated with fourth quarter 2015 plan pharmacy activity. Of the $4.5 million, commercial segment rebates associated with our active and non-Medicare population totaled $3,190,939 and the remaining $1,331,518 was from our Employer Group Waiver Plan (EGWP) population.

Next in our investment section, most notably associated with our Other Post-Employment Benefits (OPEB) Trust for June, the total fund returned .46 percent net of fees with a portfolio equity concentration of 38 percent equities; fixed income of 60 percent and cash and cash equivalents of 2 percent. Total funds since inception have returned 7.38 percent; which reflects a full 1 percent over the weighted benchmark of 6.32 percent total fund.

Regarding yield strategy from the investment manager, the main market driver in June was Brexit. Equity markets were cautious heading into the June 23 vote and the immediate reaction was negativity. On June 28 equity markets pivoted higher, but volatility remained for June. Overall returns pushed downward by global markets falling more than 4 percent. US growth remains in the low 2 percent arena even before Brexit. The yield curve continues to flatten with short term rates falling slightly. Our investment strategy was to lower our equity exposure minimally in mid-June. We are continuing to monitor for reallocation to the global sector and did insert some cash in the intermediate sector of the bond market — targeting agency and corporate bonds.

Senator Sater had questions relating to our investment strategy and corporate bonds. Ms. Muck responded that we can provide a review of our investment strategy at a future meeting.

In our expense section, self-funded claims for June reported at $32,704,294 pacing with the updated actuarial projections for claims expense going forward.

Pharmacy expense for June was $11,454,925; continuing to pace as actuarially projected when compared to our net of rebate projections.

Next, there was no change in IBNR estimates as last month, paid claims through March 2016 were evaluated by the actuary for remaining quarterly calendar year 2016 and 2017 projections and were incorporated in the results. Projected net position, at Dec. 31, 2016, after reservations is $87.5 million.

Mr. Langworthy asked why the pharmacy expense was so high in May. Ms. Fischer responded that we are billed in two week cycles. Pharmacy expense for May reflects three billing cycles instead of the typical two cycles.

Senator Sater asked if we show quarterly pharmacy rebates. Ms. Fischer responded that rebates are reflected in line four of the financial projections spreadsheet which is provided to the board. Also, in line five of the spreadsheet we report our post-65 rebates or EGWP subsidy.

Turning to CY 2017, no calendar change updates. We anticipate some minimal pricing updates upon finality of rate development and Willis Towers Watson traditionally will review claims projections for the remaining monthly periods. Net position for December 2017 is projected at $19.5 million after reservations. As always, actual results may vary from these projections.

Ms. Luebbering made a motion to move into closed executive session pursuant to §610.021 RSMo (1), (2), (5), (11), (12) and (14) of §621.021 to discuss confidential or privileged communications between the board and its attorney; leasing of property, health proceedings involving identifiable persons; specifications for competitive bidding; sealed bids and related documents; and records protected from disclosure by law. Ms. Schaefer seconded. A roll-call vote was taken, and the motion passed with Director Huff, Representative Kendrick, Mr. Langworthy, Ms. Luebbering, Director Lyskowski, Senator Sater, Ms. Schaefer and Senator Sifton in favor.

Upon return from closed executive session, Mr. Langworthy made a motion to adjourn. Ms. Schaefer seconded. Motion passed unanimously. Meeting adjourned.