

MISSOURI CONSOLIDATED HEALTH CARE PLAN
BOARD MEETING
DECEMBER 14, 2017

Attending: Jim McAdams
Representative Kip Kendrick (via conference call)
Director Chlora Lindley-Myers
Linda Luebbering
Senator David Sater (via conference call)
Viola Schaefer
Director Randall Williams
Representative David Wood

Absent: Mark Langworthy
Daniel O'Neill
Senator John Rizzo

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 Flaughner, Senior Administrative Specialist; Ryan Hobart, Multimedia Communication Manager; Garry Kornrumpf, Internal Auditor; Jennifer Stilabower, General Counsel; Julie Watson, Chief Population Health Officer; and visitors.

Mr. McAdams called the meeting to order. There were no public comments.

Ms. Luebbering made a motion to approve the open session minutes of the October 26, 2017, regular Missouri Consolidated Health Care Plan (MCHCP) Board of Trustees meeting. Director Lindley-Myers seconded. Motion passed unanimously.

Aaron Cooper and Christian Tieman of Brown Smith Wallace, LLC were introduced and presented the results of the annual external audit. This is the fifth year Brown Smith Wallace, LLC has performed the independent external audit.

The data in the Brown Smith Wallace, LLC, presentation was derived from the financial statements of MCHCP (the Plan), which were audited by Brown Smith Wallace, LLC, for the year ending June 30, 2017. The data should be read in conjunction with the Plan's financial statements and the auditor's report thereon.

Mr. Tieman briefly highlighted the three main phases of the audit process which include: planning – determine nature, timing and extent of procedures;

fieldwork; and concluding the audit. He then reviewed the auditor's responsibility under professional standards: ensure that you receive information regarding the scope and results of the audit that may assist you in overseeing the Plan's financial reporting and disclosure process for which management is responsible; and communicate to you the nature of assurance provided by the audit and level of responsibility we assume under auditing standards generally accepted in the United States of America. In this regard, an " ... audit is designed to obtain reasonable assurance about whether the financial statements are free of material misstatement whether caused by error or fraud". The reporting accounting basis for the Plan's audited financial statements are U.S. General Accepted Accounting Principles (GAAP).

Mr. Tieman reviewed the audit results in regard to management responsibilities (it was noted that an audit of the financial statements does not relieve management or those charged with governance of their responsibilities), auditor's report being issued, and independence.

Mr. Tieman also reviewed the required communication in regard to significant or unusual transactions, adoption of, or change in, accounting policies/principles, significant management judgments and accounting estimates. There were no unrecorded misstatements, disagreements with management, consultations with other accountants or difficulties encountered during the audit. The audit ran smoothly and efficiently with management's assistance. There were not any significant deficiencies or material weaknesses identified in internal control and the Plan received an unqualified opinion on its financial statements.

Mr. Tieman provided a brief overview of cash and invested assets of the Plan. The distribution of Internal Service Fund (ISF) cash and investment assets are comprised of 72 percent cash and cash equivalents, 2 percent bonds – U.S. Government Guaranteed Mortgages, 12 percent bonds – U.S. Treasury and 14 percent bonds – U.S. agencies. The distribution of the State Retiree Welfare Benefit Trust (SRWBT) is comprised of 58 percent bonds, 22 percent mutual funds, 17 percent common stock, and 3 percent cash and cash equivalents.

Mr. Tieman reviewed the operating expense as a percentage of revenues. ISF operating ratio is calculated as a sum of payroll, administrative services and professional services divided by operating revenues. SRWBT ratio is calculated as a sum of administrative and other expenses divided by total additions excluding investment income.

Overall operating expenses is two percent with medical claims and capitation fees at 98 percent. The operating expense is calculated as a sum of payroll, administrative services and professional services. Operating expenses and medical and capitation fees were divided by approximate total active and retired members as of fiscal year (FY) end. It was noted that the increase in claims and capitations is consistent with what is being seen in the health care

arena. Mr. Cooper added that MCHCP has done very well at controlling operating costs and that they remain consistent over the five year period in their relationship to claims costs.

Director Williams made a motion to accept the Brown Smith Wallace LLC Audit Report and the 2017 Comprehensive Annual Financial Report (CAFR) for fiscal year ending June 30, 2017, as presented. Representative Wood seconded. Motion passed unanimously.

Ms. Fischer pointed out the Management's Discussion and Analysis which may be found on pages 26 through 37 of the CAFR. This gives a concise look at the year in review.

Ms. Muck acknowledged Ms. Fischer and the MCHCP team on receiving the Certificate of Achievement for Excellence in Financial Reporting for 22 consecutive years.

Ms. Fischer reviewed the FY 2019 appropriations request. You may remember at the September 2017 Board of Trustees meeting we brought to you MCHCP's FY 2019 department appropriation request. At that time, the MCHCP department request was presented prior to the results of the recently concluded plan year 2018 Open Enrollment (OE). Each year, after the conclusion of OE we provide an updated department request that depicts the actual enrollment replacing projected enrollment with actual results. The MCHCP department request resides in House Bill (HB) 5 and is included with the Office of Administration, employee benefits section of the budget.

Ms. Fischer provided a couple of logistics regarding the executive document. She began by briefly overviewing the column headings: Column A — FY 2019 core request, Column B — preliminary FY 2019 request, Column C — Updated FY 2019 request (with the updated results of [OE]) and Column D — reflects the change between Column C and Column B reflecting our updated cost to continue decision item for FY 2019.

Office salaries of \$3,250,179 represent 70 full-time employees (FTEs) with no change from the core total. The personnel advisory board (PAB) recommendations include a 2.9 percent general structure adjustment and a 1.7 percent within grade along with an additional 1 percent for those with seven plus years of service. These items are included in our department request, as MCHCP will not automatically receive this funding if approved. If not approved by the General Assembly and signed by the Governor, MCHCP will conform as recommended to the state wide pay plan. The fringe benefits reflect the associated benefit costs for 70 FTE. The increase of just more than \$26 thousand is related to a change in the contribution rate for Missouri State Employee's Retirement System (MOSERS) beginning July 2018; and projected

overtime of \$10,303 primarily associated with MCHCP's OE. The subtotal for personal service items is \$5,186,509.

No changes occurred for operations expense of \$2,933,025 (not including third party administrator [TPA] fees); furniture, fixtures and equipment of \$177,050; less \$71,781 from estimated income related to administrative fees from public entities net to the subtotal for operating expenses including personal service allocations of \$8,224,803.

Ms. Fischer reviewed the projected plan cost assumptions. These items encompass our self-funded medical and pharmacy plan costs. As these categories reflect no change to actuarial assumptions from the September budget projection, the increases are the result of employee plan selections and any new enrollment added to the Plan for 2018. The Plan will insure an additional 123 employees with the largest increase in the employee and spouse category and the largest decrease in the employee and two children category. The overall net was an increase of 123 employees across all tiers. For calendar year (CY) 2018, the following assumptions in the development of these plan costs were utilized: actual premium equivalents as determined by MCHCP's actuary were used in calculating first half of FY 2019 costs; for CY 2019, the following trends were used: active medical claims 5.5 percent; non-Medicare retiree medical claims 5.5 percent; Medicare retiree medical claims 3.5 percent; and pharmacy claims 12 percent (remaining consistent with last year). These trend rates are unchanged from the September board meeting preliminary projections. Additional enrollment assumptions include: enrollment as of Nov. 30, 2017, for Jan. 1, 2018, of total subscribers of 53,529 and total lives of 96,370 members; MCHCP subsidies for active employees in CY 2018 are developed by tier of coverage. The subsidies, for our largest plan, the PPO 600 Plan, range from employee only at 94.4 percent to employee and spouse at 84.3 percent. Wellness and tobacco-free incentives reflect actual participation which has been updated from previous estimates.

MCHCP is following the current contribution policy for retirees in CY 2019 as in CY 2018 (i.e. 2.5 percent of the PPO 600 premium for each year of service capped at 65 percent)

With these assumptions as mentioned, medical payments for our PPO and Health Savings Account (HSA) Plans are projected at \$474,102,306 and pharmacy payments are projected at \$131,220,000 net of rebates.

Employee Assistance Program payments represent enrollment times the contract price and has been updated for new enrollment. Transitional Reinsurance payments continues at \$0 cost as our cash cost of the assessment was paid during the current FY 2018 of \$383,344. The patient-centered outcomes research fee (PCORI) is projected at \$203,253 and represents the fee per average covered life imposed on plan sponsors of applicable self-insured

health plans to fund the PCORI institute. The subtotal for claims and TPA expenses equal \$606,194,443; less projected member contributions of \$115,094,532 and contributions from interest offset of \$1,789,709 for a total plan appropriation request of \$497,535,005. This results in an increase in the cost to continue decision item of \$2,477,880 to the revised after OE of \$94,184,689.

If there are no additional questions, the Plan requests the approval of the FY 2019 appropriation request with the associated updates providing for a new cost to continue decision item of \$94,184,689 and a total plan appropriation request of \$497,535,005.

Following a brief discussion, Ms. Luebbering made a motion to accept staff recommendation to adopt the updated FY 2019 appropriation request as presented. Ms. Schaefer seconded. Motion passed unanimously.

Ms. Muck presented the Final Orders of Rulemaking. With the board's concurrence, MCHCP is ready to file the Final Orders of Rulemaking for 22 CSR 10-2.094 Tobacco-Free Incentive Provisions and Limitations (the rescission and adoption of the new rule) and 22 CSR 10-2.120 Partnership Incentive Provisions and Limitations (the rescission and adoption of the new rule). MCHCP did not receive comments on either rule.

Representative Wood made a motion for the Executive Director to file the final orders of rulemaking for 22 CSR 10-2.094 and 22 CSR 10-2.120 with the Secretary of State's office and Joint Committee on Administrative Rules as discussed. Mr. McAdams seconded. Motion passed unanimously.

Ms. Fischer presented the financial update. She reviewed some October 2017 results.

Monthly state contributions for October 2017 from the employer of \$33,534,781 and member contributions of \$8,718,152 represent contributions from 53,299 subscribers and total 95,639 covered lives.

MCHCP received \$7,762,070 for the first quarter for the commercial and Employer Group Waiver Plan (EGWP) pharmacy rebates. These rebates encompass both our active and retiree group receipts.

Ms. Fischer then moved to our investment section primarily associated with the Other Post-Employment Benefits (OPEB) Trust the total portfolio returned .63 percent for October net of fees with a concentration mix of 40 percent equities, 58 percent fixed income and 2 percent in cash and equivalents. Since inception total fund return is 7.39 percent; nearly a 1 percent increase over the weighted benchmark of 6.51 percent. Comments from our investment manager include the following strategy update as it relates to our performance. We are nearly fully invested in the equity market at 40 percent and looking for

signs of pullbacks, but are paring our exposure for 2018. The Federal Reserve is expected to hike short term rates soon and potentially three to four times in 2018. In fixed income, we are targeting a five to seven year duration which should hold value if longer term rates remain steady. Corporately, earnings are the underlying fundamental that stock values are driven by and corporate earnings are increasing at close to double digits.

In our expense section, self-funded medical claims posted at \$37,002,366 for October. Gross pharmacy expense for October was \$20,571,899, representative of a lower billed month in September of \$9.8 million. For the first ten months of CY 2017, net pharmacy expense (adjusted for rebate receipt) is trending at \$10.3 million per month; essentially for the ten-month period at the actuarially projected \$10.4 million per month.

Next, Incurred But Not Reported (IBNR) was evaluated in November 2017 by Willis Towers Watson based upon claims activity through Sept. 30, 2017, and projected through CY 2019. As a result of the mature claims data through June 30, 2017, IBNR reservations for the second 6 months of 2017 have been increased by a range of .7 percent to 3.8 percent through Dec. 31, 2019. Finally, the Plan projects after reservations position at approximately \$11 million.

Turning to 2018, the Plan conservatively has maintained the FY 2018 funding level from the state for the full CY at \$403.3 million or \$33.6 million monthly. Medical and pharmacy projections reflect seasoning at intervals to reflect projected medical and pharmacy trends, but we are anticipating that Willis Towers Watson will perform an experience study in 2018 to re-review. All other expenditures have been updated to reflect current enrollment and existing contract pricing. In 2018, as conservatively projected with no new revenue stream over our current FY 2018 levels, the Plan is projected in July 2018 to drop below the Plan's ability to be unable to fully fund its liability for IBNR claims costs in July 2018 by \$5.1 million.

Briefly turning to 2019, the Plan again has conservatively maintained the FY 2018 funding from the state of \$403.3 million and is not making a presumption of the level of funded status of the \$94 million new decision item we previously discussed. Member contributions have not assumed the ability to maintain flat premiums and have reflected the anticipated trend increases in member contributions. We have also included the actuarially projected medical and pharmacy spend based upon the Plan's historical performance and anticipated trends net of rebates. In CY 2019, as conservatively projected with no new revenue stream over our current FY 2018 levels, the Plan, beginning in January 2019 and for the full CY will be unable to fund the Plan actuarially projected liability for IBNR, and portions of the remaining liabilities progressively as the calendar months of 2019 continue. We ask you to appreciate that actual results may differ from these projections.

The board briefly discussed whether MCHCP would need a supplemental request. At this time, MCHCP does not believe we will need a supplemental for 2018. However, MCHCP is monitoring very closely. If MCHCP would need a supplemental request we would present to the board.

Ms. Muck added that while there is not currently a February or March 2018 board meeting scheduled, a meeting will be added if it becomes necessary.

Representative Wood noted that the Governor's State of the State is scheduled for Jan. 10, 2017.

Ms. Muck presented the OE update and briefly reviewed the results. She noted that there was an error in the total column and total row shown on page four of the presentation. This page was replaced in the binder for those board members attending in person. The revised version of the OE update will be sent to the board at a later date.

While our enrollment numbers vary daily, as of the date this report was produced, we have a total of 53,628 subscribers enrolled for January 2018 coverage with a member count of 96,370. Currently, we have 53,218 subscribers with a member count of 95,523. An increase of 410 subscribers and 847 members (410 subscribers and 437 dependents).

Of 38,397 subscribers, about 72 percent made an active plan selection during OE. The remaining 28 percent made a passive enrollment choice.

Ms. Muck then reviewed the plan migration patterns. When looking at the numbers diagonally it demonstrates that there was not much migration.

- No Coverage: 3,180 maintained no coverage, and 596 chose to enroll in coverage.
- PPO 300: 24,475 stayed in the PPO 300 and 4,039 moved to a different plan.
- PPO 600: 54,481 stayed in the PPO 600 and 2,782 moved to a different plan.
- HSA Plan: 7,507 stayed in the HSA Plan and 692 moved to a different plan.

MCHCP had 1,564 new eligibles enroll during OE.

MCHCP had 280 subscribers elect non-contraception as a benefit option with a member count of 498.

And finally, the Partnership Incentive and Tobacco-Free incentives participation have increased. The numbers provided were as of November 30.

Members that did not participate as of that date, can still complete the requirements with a future effective date.

Ms. Watson presented the Population Health Overview. She noted that the United Health Foundations rankings came out today. Missouri is currently ranked 40th. In 1999 Missouri ranked 24th.

MCHCP believes that population health management is a critical component of its strategy to contain health care costs, positively influence health behaviors and promote a culture of health.

Ms. Watson briefly reviewed member engagement along with what we are looking for. She then discussed the four components for behavior change: awareness, motivation, skills and opportunities.

Highlights for 2017 include video, activity and print health education. There were 10 healthy moment videos (a listing of the health education videos was shared with the board), eight wellness messages, 57 social media posts and eight preventive population health mailers. Through electronic/paper outreach there were 214,389 members touched in 2017.

The *Strive for Wellness*[®] Health Center opened in 2014. There have been 3,350 visits by 1,642 members from 2014 through November 2017 and 143 behavioral health counseling visits from February 2017 through November 2017. The overall satisfaction rating is in excess of 99 percent. A patient education wall has been added outside the health center which includes a literature rack and bulletin board with monthly themes.

In-person outreach and health education tables have reached more than 2,300 state employees. The tables have been available in 61 different office locations, blood pressure checks have been done at 30 locations and body fat analysis and BMIs at seven locations. A sample health education table was set up within the board meeting room.

On-site courses included Beat the Pack and *Strive for Wellness*[®] Weight Management Program. There were three Beat the Pack courses offered with an average quit rate of 40 percent. There were five *Strive for Wellness*[®] Weight Management Program courses offered which resulted in 451 pounds lost along with 126 inches lost.

Ms. Watson shared a healthy cooking and healthy moment video with the board and meeting attendees. There were 10 healthy cooking videos produced in 2017. The healthy moment video was produced with state employee actors.

Ms. Watson then discussed culture change. State employee sick time was repurposed to allow for one hour per month of Personal Wellness Leave. The

Wellness Ambassadors are the key promoters of the MCHCP *Strive for Wellness*[®] program. The Wellness Ambassadors communicate, participate, motivate and support the culture of wellness within the departments. They form department/building Wellness Committees and create workplace opportunities to practice healthy living through: Wellness events, activities, healthy meetings and Wellness challenges.

The Wellness Ambassadors are provided with bulletin board kits to promote a variety of wellness topics. There are currently Building Wellness Teams in 14 locations throughout Missouri reaching segments of our population that have never had health education opportunities in their work location.

The 5th Annual Missouri State Employee 5K Run/Walk was held on Sept. 30, 2017. There are typically 165 to 200 participants at the 5K. The monies raised are used to cover administrative costs and the remainder is donated to the Missouri State Employee Charitable Campaign (MSECC). Each year we have been able to donate between \$1,200 and \$1,500 to the MSECC.

Health Incentives. There are 66.1 percent of those eligible receiving the Partnership Incentive and 87.3 percent of those eligible receiving the Tobacco-Free Incentive. Nearly 8,000 members have earned a health action T-shirt.

On-site breast cancer screenings have been held.

MCHCP *Strive for Wellness*[®] and the Department of Health and Senior Services have a joint project in which they have placed health education travel cards in all of their state vehicles. These cards contain information on how to eat well on the road, how to stay physically active while on the road along with many other helpful wellness-related ideas when traveling.

The *Strive for Wellness*[®] Health Center offered walk-in flu shot days. There have been approximately 530 flu shots administered so far this year.

Ms. Watson then reviewed the new developments for 2018. Those include: procuring a provider for an online weight loss program; produce teaching Kitchen Video Series; create electronic cookbook with kitchen basics, cooking for beginners and food safety; implement Electronic Learning Health Modules; Healthy Moment videos/how to's/recipes; and building a Health Education Library on myMCHCP web portal.

Director Williams made a motion to adjourn. Representative Wood seconded. Motion passed unanimously. Meeting adjourned.

The 2018 Board of Trustees calendar was shared with the board members.