

MISSOURI CONSOLIDATED HEALTH CARE PLAN  
BOARD MEETING  
JANUARY 28, 2016

Attending: Chairperson Doug Nelson (via conference call)  
Director John Huff (via conference call)  
Representative Kip Kendrick  
Mark Langworthy  
Linda Luebbering (via conference call)  
Director Peter Lyskowski  
Representative Caleb Rowden (via conference call)  
Senator David Sater  
Viola Schaefer  
Senator Scott Sifton (via conference call)  
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 Flaughter, Senior Administrative Specialist; Bethany Goodin, Members Services Manager; Garry Kornrumpf, Director of Plan Integrity and Cost Recovery; Bruce Lowe, Chief Information Officer; Mia Platz, Communication and Publication Manager; Jennifer Stilabower, General Counsel; Julie Watson, Chief Population Health Officer; and visitors.

Ms. Muck called the meeting to order. Ms. Muck will moderate the meeting on behalf of Chairperson Nelson who has joined via conference call. There were no public comments.

Director Lyskowski made a motion to approve the open session minutes of the December 10, 2015, regular MCHCP Board of Trustees meeting. Senator Sater seconded. Motion passed unanimously.

Ms. Muck presented the Final Orders of Rulemaking for the board's approval and filing with the Joint Committee on Administrative Rules (JCAR) and Secretary of State's (SOS) office. The comment period for the rules filed with the SOS has expired and MCHCP is now at the point to file the Final Orders of Rulemaking. MCHCP received two comments.

The first comment was from Dr. Katherine Newsham in support of the change to 22 CSR 10-2.060 Plan Limitations section (1)(F). Dr. Newsham is the President of the Missouri Athletic Trainers' Association. The change clarified the service that was limited to avoid confusion that MCHCP does not limit covered

services by provider type. No changes were made to the rule as a result of this comment.

Senator Sifton joined the meeting via conference call.

The second comment was from Michele Guadalupe, MPH, Vice President of Advocacy and Public Policy for the Arthritis Foundation Heartland Region. The comment was to request that MCHCP consider more extensive changes to its step therapy protocols. The comment was beyond the scope of the amendment and will be considered for any potential future rule changes. The scope of the amended language was to change the term physician to provider and the term prior authorization to preauthorization. In addition, MCHCP deleted the definition of what is a first step and second step as our definition section, 22 CSR 10-2.010, already includes a definition of step therapy. No changes have been made as a result of the comment to proposed amendment 22 CSR 10-2.090.

Ms. Muck plans to respond to Ms. Guadalupe separately. MCHCP has reached out to Express Scripts, Inc. (ESI) and their protocols already address these concerns as it relates to step therapy programs. ESI uses peer review information, sets time limits on step therapy, and offers exclusions for exceptions and overrides.

Director Lyskowski made a motion to authorize the Executive Director to finalize and file the Final Orders of Rulemaking, make technical corrections and file all necessary documents relating to the Final Orders of Rulemaking, with JCAR and the Secretary of State's Office. Chairperson Nelson seconded. Motion passed unanimously.

Ms. Fischer provided a brief update on MCHCP's fiscal year (FY) 2017 budget. MCHCP's appropriation resides in House Bill (HB) 5 within employee benefits. During the governor's budget address, for FY 2017 the governor recommended \$394,609,336 (E). The FY 2016 appropriation was \$391,550,559 (E). This is an increase of \$3,058,777.

Director Huff and Representative Rowden joined the meeting via conference call.

The increase over FY 2016 is composed of: \$2,412,708 to maintain level employee premiums for the 2017 benefit year, including \$1,471,752 general revenue; \$986,792 reflection of change of core funding source from the Child Support Enforcement Fund; \$670,000 for new personal service statewide, including \$384,000 general revenue; \$202,451 Division of Alcohol and Tobacco Control Fund to reflect change of core funding source; \$1,189,243 core reduction from the FY 2016 appropriation level, including \$202,451 general revenue; and \$23,931 transferred to the Department of Social Services to pay contracted employees.

MCHCP began hearings on Jan. 26 with the House Joint Budget and Appropriations committee and is scheduled with Senate Appropriations on Feb. 10. We will provide updates as we move through the budget process.

Ms. Fischer presented the financial update. She began by highlighting areas of interest for December 2015 and discuss some completed calendar year (CY) 2015 information.

Monthly state contributions from the employer of \$32,644,168 and member contributions of \$9,471,378 represent contributions from 53,433 subscribers and 95,860 covered lives for December.

The Subcontractor Rebates and Assessments category: MCHCP received \$1,358,926 in contractual discount guarantees and in November MCHCP received \$2,654,772 in commercial and Employer Group Waiver Plan (EGWP) rebates associated with the second quarter of 2015. For CY 2015, MCHCP received approximately \$21.6 million in rebates associated with our commercial and EGWP activity.

MCHCP's investment return, most notably associated with our Other Post-Employment Benefits (OPEB) Trust for December the total fund returned -1.75 percent and annualized at .42 percent net of fees with a portfolio equity concentration of 39 percent equities; fixed income of 58 percent and cash and cash equivalents of 3 percent. Total funds since inception have returned 7.36 percent; which is at 1 percent over the projected weighted benchmark of 6.38 percent total fund.

In our expense section, last month we discussed that we were likely to see a rush to care in our claims results and we did see that in December with self-funded claims expense at \$38,102,587 for the month. The actuary had projected \$100.8 million in fourth quarter claims and the cash cost of the fourth quarter claims was \$97.5 million within 2.5 percent of early projections. For CY 2015, the Plan paid \$355.5 million in medical claims, not including pharmacy.

Pharmacy expense was \$11,995,093 for December and after netting of rebates was approximately \$114 million for CY 2015. Early projections for the CY were at \$108 million, within 5 percent of results and before projections for pharmacy were recalibrated to reflect increasing trend and specialty drug prevalence.

Next, there were no changes to Incurred-But-Not-Reported (IBNR); paid claims through December are currently being evaluated by the actuary for quarterly 2016 and 2017 projections and will be updated for a future discussion. Net position at Dec. 31 after reservations is reflected at \$129.3 million.

CY 2016 and 2017 projections: the primary change for CY 2016 is the update to reflect the governor's recommendations for contributions from the employer from \$32.6 million to \$32.8 million beginning in July 2016 and contributions from members has been decreased in CY 2017 to reflect the maintenance of employee premiums for the 2017 Plan year. Previously we had not projected maintenance of the employee premiums.

Senator Sater asked if the governor could withhold the state contributions. A representative from the Office of Administration's Budget Office responded that fringes follow the payroll. The only time fringes were really withheld was one year a senator withheld \$3 million in general revenue. MCHCP receives one payment that is paid by different fund types: general revenue, federal funds and other funds. When you take \$3 million from one fund type you have to make the other two fund types match. That was the only time fringes were ever impacted for MCHCP. No withholdings are anticipated.

In conclusion, net position is projected at Dec. 31, 2017, at \$19.7 million after reservations. Actual results may vary from these projections.

Ms. Muck added that as we move through the budgetary process and the House finalizes its position we will update these assumptions based on House actions and then on Senate actions to reflect what is going on through the budget cycle.

Ms. Schaefer made a motion to move into closed executive session pursuant to §610.021 RSMo (1), (5), (11), (12), (14) and (17) of §621.021 to discuss confidential or privileged communications between the board and its attorney; health proceedings involving identifiable persons; specifications for competitive bidding; sealed bids and related documents; records protected from disclosure by law; and confidential or privileged communications between a public governmental body and its auditor, including all auditor work product; however, all final audit reports issued by the auditor are to be considered open records pursuant to this chapter. Director Lyskowski seconded. A roll-call vote was taken, and the motion passed with Chairperson Nelson, Director Huff, Mr. Langworthy, Ms. Luebbering, Director Lyskowski, Representative Rowden, Senator Sater, Ms. Schaefer, Senator Sifton and Michael Warrick in favor.

Representative Kendrick joined the meeting while in closed executive session.

Upon return from closed executive session, Ms. Muck reminded the board that there will not be a February 2016 board meeting. The next board meeting is scheduled for March 24, 2016.

Senator Sater made a motion to adjourn. Mr. Langworthy seconded. Motion passed unanimously. Meeting adjourned.