

MISSOURI CONSOLIDATED HEALTH CARE PLAN
BOARD MEETING
JULY 27, 2017

Attending: Jim McAdams
Representative Justin Alferman (via conference call)
Representative Kip Kendrick (via conference call)
Mark Langworthy
Director Chlora Lindley-Myers
Linda Luebbering (via conference call)
Senator John Rizzo (via conference call)
Senator David Sater (via conference call)

Absent: Viola Schaefer
Director Randall Williams

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; Bethany Goodin, Member Services Manager; Ryan Hobart, Multimedia Communications Manager; Garry Kornrumpf, Internal Auditor; Bruce Lowe, Chief Information Officer, Jennifer Stilabower, General Counsel; Julie Watson, Chief Population Health Officer; John Stahl, Willis Towers Watson; and visitors.

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

Mr. McAdams welcomed Representative Justin Alferman to the Missouri Consolidated Health Care Plan (MCHCP) Board of Trustees.

Mr. Langworthy made a motion to approve the open session minutes of the March 23, 2017, regular MCHCP Board of Trustees meeting. Director Lindley-Myers seconded. Motion passed unanimously.

Ms. Fischer presented a brief budget update. She began by providing an update to our recently concluded fiscal year (FY) 2018 budget. MCHCP's budget resides within the employee benefits section of House Bill (HB) 5. HB 5 appropriates money for the expenses, grants, refunds, and distributions of the Office of Administration, Department of Transportation and Department of Public Safety.

For FY 2018 in section 5.495, the Plan is expected to receive payment of the state's contribution to MCHCP, provided that no more than \$8,033,748 shall

be expended on administration of the Plan, excluding third-party administrator (TPA) fees of \$403,350,316. This revenue populates and is reflected beginning in July 2017.

Ms. Fischer then presented the financial update. She reviewed some June 2017 activity and referenced points of interest. The June 2017 column is preliminary as in the upcoming weeks, MCHCP will receive updated June 30, 2017, Incurred But Not Reported (IBNR) estimates and additional information to prepare estimates related to our pharmacy rebates receivable at June 30, 2017. The customary lag is to allow our TPA to update our data warehouse for June 30, 2017, paid claims data in order to evaluate June 30, 2017, IBNR estimates with the most timely claims information related to the fiscal year end – MCHCP's measurement date.

Monthly state contributions for June 2017 from the employer of \$32,779,280 and member contributions of \$8,850,181 represent contributions for 53,462 subscribers and 95,948 covered lives.

Next, pharmacy rebates for the fourth quarter of 2016 were \$6,909,392. These are comprised of \$4,653,120 in commercial rebates and \$2,256,272 related to our Employer Group Waiver Plan (EGWP).

Ms. Fischer then moved to our investment section. The Other Post-Employment Benefits (OPEB) Trust returned .69 percent for June net of fees with a concentration mix of 42 percent equities, 55 percent fixed income and approximately 3 percent in cash and equivalents. Since inception, total fund return is 7.39 percent; a near 1 percent over the benchmark of 6.48 percent. Our investment advisor is suggesting that the equity market valuations are stretched in the current environment, making stock sell off a possibility. The Plan is parking some sale proceeds to ready ourselves for equity downturns.

In our expense section, self-funded medical claims posted at \$32,841,161 for June. For the 6-month 2017 calendar year (CY) to date, the Plan's actual paid medical claims are within 2 percent of the early actuarial estimates for this period. Actual results that are able to provide strong validity to our early actuarial estimates are essential to the Plan's forecasting and necessary in this budget climate. June gross pharmacy expense was \$15,529,973.

Current IBNR estimates reflect paid claims through March 31, 2017, with monthly projections rolled through CY 2017 and 2018. IBNR is updated by our actuarial firm, Willis Towers Watson (WTW) on a quarterly basis. With paid claims data through June 30, 2017, now available in our data warehouse, WTW is evaluating to update IBNR. At this point, with actual results and projections for the remainder of CY 2017, the Plan position after reservations is projected at \$20.4 million.

Projecting for CY 2018, the Plan conservatively continues the FY 2018 funding through the end of the CY. Pharmacy reflects actuarial seasoning at the 6-month CY interval to reflect pharmacy trends. All other expenditure have also been updated to reflect current enrollment and contract pricing. WTW, provides the actuarial estimates for self-funded medical claims and net pharmacy costs to reflect actuarial projections based upon historical performance and anticipated trends.

If you proceed to the after reservations position, the Plan is projected between August and September 2017 to drop below a one-month level of Plan total claims and operating expenses after reservations, and beginning in June 2018, to less than fully meet Plan reservations by approximately \$3.6 million and at Dec. 31, 2018, by \$60.2 million. Please appreciate that actual results may differ from these projections.

Ms. Muck along with John Stahl, Senior Consulting Actuary with WTW presented the 2018 Plan Design and Premiums.

Ms. Muck stated that part of the state's FY 2018 budget is to keep costs to employees flat. The proposal before the Board of Trustees for CY 2018 plan benefits honors that intent. Ms. Muck provided the board with a medical plan design summary for 2018 that replicates 2017 benefits. The summary is a frame of reference to refresh your memory of what is offered in 2017. Not shown in the plan design summary for active employees is a Health Savings Account (HSA) annual contribution of \$300 for individual coverage and \$600 for family coverage. MCHCP proposes no changes to the HSA contribution. It is MCHCP's staff recommendation that the Board of Trustees continue to offer the same plan design to state employees, retirees, and their dependents as offered in 2017 and continue to offer the same plan designs that are offered to Public Entities as offered in 2017.

MCHCP is exploring one change in how MCHCP reimburses out-of-network benefits from our current methodology as a percentage of Usual Customary and Reasonable (UCR) to a percentage of Medicare. This is a relatively minor adjustment and MCHCP will bring that matter to the board once we complete our analysis. However, the change, if recommended, will not affect the rates being discussed today.

Also of note, MCHCP is not proposing any changes to the vision or dental benefits. We will be discussing rates offered by our vision and dental vendors later in the meeting. As a reminder there is no MCHCP subsidy offered for these products, members pay the full premium for this coverage.

Before we move to the actuarial medical premiums to cover MCHCP's expected 2018 plan year projections, I want to first go over the budget projection for the remainder of FY 2018. Mr. Stahl, a senior consulting actuary with WTW is

here today to go over the 2018 rates and answer any questions. Mr. Stahl also prepared the FY 2018 budget projections. At the time our original projections for FY 2018 were prepared for our budget request we identified a need of \$59.5 million.

Through the budget process, as discussed earlier, MCHCP received a little over \$8 million bringing our available appropriation to \$403 million. After payment of operations and fees, MCHCP has available \$394 million to pay for claims. After receipt of member contributions and adjustment for incentives, our new projected shortfall is \$62.5 million dollars to pay for incurred claims and Plan operations through June 2018.

With that, I would now like to move to our expected medical premium rates for the 2018 plan year. Ms. Muck asked Mr. Stahl to go over the assumptions and methodology and the rates to reflect no change in plan design.

Mr. Stahl thoroughly reviewed the pricing memorandum and described the assumptions and methodology WTW used to develop the 2018 preliminary premium equivalent rates. Mr. Stahl explained that equivalent rates are rates that would be set for plans if they were fully insured. MCHCP is self-insured.

Mr. Stahl discussed MCHCP's medical and prescription drug claims including claim experience, adjustment for IBNR claims and assumptions for experience weighting and migration adjustment. Enrollment by month was provided by MCHCP and used to arrive at per capita historical claims cost.

The annual trend rates used to develop the 2018 preliminary rates include: actives at 5.5 percent, non-Medicare retirees at 5.5 percent, Medicare retirees at 3.5 percent, and prescription drugs (for all groups) at 12 percent.

Historical experience was adjusted to reflect any changes in plan design and vendor arrangements from the historical periods (CY 2015 and CY 2016) to the projection period (CY 2018). This included the prescription drug and medical changes as described in the memorandum. The pharmacy rebate and EGWP subsidies were also reviewed and appropriately reflected in the estimations.

WTW made an adjustment for the market check on ESI which reflected nearly a 2 percent reduction in pricing for 2018 rates.

Mr. Stahl then reviewed the 2018 rate increase. WTW calculated the 2018 premium equivalent rates using combined experience for the Preferred Provider Organization (PPO) 300, PPO 600, and HSA plans with the indicated increase from the 2017 rates. The rate increase applies for most of the subscribers in each category. However, the percentages are different for retirees with split contracts, such as Medicare retiree plus non-Medicare spouse, etc.

Mr. Stahl then reviewed the draft 2018 premium equivalent rates for self-insured Plans. These rates were developed based on the PPO 300 and PPO 600 blended experiences. He also reviewed the 2018 premium equivalent rates for the zero premium high deductible health plan, MCHCP's HSA Plan.

Ms. Muck stated, and Mr. Stahl confirmed that the active and non-Medicare retiree rates are final. However, we are waiting on information from the Centers for Medicare and Medicaid Services (CMS) that will be published in late July before finalizing the Medicare retiree rates.

As the rates have been presented, we will now discuss member contributions. For active employees, we are proposing that the rates paid by employees with an MCHCP subsidy remain the same as 2018 to reflect the intent of the \$8 million new appropriation. The board was provided with an example chart of the MCHCP subsidy needed to keep active employees paying the same amount as they pay currently. The percentage increase from 2017 to 2018, the total premium from 2017 to 2018 and the amount that members will pay from 2017 to 2018 was also provided to the board.

Also provided to the board was an example of what retirees will be paying using the formula we have in rule. In summary, MCHCP pays up to 65 percent of the PPO 600 total premium and it is calculated by using the number of full creditable years of service at retirement multiplied by 2.5 percent with the resulting product capped at 65 percent. The formula is in regulation and we are not proposing any changes. When looking at a retiree without Medicare in the PPO 600 Plan, in 2017, with all incentives, he/she is paying \$327 for individual coverage and in 2018 they will be paying \$373 for that same coverage, a difference of \$46 per month. For that same level of coverage in the same plan, a retiree with Medicare pays \$107 in 2017 and will pay \$111 in 2018.

MCHCP will pick up the difference of what is not appropriated from the General Assembly and not collected from the member. This difference will need to be paid from the assets of the Plan trust.

Mr. Langworthy made a motion to approve the 2018 plan designs, final premiums and member contribution strategy as presented. In addition allow the Executive Director along with Willis Towers Watson to work with ESI to finalize the Medicare rates as long as the final rates do not exceed the preliminary rates presented today. Representative Kendrick seconded. Motion passed unanimously.

Ms. Muck presented the contract renewals for Brown Smith Wallace, LLC, Delta Dental, National Vision Administrators, Aetna, UMR, Express Scripts, Inc., Cerner, ComPsych and Stinson Leonard Street. The board agreed to hear all of the contract renewals and then take a vote in one motion for all of the renewals.

Auditing Services, Brown Smith Wallace, LLC — MCHCP currently contracts with Brown Smith Wallace to provide external audit services. They have performed this service since 2013. This is the final renewal option. Brown Smith Wallace is proposing to complete the FY 2017 audit for \$24,450, an increase of just over \$2,100 from the FY 2016 audit. It is staff recommendation to renew.

Mr. Langworthy asked about the price increase associated with this renewal. Ms. Fischer responded that the main reason for the increase is due to new Governmental Accounting Standards Board (GASB) pronouncements requiring implementation by the Plan that mimic what has occurred in pension accounting and are very encompassing.

Dental, Delta Dental — MCHCP contracts with Delta Dental to provide fully-insured dental benefits. This is the final renewal option. MCHCP will be bidding for a new contract during 2018 for services to begin Jan. 1, 2019. Delta Dental covers approximately 79,000 MCHCP lives. The subscriber pays the full premium. Delta Dental is proposing a 2.75 percent increase for state members and no rate change for public entities for 2018. It is staff recommendation to renew.

Vision, National Vision Administrators (NVA) — MCHCP contracts with NVA to provide fully-insured vision benefits. This is the final renewal option. MCHCP will be bidding for a new contract during 2018 for services to begin Jan. 1, 2019. NVA covers nearly 69,000 lives. NVA is proposing no increase in premiums. It is staff recommendation to renew.

Medical, Aetna — MCHCP contracts with Aetna to administer self-insured medical plans for members in the Southwest and South Central regions. For our new board members, one of the primary reasons for MCHCP to have Aetna in that area is to provide access to Mercy Health Systems in the area. At the time of bid, MCHCP was not able to get a TPA vendor that offered both Cox and Mercy in the Springfield area. Current membership is almost 6,000. This is the fourth year of up to a five year contract. The contract allows for up to a 4.9 percent increase in administrative fees for 2018. Aetna has agreed to forgo the rate increase and is offering a flat renewal for 2018. The administrative fee is \$34.04 per employee per month (PEPM). Aetna continues to offer a \$10,000 communication allowance and a \$10,000 wellness allowance for MCHCP to use for these purposes. The performance and discount guarantees remain unchanged. However, we are currently negotiating an additional discount guarantee that Ms. Muck hopes to bring to the board next month that will be an improvement over what is being presented today. It is staff recommendation to renew.

Medical, UMR — MCHCP contracts with UMR to administer self-insured medical plans for members statewide and actually offer services nationwide.

Current membership is nearly 91,000 members. This is the fourth year of up to a five year contract. The contract allows for up to a 3 percent increase in administrative fees for 2018. UMR has agreed to forgo the rate increase and is offering a flat renewal for 2018. The administrative fee is \$21.44 PEPM. UMR continues to offer a \$150,000 maintenance allowance and \$100,000 allowance for wellness. Performance and discount guarantees remain unchanged. It is staff recommendation to renew.

Ms. Muck added that UMR who offers United Choice as our provider network will include Mercy Health Systems in the Southwest and South Central regions beginning in January 2018. MCHCP will be looking at the impact to discounts and actual discounts received.

Pharmacy Benefit Manager, Express Scripts, Inc. (ESI) — MCHCP contracts with ESI to administer self-insured pharmacy benefits. This is the first renewal option under the new contract. The contract includes guaranteed pricing for 2018 but also contains a market check provision so that MCHCP can verify if the guaranteed pricing is competitive with the current market place. MCHCP requested WTW to conduct the market check. Ms. Muck then reviewed the results of the market evaluation and the revised pricing offered by ESI as a result. The executive summary provided a summarization of the projected member and plan cost differences between the initial ESI offering and the best and final offer (BAFO) market check. We have split results between commercial and EGWP populations and then combined them for a total look. For those new to the board, the EGWP population stands for Employer Group Waiver Plan and is a Medicare Part D Prescription Drug plan that MCHCP offers to maximize CMS and manufacturer drug subsidies for the MCHCP Medicare population. The market check resulted in an overall 2.2 percent reduction in cost to members and a 3.7 percent reduction in costs to the plan for 2018 over the guaranteed pricing in the contract.

The areas where ESI improved their initial offer included an increase in their overall specialty net effective discounts, reduction to the per claim administrative fee for commercial population and removal of the per claim administrative fee for the EGWP population, they increased the retail brand discount guarantee and reduced dispensing fee guarantees, and increased the minimum rebate guarantees. This market check resulted in almost \$6 million dollars in savings. The savings have been incorporated into the rates which were provided to the board.

In addition, ESI has offered a new Opioid management program that MCHCP is evaluating that will cost \$0.32 per member per month (PMPM) for the commercial and \$0.26 PMPM for the EGWP population. Our evaluation is currently trying to determine the value of this new program over what is currently in place and the return on investment for the cost of the program with projected

savings and whether it is in line with what other PBMs are offering in the market. MCHCP will update the board as we come to conclusions.

It is staff's recommendation to renew.

Strive for Wellness[®] Health Center, Cerner — MCHCP contracts with Cerner Corporation to provide *Strive for Wellness*[®] Health Center services for active state employees with an MCHCP medical plan. This is the final renewal for this contract. MCHCP will be releasing an RFP in 2018 for a new contract to begin Jan. 1, 2019.

The first memorandum is to amend the 2017 contract to reduce monthly management fees from \$51,944 to \$43,751 for the period July through December 2017. This is to change from two part-time behavioral health counseling service providers to one part-time provider. This change reflects that current utilization can be met with one part-time provider. It is staff's recommendation to amend the contract to reflect this change.

The second memorandum is the renewal offer for 2018. Cerner has offered a 3 percent increase to the monthly fees to operate the health center. Monthly management fees are offered at \$45,032.82 and monthly clinic costs at \$5,675. For total monthly fees at \$50,707.82.

It is staff's recommendation to renew.

Employee Assistance Program (EAP), ComPsych — MCHCP contracts with ComPsych to administer EAP services. MCHCP's program is called the Strive Employee Life & Family (SELF) program. This is the second year of up to a five-year contract.

ComPsych has offered 2018 rates that are the same as 2017. EAP services at \$1.27 PEPM, and other services without increase as outlined in the memorandum. It is staff recommendation to renew.

Outside Counsel, Stinson Leonard Street — MCHCP contracts with Stinson Leonard Street as outside counsel to provide advice and represent MCHCP on an as needed basis on a fiscal year basis. This is the first renewal option of up to four additional renewals. The contract allowed for up to a 7 percent rate increase. Stinson has offered rates that increase by zero percent up to 7 percent dependent on the issue for representation as described in the memorandum to the board.

It was noted that the memorandum is incorrect and the renewal recommendation is for July 1, 2017, through June 30, 2018. It is staff recommendation to renew the contract for July 1, 2017, through June 30, 2018.

Director Lindley-Myers asked when the board would know in regard to the new Opioid management program being offered by ESI. Ms. Muck responded that this information will come to the board in a future meeting.

Director Lindley-Myers made a motion to approve the contract renewals for Brown Smith Wallace, LLC, Delta Dental, National Vision Administrators, Aetna, UMR, Express Scripts, Inc., Cerner, ComPsych and Stinson Leonard Street and amend the 2017 Cerner contract as presented. Mr. Langworthy seconded. Motion passed unanimously.

Mr. Langworthy made a motion to move into closed executive session pursuant to §610.021 RSMo (1), (5), (11), (12), and (14) 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; and records protected from disclosure by law. Director Lindley-Myers seconded. A roll-call vote was taken, and the motion passed with Mr. McAdams, Representative Alferman, Representative Kendrick, Mr. Langworthy, Director Lindley-Myers, Ms. Luebbering, Senator Rizzo, and Senator Sater in favor.

Upon return from closed executive session, Director Lindley-Myers made a motion to adjourn. Representative Kendrick seconded. Motion passed unanimously. Meeting adjourned.