

MISSOURI CONSOLIDATED HEALTH CARE PLAN
BOARD MEETING
MARCH 23, 2017

Attending: Mark Langworthy
Director Chlora Lindley-Myers
Linda Luebbering (via conference call)
Senator John Rizzo (via conference call)
Commissioner Sarah Steelman
Director Randall Williams

Absent: Representative Kip Kendrick
Senator David Sater
Viola Schaefer

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; Lisa Fennewald, 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; and visitors.

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

Ms. Muck began the meeting with discussion regarding the Office of Administration request for recognition of designee. Commissioner Steelman has requested the board recognize her authority under Chapter 37 (37.010.4) to delegate specific duties to subordinates. In that regard, Commissioner Steelman would like the board to accept Jim McAdams, Deputy Commissioner and General Counsel as her delegate to represent her on the Missouri Consolidated Health Care Plan (MCHCP) Board of Trustees. The Commissioner will remain the ex officio Trustee but Mr. McAdams would be able to serve as her delegate and perform her duties as Trustee on her behalf when she is unable to attend meetings.

Director Lindley-Myers made a motion to accept the Commissioner's delegate, Jim McAdams, pursuant to section 37.010.4 as a recognized proxy on behalf of the Commissioner for all board functions, including attendance for quorum and voting on behalf of the Commissioner. Director Williams seconded. Motion passed unanimously.

Ms. Muck next addressed the board regarding the election of Chairperson and Vice Chairperson. It was discussed at the January meeting that the board is

without a Chairperson. The prior Commissioner of the Office of Administration served as the board's chair until transition to a new Governor's administration. To facilitate discussion, she suggested that the board consider nominating the current Commissioner of the Office of Administration as the board Chairperson since there are so many new members to the board. Commissioner Steelman previously served on the Board of Trustees when she was a Senator and has familiarity with the Plan. This will allow members who are new to the Board of Trustees and to Missouri state government some time to become acclimated.

Director Williams made a motion to elect Commissioner Steelman as Chairperson of the MCHCP Board of Trustees. Director Lindley-Myers seconded. Motion passed unanimously.

Ms. Muck further stated the current Board of Trustees Vice Chairperson is Mark Langworthy. Mr. Langworthy was appointed and confirmed as a non-member of the Plan Trustee with his term beginning June 2014. We have appreciated his service to the board as Vice Chairperson. She opened up discussion for nomination and election of the board Vice Chairperson for calendar year 2017.

Director Williams made a motion to elect Mr. Langworthy as Vice Chairperson of the MCHCP Board of Trustees. Commissioner Steelman seconded. Motion passed unanimously.

Director Williams made a motion to approve the open session minutes of the January 26, 2017, regular MCHCP Board of Trustees meeting. Director Lindley-Myers seconded. Motion passed unanimously.

Ms. Fischer provided an update to MCHCP's FY 2018 budget progress. MCHCP's budget resides within 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. MCHCP resides within the employee benefits. The Governor has recommended a core budget of \$394,055,338; with a cost to continue recommendation of \$8,064,516 and new personal service contributions of \$1,230,462 for a total of \$403,350,316. At this point, MCHCP status is in committee with the House of Representatives and has had department presentations as a part of the Office of Administration – Employee Benefits with the Senate. Last action was referred to House of Representatives Budget and MCHCP is scheduled for markup on March 28.

Ms. Fischer provided a financial review as of February 2017 activity. Monthly state contributions from the employer of \$32,873,873 and member contributions of \$9,042,675 represent contributions for 53,676 subscribers and covered lives of 96,223. The 96,223 covered lives represents an increase in covered lives of more than 900 lives from December 2016 totals of 95,318.

Ms. Fischer noted that \$815,267 constitutes direct subsidy and prospective reinsurance payments related to the Employer Group Waiver Plan (EGWP) pursuant to our retiree population.

With relatively little change in other revenue categories, next comments were related to our investment section. The Other Post-Employment Benefits (OPEB) Trust returned 1.55 percent for February net of fees with a concentration mix of 42 percent equities, 54 percent fixed income and approximately 4 percent in cash and equivalents. Since inception total fund return is 7.49 percent; a near full one percent over the benchmark of 6.53 percent. From our advisor, short term rates are the highest they have been since 2009. Rate increases may cause the equity markets some distress; depending on the pace and depth of rate increases. Portfolio bond duration is at about five years and that has not changed. We believe this is reasonable given the outlook for slightly higher longer term rates.

In the expense section, self-funded medical claims for February posted at \$31,121,492; reflecting a trend past January 2017 results that saw fourth quarter 2016 claims spend activity being reflected. February gross pharmacy expense was \$12,931,569.

Incurred But Not Reported (IBNR) has been updated as of the most recent actuarial report dated February 2017, and reflects paid claims through December 2016 with projections rolled through calendar years 2017 and 2018. IBNR is updated by our actuarial firm, Willis Towers Watson on a quarterly basis. The plan position after reservations is projected at \$15.1 million.

Ms. Fischer reviewed 2018 plan projections. The plan has maintained the FY 2017 funding level from the state through June 30, and updated the projections with the Governor's recommendation beginning in July 2017 for FY 2018. This will be updated as we progress through the legislative process. Pharmacy reflects seasoning at the six month calendar year interval to reflect current pharmacy trends. All other expenditure have also been updated to reflect current enrollment and contract pricing and Willis Towers Watson, since our last report to you, has updated medical claims and net pharmacy costs to reflect actuarial projections based upon historical performance and anticipated trends.

After reservations, the Plan has projected in CY 2017 between June and July to drop below a one-month level of Plan total claims and operating expenses after reservations and CY 2018 beginning in June 2018, to less than fully meet Plan reservations by approximately \$8 million.

Director Williams made a motion to move into closed executive session pursuant to §610.021 RSMo (1), (5), (14), and (17) of §621.021 to discuss confidential or privileged communications between the board and its attorney; health proceedings involving identifiable persons; 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 and records protected from disclosure by law. Director Lindley-Myers seconded. A roll-call vote was taken, and the motion passed with Mr. Langworthy, Director Lindley-Myers, Ms. Luebbering, Senator Rizzo, Commissioner Steelman and Director Williams in favor.

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