AGENDA

State and Public School Life and Health Insurance Board

September 29, 2020

1:00 p.m.

EBD Board Room – 501 Building, Suite 500

I. Call to Order.....Renee Mallory, Chair

II. 2021 Rates/Benefits Discussion..... Courtney White, Milliman

III. Director's Report.....Chris Howlett, EBD Director

IV. Adjournment.....Renee Mallory, Chair

2020 Upcoming Meetings:

October 20th

NOTE: All material for this meeting will be available by electronic means only

Notice: Silence your cell phones. Keep your personal conversations to a minimum.

STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE BOARD MEETING MINUTES

205th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on September 29th, 2020, at 1:00 PM

Date | *time* 9/29/2020 1:00 PM | *meeting called to order by Renee Mallory, Chair*

Attendance

Members Present	Members Absent
Cindy Allen - Teleconference	
Stephanie Lilly-Palmer	
Greg Rogers	
Dori Gutierrez - Teleconference	
Cindy Gillespie – Teleconference	
Dr. Terry Fiddler	
Melissa Moore - Teleconference	
Renee Mallory - Chair	
Secretary Amy Fecher	
Dr. John Kirtley – Vice-Chair	
Dr. Lanita White	
Lisa Sherrill - Teleconference	
Herb Scott	
Cynthia Dunlap	
Chris Howlett, Employee Benefits Division Director	

OTHERS PRESENT:

Rhoda Classen, Theresa Huber, Laura Thompson, Stella Greene, Shalada Toles, Mary Massirer, EBD; Micah Bard, Sherry Bryant, Octawia DeYoung, UAMS EBRX; Jessica Akins, Takisha Sanders, Health Advantage; Elizabeth Montgomery, Mike Motley, ACHI; Courtney White, Paul Sakhrani, Scott Cohen, Milliman; Sean Seago, MERCK; Sidney Keisner, Jill Johnson, UAMS; Ronda Walthall, ARDOT; Mary Grace Smith, William Rains, Julia Weber, Lex Dobbins, Richelle Brittain, Jeff Altemus, Treva Phillips, ASE Retiree; Geoffery Becker, Medtronics; Stephen Carroll, AllCare Specialty; Bill Clary, ARSEBA; Ann Purvis, Alex Johnston, Mitch Rouse, Brooke Hollowoa, TSS; Charles Hubbard, ASP; Sylvia Landers, Colonial Life; Erika Gee; Daniel Faulkner; Nima Nabavi, Amgen; Donna Morey, ARTA; David Quast; David Paes, Suzanne Woodall, Judith Paslaski, Kristen Dolphy, Brent Flaherty, MedImpact; Jim Bailey; Marine Glisovic, KATV; Scott Pace; John Bridges, ASEA; Robin Keene, AAEA;

2021 Rates/Benefits Discussion by Courtney White, Milliman

White provided an update based on a presentation that was given at the Arkansas Insurance and Commerce Committee meeting.

EBD Proposal – September 28, 2020

- Increase employee contribution for the Post-65 retirees by 5%
- Make Medicare Retiree pharmacy coverage voluntary
    - Retirees can stay in plan or choose coverage through the Medicare Part D market

Discussion

Dr. Fiddler: I might have several questions for you but let me just start here because I'm trying to really understand that; I thought I did, but obviously, I don't. How can you forecast if somebody leaves the plan? I know that's what you just got through saying, and I know your system is built around the forecast, but if somebody has the option of leaving the plan and those somebodies end up being a large percentage of those of our membership. How fast can you figure this into your actuarial table to come up with an answer on that, because you've got just an estimated loss?

White: Yeah, that's a good question. It's extremely difficult to estimate how many are going to leave and what the cost associated with those leaving is worth. What we tried to do is some sensitivity testing around it that I'll show in the last slide. Generally, we tried to look at again at a high level, the risk profile of the people that might leave. So, generally, the people that you would think would leave are people who are probably on the lower end of pharmacy spend; they don't spend as much each year, or they might use a lot of generics so they could benefit from moving to Part D. What we try to do is set up different risk profiles. Okay, what if 5% of our costs leave; what if 10% of our costs leave; what if 25% of the costs leave. To your second question about how fast we can react to that. Once open enrollment is done at the end of October, we'll have an idea of who has opted out, and at that point we can create a better idea of what the impact's going to be in 2021. The last thing I'll say about that is the cost that will go down because of the retirees that are leaving will be worth more than the stipend that we will lose in contributions. Does that make sense?

Dr. Fiddler: Well, it makes sense if it works out because you don't have that many people leaving. But, I mean, you're talking about $300 dollars per person for every person that withdraws. If you have a 1000 people that pull out of that, that's $300 grand off really quick, right? Is that not correct?

White: That's $300 grand in contributions, but their actual costs will also leave, which are likely higher than $300 grand.

Dr. Kirtley: The average Rx cost that we were told before if you calculated, is about $226 dollars a month. If it's a low utilizer, it'll be different because that's the average or the mean. So, I think Dr. Fiddler's point is if it's the people who don't spend any money that we're just going to give them $300 dollars to leave, and we may not gain if it's only the very low utilizers.

Dr. Fiddler: That's correct.

White: But, that's $300 dollars per year versus even if they spend, they'd have to spend less than $25 dollars a month for it to be a loss. Right?

Dr. Fiddler: My next question is, where does the $3.41M dollar in program initiatives come from?

White: So, these are initiatives that EBD has put in place to help reduce pharmacy spend.

Howlett: Generally, we put any program savings from different things, such as specialty pharmacy and anything outside of the traditional rebates. Part of program initiatives would be effective 7/1; Dr. Davis and I helped negotiate between $600,000 and

$900,000 in savings on our pharmacy benefit manager contract in a renewal. With that, those savings that would be factored into projections. So, program initiatives or any additional savings that we've been able to put to the plan were put as program initiatives, because it could be various things, not always pharmacy or medical. Then, the other, some of the arrangements we have nondisclosures to be able to talk about. If you wanted to know those specific things, we would have to get you to sign the NDA as well, but the program initiatives are additional saving opportunities that we've been able to broker, so to speak.

Dr. Fiddler: The have accrued over how long?

Howlett: They're projected monthly by Milliman. So, they're generally over the plan year.

Dr. Fiddler: Okay, so we have saved 3.41M dollars over a plan year that we can put back into this program. Is that what you're saying?

Howlett: Correct. I'm cautious to say that it's going to happen month over month; a lot of what we do or everything that we deal with is driven on utilization of medical claims and pharmacy claims. So, let's say it was a debatable situation and the drug spend we might not see monthly. We might see it quarterly because they're on a 90-day fill, or they've got other things. So, you're going to have those situations present themselves. It's not always guaranteed monthly. What we try to do is spread it out over the plan year to accumulate an even flow of distribution. So, we have a specialty program that we deal with our specialty drugs. Those specialty drugs are based on the utilization, so we're going to average between $12M to $15M coming back to the plan in a year, but it's not always at one big bang if you will.

Dunlap: My question relates to what Dr. Fiddler was asking before about the retirees and the voluntary movement to the Medicare Part D. The $25 reduction in their premium is what they would receive if they voluntarily moved to Medicare Part D. So, we don't lose all of their premium; we just do the $25, but that's not factored into these numbers right here, is it? That reduction in the premium is not factored in as to what that would do to the plan because we really don't know how much that would be.

White: We don't know how much costs will leave the plan or how much contributions we'll lose, but it is only the $25 dollars, not the whole $175 or whatever it will be.

Dunlap: So, would there be any way to be able to tell those people who leave how much impact to the expense, the drug expense that they may save us? If they were low drug users initially, by them moving, it may not help as much as you would like if they didn't have very many expenses anyway. So, we end up losing the $25 premium, and we may or may not gain very much on the cost of drugs.

White: Right. Once we get through open enrollment, we can look at who's left and see what their costs were in 2020 and use that as a guide for what we might save in 2021.

Howlett: The sensitivity slide might share some of what Cynthia is asking as far as the dollars and cents attributed to that.

Fecher: Where is it represented on this graph the $75 wellness credit going down to $50. What portion is that represented in?

White: It's not separately called out in this exhibit because we started with the September Board meeting, which already had it reflected in the $29.8M loss/gain on the 2nd line.

Lilly-Palmer: I have a question about the optout as a whole voluntary, not even so much towards the $25. If they do choose to optout of this, is it going be a permanent optout or are they going to be able to opt back in after a certain period of time?

Howlett: From an administrative standpoint, it would be for a plan year. So, if they opt out this fall for 2021, if they go to a Part D, they would not be allowed to come back onto the plan's pharmacy benefit until open enrollment in the fall of 2021 for the 2022 plan year.

Dr. Kirtley: Does that put the $10M from HHS or Medicare for us offering the benefit at risk at all?

Howlett: It does not. The RDS subsidy is coming back to the health plans based on total spend on the Medicare population and not on the volume of individuals. We could potentially, if they go to the Part D market, lose if those drugs fall into that category. It's valued right out around $5M. So, there could be a small deviation. One would also say, though, looking at the population, that it would potentially move to the Part D not being the higher utilizers or the brand drugs that those individuals would be retained on the plan for that reason and we'd still be able to potentially get that back.

Lilly-Palmer: To piggyback on all of this so, with this optout that is going to be offered for this open enrollment to be able to optout in 2021, are we going to offer some outreach on that? Are we going to offer some kind of, as Herb has mentioned in the past couple of meetings, information letting them know what's available, what their options are, and kind of coach them through this?

Howlett: I will say, a lot of them actually know based on the email content change coming into us overnight, but operationally, we're going have to look at maybe how to repurpose the contact and outreach. We will do it through newsletters, email communications, and we've had a very robust list of those that have contacted us, and our intention is to go back out to that same group and be able to communicate with them directly. As we operationalize that, I can put something more out to the board, specifically.

Dr. Fiddler: Okay, how did this option come about that this all of a sudden become voluntary, and we've never done it before.

Fecher: It was suggested by the group of retirees that were 65 and over that week that came in last Thursday with something that they feel strongly about. We were just trying to listen to them.

Dr. Fiddler: Is that a general consensus of them representing a group, or is this a personal opinion?

Fecher: I don't know.

Mallory: This is the group that you spoke about at our last board meeting that you were putting together?

Fecher: Correct. Yes, there were 6 or 7 individuals that came in, and this came out of that group as an option.

Dr. Fiddler: Is this a benefit for being voluntary? Courtney just said that this was a difficult way to address the sensitivity that we talked about on number 9. Is this a benefit for the masses or just a thought process that was taken in?

Howlett: From an administrative standpoint, it'll be a tight window, and it will be something that we will rise to that occasion, and we will do well with that. I would say after listening to the group that was providing the feedback, it would be harder for us to add them back and not give a little bit of sensitivity towards the additional request. It's almost like, no harm, no foul in the scenario. If the tables were turned, I don't have a hard line to say why we shouldn't do it from a voluntary standpoint. It was an option put on the table. We requested for the group to give us feedback and to be heard. From that standpoint, I don't see that it is going to necessarily hurt anything versus just bringing the whole group back on. I think we might learn something that we didn't know prior to.

Dr. Fiddler: I want to be sure I understand what you're saying. This is something that perhaps the past boards or past people have not looked into, but this is a possibility and maybe an

improvement in where we've been? It's like you said no harm on this and try it and see if it works. Is that basically where you are?

Howlett: Yes.

Dunlap: Would there be any type of penalty or limitation to someone who opted out in 2021 if they wanted to up to back in in 2022?

Fecher: I'll just say that the proposal that we submitted to the legislature was not to continue the Medicare or the pharmacy benefits forever. It was to extend it for 1 year and to extend the date to January of 2022 when it would be effective. So, if that is something that the board moves forward with, then they would not have the option to come back on.

Dr. White: I'm going to go ahead and filet the elephant in the room because I've missed something along the way. So, this proposal says to increase the contribution for Post 65 retirees by 5%, and then make the Medicare retiree pharmacy coverage voluntary. At our last meeting, I asked a very direct question if we did not do what we voted on, what would happen? The answer that I got back was that we would not be able to pay our claims in the coming year. So, if we do this, 1) how are we going to pay claims in the coming year and 2) with what I heard Secretary Fecher just say, this should really say for 2021 and we're looking at being back in the same place in 2022. Correct me where I'm wrong.

Dr. Kirtley: The one exception I would say is that it was something that may have been discussed, but this board gets to make that decision.

Dr. White: Right, but what I'm saying is, where are we if we do this? The actuary told us that we don't have enough money to pay our bills.

Dr. Kirtley: I mean, whether it's 2021 or long term, we get to decide. Listening to those meetings, it sounds like there are going to be a lot more legislative discussions as to how to come up with an immediate, temporary fix. What I also hear from those meetings, there's going to be a whole lot more discussion about a long-term approach that is more than just a year. There's going to be much more involvement than any of us have seen.

Dr. White: So, essentially what we're saying is, we make this decision if we go with this proposal for 2021. Then we're going to spend 2021 trying to figure out what in the hell we're going to do for 2022.

Dr. Kirtley: And beyond.

Dr. White: Okay, I just want to make sure I'm understanding because we've been told that we don't have the funds to pay. I want people to be crystal clear that we haven't found magic money. We've got to figure out some things to do to make sure this plan stays afloat.

Howlett: Correct, and every month creates a new part in our plan year. As we progress in a month, we're rolling back the previous trend period. If we had a month of no claims, that's $42M. It's not probable because we kind of like claims, but from that standpoint, you'll see, we had a degradation a few weeks back where our claims dropped to total $6.15M paid out. It's back up to $9.6M now. So, what you're seeing with the difference in the projections is the difference in some of the upturn and downturn in the amount. At the end of the day, we could still have a month, next month, next June, that eats up any of the savings that we had in the downturn. Your point is exactly correct. We are still in that situation. The difference is, we're monitoring it in a different fashion. Now there's some legislative approach to that, and we will be before them additional times. At the end of the day, we still have to address the underlying issue. We have higher claims and not as much funding you've got get it somewhere.

White: If you move it forward to slide 8, it shows where the assets will fall out based on this current projection. You can kind of see that we're still on the same boat as before

making the decision in August. If you look at 2020, we've got about$0.6M dollars in what I'll call unallocated cash. That number may or may not increase over the rest of the year. It depends on what happens with the deferral of the COVID care. If not all that care comes back or less than what we think comes back, then that number will go up, which will increase our assets. If you go into 2021, you can see we're $3M short of being able to cover all of our acquirements for funding, and so that includes the $16M catastrophic reserves. Now if we are paying about, say a $1M or a little bit less than a $1M a day in claims, and we had a week that was more like 2 weeks, then that would eat half of that up. So, that's the risk in these kinds of decisions. Again, this doesn't reflect any kind of legislative acts or anything else that could step in that could help with that, but that's where we stand today.

Dr. White: I appreciate that. I just want to make sure that we are clear, as a Board, and not only that, but that our members are clear. We are still in a serious situation. It doesn't go away in 2021. We have got to address this. So, I just want to put that out there.

Howlett: I will affirm your comment. That is 100% accurate.

Scott: Dr. White, you're absolutely right in your assessment. All this boils down to is the way the retirees felt they were treated. We just voted them off the plan. We didn't really give them enough time to decide. If you want to go to the market plan prescription, a lot of people didn't feel like they have enough time to digest that information. If you recall in that August meeting, I specifically said that I had looked at those plans. Those plans are complicated, and here we are in October, and you are saying we want you all to go ahead and get a Plan D. Well, that is not as easy as you may want it to appear to be. I told you my situation last week with my results from my pharmacist. I witnessed it, and I needed help; I said, “please, help me.” Go to Medicare.gov and put your medicine in there, and it's going to show you 100 plans. Well, whoopie. That's why I asked Dr. Kirtley, “Have you informed the pharmacists that they’re going to have people, 13,000 people, that may be coming to you the next few days asking for a little help?” People need help. So, here we are, and what I heard at the meeting yesterday is that the legislature is pretty much saying is how long have you all known you were in trouble with the plan? That's what I heard, and when they asked that question, we had to say, well, back in April and May, we were looking at this information. Their response was that nobody told them about it. I don't know if that meant that they would help us out or that they would try to get us some money. I don't know what that meant. But they specifically asked how long have you all known this to be the case. So, you know, a lot of this was listed, I'm not sure if you want to do this because you’re going to have a lot of irate employees, specifically retirees, that are not going to accept this decision. They're not going to roll over. So, we are going to have to find some kind of way; we are going to have to find out how to run this thing without taking the consideration of kicking people off the plan. I don't know how to do that. Now, I will be honest with you. This is not my area of expertise. But what I kept hearing over and over yesterday is that it’s not the pharmacy costs that’s driving this plan. This is not why the plan is in trouble. Well, whether we want to accept it, that’s up to each individual around this table. But some kind of way they kept saying, you all need to get to the real crux of the matter. What is driving your cost and once you get to that question, and get that resolved, maybe we'll have other people to help us get it resolved. But, you know, you can't have a meeting in August and kick people off the plan. I agree that was the easiest solution this Board could have come up with is to kick people off the plan. I'm telling you, my grandparents

used to say, excuse the French, but it's hell to get old in America. We treat old people like paper towels. We dry our hands on them, and we throw them away. Ladies and gentlemen, that's not right! These are the people who need pharmacy more than anybody. To make that type of decision, I am sorry, that was not the right way to go. Now, here we are. The group came up with some proposals. At least give us a year, so that we can look into this thing and hopefully by that time, we can convince Dr. Kirtley to call his pharmacists and say that there is going to be a group of people that are going to come to you and you all need to do something to help them. You know, that gives us 365 more days to get that done. We're giving people an option. You want to stay on the plan; you stay on the plan; if you don't want to stay on the plan, there's the door, and we are going to give you a $25 reduction. I've already heard, $25, is that the best you all can do.

Fecher: I believe when the teachers went off, Herb, it was $24.05.

Scott: So, you know, I think Secretary Fecher, in that meeting, brought it back to the point that this is not going to be a complaint session. Everybody is mad and upset. The question became, what can we do to get a solution to the problem? Now, this is not going to fix it; this is a 1-year delay, the voluntary option. Ladies and gentlemen, if you think that's going fix the plan, that's not going to fix to plan. We are really going to have to do some work this next year. I already said in the last meeting that the only thing we've done is just bought more opportunities for the legislature to look at this Board and now let them make the decisions. That's the only thing that we've done; you just give them the opportunity to bring more oversight on you. I have a hunch that from this point forward, anytime you make a recommendation, you will probably have to run it over there before we can even vote. So, you know, my dad used to say, you were grown enough, son, to do what you did and now, your behind is going to be big enough to get it resolved. I knew exactly what that meant.

Howlett: You and I have a slight age difference, but I understand that as well. So, in honor of your words, there's a matter before the Board to be considered. So, from that standpoint, that's the purpose of Herb and everyone's commentary is to be able to vet this out.

Dr. Kirtley: I think that it's really 2 issues in 1 and I'd attempt a motion.

MOTION by Dr. Kirtley:

I would make a motion that 1) would be to reverse the decision of canceling the move to Part D and the removal of prescription drug benefits for Medicare eligible retirees and 2) for this year, add that they do get a 5% increase in their contribution to keep that drug benefit going forward and also 3) if they want it to be a voluntary thing and they want to leave with a $25 discount, then they are welcome to do that as well.

Howlett: Well, first off, we would need two separate motions: entertain the motion to expunge the vote from August 5th, 2020

MOTION by Dr. Kirtley:

On the presiding side of that vote, I would make a motion to expunge the vote on moving the Medicare eligible retirees to Part D.

Fecher: I think we took it all as one vote. So, I think we have to expunge the entire vote and then vote again on what we're going to do going forward.

Mallory: I would say, let's take the whole thing that we did at the last board meeting and go from there.

MOTION by Dr. Kirtley:
I would move to expunge the August 5th vote on setting rates and benefits.
Dr. White seconded. All were in favor.
Motion Approved.

MOTION by Dr. Kirtley:
I would make a motion that would take the previous motion from August 5th with the rate increases as stated, not addressing anything about moving everyone to Part D other than they have that as a voluntary option if they want to. So, it would be a 5% across the board increase for everyone. It does not carve out the Medicare eligible retirees, and if they do take the voluntary approach to go to Part D, that would give them an extra $25 discount on their rates.
Dunlap seconded.

Howlett: I believe, from a discussion standpoint, if we were to make the previous piece correct, we would do 5% across the board, reduce the wellness from $75 to $50.
Dr. Kirtley: I was taking all portions of the previous motion from August 5th, except for the Part D, so it's $75 down to $50 on the wellness, $420 to $450 on the state contribution, and 5% across the board without carving out the Medicare eligible retirees.
Howlett: The contribution increase is already in place; that's a piece not for us to sign off. That part was already done since it was part of the initiatives.
Dr. Kirtley: But we expunged the vote. Mallory stated that we need to expunge the full vote. So, I went with that, and if we expunge the full vote, none of that exists at this point. We were at scratch.
Fecher: Correct.
Dr. Kirtley: So, without a motion to reintroduce that, it does not exist.
Mallory: Please restate your motion.
MOTION by Dr. Kirtley:
I am trying to reinstate a motion that would match the August 5th motion, except for one thing. So, I'm including a 5% increase across the board without carving out the Medicare eligible retirees, reducing the wellness benefit from $75 to $50, increasing the state contribution from $420 to $450, which is our statutory allowed maximum, and for Medicare eligible retirees that want to seek voluntarily to go to a Part D plan would receive $25 discount on their benefits.
Dunlap seconded.

Fecher: I just want to point out that that is not exactly what I presented to the legislature yesterday. Of course, it is the will of this Board, and we can vote however, we want, but I did not say that we would just make it voluntary for this year. I said that we would extend the deadline to make it mandatory for 65 plus retirees to go on to Medicare until January of 2022. We are not saying that in the motion that's on the floor.
Dr. Kirtley: I am not saying that in the motion that's on the floor. I think that if the board wants to reconsider extending that, it needs to be a separate vote because all of the vitriol complaints or anger that I have heard through all of these meetings have been on that one issue. I think it is a separable issue because we've already expunged the vote. It no longer exists. So, we now have to have a new vote to put in something. We could take them one at a time, but if it's in a group, I'm not putting that in that motion at that time.

Dr. Fiddler: Would you say that motion again, John, because I was good with it up until having the opportunity to be part of the plan or not part of the plan because we had never discussed any of that last time.

Dr. Kirtley: No, that we had not, and that's a new option to today.

Dr. Fiddler: So, the things that we have talked about, I would like to vote on that, and then consider that as a separate issue. I think that would be more acceptable to me. That is a whole different issue that has come up. I just don't want to walk out of this room, or anyone else walk out of this room and ask why we did that or why didn't we do that. You know what I'm saying? That's my only point. I just want some clarity on that, that's all.

Dr. Kirtley: So, I was offering that as part of the motion as the suggestion from the retiree group that if we were going to match what had been done with teachers when they were moved on a voluntary basis, that they would get a discount for their automatic move or their voluntary move to Part D.

Gillespie: Everything we're being shown right now shows that the action we're being asked to take will leave us with a financial issue, and we've had some discussion around the idea that the Board will need to come back and figure out how to address that financial issue. I think it is difficult to vote for something without having it clear that it is also connected to coming back to solve for the $3M to $7M deficit.

Dr. Kirtley: We left the PSE side, as I recall it, with a $10M deficit after the plans that would shore up from a $30M dollar deficit. Is that correct? It was going to be $30M short on paper with plans to make up $20M of it. So, we still have $10M on the PSE side.

Rogers: On paper, we looked at it that way, but at the time it was that Chris would still stay in contact with us and if that $10M was holding that he and I would go to the General Assembly at that time for supplemental to get it back. So, at the end of the year, based off of projections going on, it won't be even though right now it's showing on paper it will. What I understand different from this one is that right now, there is no plan; if we do this, that it would stay and that someone's going to come in with additional money to make this one whole. So, right now on paper, it does show, but I've talked to Chris and Secretary Fecher, and we're going to continue to keep in touch and work with Secretary Key, if we have to.

Dr. Kirtley: But, in August, we were okay with maybe needing to go ask the legislature for help on it. That's just what I remember voting.

Rogers: Because I don't have to ask him for the money for it. All I need is the authority to spend it. In this situation, you're going to have to ask for the authority and the money to spend it.

Dr. Kirtley: How much do we have in catastrophic reserves?

White: $16 million.

Dr. Fiddler: Is everybody okay with that motion? I mean, if we are, that's fine. I just want to make sure that we all are before we vote because we're taking on something that we didn't talk about because it didn't exist last meeting. That's why I wanted to make sure.

Dr. Kirtley: You would prefer a motion without the voluntary Part D.

Dr. Fiddler: I prefer hearing if people are comfortable with that. If they are comfortable with that, then I will go along with the group, but if they feel like they want to talk about that separately, and I'm not beating the dead horse on purpose. I just don't want to do this and have another special meeting next Tuesday.

Dr. Kirtley: You're not asked me to change it yet. You want to see if other people are comfortable with it. That's what I'm saying.

Fecher: Could I make a substitute motion?

Allen: Since we're not addressing that, in a year, we're going to do something with the Medicare people. Are we going to have that as another part, or are we just dropping that totally? We talked about this a little over a year ago, and they're acting like they never heard of it before, but we did talk about it in meetings a little over a year ago when we were deciding what we were going to do last year for this year. So, I don't want them to think that if we do decide that the Medicare people, 65 plus Medicare people, need to have their pharmacy dropped. I don't know that we talked about it this year, I mean, I know we've had a lot of feedback. They'll say, oh you didn't tell us last year that this was going to happen. Now, we're going to start having that feedback again in a year. I think we need something somewhere to show that we did change it and that we did realize their situation, but as Secretary Fecher said, there's a good chance that next year this might come up again. We need to put it in writing, that it is there that we have to look at it again, instead of acting like, next year again, it's a big surprise. I know that it's not that big of surprise and, we talked about it last year, but it just kind of went away. So, I just want it stated somewhere whether it's in this motion or another motion. I think we need that in our records to show that we did talk about it this year and that it's not something that's new so that maybe they could even look at it this year and say, what are the options with going to Plan D with Medicare. So, I just want to make that statement because I want it in the records that we did talk about it this year and almost went through with it and that they have another year to make a decision if we can't figure out another way to do the money.

Fecher: I would just make an amendment that we vote on each one of these items separately., so we can have appropriate discussion and know where everyone stands on each one of the suggested changes.

Dr. Kirtley: It's almost easier if I just withdraw the motion and start off one at a time.

Mallory: Yes, that's right. So, do you withdraw your motion?

Dr. Kirtley: I withdraw my motion.

MOTION by Dr. Kirtley:

I would make a motion that we have an increase across the board of 5% on employee contributions for the plan for next year.

Dr. White seconded. All were in favor.

Motion Approved.

MOTION by Dr. Kirtley:

I would make a motion that we change the wellness credit from $75 down to $50 for everyone on the plan.

Lilly-Palmer seconded. All were in favor.

Motion Approved.

MOTION by Dr. Kirtley:

I would make a motion to increase state funding from $420 per eligible member per month to $450.

Dunlap seconded. All were in favor.

Motion Approved.

MOTION by Dr. Kirtley:

My last motion is a motion for Medicare eligible retirees that wish to explore Part D plans, that they could do that on a voluntary basis with a $25 decrease in their premiums per month.
Dunlap seconded.

Dr. Fiddler: I want to be clear on this, and I don't know how it is with PSE, but I was trying to research and go back here. How do they get back on if they want to come back on? DO they wait a year?

Howlett: They would have to have a qualifying event throughout the year, or during open enrollment.

Dr. Fiddler: Okay, thank you. Are they aware of that? The people who would who are asking us to do this are they are aware of that that they can't just get back on when they want to

Howlett: Are you addressing the group that we met with?

Dr. Fiddler: I would think everybody that it's going to affect.

Howlett: It would be part of that educational piece.

Dr. White: That's not uncommon, that is standard practice, pretty much in insurance policies. You have to wait until open enrollment or have a qualifying life event to change in the middle of a plan cycle. So, we're not doing anything that's not standard practice.

Rogers: So, is this different than what the focus group and what Secretary Fecher said to the General Assembly yesterday, or is this the same?

Fecher: It is the same in that part of it. It's just not completely what I said yesterday. The proposal that I discussed was extending the date for one year of losing the pharmacy benefit for the 65 plus retirees, and that is not part of the motion.

Rogers: And that's not what you're wanting to do?

Dr. Kirtley: We undid that by expunging the August 5th vote already. I do not have that as part of the motion. I think that would be a separate consideration if it was coming back up.

Mallory: So, all in favor, we have motion and second. All were in favor.
Motion Approved.

Howlett: In the consideration with expunging the vote from August 5th, the PSE side had the Department of Ed contribution coming in. We accepted the contributions on the ASE side for the contribution increase, but we'd actually have to have that for the PSE side as well. The motion on the PSE side that was in place was a reduction of wellness from $75 to $50, as well as the $20M increase in Department of Ed funding. So, those two pieces on PSE are left. So, that needs to be addressed. Please.

MOTION by Rogers:

So, I make a motion that we reduce the wellness credit down from $75 to $50, as well as increasing the public school find contribution by $20M over the next time over the next fiscal year.
Fecher seconded. All were in favor.
Motion Approved.

Mallory: Okay, great now, Cindy, I think it was you that brought up the recognition of our discussion on this. Do you want to make a motion to that effect?

Allen: I would if I knew how I should word it. I don't know how you word that. In one year, we will change that Medicare 65 plus people will have to go to Part D Medicare. Is that how we word it, and then we see if we can find funds somewhere else if we can't find funds in another way. Is that a proper way?

Dr. Kirtley: So, you just basically want recognition of the discussion. I think it would be a motion to recognize that this is an ongoing discussion and may not be a permanent decision as far as Part D. I mean, I think she's trying to say we need people to understand that this isn't over, but at the same thing we hear at the legislature is that we can't save the whole plan with all the savings being on a 25% spend to the plan. We've slashed and burned pharmacy and saved millions upon millions of dollars, but I think a lot of what I'm hearing from those discussions is that we have got to look elsewhere in this plan.

Dunlap: It sounds like she's wanting us to have something out there that says that the possibility of Medicare retirees moving to Medicare part D in 2022 is still an option on the table unless we find something else between now and then to change that. We still have a year to look for other ways to fund the plan, just like Mr. Scott was saying, everyone else is saying, but if we don't find that option to make that happen, then what happens with the vote for the Medicare retirees moving to Medicare D? If you take it off the table then you're still going to have to address it again at some point. So, she's saying don't take it off the table and make people think you're never going to look at this again, and that's not an option or that it's never going to be an option. It could still possibly be an option and can you word that in such a way that people will understand that? Yes it still might happen in 2022 unless we find a different way to handle the deficit.

Allen: Exactly, so I think we need to put that in there because I don't want them to come back in here and say we had no notice again and start calling us all those names because we never did let them know about it. I think they need to realize it is an option and maybe even do some of their own investigations this year as to what their options would be, so they won't be so surprised. I mean, they can check it this year and don't have to wait until it officially went away for them. They could do research this year on their Social Security benefits online, and their independent insurance agents can do that research for them so they would know what they're looking at. So, I think that's why we need it stated.

MOTION by Allen:

I move that we keep on the table that in the year 2021, we may have to move to have our Medicare 65 plus people go to Part D plan if we cannot find other options to cover our needs and in our ASE insurance.

Dr. White: I don't think we can make a motion that has a possibility in it. I think you have to have a direct action in a motion if I'm not mistaken.

Mallory: That is right.

Dr. White: I think what I'm hearing is that you want to make sure it's in the minutes so that it is noted in the minutes. We have minutes for each of these meetings, so I would imagine that the discussion is in there. Is that sufficient, or are you really asking for a motion that the Medicare retirees move to Medicare Part D in 2022 unless this board overturns it in some time in 2021? So, I think that's the distinction we need if we want it noted in the minutes. I think it will be there. The minutes are usually pretty clear with everyone who

spoke about it is attributed to it, but if what you're wanting is a motion, then I think we're going to have to make a direct action.

Fecher: One reason to be definitive about it is that we've heard that they didn't have time to prepare. So, if we kick the can down the road and don't make a decision today, then we're in the same boat and come next June when it's time to set rates, and we make the decision to take them off, then they're going say they didn't have enough time. So, as a department, as a division, we would like to spend the entire year educating people if the board votes to take this benefit away in 2022. So, it does make a big difference what we decide today and how we can go about educating people, letting people know, and getting the word out.

Dr. Kirtley: I think in a lot of ways, you can educate them that it could happen versus the scare that they have gotten that it will happen. If we're talking about saving a swing of $38M out of $140M of the budget. We've already asked, and I know Dr. White has been promised that we're going to get information on the medical side that I would hope we could eclipse this and add stability to the plan there. I understand exactly what you mean. If you tell them right now, it's happening next year. I think that's a different message than if you tell them that it could happen next year. I think that most of us are perfectly comfortable with saying it could happen next year, but on September the 29th of this year, I just don't know that, for me, if I'm ready to say we're automatically doing that next year when we have all these other things that we're supposed to be looking at. So, in fairness for those, that's not looking at each other in this room.

Gutierrez: On the other proposal, on the volunteering to move to part D, it's sounds like you are saying it is so that they could come back next year. It might only be a one-year fix, so unless something drastic changes, they wouldn't be coming back, would they?

Dr. Kirtley: I think she's saying if we move everyone to Part D next year, there will not be an opportunity to come back. But we've had discussion that they would have opportunity to come back. If the Board were to make a motion and pass it, that would decide right now to automatically do this in 2022, Dori would be correct that they would not be able to come back ever, but that has not happened at this point.

Gillespie: I'm still concerned that where we stand right now is that we have voted to take a series of actions, but those actions do leave us with a clear hole. We don't have anything before us right now that would either solve that or make it clear that we will be solving it and being presented with options within a very short period of time. As you said, we will have meetings around rates in June. Well, before we get to those June meetings, we have to solve this financial issue as well as to Secretary Fecher's excellent point that beneficiaries need time to plan. So, my concern is where we sit right now is not, from my standpoint as a Board, the right place to be. We are leaving a hole and don't have a plan to address it.

Dr. Fiddler: I'm going to be her wingman on this. We've got so many questions on what's going to be addressed for this coming year, and I have to go along with Dr. Kirtley that it possibly could happen rather than it will happen. I'm not comfortable with that yet. Any business thing that you have, you either have to have more income or less expenditures to make your business work or a combination of the two. We don't know where the money's coming from to make this happen. That is a legislative decision. We don't know what the root cause, medically, that caused this to happen, and apparently, it wasn't a prescription problem as you stated there. So, our final question is, what will make it solvent so that we can do this another year? Going back to what Herb said last time,

people took these jobs for benefits rather than because of income, and we made a promise. So, I would go along with Secretary Gillespie that we don't know where we're going on this because we haven't audited the problem enough to find out what's causing it. Then to come up with what a solution could be so that maybe we don't have to address this in 2022. We don't know what the final solution would be. I think there are consequences there that I would not put a motion with.

Scott: In terms of the retirees receiving letters from EBD that they were going to be removed from the plan. Is there any way to follow that same script based on what we've done today? In that letter, you could say that it is the understanding that in 2022 you have to do something different if you can't find a solution. I guess what I'm asking, can we follow the same script and do a written communication to them? I don't know how many letters went out, but I think those same members. Can we repeat that?

Howlett: The number changes from day to day, but roughly 13,845 letters went out. I'm in a unique situation because I operationalize the decisions of the Board. Then, I get to go before you as a Board as well as the legislative body and explain the rationale reasons of the decisions and whatnot. We'll work with our communications group for our department and put out a very similar communication. What I cannot do is speak on behalf of the Board in the manner in which you did not take up the decision or make that decision. I know what was presented and proposed. I was there with Secretary Fetcher and Courtney, and we spoke before the joint committee yesterday, and I know what was stated there, and I was also a part of the little working group where we came together and had that conversation. I know what their expectation was when we left that group and what they stated to us and what we were considering and what was modeled through Milliman, the actuary, over the weekend, and I know what was communicated to the legislative body yesterday. The one piece that is not carried forward is the fact that it was the one-year extension. I can't put that in that letter.

Scott: I'm not asking that. I'm just asking that since we did the 5% across the board increase, without the wellness didn't really affect the retirees at all, the state fund, and I don't think retirees really need that though, but the voluntary option.

Howlett: Yes, the voluntary option piece will be a piece of it. The contribution is actually important because the contributions are what we used to subsidize the non-Medicare and Medicare retirees.

Scott: Okay. Well, again, the people I heard from were not pleased with the call center. In my mind, I was thinking, are we going to use the call center to say, hey Mr. Scott, the Board met on the 29th, and this is now what they're going to do? I mean, they weren't very pleased with the call center, so I was just wondering if we could send a written letter like we did before.

Howlett: Our approach is going to be multifaceted because we're not able to reach everybody with just a letter alone and phone calls. We're going have to get through the present moment, so I can then look back at how we're going to operationalize the full decisions that were made here today. But yes, I will report back even if I have to kind of give an update before the next meeting to you.

MOTION by Fecher:

I'd like to make a motion that we note it in the record and also indicated on a letter to all the retirees that this decision will remain fluid next year. It is not a guarantee that they will have Medicare benefits on January 1, 2022, it will depend on funding.

Scott seconded.

Dr. Kirtley: Everything's on the table. We've got legislators, I think, that are in the process of supplying a whole list of ideas for us.

Mallory: I think this really speaks to Cindy's issues as well. So, we have a motion and a second.

All were in favor.
Motion Approved.

Dunlap: We do have a problem that we do have to address, and I'm not sure if it was clear today. But what I think I'm understanding is that we have used up of our reserves for this one-year extension or will use up all of our reserves, so we won't have a reserve for 2022 unless we address this issue starting now. I just know that needs to be said and openly said. How will we start addressing that now? Will we create a subcommittee of some type, or who is going to lead that charge to start addressing that right now? And I would like to say, I would like to help in that.

Howlett: Thank you for being a Board member, and that appointment is the piece that will be helping form those decisions as we move forward. As I noted yesterday, that falls in my wheelhouse. So, I'll take responsibility to start circling the wagons. I've already started having conversations with Milliman as of yesterday afternoon, as well as this morning based on yesterday's joint committee. I believe most of that information will be brought before you as well, and you'll be able to have the best picture possible. Your part to play would be to ask questions and ask for things to model so that we can give you the information that you feel most comfortable with once we make those decisions.

Dr. White: Kind of in that same vein, I asked medical expenses to be reviewed, and with all due respect, you promise me a date, and that date has passed. So, when will you guys be able to provide that for us, so that we can look at the medical side of it and understand where our possibilities are?

Howlett: At the next Board meeting, officially.

Dr. White: So, at the October Board meeting.

Howlett: Yes, which is October 20th, I believe, you will have that information in its entirety.

Dr. White: Can we get that in advance to review?

Howlett: You will have that beforehand to be able to review. Yes ma'am.

Dr. White: Great. Thank you.

Gillespie: Would it also be possible for us, at that next Board meeting, to begin to see some of the options to deal with the financial issue that today's actions leave.

Howlett: I don't believe there's any one single item that is causing the plan to have an exuberant amount of an expense. Our cost for medical and pharmacy are together when we set the rates and the premiums. When we look at it, we're going to be able to demonstrate to you where the actual membership is having the spend, the areas in which the plan is spending the money, and how the fund is. So, basically an employee funding, employer funding, as well as the employee expenses by group, subgroup, and broken down at a tier level. You'll be able to see that information, and you'll understand a fuller picture in that breakout.

Dr. White: Will that be broken down by chronic disease, wellness, elective, and all of that so we can see the categories.

Howlett: We started with the funding piece, but categorical expense, yes. We will be looking at that.

Dr. White: Okay, that is great.

Gillespie: I also remain concerned that we did not let ourselves continue to go month after month after month without looking at options until we get all the way to June.

Fecher: I'm trying to understand. Are you talking about options like Milliman has proposed in the past where, if we change this, then it'll bring in so much money, or are you talking about options of where we could get funding to supplement the program for 2021?

Gillespie: Primarily, I'm thinking, Secretary Fecher, about options about what we can do to bring the plan into solvency long term and not just how to get money for 2021. For me, I realize we have to dig deeper, but at the same time, one of the things I do worry about is us as a Board just kind of turning it over and saying, okay, it will come back to us at the right time. It's one of those times where we really need to make sure that we stay on top of pushing ourselves to make what may not be easy decisions. I know we have to solve for 2021 if this is possible, perhaps at the next meeting for them to bring us a timetable on how they plan to work on this so we know when we would be looking at longer term options.

Dr. Kirtley: I think to build on that, I'd make possibly two requests. The first is that whatever suggestions are coming legislatively, or otherwise, to go ahead and start sharing those ideas with the Board members as soon as you can, so we can actually think about them instead of just sitting at the table and seeing it for the first time. I recognize fully, we can't talk to each other about those outside of the meetings, but I can at least, you know, pontificate on it some. Once again, I think, for all the Board members, for any that haven't watched these legislative subcommittee meetings, I think sending a link to all of them so we can all view it if we want would be helpful.

Director's Report by Chris Howlett, EBD Director

Howlett does not have anything to report at this time.

MOTION by Dr. White:

I make a motion to adjourn the meeting.

Dr. Kirtley seconded. All were in favor.

Meeting Adjourned.

State of Arkansas Employee Benefits Division

Interim Monitoring Report
for
Arkansas State Employees (ASE)

Through August 31st

Senate and House Insurance and Commerce Committees

Courtney White, FSA, MAAA

28 SEPTEMBER 2020

Milliman

Limitations

Courtney White is a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render opinion contained herein. To the best of our knowledge and belief, this analysis is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

The assumptions used in the development of the 2020 and 2021 budgets are based on historical ASE medical claims and invoices for Arkansas Blue Cross and Blue Shield (ABCBS); pharmacy claims and invoices from MedImpact; historical state, school district, and plan funding from EBD; plan administration from EBD; historical ASE employees/retirees and members by benefit plan, age/gender, and by month from EBD; 2019 and 2020 ASE benefit plan summaries from EBD; 2020 and 2021 fees and administrative expenses from EBD; conversations with EBD regarding the programs and plan initiatives; 2019 through February 2020 financials from EBD, and actuarial judgment.

While we reviewed the data provided by ABCBS, MedImpact, and EBD information for reasonableness, we have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Expected outcomes are sensitive to the underlying assumptions used. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Any reader of this report should possess a certain level of expertise in areas relevant to this analysis to appreciate the significance of the assumptions and the impact of these assumptions on the illustrated results. The reader should be advised by their own actuaries or other qualified professionals competent in the subject matter of this report, so as to properly interpret the material.

This presentation has been prepared for the sole use of the management of the State of Arkansas Employee Benefits Division for setting the ASE budget for CY2020 and CY2021. It may not be appropriate for other purposes. Milliman does not intend to benefit any third party from this analysis.

Agenda

- Arkansas State Employees (ASE)
  - Board Action – August 5, 2020
  - EBD Proposal - September 28, 2020
- Appendices
  A. Plan summary
  B. Assumptions / methodology

Board Action – August 5, 2020

- Increased employee contribution for the Active employees and Pre-65 retirees by 5%
  - No change to Post-65 retirees contributions
- Changed wellness credit from $75 per month to $50 per month for Active employees
  - Maintained $0 employee contribution for Basic Plan with Wellness for Employee Only contracts
- Increased State funding from $420 per eligible per month to $450 per eligible per month
- Medicare Retiree to obtain pharmacy coverage through Medicare Part D market
- No plan design changes for actives and Pre-65 retirees

EBD Proposal - September 28, 2020

- Increase employee contribution for the Post-65 retirees by 5%
- Make Medicare Retiree pharmacy coverage voluntary
  - Retirees can stay in plan or choose coverage through Medicare Part D market

Summary of Initiatives - ASE

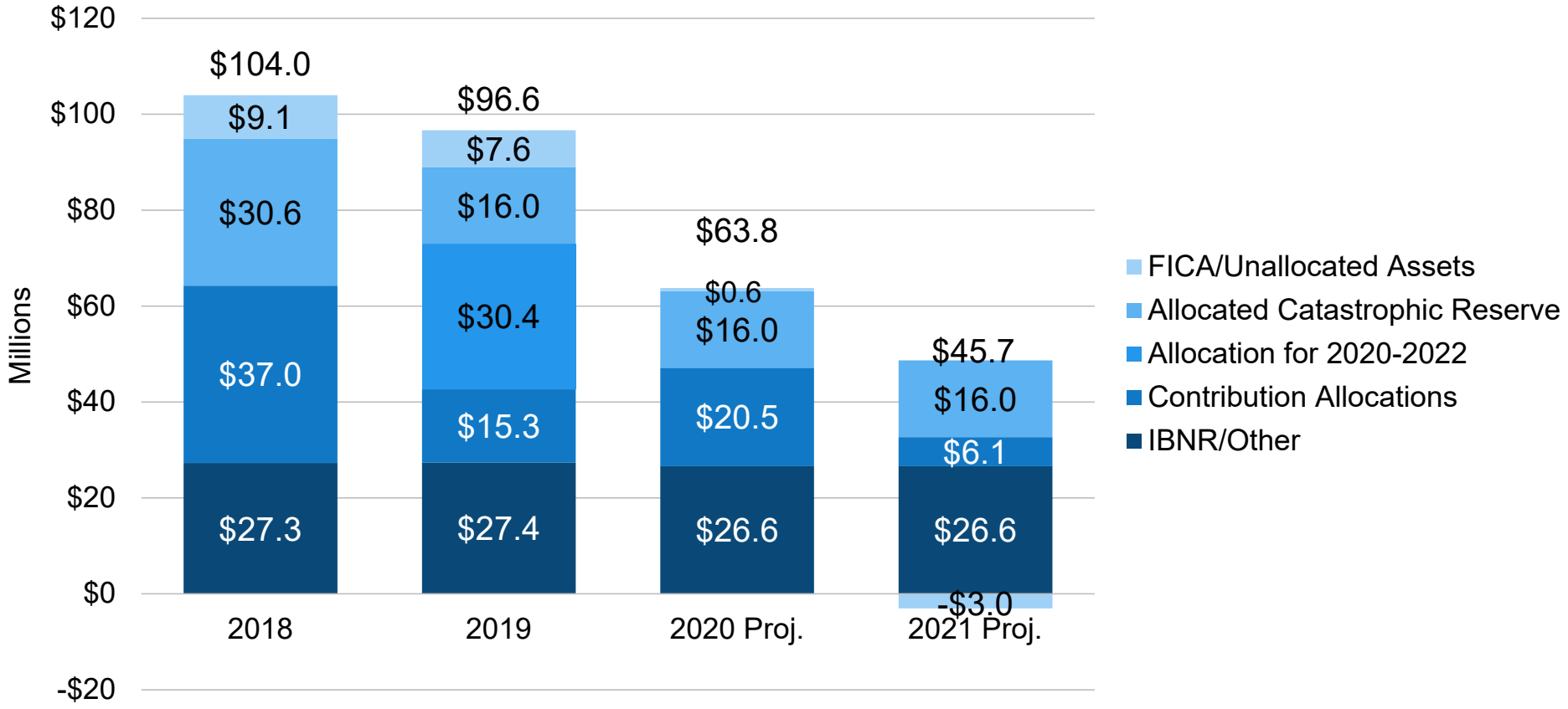
- 2021 Projections based on September 22, 2020 Board Meeting

Initiative	Decision	Value of Initiative	Estimated Net Income / Loss
Starting Surplus			$15.35 M
Allocated Assets		$14.46M	$29.81M
Post-65 Retiree Contribution	5% incr.	$1.66M	$31.47M
Cover Medicare Retiree Rx		$38.53M	- $7.06M
Program Initiatives		$3.41M	- $3.65M
Medicare Retiree Rx Voluntary		See sensitivity	- $3.65M
Estimated Net Income / Loss			**- $3.65M**

Projected Assets: 2019 – 2021

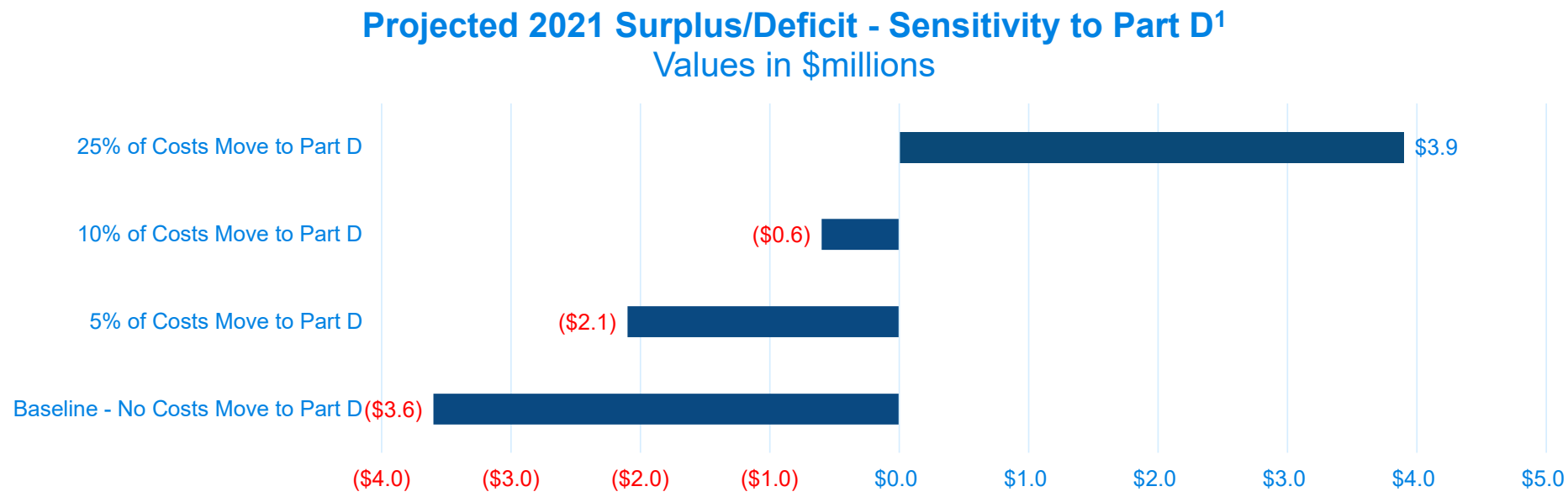
Development of 2021 End-of-Year Assets ($millions)			
(a)	2019	End-of-Year Assets	$96.6
(b)	2020	Allocated Assets	($25.1)
(c)		Total Surplus / (Deficit)	($7.8)
(d) = (a) + (b) + (c)		End-of-Year Assets	$63.8
(e)	2021	Allocated Assets	($14.5)
(f)		Total Surplus / (Deficit)	($3.6)
(g) = (d) + (e) + (f)		End-of-Year Assets	$45.7

End of Year Assets



Medicare Retiree Pharmacy Sensitivity

- The number of retirees and associated costs that choose Part D is difficult to predict
- Sensitivity analysis:

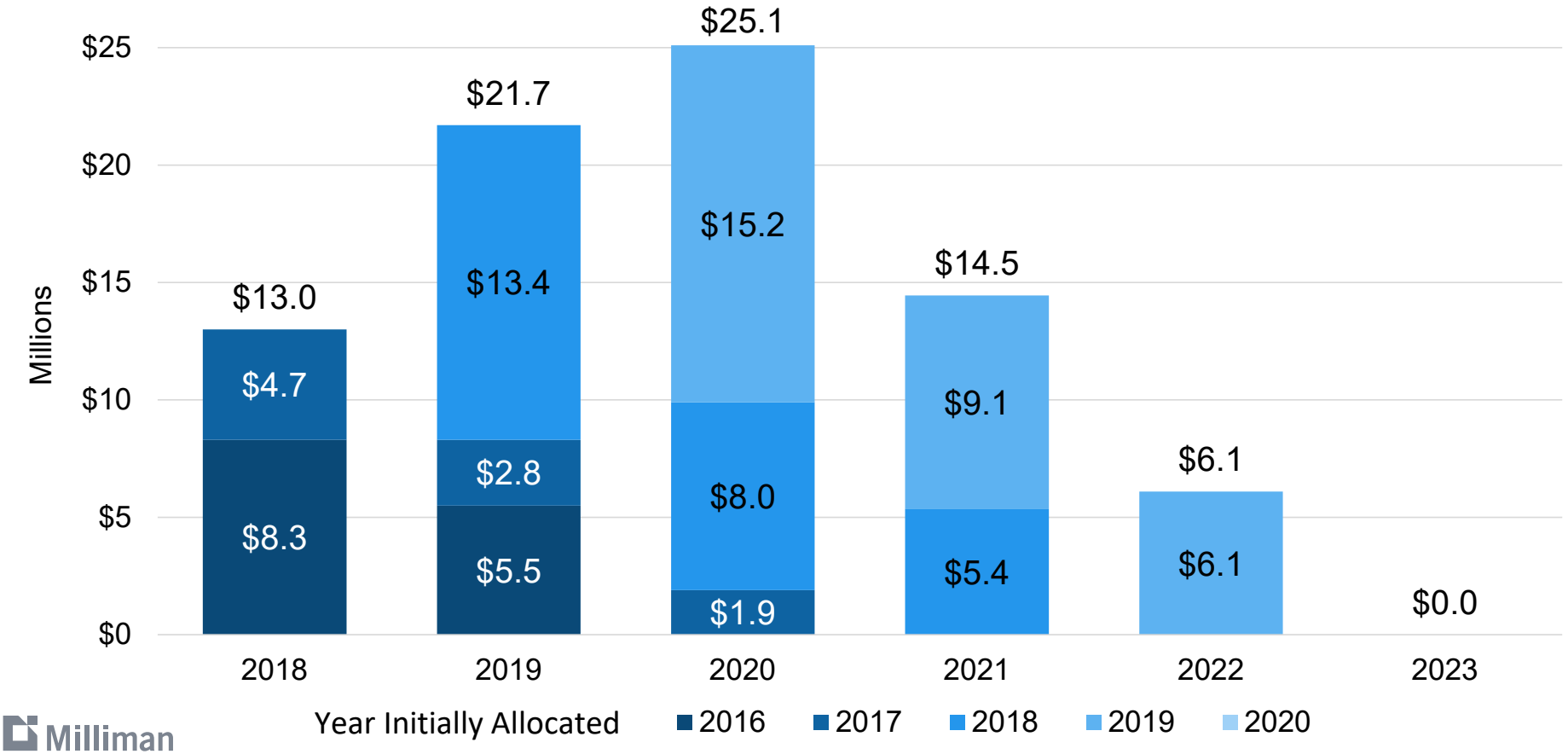


[1]Does not reflect potential stipends

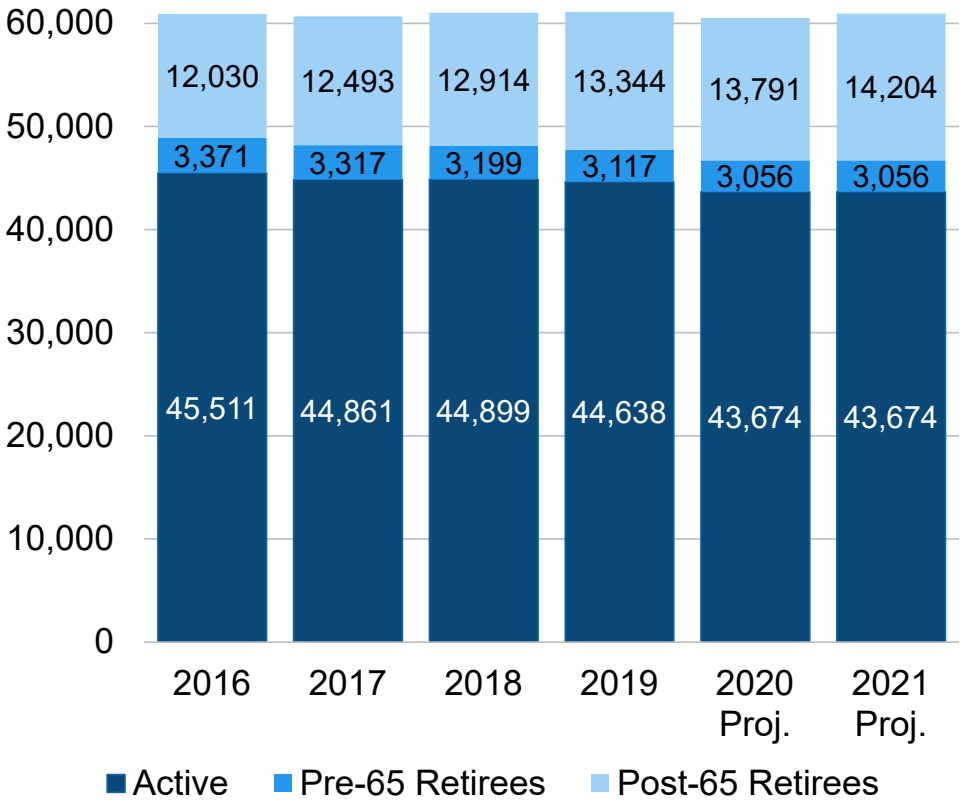
Appendix

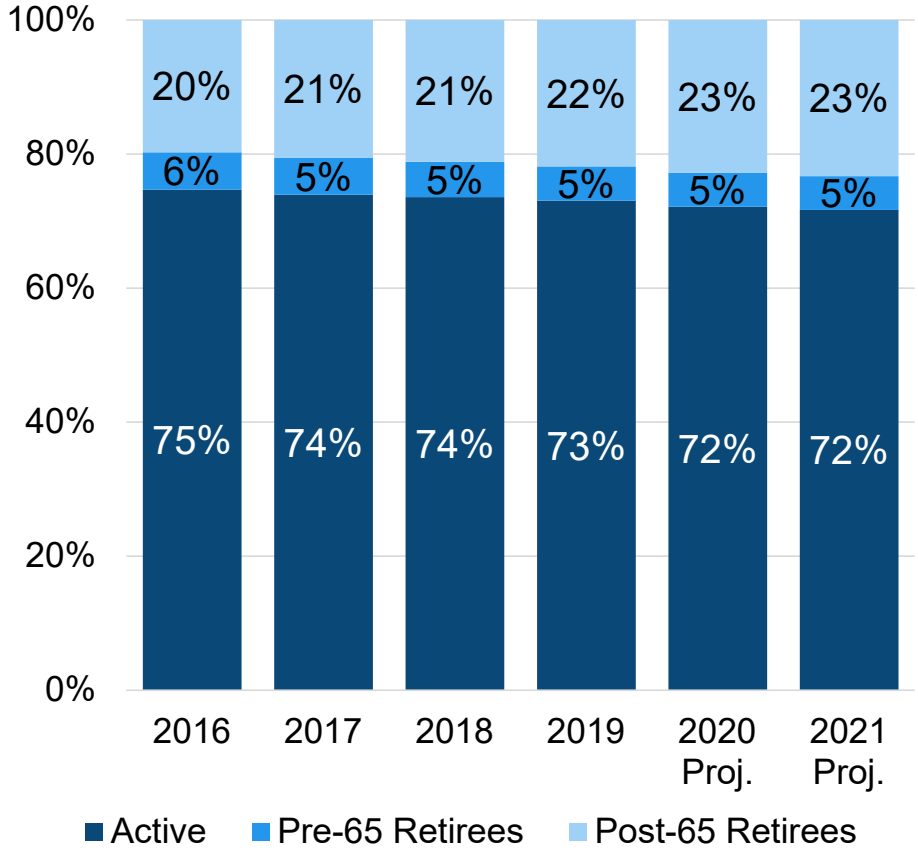
ASE - Reserves Allocation by Year

The chart represents the reserves amounts allocated each year (in millions), and how much reserves are available each year.

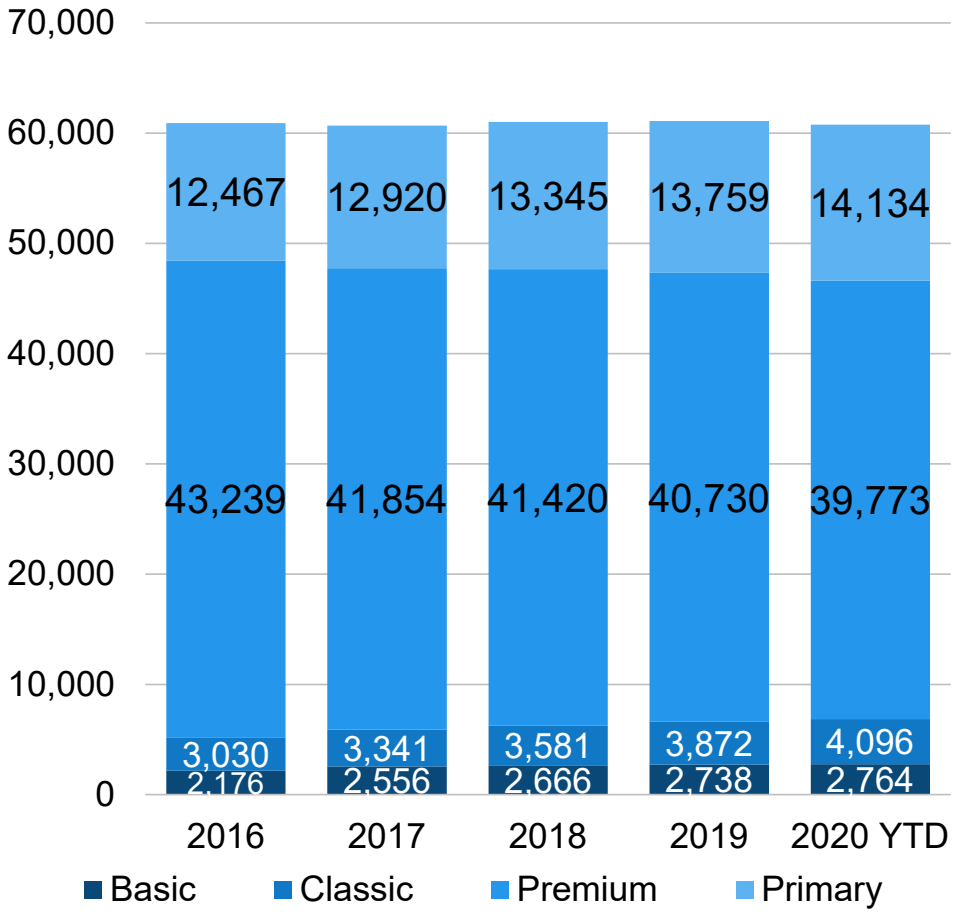


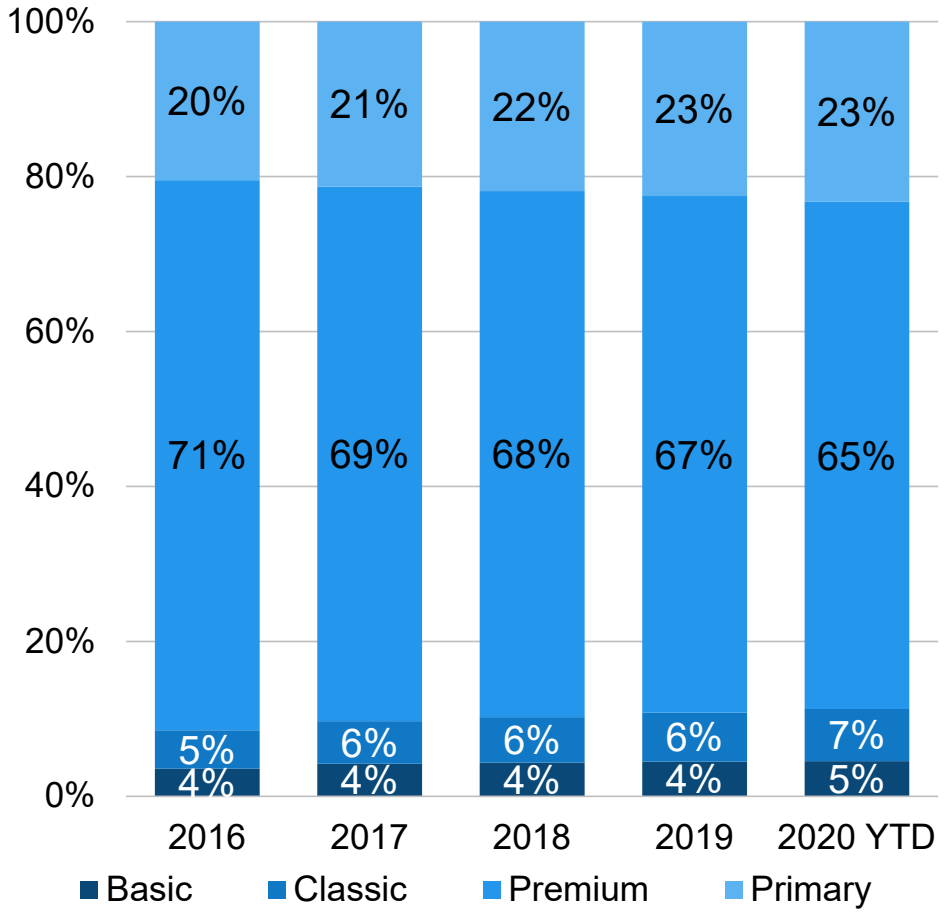
ASE - Average Membership by Status





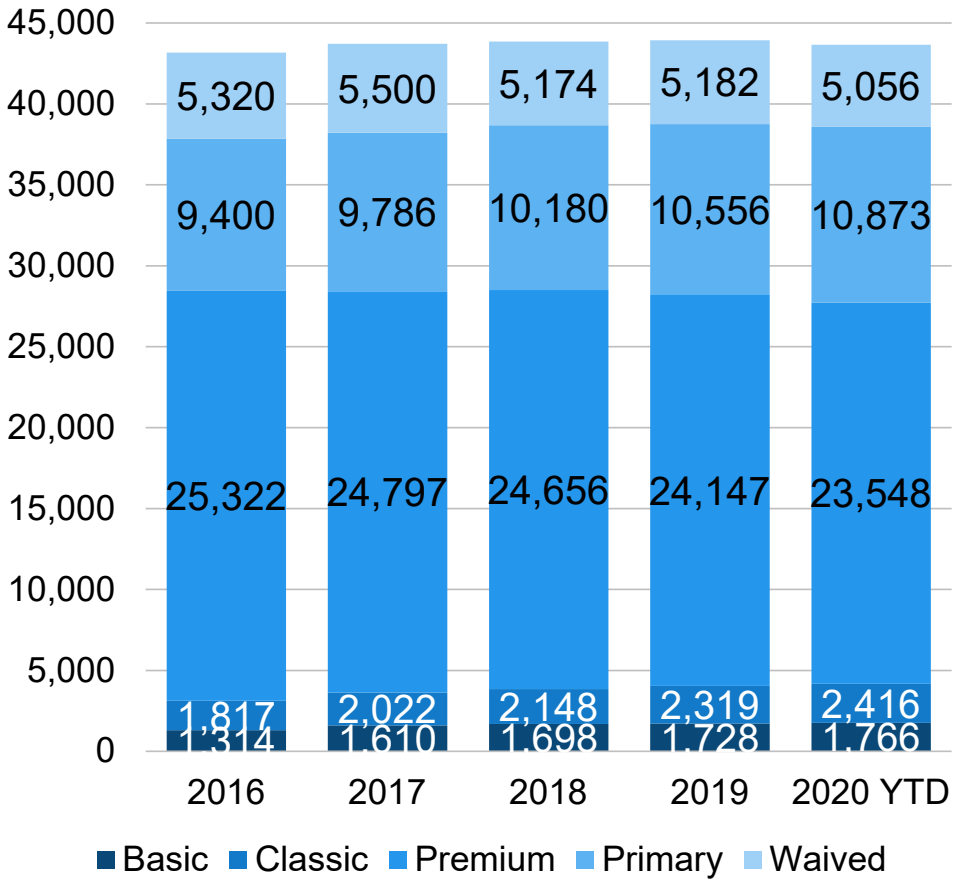
ASE - Average Membership by Plan

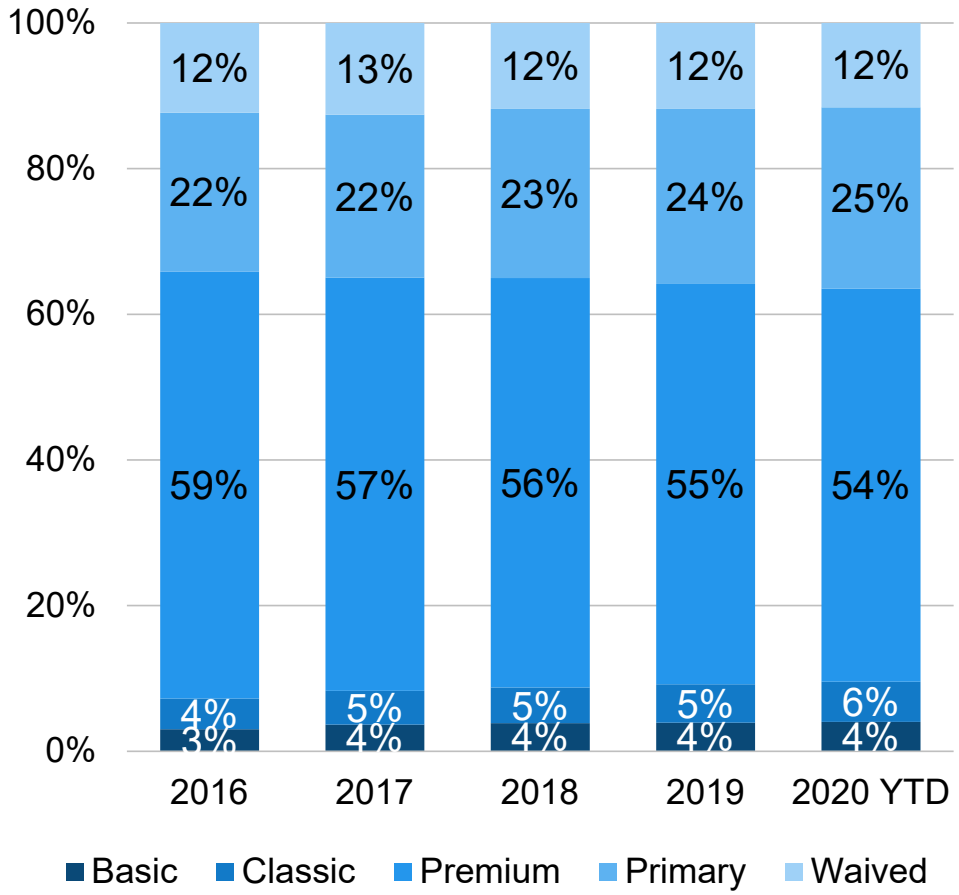




Milliman

ASE - Average Enrollment (Subscribers) by Plan





Assumptions & Methodology

Assumptions - Trend

Division	Group	Medical Trend	Pharmacy Trend
ASE	Active/Pre-65 Retirees Post-65 Retirees	5.0% 5.0%	8.0% 8.0%
PSE	Active/Pre-65 Retirees Post-65 Retirees	7.0% 7.0%	8.0% 8.0%

Assumptions & Methodology

Assumptions – Benefit Plan Changes (2019 to 2021)

- ASE
  - No significant plan cost changes for Active, Pre-65, and Post-65 benefit plans
- PSE
  - No significant plan cost changes for Active, Pre-65, and Post-65 benefit plans

Assumptions & Methodology

Assumptions – Other

- Age/Gender
  - Age/Gender factor based on Milliman Health Cost Guidelines™
- Enrollment Projections
  - Actual enrollment utilized for March 2019 through July 2020
  - Projected August – December 2020 based on historical patterns
- Program Savings
  - Projected program of $1.25 million per month for 2020, allocated between ASE / PSE based on pharmacy claims expense.
- Plan Administration Expense
  - ASE - $3.85 PMPM for CY2020 ($3.96 PMPM for CY2021)
  - PSE - $2.14 PMPM for CY2020 ($2.14 PMPM for CY2021)
- Plan Administration Fees include PCORI charges for 2020 and 2021
- Percentage of Population earning wellness incentive
  - ASE – 82%
  - PSE – 82%

Assumptions & Methodology

Methodology

1. Summarized fee-for-service (FFS) medical and pharmacy claims incurred from March 1, 2019 to February 29, 2020 and paid from March 1, 2019 to August 31, 2020. Medical claims are gross of withholds. Reports reflects the timing of when EBD is expected to pay the withhold.
2. Converted the paid and incurred claims to incurred claims using completion factors. This incorporates the incurred but not reported (IBNR) claim reserve.
3. Summarized member months for March 1, 2019 to February 29, 2020.
4. Divided the summarized incurred claims by the appropriate member months to calculate PMPMs.
5. 2020 Projected the incurred claims for July 2020 to December 2020 based on the PMPM from the midpoint of the experience period (September 1, 2019) to the midpoint of the projection period (October 1, 2020). Utilize actual claims for January 2020 to June 2020 with completion.
6. 2021 Projected the incurred claims PMPM from the midpoint of the experience period (September 1, 2019) to the midpoint of the contract period (July 1, 2021).
7. Made adjustments for seasonality, benefit changes, and age/gender mix.
8. Accounted for rating period fees and administrative expenses.
9. Where applicable, converted incurred budget to paid budget based on historical payment patterns.

Milliman

Thank you

Courtney White, FSA, MAAA