

Public Employees Benefits Board
Meeting Minutes

July 31, 2014
Health Care Authority
Sue Crystal Rooms A & B
Olympia, Washington
10:00 a.m. – 11:30 a.m.

Members Present:

Dorothy Teeter
Yvonne Tate
Marilyn Guthrie
Mary Lindquist
Marc Provence
Gwen Rench
Greg Devereux
Harry Bossi
Melissa Burke-Cain

Call to Order

Dorothy Teeter, Chair, called the meeting to order at 10:00 a.m. Sufficient members were present to allow a quorum. Board and audience self-introductions followed.

Dorothy Teeter: This is a day of voting. Today is a culmination of many, many meetings of preparation, briefings, and comment. I appreciate not only the Board, but those that are here today and others that have contributed to the policies that we're going to be voting on today.

Janice will first share a premium overview update and clarify the life insurance benefit in response to a question from the last meeting. Those materials are behind Tab 3.

Janice Baumgardt, PEB Finance Manager: At our last meeting, Greg Devereux had a question on the Life Insurance Premium Stabilization Reserves (PSR). I indicated the reserves Voya has for the employee contributions are owned by the employees. I want to clarify that the reserves are actually owned by our vendor. However, to Greg's point that there was a lawsuit - at one time the employer and the employee PSR's were co-mingled, and those are now separate.

Greg Devereux: Thank you.

Janice Baumgardt: As an example, the reserves for the Uniform Medical Plan (UMP) and the Uniform Dental Plan (UDP), a self-insured product, are owned by PEBB Program. However, our life insurance is actually a fully-insured product, so the vendor owns those reserves.

Greg Devereux: Thank you.

Janice Baumgardt: Another question came up at the last meeting regarding the administrative fee I had pointed out in the Medicare and the non-Medicare retiree premiums. Although this is not a new fee, I pointed out the \$6.25 monthly administrative fee per account in the tables I shared. This fee has always been in the premiums. It's not in the chart that shows the employee premiums because for the employer pays the admin fee for state active employees. Every subscriber is assessed a \$6.25 administrative fee for 2015. This fee funds PEBB Program Administration.

Greg Devereux: Has that always been true? Has there been an administrative fee in the past?

Janice Baumgardt: Yes, that's how the PEBB Program is funded. There might have been some confusion in the past when COBRA retirees we were charged an additional 2% fee on top of the admin fee. We no longer charge that.

Greg Devereux: Is the administrative fee for all administration? Does it cover all aspects of the administration or HCA?

Janice Baumgardt: It covers everything that's not directly related to a health plan. It covers staffing, except for those staff working directly with UMP. Those would be part of the UMP Rate Build, part of the premium. It covers all of the overhead and administrative costs,

Greg Devereux: Does PEBB get any dedicated funds, any dedicated appropriations from the legislature?

Janice Baumgardt: We work out of several accounts. One of those is appropriated, that's fund 418, and the \$6.25 monthly fee is what makes up the appropriation.

Greg Devereux: There is no other direct funding besides that?

Janice Baumgardt: No. It all comes in via the funding rate for state agencies or the premiums that are paid for the self-pay groups.

Greg Devereux: To go back to the life insurance issue regarding the lawsuit. Did you indicate that when the lawsuit happened before, that both employee and employer put some portion in?

Janice Baumgardt: I wasn't here then, but my understanding is this. There is our basic insurance that the employer pays 100% of and there is supplemental insurance that employees can buy into. My understanding is that our vendor had mingled the reserves. There was a lawsuit, and as a result of that lawsuit, our vendor now keeps those reserves that are attributable to the premiums paid by employees separate from those reserves paid by the employer.

Greg Devereux: Thank you.

Janice Baumgardt: I mentioned at the last Board meeting that there might be changes to the premiums. A few changes have been made to the premiums. One of the reasons for changes to the premiums is SmartHealth participation. Our initial thought was to say people eligible for

the incentive would be those that we had validated - they had filled out the attestation and they would be participating in the SmartHealth Program. We would then validate that through the Health Assessment to make sure it was completed. It turns out that not all subscribers were notified of this validation process. We've also learned that there were different technical problems for different subscribers, depending on the plan, on getting those Health Assessments completed. So the decision was made to include all those that attested to SmartHealth. The threshold has changed so more people will be eligible for the incentive. That changes the premiums slightly. Sixty percent have now attested positive across the plans. Those are the assumptions that are going into the rate build.

Greg Devereux: Do you know what the impact on the rate is?

Janice Baumgardt: The impact is less than \$1.

The other change impacting the change is due to adding transgender benefits. The proposal you will see indicates that as of January 1, 2015, non-surgical transgender benefits will be included and effective July 1, 2015, the surgical transgender benefits would be added. Those two combined, in some instances, increase the premiums by \$1. The state index rate and the employee premiums are always rounded to the nearest dollar, so the rates you see in some instances will be exactly what you saw previously, depending on how they rounded. Some will be \$1 more than what you saw previously.

Slide 4 of the presentation shows the employee contributions that will be voted on for state employees general government and higher Education. Slide 5 is the non-Medicare retirees. It includes the \$6.25 admin fee, where on the previous slide doesn't because it's paid by the employer. The state is covering that \$6.25 for the employee.

Gwen Rench: I would just like to go on record as being concerned about the large level of increase for the retirees. Retirees aren't getting increases in income, just increases in expenses and I noticed that it has even gone up another dollar from the last meeting.

Janice Baumgardt: That was due to the benefit changes and the SmartHealth change.

I also wanted to point out changes in the Medicare plans. The transgender surgery benefit is also being added effective July 1. You don't vote on the premiums. You are voting on the subsidy of \$150, or half of the monthly premium, whichever is less. There is no premium change for UMP on the UMP Medicare rates. For Group Health, it is less than \$1 to add that benefit; and Kaiser is waiting further direction from CMS.

PEBB 2015 Procurement Vote

Eleven Procurement Resolutions were presented for a vote before the Board. All resolutions were approved.

Procurement Resolution 1: Resolved, that the Uniform Medical Plan Classic (non-Medicare and Medicare) will administer a separate annual out-of-pocket maximum of \$2,000 for members' prescription drug costs.

Moved. Seconded. Approved.

Voting to Approve: 7

Voting No: 0

Procurement Resolution 2: Resolved, that the Uniform Medical Plan Classic (non-Medicare and Medicare) will administer a benefit exceptions policy whereby Tier 3 non-preferred drugs that do not have a generic equivalent may be covered at the Tier 2 coinsurance level when medical criteria are met.

Moved. Seconded. Approved.

Voting to Approve: 7

Voting No: 0

Procurement Resolution 3: Resolved, that the Uniform Medical Plan Classic (non-Medicare and Medicare) and the UMP Consumer Driven Health Plan will change coverage to be more consistent with Regence Medical Policy for the following services:

- **Temporomandibular Joint (TMJ)**
- **Home Health Services**
- **Circumcision**
- **Genetic testing**
- **Orthotics to prevent complications associated with diabetes**
- **Massage Therapy visits to exceed one hour when medical criteria are met**

Moved. Seconded. Approved.

Voting to Approve: 7

Voting No: 0

Discussion:

Greg Devereux: I support all of this. I wonder what the financial impact is.

Lou McDermott: These changes will about \$236,000 annually.

Greg Devereux: Do you have any idea the cost per member?

Janice Baumgardt: I believe it's one cent employee premium for non-Medicare and UMP CDHP and two cents for UMP Classic, if I remember correctly.

Procurement Resolution 4: Resolved, that all PEBB medical plans (non-Medicare and Medicare), including the Uniform Medical Plan Classic, the UMP Consumer Driven Health Plan, and all the fully-insured Group Health and Kaiser medical plans, will administer the following benefits assuming the FY 2016 funding rate supports them:

- **Effective January 1, 2015, will include benefits for covered non-surgical health care services and prescriptions for the treatment of gender dysphoria, and**
- **Effective July 1, 2015, will include benefits for covered surgical services for the treatment of gender dysphoria.**

Moved. Seconded. Approved.

Voting to Approve: 7

Voting No: 0

Discussion:

Greg Devereux: I just want to thank the Health Care Authority. A lot of work has gone into this. We've had multiple meetings and a lot of discussion. I really do appreciate that the date has been moved up and that it is voted today by this Board and not next year. I really appreciate the effort that went into that.

Dorothy Teeter: Thanks, and on behalf of the whole PEB team, I know that there was a tremendous amount of work that went into this.

Procurement Resolution 5: Resolved, that the Kaiser Classic Plan will not apply members' out-of-pocket costs in the last quarter of the year toward the next year's deductible.

Moved. Seconded. Approved.

Voting to Approve: 7

Voting No: 0

Procurement Resolution 6: Resolved, that SmartHealth Program requirements are:

- **Complete the Well-being Assessment**
- **Earn the required number of points according to the Smarthealth Program completion rules.**

Moved. Seconded. Approved.

Voting to Approve: 7

Voting No: 0

Procurement Resolution 7: Resolved, that the PEB Board endorses the Group Health employee premiums.

Moved. Seconded. Approved.

Voting to Approve: 5

Marc Provence

Yvonne Tate

Mary Lindquist

Marilyn Guthrie

Dorothy Teeter

Voting No: 2

Greg Devereux

Gwen Rench

Discussion:

Greg Devereux: This is a tough one for me. I will be voting no, not because I don't think the Health Care Authority and PEB staff have done a fantastic job of negotiating the rates, especially Group Health Classic being reduced, but Group Health Value has gone up. I'll be voting against a number of others too, just because I understand that what drives it is utilization and inflation, which means providers get an increase, but state employees haven't gotten anything for six years. In fact, they have had their wages reduced six percent over that

period and their money goes to pay for these. I think providers and other folk should also take a hit in that regard. So, again, I appreciate very much what the staff has done to get it to the level where it is, but I reluctantly will be voting against.

Procurement Resolution 8: Resolved, that the PEB Board endorses the Kaiser employee premiums.

Moved. Seconded. Approved.

Voting to Approve: 5

Marc Provence

Yvonne Tate

Mary Lindquist

Marilyn Guthrie

Dorothy Teeter

Voting No: 2

Greg Devereux

Gwen Rench

Procurement Resolution 9: Resolved, that the PEB Board endorses the Uniform Medical Plan employee premiums.

Moved. Seconded. Approved.

Voting to Approve: 5

Marc Provence

Yvonne Tate

Mary Lindquist

Marilyn Guthrie

Dorothy Teeter

Voting No: 2

Greg Devereux

Gwen Rench

Discussion:

Greg Devereux: For the same reasons that I stated earlier, I will be voting no.

Procurement Resolution 10: Resolved, that the PEB Board endorses the maximum \$150 employer Medicare Contribution, not to exceed 50% of plan premium, set forth in the legislative budget appropriation.

Moved. Seconded. Approved.

Voting to Approve: 7

Voting No: 0

Procurement Resolution 11: Resolved that the PEB Board ratifies the minimum Spousal Surcharge amount required by the legislature, which is \$50 per month, for implementation by the Health Care Authority.

Moved. Seconded. Approved.

Voting to Approve: 6

Gwen Rench

Marc Provence

Yvonne Tate

Mary Lindquist

Marilyn Guthrie

Dorothy Teeter

Voting No: 1

Greg Devereux

Discussion:

Greg Devereux: It was not too long ago we were doing coordination of benefits, and now we are penalizing folks for having benefits, their spouses having benefits elsewhere. I think this is punitive. I think it's another way for the legislature to fund things when they have alternatives, so I will be voting no.

Dorothy Teeter: Again, thank you all very much. This was the culmination of a lot of work from lots of people in the audience, on the phone, and around this table to get this done.

Lou McDermott: Behind Tab 5 is the 2015 PEB Board meeting schedule we will be filing with the Code Reviser.

Dorothy Teeter: It's time for public comment. Kathryn Mahan and Tobi Hill-Meyer have signed up to comment.

Kathryn Mahan: Thank you. I'm not used to coming down to Olympia being hopeful and this is just really an amazing day. Our people, we're not used to receiving this kind of formal support. So, I don't do this usually when I testify, I want you to know that. I just want to recognize the compassion that you're showing right now and the courage. It means a lot to a lot of us. Thank you.

Dorothy Teeter: Thank you for the time you've put in to helping us learn.

Tobi Hill-Meyer: I'm Tobi Hill-Meyer with the Gender Justice League and I would just like to say thank you. I know this has been a long process and we've had to do a lot of work around it and we really appreciate everything that you've done. This is a move that is going to bring things in line with state non-discrimination laws, and is something that we are seeing mirrored by many states all over. Just yesterday, I forgot which one, but I got an announcement of another state that had their Insurance Commissioner come to the same conclusion of our Insurance Commissioner, that these forms of exclusionary practices are illegal discrimination. By removing them it has a significant benefit to many people's lives and we really appreciate

that. We are going to continue to be available for support in implementation and further down the road. Again, thank you.

Dorothy Teeter: Thank you for that offer of continued work with us.

Meeting was adjourned at 11:30 a.m.