

Insure Montana RFP Subcommittee Meeting August 30, 2011

Voting Board present: Erin McGowan Fincham, Amanda Harrow, Jim Edwards

State of Montana staff: Jill Sark, Carol Roy, Helen Taffs

BCBS representatives: Mark Walters, Ginger Lindsey

The purpose of this meeting is to negotiate the 2012 rates for the Insure Montana purchasing pool plan. Ginger provided handouts which offered a rate increase of 9.7%, or 5.7% with a \$400,000 SSL (Specific Stop Loss) plan purchased from the reserve account. The cost of the SSL insurance is \$546,434.

Mark provided an additional page illustrating the Underwriting calculations showing an 11.2% rate increase. He stated that BCBS reduced the premium increase by an additional amount based upon the partnership between BCBS and Insure Montana. He also said that by using the reserve funds to pay SSL, the premium burden on members would be reduced.

Jim discussed the benefits of having SSL coverage. For 2011 so far Insure Montana has not recognized a large benefit. The 2011 SSL premium was \$494,736, and Insure Montana has had one large claim so far, resulting in \$91,274 in benefit savings. In a previous plan year, however, Insure Montana experienced a \$3 million claim. Combined with medical inflation trending around 11%, a single catastrophic claim could result in a rate increase of 20% or more to the entire group.

Jim questioned the IBNR (Incurred But Not Reported) estimate of \$1.503 million for 2011 when the 2010 IBNR was \$1.237 million. Mark said he anticipated the amount would go down by the end of the year, and that the number was reflective of a relatively stable population experiencing IBNR growth at the rate of about 2% per year. Erin asked about new lives insured under the 2009 legislative budget increases, and if the IBNR was reflective of the new lives. Mark said IBNR does include those new lives, and the major influx was more than a year ago.

Mark reviewed the graph illustrating the historical claims experience over the life of the program. He explained that with previously uninsured lives, the experience for Insure Montana was typical. Over the first several months the claims ramp up, due to the lag between collection of premiums and payment of claims. Then the claims level off as the population gets its initial needs addressed. Mark said the claims are trending normally with Insure Montana and he would not anticipate flat PMPM (Per Member Per Month) costs again. Unless Insure Montana has a large influx of new lives, which is unlikely given the current budget, the PMPM costs should remain on a gradual increase in line with trend.

Jim stated he felt 5.7% is a very reasonable increase. Insure Montana has averaged around a 4% annual increase in premiums over the last three years. Based upon current experience, BCBS is tracking a \$225,718 loss through July 2011, however, this is expected to level off by the end of the year, due in part to the SSL coverage being triggered for the large claim. The reserve account has an available balance of about \$1.168 million, which is sufficient to cover the SSL for 2012 and the other budgeted wellness initiatives. He also pointed out that most small groups are being offered renewal rate increases around trend (11%). Erin and Amanda agreed that the 5.7% increase with the reserve spend of \$546,000

for \$400,000 SSL coverage was reasonable. Erin, Amanda, and Jim agreed to recommend the full board accept the BCBS offer of 5.7% for 2012, and expend reserve funds for the SSL coverage.

Jill will schedule a conference call to obtain a full board vote on acceptance of the bid and 2012 rates from BCBS now that the subcommittee has negotiated the 2012 rates. This will occur on September 1, September 2, or September 6, based on availability of board members.

Amanda requested a breakdown of the 19.5% administrative costs. Mark and Ginger said that figure includes the MCHA (Montana Comprehensive Health Association) tax; conversion costs (individual plans must be offered to departing small-group employees at 150% of the group rate, guaranteed issue); agent commissions of 5%, risk and BCBS reserves for claims fluctuation, and base admin such as overhead and salaries.

Jill requested it be written into the record that she wishes to thank Ginger Lindsey for her time and effort to present a quality offer in the short time frames in this RFP process.