

## **10/25/07-10/26/07 Insure Montana Board Minutes**

### **10/25 Present in Person:**

Board Members: Gail Briese-Zimmer, Cliff Larsen, Betty Beverly, Connie Welsh

Staff: Anna Whiting-Sorrell, Jan VanRiper, Merrica Dominick, John Morrison, Anne Pichette, Helen Taffs, Christina Goe,

Public: Kim Browne, , Todd Lovshin, Kris Wilkinson, Daan Stordiau, Todd Moore, Eric Schindler, Webb Brown, Jared Short, Joe Garza

### **10/25 Present by Phone:**

Staff: Lisa Crowley, Erin McGowan-Fincham

Public: Robert Hemingway, Barbara Camrazell, Peter Butler, Daren Engellant,

Meeting called to order at 4:40 pm.

Jan VanRiper presented benefit options and potential revisions, including the recommendations of the independent actuary, Leif and Associates, who evaluated the BCBSMT rate increase. Some possible savings could be had by holding producer commissions flat at the 2007 level, dropping them to 4.2% of the increased premiums instead of the standard 5.5%. Additional potential reductions were found in administrative costs (Blue Cross and Blue Shield had offered to reduce administrative costs in their quote by 3%), risk/claims fluctuation, and trend. If all the suggestions of Leif & Associates are applied, and the plan designs remain the same, the rate increase should be 27.6% rather than the initial BCBSMT proposal of 31.9%. BCBSMT was willing to reduce the administration costs, but was unwilling to reduce the Trend and Risk factors.

The Board was reminded that notices must be mailed to all participants no later than 11/1/07 to allow 60 days notice. BCBSMT would require some time to create the necessary documents and SAO would have to approve them prior to mailing. It is urgent that the Board make a final decision regarding plan designs and the rate increase no later than Friday the 26<sup>th</sup>, or early Monday the 29<sup>th</sup> of October.

Jan suggested we alter the existing Premier and Standard plans rather than doing away with Premier and introducing a new plan, as a plan withdrawal requires 90 days notice to SAO.

Anna inquired whether the Board had formally decided to change the plan designs. Gail responded we are attempting to mitigate the increase, in keeping with the goal of covering as many people as possible with a finite budget. John Morrison stated that we are currently presenting options to the Board. Cliff asked if keeping commissions flat would drive pool business to qualified association plans. John stated that keeping commissions flat could potentially drive adverse selection for the pool as the easiest risks to move would be the healthy groups. He went on to say that the goal of the Insure Montana program is to provide coverage for as many people as possible (whether in the pool or a QAP), not to have the pool itself as big as possible.

Connie pointed out that there was no subrogation of workers' compensation claims (i.e. \$0 recovery is shown by BCBSMT); no costs were being recovered from other carriers for this type of claim. Given the profile of some of the high cost claims, and the size of this group, it does not seem reasonable that nothing could be recovered. She suggested further discussion with our actuary to see if there were additional savings to be had regarding Trend and Risk, since BCBSMT was not willing to adjust their offer on those numbers. Cliff suggested with the time constraints, the Board could provisionally approve changes, and still contact the actuary before granting final approval.

Based on concerns voiced by several attendees, Gail suggested the Board discuss keeping commissions at 5.5%. Eric Schindler reiterated that BCBSMT is standing firm on the Trend and Risk numbers, and the reduction in the administration and possibly the commissions is BCBSMT's best offer. Anna advised she was uncomfortable accepting the "best offer". Gail stated that even if we do get an overall reduction from BCBSMT that will not change the benefit designs the Board would choose. Jan requested the Board make a provisional decision. Cliff suggested the Board choose a favored design and reconvene Friday afternoon for final approval.

John asked Jared if reducing commissions would cause agents to drive adverse selection. Jared said probably not, but he could not guarantee that wouldn't happen.

Cliff moved to recess the meeting until 1:00 pm the next day, to allow for a final meeting with the actuary prior to making a final decision. Bob seconded the motion and it passed unanimously.

The meeting recessed at 6:30 pm.

The meeting reconvened at 1:05 pm 10/26/07.

**Present at SAO:**

Board Members: Gail Briese-Zimmer, Connie Welsh

Staff: Erin McGowan-Fincham, Christina Goe, Merrica Dominick

Public: Dara Anderson, Eric Schindler, Jared Short, Kris Wilkinson, Daan Stordiau, Todd Moore

**Present by Phone:**

Board Members: Cliff Larsen, Bob Marsenich, Betty Beverly

Staff: Lisa Crowley, Jan VanRiper, Anna Whiting-Sorrell

Public: Jeff Smith, Joe Garza, Pat Solomon, Susan Witte, Daren Engellant, Mike York

Connie reviewed the content of the 9:30 am phone meeting with Leif & Associates. She noted that they recommended BCBSMT appeared to have room to come down on their trend and risk assumptions. Leif reiterated that 6.8% was the most that they could identify given data and time constraints that could be reduced from the BCBSMT proposal.

Lisa discussed formalizing the retention agreement with BCBSMT, as was in place for the 2006-2007 year, which would specify that surplus dollars be used for the benefit of the pool.

Jeff explained that Risk and Claims Fluctuation are not the same thing, as indicated by Leif in the meeting earlier that day. BCBSMT included in their quote not only an assumption of overall claims cost increases (trend), but also contribution to their reserves under the risk-based capital assumptions. Risk includes a regulated surplus amount.

Bob asked if BCBSMT would be willing to “split the difference” where the 2.5% savings were suggested by Leif & Associates in the Risk and Trend. Eric Schindler said no, and reiterated that BCBSMT had put its best and final offer on the table. Connie asked what the bottom line number is; Eric advised 28.9% if commissions were left intact. The Board discussed the possibility of cutting commissions. Bob suggested if they were going to be cut, the amount should be discussed. General consensus was that cutting commissions was a bad idea. Bob moved that commissions be kept stable at 5.5% for 2008. Jim seconded, and the motion passed unanimously.

The Board discussed rates and plan designs. Jim pointed out that 11% of participants had no claims at all, and 54.5% more had claims under the \$500 deductible, so nearly 65% of our participants would not be affected by an increase in out-of-pocket costs, whereas everyone would be affected by a rate increase. This statement met with general agreement among the Board. Per John Morrison’s suggestion, Erin requested the Board consider a \$750 deductible and 75/25 coinsurance for the Premier plan, and a \$1500 deductible with 60/40 coinsurance for the Standard plan. Jim asked if BCBSMT would waive the RX deductible on generic drugs. BCBSMT reps responded this would require a rate adjustment, and the plan already has mandatory generics. Jim moved the Board accept the option outlined by Erin, which would result in a 12.6% rate increase, or 5.6% if a group moved from Premier to Standard coverage. Bob seconded the motion, and it passed unanimously.

Lisa advised that the Board would address the assistance schedule at the November meeting. The budget will sustain an increase for FY08, but we may need to adjust assistance schedules for FY09 to be sustainable.

Jan brought up the retention agreement. Christina Goe requested we incorporate a formal agreement into the contract. Jared advised BCBSMT was willing to do so for 2008.

Dara asked about including mandated benefits changes in the letter to participants. These include well-child age increases, and age of dependents. Christina advised these should be included in the letter.

Jim moved we amend the BCBSMT contract to include a formal retention agreement specifying the dollars would be used “for the benefit of the pool”. Bob seconded the motion, and it passed unanimously.

Connie expressed her continued concern regarding a prenatal benefit and other party liability, and requested a monthly report be forwarded to the Board on management of maternity cases as well as subrogation activities. Insure Montana staff will work with BCBSMT to track large claims.

The meeting adjourned at approximately 2:30 pm.