

Insure Montana Rate Negotiation Subcommittee Meeting Minutes
September 19, 2012

Board Members Present: Susan Witte, Erin McGowan Fincham, David Kendall

CSI/Insure Montana Staff: Jill Sark, Christine Kaufmann, and Carol Roy

BCBS Staff: Ginger MacDonald, Mark Walters

Ginger provided a handout and opened the meeting with review of page one. She explained that the purchasing pool had very similar experience as last year. There was a slight difference in loss ratio due to a drop in members. She said there was one large claim exceeding the \$400,000 threshold. This particular claim will continue going forward due to the condition of the claimant. BCBS is proposing a 9.5% rate increase for 2013. As in years past, Insure Montana could purchase Specific Stop Loss with a \$400,000 threshold which would reduce the rate increase to 5%.

Mark explained the graph on page one. He explained that cost and utilization trend are the two major factors that contribute to the trend used in the calculation to arrive at a 9.5% rate increase. Currently trend is at 9.5%. In 2007 it was as high as 13.9% and has steadily decreased.

Mark explained the calculation on page 2 of the handout. Regarding Adjusted Incurred Claims, he explain that IBNR refers to claims that are Incurred But Not Reported; Pooling refers to claims exceeding \$400,000; there is no Credibility Blend; and Mandates refers to mandated covered services or conditions. This year there is a federal mandate to cover the expansion of preventative conditions for women (100% coverage). Ginger will give a report of the expanded coverage mandated by federal law at the December Board meeting.

There was discussion regarding what is included in the 19.5% administrative costs. Mark stated that administrative costs are comprised of: MCHA/Premium Taxes – 1.4%; Conversion Costs - .5%; Agent Commissions – 5.3%; Risk and Base Administrative Costs – 11.58%; and, UM/EAP - .72%.

Susan asked what a normal stop loss threshold for a similar size group is as she feels that \$400,000 seems high. Mark responded that a similar size group would normally have a threshold of \$200,000. In 2009 and 2010, Insure Montana purchased stop loss of \$250,000 and it was determined that more was spent on the cost of the coverage than savings from the coverage. He said if Insure Montana purchased \$200,000 stop loss it would cost approximately \$1,000,000. There is \$1,200,000 in the retention fund available; however, Mark recommended not using the full amount available to retain enough to pay for stop loss coverage next year.

David asked what would happen to the retention balance if members leave the program to go to the Exchange in 2014. Mark said that the funds would still be available to

Insure Montana. Ginger said that BCBS has new data mining software that can provide an estimate of how many members of a plan may be incentivized to move to the Exchange. She will provide this information to Jill in the near future. Mark further explained the RSR accounting. He said that Insure Montana has been at a break-even point so far for 2012, which means the account has not accumulated any funds this year.

David would like to spend the RSR to benefit those that paid in. He asked if we can change the contract to give more than 50% back to the members. Jill stated that the current contract ends December 31, 2013 and any revision will need to be approved by both Insure Montana and BCBS. *[NOTE: Jill was incorrect; the current contract ends December 31, 2014.]* It was decided to consider this and other possible ways to spend available RSR funds at the March 2013 Board meeting.

Susan asked what would be left in the RSR account if three-fourths of the amount accessible were spent on the stop loss coverage and rate buy down. Mark stated that would leave approximately \$300,000 in the account and would reduce the rate increase to 2.9%. Erin asked what would be left in the RSR account if between one-half and three-fourths of the available funds were spent on stop loss coverage and rate buy down. Mark said it would leave approximately \$425,000 in the account and would decrease the rate increase to 4% if the claims to the end of the year were consistent with 2012 year to date.

Subcommittee members unanimously elected to accept a 4% increase in rates with \$779,236 paid towards stop loss coverage and rate buy down from the RSR account.

Jill asked the Subcommittee to consider dropping the Traditional plans since very few groups are enrolled in these plans. The Traditional plans do not provide any further benefit for a higher cost than the PPO plans except for coverage in Wyoming. Mark said that BCBS could offer the Traditional plan to one member if necessary. Subcommittee members unanimously elected to drop the Traditional plans offered in 2013.

Jill will schedule a meeting the first week of October for the Subcommittee members to present their recommendations to the full Board for a vote.

Meeting adjourned.