

Public Employees' Benefit Board
 Tuesday, July 17, 2007 10:30 a.m. to 4 p.m. - Minutes
 DAS General Services Building/Mt. Mazama Room
 1225 Ferry St SE, Salem OR

Approved 8/21/07

Board Members Present	
Diane Lovell, Chair Peter Callero Rocky King Paul McKenna Senator Bill Morrisette	Sue Nelson Rich Peppers Jeanene Smith Bret West
Staff Present	
Bobbie Barott Dena Comer Wendy Edwards Denise Hall Ingrid Norberg	Brian Olson Margaret Smith-Isa Rebecca Sweatman Jean Thorne
Consultants Present	
Paige Sipes-Metzler, Aon Consulting	Dennis Tierney, Aon Consulting
Guests Present	
Thandi Clements, VSP Kristina Herron, Providence Health Plans Sally Hill, Providence Health Plans Gordon Hoberg, ODS Diana Jones, Regence BCBSO Bill Lindekugel, Kaiser Permanente	Renee McDonald, Regence BCBSO Megan Myrick, Willamette Dental David Searce, The Standard Insurance Co. Tamara Strauss, Samaritan Health Systems Deborah Tremblay, Oregon Judicial Dept Don Wiggins, The Standard Insurance Co.
Agenda	
Welcome and Approval of Minutes Overview of Meeting Self-Insurance 101 (Part II) Operations Subcommittee Report Flexible Spending Account – Third Party Administrator Selection Updates on eValue8 and Aligning Forces for Quality Assessment of PEBB Communications Overview of Implementation of 2008 Dental Plan Design Changes Standard Claims Fluctuation Reserve and Premium Deposit Account Implementation of House Bill 2918 Overview of Senate Bill 329 Establishing Oregon Health Fund General Public Comment Other Business	
Welcome and Approval of Minutes	
Diane Lovell called the meeting to order. Peter Callero moved to approve the June 19, 2007 meeting minutes.	

Sue Nelson seconded the motion.

➤ Hearing no further discussion, the motion passed unanimously.

Roundtable introductions were made, including new Board member **Bret West**. Bret is the Operations Division Administrator for the Department of Administrative Services, and is the designee of the DAS director on the Board. He has worked for the State of Oregon for 21 years, with prior service including chief operating officer for the Oregon Department of Education and deputy commissioner for the Department of Community Colleges and Workforce Development.

Overview of Meeting

Jean Thorne provided an overview of today's meeting, including a presentation from Aon regarding self-insurance and an Operations Subcommittee report. The Board will hear a recommendation from the Selection Committee for the Flexible Spending Account RFP, followed by updates on Oregon initiatives eValue8™ and Aligning Forces for Quality. McGee and Evers Consulting will provide a presentation on its assessment of PEBB's communication materials and on suggestions for improvement. Staff will provide an update on implementation of the dental plan design changes for 2008, and Aon will present information for the Board's decision regarding placement of the Standard reserves. Finally, the Board will hear an explanation of House Bill 2918, and an overview of Senate Bill 329 establishing the Oregon Health Fund.

Self-Insurance 101 (Part II)

Dennis Tierney of Aon Consulting referred to **Bdattach.2** and **2a** and explained that this is the second of two presentations to the Board discussing the concepts of various approaches to providing and funding employee benefit plans. The information provided is intended to assist the Board in understanding the options and implications in considering broader use of self-insurance in 2009.

Jean Thorne asked if a carrier, such as Regence, could make unlimited reinsurance available.

Dennis Tierney replied that this is an internal mechanism for each carrier, but a carrier such as Regence should be able to make this available.

Senator Morrisette asked about the impact of carving out pharmaceuticals.

Dennis Tierney replied that not having the pharmaceutical program makes it difficult for carriers to undertake disease management.

Diane Lovell thanked Dennis for his clear presentation of the information. The Board will consider next steps at a later meeting.

Operations Subcommittee Report

Paul McKenna reported that at its July 10 meeting the Operations Subcommittee heard updates on legislative activity, PEBB Member Services and contracts. PEBB is on-track for the open-enrollment process and materials are expected to be available to members earlier than usual. Additionally, the Consultant RFP process will begin in September.

Flexible Spending Account – Third Party Administrator Selection

Brian Olson acknowledged the work of the Selection Committee, and distributed a handout outlining the background and the Selection Committee's recommendation on the Flexible Spending Account (FSA).

PEBB received a total of six proposals in response to the FSA RFP issued on June 8, 2007. All proposals were responsive and met the minimum qualifications. On July 6, 2007, PEBB staff met with FSA Selection Committee members to present the FSA proposals and scoring instructions. Furthermore, on July 9, 2007, the FSA Selection Committee interviewed all six FSA proposers and subsequently finished their scoring on

July 12, 2007. ASI Flex was the highest total scoring proposer and was also each committee member's highest scoring proposer.

It is recommended that the Board authorize PEBB staff to issue ASI Flex an Intent to Award letter selecting them as the Apparent Successful Proposer (ASP) and begin contract negotiations. After the Intent to Award letter and notices are mailed out to all proposers, the unsuccessful proposers will have until July 24, 2007 to protest.

Jeanene Smith moved the authorize PEBB to issue ASI Flex an Intent to Award letter selecting them as the Apparent Successful Proposer and to begin contract negotiations.

Paul McKenna seconded the motion.

Rocky King expressed his concern that members will not understand which charges will be administered by BHS and which by ASI Flex, because the run-out period for 2007 goes into 2008.

Brian Olson explained that charges for 2007 will go to BHS and charges for 2008 will go to ASI Flex.

➤ Hearing no further discussion, the motion passed unanimously.

Updates on eValue8 and Aligning Forces for Quality

Jean Thorne referred to **Bdattach.3** and outlined the eValue8™ Request for Information (RFI). She explained that eValue8™ is a standard, annual survey that is nationally benchmarked and nationally scored, and could be utilized by PEBB in the future. She explained that PEBB signed a confidentiality agreement with all of the plans, and that the information in the RFI would not be shared in this initial year.

Peter Callero asked if the information is always intended to be private.

Jean Thorne replied no, but the full detail would only be available to members of the Oregon Health Care Purchasers Coalition (OCHCP), who are paying to help support this process.

The Oregon Health Care Quality Corporation received a three-year, \$600,000 grant from the Robert Wood Johnson Foundation initiative, Aligning Forces for Quality (AF4Q) program. The program is a \$14 million national program designed to help improve care in communities – working with doctors, nurses, patients, consumers, employers and community leaders, and others with a stake in improving care. The initiative focuses on public reporting of ambulatory care performance and quality improvement in that care. She serves on the Leadership Team for the grant, representing both PEBB and OCHCP. She noted that the combination of work around eValue8™ and AF4Q is now involving many other players in supporting the types of initiatives included in PEBB's Vision.

Assessment of PEBB Communications

Jeanne McGee and Mark Evers of McGee and Evers Consulting referred to **Bdattach.4** and presented the findings from an assessment of PEBB's communication efforts.

Rich Peppers commented that two-way communication is very important, where people feel their opinions are being considered and are making a difference. He asked if McGee and Evers have considered ways to collect feedback from members.

Jeanne McGee replied that there are likely many micro-opportunities to collect information. E-mail, and staff meetings are ways to build the opportunity into a structure that already exists.

Jean Thorne thought this might be an opportunity to partner with the Unions, such as through brown bag lunches or otherwise.

Diane Lovell explained that for AFSCME, it would be best to present information on something that's been completed rather than to get feedback on something that's in development. She asked if a more comprehensive newsletter or short communication pieces could be effective.

Jeanne McGee replied that it would take a variety of methods, depending on the audience. She suggested

archiving some of PEBB's successful announcements for future use. She explained that formatting is very important, where the main points are highlighted so the information can be read selectively.

Peter Callero commented that members might not know what PEBB is or what it does.

Mark Evers suggested highlighting one Board member per newsletter so the Board would become "real" to members. He further suggested archiving sections and pointing members to their locations so the information can be easily accessed.

Overview of Implementation of 2008 Dental Plan Design Changes

Bobbie Barott referred to **Bdattach.5** and explained that various actions are being taken to ensure that PEBB members and the dental provider community are knowledgeable about the 2008 PEBB dental benefits. Specific attention is being given to communication and education about the changes in the frequency of dental cleanings, radiography (x-ray) and replacement of crowns. In addition, communications discuss the increase in the annual out-of-pocket maximum, the addition of coverage for implants and the increase in the coverage for crowns. The communications frame the changes within the context of the PEBB Vision. Communication and education is being presented in different venues and formats and is being repeated throughout the coming months.

She outlined the implementation of the communication process, involving coordination with dental plans, member communication, state agency and university communication.

She reported that a letter from ODS announcing the changes was sent to providers earlier this week. PEBB Member Services has received calls from members and has been able to address these very well.

Rocky King asked if data is available on how many members have had 0, 1, and 2 cleanings per year, in previous years.

Bobbie Barott replied that this information would be reported in 2008.

Gordon Hoberg of ODS reported that this analysis has actually been done, and the results can be provided at a future Board meeting.

Diane Lovell asked PEBB staff to bring this information to a future Board meeting, adding that PEBB needs to be responsive to those members who are concerned about the number of cleanings.

Rich Peppers asked what information could be provided to those members who are asking about the specific evidence supporting that more than one cleaning is not necessary for most people.

Bobbie Barott replied that PEBB staff have the information and are sharing it with members, and this information will be summarized and sent to Board members, as well.

Paul McKenna suggested that in its Q&A, PEBB should communicate this as "research indicates that more than one cleaning isn't necessary." He also expressed his concern regarding reactions from Kaiser members, in that they're going to experience more than just the evidence-based changes because of the changes in Kaiser's plan design.

Paige Sipes-Metzler of Aon Consulting explained that the communication is written correctly. There is no evidence one way or the other which indicates the required number of cleanings, except in cases where a certain disease is present.

Rocky King expressed his concern regarding this.

Diane Lovell stated that the Board needs to get the information that has already been reviewed and review it again.

Rich Peppers suggested that this would be a good opportunity to consider how the Board deals with evidence.

Peter Callero explained that in the higher education community, June-July-August newsletters aren't read as often as during the other months of the year. He suggested a direct mailing, specific to Kaiser members and highlighting their plan changes.

Bobbie Barott replied direct mail is a good idea and the cost would be relatively low. The open enrollment materials will reach members on September 1, allowing time to address questions prior to open enrollment.

Diane Lovell expressed her appreciation for PEBB staff in rolling out the information in September so that members will have an opportunity to review the information ahead of the open enrollment period.
Rocky King commented that he would like the Board to investigate the evidence to ensure PEBB's decision on the cleanings is supported.
Diane Lovell stated that the Board should have this information within the week. This discussion will be on the August meeting agenda. The Board needs to develop guiding principles about how to use evidence.

Standard Claims Fluctuation Reserve and Premium Deposit Account

Paige Sipes-Metzler referred to **Bdattach.6** and explained that at its June 19 meeting the Board voted to increase the employer-provided basic life insurance from \$5,000 to \$10,000 effective January 1, 2009. Agencies will continue to pay the premiums for the initial \$5,000. PEBB will use some or all of the \$17 million accumulated in the Premium Deposit Account (PDA) to pay premiums for the additional \$5,000. At the current state staffing level, this will cost \$594,241 per year. The Board must authorize the funding arrangement at today's meeting, in terms of the amounts transferred to PEBB and left with Standard.

The Board discussed the following options:

- Option 1) Transfer all PDA Funds (\$17 Million) to the Stabilization Fund, Maintain the current cap of \$3 million in the Claims Fluctuation Reserve (CFR), Continue the PDA with Standard;
- Option 2) Transfer all PDA Funds (\$17 Million) to the CFR, Eliminate the PDA with Standard; CFR will be over \$20 million and will grow;
- Option 3) Transfer \$7 million from the PDA to the CFR, Continue PDA with Standard; CFR will be \$10 million; PDA will be \$10 million and growing; and
- Option 4) Transfer \$7 million from the PDA to the CFR and \$10 million to the Stabilization Fund; Eliminate the PDA; CFR would be \$10 million and continue to grow.

Rocky King asked if in Option 1 the CFR was drawn down, could PEBB then use the Stabilization Fund to replenish it.

Jean Thorne replied yes.

Peter Callero asked if overflow could be moved directly to the Stabilization Fund rather than going through the PDA.

David Searce of The Standard Insurance Company replied that it could be issued as a cash refund.

Jean Thorne expressed her support of Option 4, which would both meet the guidance earlier reviewed from the Department of Justics (DOJ) as well as result in some additional short-term savings to enrolled members.

Rocky King commented that PEBB should get the best interest possible.

David Searce explained that risk charge reductions and premium charge reductions will occur with any of the options. The interest of the money in the Stabilization Fund could be used to keep risk charges at zero.

Bret West asked if the interest rates have fluctuated.

Paige Sipes-Metzler replied that they are related to the T-bill rates.

Rich Peppers moved to adopt **Option 4, transferring \$7 million from the PDA to the CFR and \$10 million to the Stabilization Fund, eliminating the PDA. The Stabilization Fund will then be used to pay premiums for the additional \$5,000 cost of increasing the employer-provided Basic Life Insurance to \$10,000 effective January 1, 2009.**

Jeanene Smith seconded the motion.

Bret West stated that he would like to abstain from voting due to lack of complete information on the subject.

Rocky King spoke in support of Option 2.

Senator Morrisette stated that, at some point, he would like to revisit the Department of Justice opinion while they are present.

Hearing no further discussion, the Board voted as follows:

Peter Callero: Aye
Rocky King: Nay
Diane Lovell: Aye
Paul McKenna: Aye
Sue Nelson: Aye
Rich Peppers: Aye
Jeanene Smith: Aye
Bret West: Abstain

➤ The motion passed with a vote of 6-1.

Rocky King moved to raise the cap on the CFR to \$12 million.

Paul McKenna seconded the motion.

➤ Hearing no further discussion, the motion passed unanimously.

Implementation of House Bill 2918

Jean Thorne referred to **Bdattach.7** and explained that House Bill 2918 requires health plans to cover children up to 18 years of age for treatment of pervasive developmental disorder (“PDD”) under the same conditions as those for physical illness. The bill also directs the Health Services Commission (HSC) to conduct a review of the medical evidence on treatment of PDD in cooperation with PEBB and the Department of Education. The bill went through a number of amendments, and a fiscal has been completed that was not anticipated before the 2008 rates were approved by the Board.

Paige Sipes-Metzler explained that of PEBB’s contracted health plans, only Regence has requested their rates in expectation of increased utilization of services or a greater administrative services burden. Aon considers Regence’s revised rate proposal to be a reasonable request.

Rocky King moved to approve the following rates for Regence BCBSO:

Proposed by Regence	Full-time PPO Plan	Part-time/Retiree Plan
Employee	\$777.30	\$631.45
Employee & Partner	\$1,041.49	\$846.06
Employee & Child(ren)	\$893.85	\$726.13
Employee & Family	\$1,064.79	\$865.03
Child(ren) Only	\$392.70	\$325.06
Previously Approved by Board	Full-time PPO Plan	Part-time/Retiree Plan
Employee	\$776.48	\$630.80
Employee & Partner	\$1,040.39	\$845.18
Employee & Child(ren)	\$892.91	\$725.38
Employee & Family	\$1,063.67	\$864.13
Child(ren) Only	\$392.28	\$324.73

Peter Callero seconded the motion.

Rocky King expressed his concern that the Legislature has put this into place prematurely, without having the evidence to support it.

➤ Hearing no further discussion, the motion passed unanimously.

Jeanene Smith reported that the Health Resources Commission (HRC) has asked the 10-state Medicaid Consortium whether they might conduct a review of at least one aspect of the bill to determine what needs to be done locally. She explained that the definition for PDD is broad in the bill, and that the HRC would prefer to review just Autism. If the Consortium doesn't conduct the review of Autism, the Board may be asked to help support paying for an evidence-based review.

Overview of Senate Bill 329 Establishing Oregon Health Fund

Diane Lovell explained that along with the Board's continuing discussion surrounding evidence-based care, PEBB and the Council of Innovators had significant discussion last spring about how PEBB could introduce evidence into its plan design. At that time, the Board decided to wait until the results of the Legislative Session were known to determine where PEBB fits and how to best utilize its resources to advance the topic of evidence.

Jeanene Smith referred to **Bdattach.8** and **8a** and explained the background and timeline for the State Health Reform Plan Development in 2008. The bill sets up a new Health Fund Board that will be Governor-appointed and Senate confirmed. Barney Speight begins August 1 as Director of this Board. She explained the duties of the Subcommittees and of the Office for Health Policy and Research (OPHR). An interim status report based on Subcommittee work and an implementation plan for the Health Insurance Exchange is due in February 2008. This will also include public input, with a final report due in October 2008. More legislation in 2009 would be required to go forward with this. She added that PEBB participation in the Benefits Subcommittee would be valuable. The Subcommittee is intended to build upon the prioritized list in prioritizing benefits and using evidence-based decision-making. PEBB might also consider assisting with funding a consultant.

Jean Thorne stated that there is a specific reference in the bill to PEBB as one of the agencies to be considered for "streamlining."

Diane Lovell asked whether PEBB should wait another year for this to be developed, or if the Board should move forward as already planned.

Rich Peppers suggested that the Board should pay attention to the SB 329 process, and that PEBB should also be involved in the funding committee.

Jean Thorne suggested that there might be more power if other players in addition to PEBB were involved in supporting the use of the prioritized list in plan design.

Diane Lovell asked the Board to consider how it could be a partner in the Subcommittee and continue to do its own work.

Jeanene Smith noted that her office will be fully committed to the work necessary under SB 329, so would not be able to provide assistance to a separate effort.

Rocky King suggested the use of a consultant.

Diane Lovell suggested that PEBB could bring funding to assist in the effort. She asked the Board if it should make a decision.

Jeanene Smith explained she hasn't discussed this with Barney Speight as yet, but PEBB's role is key. She suggested that Barney could meet with the Board to discuss this.

Rocky King would like PEBB to continue on its own path.

Jeanene Smith suggested that any design crafted could be piloted by PEBB.

Diane Lovell would like PEBB staff and Board leadership to meet with Barney Speight prior to the next Board meeting, with discussion at the next Board meeting, and to decide where to take the issue from that

point forward.

General Public Comment

None.

Other Business

Staff Update

Jean Thorne introduced Wendy Edwards as PEBB's new Director of Operations. Wendy transferred to PEBB on July 9 from the Department of Human Services, where she served as the Actuarial Services Administrator in the Finance and Policy Analysis Division. She brings to PEBB an excellent and varied background in health care administration, rate setting, public finance, contracting, and communications.

In the Member Services Team, Amy Boughton has been promoted to Benefits Analyst and Sharon Sheehan has been promoted to Lead Benefits Analyst, both effective July 2. Recruitments for the resulting vacancies are underway.

Diane Lovell recognized PEBB management and expressed her appreciation for internally developing and promoting staff.

OEBB Update

OEBB held its first official meeting on June 22. Heidi Williams began on July 16 as the Director of Operations, and Ali Hassoun will start later in July as Financial Coordinator.

Recruiting the next PEBB Administrator

Jean Thorne announced that she is planning to retire no later than the end of November. The plan is to have the new Administrator hired by November 1 to allow time for the transition. DAS HRSD will begin the recruitment process by talking with key stakeholders about desired attributes. She asked if in addition to the PEBB and OEBB Board and staff, PEBB's Council of Innovators, DAS, and OCHCP, there are others that the Board thinks should weigh in on the building of the recruitment.

Diane Lovell replied that the Oregon University System should be considered.

Jean Thorne explained that the Board's contact information will be provided to Twyla Lawson of DAS HRSD, who will then work directly with the Board regarding the recruitment. While PEBB should make the decision, the OEBB should be included in the recruitment process. The recruitment announcement is expected to be released in mid August.

Adjourn