

Oregon Public Employees' Benefit Board

2009 PEBB Benefit Plans

June 17, 2008

MERCER



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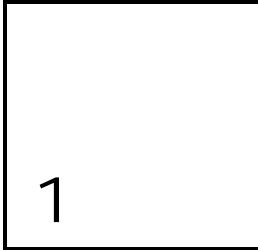
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2009 Medical Renewals

Board Approved Program Changes

The Board has voted in the affirmative to implement the following medical benefit changes for plan year 2009:

- Provide barrier free Over the Counter medications for tobacco cessation at \$0 premium impact for the Kaiser, Providence, Regence, and Samaritan medical plans for the 2009 benefit year.
- Implement a \$0 bupropion and \$5 Chantix copayment with no increase in premium or premium equivalent for the Kaiser, Providence, Regence, and Samaritan medical plans for the 2009 benefit year.
- Implement barrier free colorectal cancer screening with no increase in premium or premium equivalent, and ensure that the barrier free benefit is not dependent on coding as a preventive service for the Kaiser, Providence, Regence, and Samaritan medical plans for the 2009 benefit year.
- Implement barrier free breast and cervical cancer screening with no increase in premium or premium equivalent for the Kaiser, Providence, Regence, and Samaritan medical plans for the 2009 benefit year.
- Implement barrier free coverage of generic ACE inhibitors, beta blockers, and statins along with generics for asthma, depression and diabetes with no increase in premium or premium equivalent for the Kaiser, Providence, Regence, and Samaritan medical plans for the 2009 benefit year.
- Implement a weight management program per PEBB staff specifications for the Kaiser, Providence, Regence, and Samaritan medical plans for the 2009 benefit year.

- Implement a nutritional counseling program that includes four visits per lifetime for all members, and four visits per year for those with chronic health conditions or who are enrolled in a weight management program.
- Replace Advicare with Regence's internal disease management program, with specific performance guarantees for the 2009 benefit year.
- Approve Providence's implementation of Web MD at no cost for use as a health risk assessment tool for a new weight management program for Providence for the 2009 benefit year.
- Change the language describing eligibility to "live or work" in Linn, Benton, or Lincoln County for the Samaritan Select Health Plan, effective immediately.
- Continue to mutualize rate increases between full time and part time employees, and retirees.

Plan Responses to Board Approved Changes

1.) Question: Should the Board implement barrier free generic drugs for ACE inhibitors, beta blockers and statins along with generics for asthma, depression, and diabetes with no increase in premium or premium equivalent with the following exceptions or considerations?

- a. No generic asthma drugs are available today
- b. Providence is offering this coverage through their Value Plus package that includes generics along with some brand drugs.
- c. Kaiser offers these generics currently at a \$1 copay and offers to do the same in 2009

Board Vision elements to consider:

- *Appropriate incentives*
- *Evidence-based care*
- *Improving quality and outcomes*

Recommendation: Accept these exceptions based on the following rationale:

- they do not contradict the Board vision elements; and
- the plans requiring an exception have already established evidence-based programs and cannot easily accommodate customization due to administrative and regulatory limitations.

Action: The Board approved the implementation of barrier free generic drugs for ACE inhibitors, beta blockers and statins along with generics for asthma, depression, and diabetes with no increase in premium or premium equivalent with the following exceptions or considerations:

- a. No generic asthma drugs are available today
- b. Providence is offering this coverage through their Value Plus package that includes generics along with some brand drugs.
- c. Kaiser offers these generics currently at a \$1 copay and offers to do the same in 2009

Staff will research possible rate increases and try to determine a way to absorb them.

2.) Question: Should the Board modify the weight management program requirements to permit member reimbursement rather than pre-paid vouchers?

Board Vision elements to consider:

- *Appropriate incentives*
- *Evidence-based care*
- *Improving quality and outcomes*

Recommendation: Allow the weight management program to include member reimbursement rather than prepaid vouchers based on the following rationale:

- In order to have vouchers on hand for PEBB members, plans would need to pre-pay weight watchers for the vouchers which creates risk for overestimating the number needed
- Pre-paid vouchers lack the controls necessary to ensure that the services are provided to the eligible PEBB member
- Significant incentives to complete the HRA and participate in Weight Watchers remain in a reimbursement model.

Action: The Board modified the weight management program requirements to permit member reimbursement rather than pre-paid vouchers for the 2009 benefit year.

Regence Renewal Actions

3.) Question: Should the Board continue the Regence READI pilot program without specific performance standards?

Board Vision elements to consider:

- *Appropriate incentives*
- *Promotion of health and wellness through consumer education, healthy behaviors, and informed choices*
- *Improving quality and outcomes*

Recommendation: Continue the READI pilot program without specific minimum participation requirements. With the addition of barrier free generics for treatment of

diabetes, the unique incentive for joining the READI program has been removed and the likelihood of Regence meeting performance targets in the select area diminishes. However, since 2008 surplus program funding is available to continue the pilot in 2009 at no increase in premium, the pilot may provide insights and lessons learned at no additional cost to PEBB or its members.

Action: The Board continued the Regence READI pilot program with the addition of a report in January 2009 on the status of enrollment in the READI pilot program as of December 31, 2008.

4.) There are two options for 2009 Regence premium quote, option (a) prospective rate increase and (b) retrospective rate increase with buy-down.

4a.) Question: Should the Board accept Regence's prospective rate increase proposal?

Prospective rate increase: Regence is proposing a 4.38% rate increase. They have lowered key rate parameters through the negotiation process. They are using rate parameters that are consistent with the other health plans offered by PEBB.

Recommendation: Reject the prospective rate proposal due to the strong pattern of low and stable loss ratios, especially over the last three years. This loss ratio pattern has led to significant implicit margins that accrue to Regence. We see no indicators that the current claim pattern is about to change.

4b.) Question: Should the Board accept Regence's retrospective rate increase proposal with buy down?

Retrospective rate increase without buy down: Regence is proposing a 6.47% rate increase for a retrospective contract. If PEBB were to "buy down" rates by 2% this proposal would match the prospective rate increase of 4.38%

Explanation: A retrospective contract arrangement includes a comprehensive settlement accounting after the completion of the policy year. A comprehensive settlement accounts for all premium less plan expenses (incurred claims plus administrative costs), paying any positive balances to PEBB. PEBB would initially receive the funds into a "Rate Stabilization Reserve" that it would own. Because of this settlement, PEBB can negotiate items like rate buy-downs. This allows PEBB to request a lower premium rate than what is calculated by Regence. If during the settlement process it was determined that:

- Even with the lower rates there was a surplus, Regence would pay the surplus to PEBB,
- The lower rates caused a deficit to occur, PEBB would pay Regence the "callable" premium up to a maximum of the "buy down",
- A deficit occurs and would have occurred even if the rates were not lowered due to the buy down – in this case PEBB pays Regence the maximum

callable, and Regence carries the deficit forward into the next policy year's accounting.

- Because of the longer-term nature of the provisions of a retrospective contract (e.g. rate stabilization reserves), Regence reserves the right to increase its callable amount for policy year 2009 to 2.72% of premium **only if** PEBB decides to terminate the retrospective contract for 2010. This additional callable amount is equivalent to the favorable terms negotiated by Regence. It is only relevant if PEBB terminates in a deficit position.

Recommendation: Accept the retrospective rate increase proposal with a 2% buy down. This will prevent the state agencies from being negatively impacted by PEBB moving to a retrospective contract arrangement. While it creates a possible payment from PEBB to Regence, that payment is a capped amount. If the current claim pattern holds, PEBB would directly benefit from the implicit margins.

Action: The Board approved the staff recommendation to accept Regence's retrospective rate increase proposal with buy down for the 2009 benefit year.

2009 Regence PPO Monthly Medical Rates			
Full Time (Not including VSP routine eye care services or PEBB administration)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$811.35	\$1,087.11	\$933.00	\$1,111.43
Part Time & Retiree			
\$659.11	\$883.12	\$757.93	\$902.92

Providence Renewal Actions

The Board passed a motion to accept Providence's proposal for no increase in administrative fees for the 2009 benefit year at the May 20, 2008 Board meeting

5.) Question: Shall the Board agree to increase the premium equivalent for Providence by 2%?

Recommendation: Adopt a premium equivalent increase of 2%. We believe that the premium equivalents were developed with appropriate market trends and that this increase in premium equivalent will cover the cost of the ongoing benefits along with the new program costs with the appropriate margins intact.

Action: The Board accepted the staff recommendation to increase the premium equivalent for Providence by 2% for the 2009 benefit year.

2009 Providence Choice PPO Premium Equivalents			
Full Time (Not including VSP routine eye care services or PEBB administration)			

Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$742.77	\$963.32	\$840.07	\$982.79
Part Time & Retiree			
\$642.03	\$828.31	\$724.21	\$844.76

2009 Providence Choice PPO Administrative Fees (included within premium equivalents above)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$92.56	\$92.56	\$92.56	\$92.56

Kaiser Renewal Actions

6.) Question: Should the Board allow the nutritional counseling program for Kaiser members to include as many visits to a Registered Dietician or nutritional counselor as needed for a wide array of conditions for patients at nutritional high risk?

Board Vision elements to consider:

- *Improving quality and outcomes*

Recommendation: Accept existing nutritional counseling program to PEBB members. Rather than specific per lifetime, or per year visit limitations, Kaiser relies on providers to refer to Registered Dieticians or nutritional counselors as needed in conjunction with the patient. This is consistent with their staff model approach to coordinating appropriate care.

The Board passed a motion to accept Kaiser’s proposal for a 3.0% increase in premium for the 2009 benefit year at the May 20, 2008 Board meeting.

Action: The Board accepted the staff recommendation to allow the nutritional counseling program for Kaiser members to include as many visits to a Registered Dietician or nutritional counselor as needed for a wide array of conditions for patients at nutritional high risk for the 2009 benefit year.

2009 Kaiser HMO Monthly Medical Rates Full Time (Not including PEBB administration)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$751.95	\$1,007.62	\$864.75	\$1,030.18
Part Time & Retiree			
\$636.56	\$852.99	\$732.04	\$872.09
2009 Kaiser POS Monthly Medical Rates Full Time			

\$795.48	\$1,065.94	\$914.80	\$1,089.80
Part Time & Retiree			
\$643.59	\$862.41	\$740.13	\$881.72

Samaritan Renewal Actions

8a.) Question: Shall the Board accept Samaritan’s proposal for a 6% increase in administrative fees?

Recommendation: Accept Samaritan's administrative fee proposal of a 6% increase. While the percentage increase is not of concern, the total administrative fee PEPM is higher than other health plans serving PEBB members.

8b.) Question: Shall the Board agree to increase premium equivalents for Samaritan by 18%?

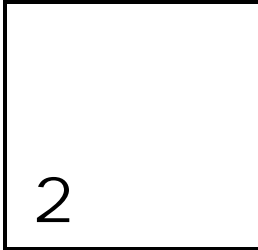
Recommendation: Adopt a premium equivalent increase of 18%. We believe that the premium equivalents were developed with appropriate market trends and that this increase in premium equivalent will cover the cost of the ongoing benefits along with the new program costs with the appropriate margins intact.

Action: The Board approved the staff recommendation to accept Samaritan’s proposal for a 6% increase in administrative fees and to increase premium equivalents for Samaritan by 18% for the 2009 benefit year.

2009 Samaritan Select PPO Premium Equivalents			
Full Time (Not Including VSP Routine Eye Care Services or PEBB administration)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$847.79	\$1,136.05	\$974.96	\$1,161.49
Part Time & Retiree			
\$692.86	\$928.44	\$796.80	\$949.23

2009 Samaritan Select PPO			
Administrative Fees – Full time			
(included within premium equivalents above)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$106.54	\$106.54	\$106.54	\$106.54
Part Time & Retiree			

\$84.83	\$84.83	\$84.83	\$84.83
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2009 Dental Renewals

ODS Renewal Actions

9a.) Question: Shall the Board accept ODS' proposal for a 3.8% increase in ASO fees?

Recommendation: Accept ODS' proposal for a 3.8% increase in ASO fees. The fee and percentage increase are well within competitive norms.

Action: The Board accepted the staff recommendation to accept ODS' proposal for a 3.8% increase in ASO fees for the 2009 benefit year.

9b.) Question: Shall the Board agree to no (0%) increase in premium equivalent based upon an analysis of plan surplus?

Recommendation: Accept no (0%) increase in the premium equivalent rate for the ODS plans. Since the May Board meeting, analysis has revealed that surplus for this plan is running at nearly 5 times the 2% margin used in the development of premium equivalents presented last month. Therefore, we recommend removal of the margin resulting in no increase to premium equivalent rates for 2009.

Action: The Board accepted the staff recommendation to agree to no (0%) increase in premium equivalent for the 2009 benefit year based upon an analysis of plan surplus.

2009 ODS Traditional Plan Premium Equivalents Full Time (Not including PEBB administration)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$73.66	\$98.71	\$84.71	\$100.92

2009 ODS Preferred Plan Premium Equivalents Full Time			
\$68.04	\$91.18	\$78.24	\$93.22
2009 ODS Plan Premium Equivalents Part Time			
\$53.00	\$71.03	\$60.96	\$72.62

2009 ODS Administrative Fees (included within rates above)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$5.37	\$5.37	\$5.37	\$5.37

Kaiser Dental Renewal Actions

The Board passed a motion to approve no cost cleanings and that cleanings are not subject to the deductible for Kaiser dental for the 2009 benefit year at the May 20, 2008 Board meeting.

10a.) Question: Shall the Board remove the plan deductible for the 2009 plan year?

Remove the deductible: Removal of the plan deductible would increase proposed rates by 14%. For employee only, the rate would increase from the current rate of \$60.93 to \$69.44.

Board Vision elements to consider:

- *Appropriate incentives*
- *Benefits that are affordable to the state and employees*

Recommendation: Reject removal of the deductible. While the rates would fall between the two ODS plans, we believe this design is counter to the Board’s vision for appropriate incentives. Furthermore, due to year to year claim fluctuation, it’s too early to conclude that the Kaiser plan design and delivery model will be markedly less expensive than the ODS plan over time.

10b.) Question: Shall the Board remove the plan annual maximum for the 2009 plan year?

Remove the annual maximum: Removal of the plan annual maximum would increase proposed rates by 6.9%. For employee only, the rate would increase from the current rate of \$60.93 to \$65.14.

Board Vision elements to consider:

- *Appropriate incentives*
- *Benefits that are affordable to the state and employees*

Recommendation: Reject removal of the annual maximum. While the rates would be slightly less than the lowest cost ODS plan, we believe this design is counter to the Board's vision for appropriate incentives. Furthermore, due to year to year claim fluctuation, it's too early to conclude that the Kaiser plan design and delivery model will be markedly less expensive than the ODS plan over time.

10c.) Question: Shall the Board accept Kaiser's proposal for a 3.2% increase in dental plan premiums for 2009?

Recommendation: Accept Kaiser's proposal to increase premiums 3.2% for 2009. Kaiser has applied appropriate adjustments to their community rating methodology to reflect PEBB specific experience. Additionally, Kaiser is providing the ODS benefit design to PEBB for 2009 at a much lower cost due to its staff model delivery system.

Action: The Board removed the plan deductible for Kaiser Dental and approved the staff recommendation to accept Kaiser's proposal for a 3.2% increase in dental plan premiums for the 2009 benefit year.

2009 Kaiser Traditional Plan Rates			
Full Time (Not including PEBB administration)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$62.87	\$84.25	\$72.30	\$86.13
Part Time			
\$46.86	\$62.79	\$53.89	\$64.20

Willamette Dental Renewal Actions

The Board passed a motion to maintain the \$20 missed appointment fee for Willamette for the 2009 benefit year at the May 20, 2008 Board meeting.

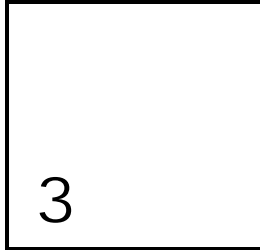
11.) Question: Shall the Board accept Willamette's proposal for a 9.7% increase in dental plan premiums for 2009?

Recommendation: Accept Willamette's proposal for a 9.7% increase in dental plan premiums. We have analyzed the change in PEBB utilization from 2006 to 2007 and while the number of services per participant hasn't significantly changed, the mix of services has trended towards more expensive services. As a staff model DHMO, Willamette establishes a proprietary value for each service performed. This internal allocation methodology is producing a higher trend for PEBB's change in service mix than other PEBB dental plans.

Action: The Board approved the staff recommendation to accept Willamette's proposal for a 9.7% increase in dental plan premiums for the 2009 benefit year.

As a result, the cost advantage of providing care through the Willamette DHMO is eroding and we will re-evaluate prior to the 2010 renewal.

2009 Willamette Dental Plan Rates			
Full Time & Part Time (Not including PEBB administration)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$74.38	\$99.67	\$85.54	\$101.90



2009 Vision Renewal

VSP Renewal Actions

The Board passed a motion to implement VSP's proposal to cover 18 year-olds as children for the 2009 benefit year at the May 20, 2008 Board meeting.

12a.) Question: Shall the Board approve VSP's proposal to continue the gain-sharing agreement?

Recommendation: Approve VSP's proposal to continue the gain sharing arrangement. This arrangement refunds 50% of any surplus each plan year and has for the last three and there is no rate advantage for PEBB to discontinue the agreement.

12b.) Question: Shall the Board approve VSP's proposal to reduce premiums by 2.5% for the current 24/24/24 (exams/lens/frame) benefit?

Recommendation: Reject VSP's proposal for the 24/24/24 benefit design. While we believe the 2.5% reduction with gain sharing is appropriate, we do not believe this plan design is on par with most public employers. This design has been a source of numerous complaints to PEBB staff.

12c.) Question: Shall the Board approve VSP's proposal to increase premiums by 69% (\$7.50 on the employee only rate) for a 12/12/12 (exam/lens/hardware) benefit?

Board Vision elements to consider:

- *Improving quality and outcomes*
- *Benefits that are affordable to the state and employees*

Recommendation: Accept VSP's proposal to provide a 12/12/12 benefit with a 69% increase to premium. This design is being offered by 2/3rds of public employers. Additionally, annual eye exams provide an excellent opportunity for early diagnosis of diabetes and hypertension. Given that 46% of PEBB members are over age 50 and that the overweight/obesity rate for the PEBB population is 65% this enhanced benefit should be considered. The total impact of enhancing the vision benefit on medical rates is approximately 1.0%.

Action: The board accepted the staff recommendation to approve VSP's proposal to continue the gain-sharing agreement and to approve VSP's proposal to increase premiums by 69% (\$7.50 on the employee only rate) for a 12/12/12 benefit for the 2009 benefit year.

2009 VSP Rates 24/24/24 (Not including PEBB administration)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
\$10.54	\$14.11	\$12.12	\$14.44
2009 VSP Rates 12/12/12			
\$18.32	\$24.52	\$21.06	\$25.09

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2009 Miscellaneous Issues

Opt Out

13.) Question: Shall PEBB continue the current payment structure for those employees choosing to opt-out of medical coverage because of the availability of other group insurance? If so, members who are eligible and choose to opt out of medical coverage will receive a monthly payment of \$233 (prorated for part-time employees according to hours worked compared to full-time). The cost of their mandatory dental and basic life premiums will be deducted from that amount pretax. The balance will be added to their monthly pay as taxable income.

Rural Subsidy

14.) Question: Shall PEBB continue the rural subsidy for members living in the following counties: Baker, Crook, Curry, Deschutes, Gilliam, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Malheur, Morrow, Sherman, Tillamook, Umatilla, Union, Wallowa, and Wheeler, and in out-of-state zip codes adjacent to these counties?

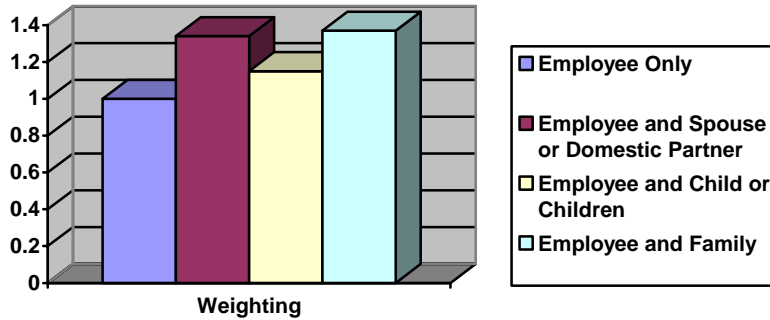
PEBB has offered a rural subsidy for a number of years for services delivered in specified rural counties. Because of concerns about lack of availability of providers (especially primary care providers) in those counties, employees who live in those counties receive the same level of benefit when they use non-preferred providers as they would when using preferred providers. Additionally, at the October 16, 2007 Board meeting, PEBB agreed to define the future state of where PEBB would like to be in keeping with the Vision and then go back and examine the rural subsidy policy.

Medical Tiers

15.) Question: Shall the Board continue current weighting of premium payments for family tiers as structured in 2008?

Beginning with Plan Year 2006, premium payments for medical and dental coverage in PEBB plans have been weighted approximately as follows (with payment for a single employee set as the base of 1):

Family Tier	Weighting
Employee Only	1
Employee and Spouse or Domestic Partner	1.34
Employee and Child or Children	1.15
Employee and Family	1.37



At the March 18, 2008 Board meeting, PEBB decided to postpone consideration for retiree plan design changes and tier structure until the fall of 2008 for implementation in 2010.

Action: The Board approved a full discussion of rural subsidy, opt-out and tier structure issues by October 2008, scheduling an extra meeting or extending a regularly scheduled meeting to accommodate the discussion.

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