

Oregon Medical Insurance Pool
January 6, 2006
Health Net of Oregon
Tualatin, Oregon
Corrected Minutes
Approved by the Board on 4/14/06

Board Members Present

Maribeth Healey, Public Representative
Dave Houck, Public Representative
Steve Lynch, Health Net
Gary Morgan, Kaiser Permanente
Ken Provencher, PacificSource
Dr. John Santa, Health Care Provider Representative
Cory Streisinger, Dept. of Consumer & Business Services
Sue Sumpter, Public Representative
Cary Walker, Providence Health Plans

OMIP Staff

Rocky King, Administrator
Tom Jovick, Program Manager
Gayle Wong, Program Development Specialist
Barry Burke, Compliance Specialist
Kristin Persson, Program Development Specialist
Marcy Meink, Administrative Assistant

Others Present

David Ball, Oregon Insurance Division
Mike Becker, Regence BlueCross BlueShield of Oregon
Carol Burks, Regence BlueCross BlueShield of Oregon
Rick Elliott, DCBS Information Management
David Evans, ODS
Jim Kinder, Self Insurance Institute of America
Diane Lund, Oregon Health Forum
Nancy Nevins, Lifewise
George Pantos, Self Insurance Institute of America
Glenn Pomeroy, Employers Reinsurance Corporation
John Powell, Regence BlueCross BlueShield of Oregon
Susan Rasmussen, Kaiser Permanente
Jay Ritchie, HCC Benefits
Tom Sass, KMG America
Dan Schelp, Employers Reinsurance Corporation
Rob Sumner, Regence BlueCross BlueShield of Oregon
Scott Taylor, Symetra
Kim Wirtz, Regence BlueCross BlueShield of Oregon

Call to Order

The meeting was called to order at 1:10 p.m.

Introductions

Mr. Lynch introduced the two new Board members, Maribeth Healey and Ken Provencher. Ms. Healey will be the new consumer representative and Mr. Provencher will be the new Health Care Services Contractor (HCSC) representative.

Mr. King thanked Mr. Walker for all of his contributions to rate estimation, benefit design and policy development through the years. Mr. King presented Mr. Walker and all of the other Board members with memorial placemats. These were laminated 11x17 sheets with copies of rate calculations on them. Ms. Streisinger also added her thanks for Mr. Walker's time commitment as a Board member, and she noted that his presence allowed the Board to make more informed decisions about rates and benefits.

Dr. Santa expressed a concern about the Board losing Mr. Walker as a member because of all the expertise that he has provided in regards to designing the rates and benefits.. Mr. King said that TPA is supposed to provide actuaries to assist OMIP in its rate development estimations.

Mr. Lynch recognized Mr. Houck for his extraordinary dedication to the Board. The consumers, the public and the program have benefited from his time with the Board. Mr. King presented a plaque and a Key to the Board to Mr. Houck. Mr. King said that the Board agreed to grant Mr. Houck emeritus status so he could continue to participate in Board meetings and activities as his schedule permitted.

Mr. King also thanked Ms. Rasmussen for all of her work with OMIP. Ms. Rasmussen has taken a position with Kaiser Permanente.

Minutes

Mr. Houck motioned for approval of the 10/07/05 minutes. The motion was seconded and the Board unanimously approved.

Stat Pack

Mr. King briefly reviewed OMIP enrollment trends:

- Enrollment is at 14,900 as of 11/30/05. He stated that enrollment should begin to level off soon.
- FHIAP is no longer accepting individual applications. He stated that, if group enrollment becomes smaller than projected, the program will increase individual enrollments.

Mr. King stated that OMIP loss ratios are the lowest they have been in the last 10 years. They are currently at 157%. He said that he thinks they will return to a more normal rate as people are cycled through the pre-existing condition waiting period.

Assessment

Mr. King stated that the staff recommends an assessment of \$15,564,103, which equals \$1.41 per member per month. December claims were less than projected and the count of covered lives increased from the last count survey. The legislature passed a bill that changed the OMIP count date to March 31 of every year. Subsequently, OMIP staff surveyed the insurers for their counts as of March 31, 2005. They used those counts to calculate the total per member per month assessment amount and the distribution of the assessment payments among the insurers. Mr. King also reiterated that the assessment maintains a minimum reserve of two months worth of claims plus \$2 million.

Ms. Streisinger asked about the status of the assessment reduction program. She mentioned that the legislature had given the Board the option to continue the program or not. Mr. Jovick stated that currently, Regence is the only carrier that qualifies for the program. The carriers voluntarily report their rejection rates to participate in the program, but only Regence, Kaiser and Lifewise have done so. Mr. King thanked these carriers, and he noted that the Insurance Division is in the process of collecting rejection rates for all licensed Oregon carriers, but it has not yet published the data yet for 2005.

Mr. Jovick clarified that OMIP allows no reduction in counts to adjust them for dual coverage. He also mentioned that the only lives exempt from the count are those covered by Medicare, Medicaid, Champus, Indian Health Service, disease-specific and long term care benefit plans and limited short-term policies.

Mr. Morgan made a motion to approve the assessment and Mr. Barnett seconded it. The motion passed unanimously.

Reinsurers

Mr. Lynch welcomed the reinsurers to the meeting. He stated that the Board would not give a formal response to their presentation.

Glenn Pomeroy from GE Insurance Solutions spoke first. The company is primarily a stop-loss insurer. Mr. Pomeroy served on the North Dakota Insurance Pool and has much respect for the high risk pools, however, he has concerns about the assessment formula and wanted to open a dialogue and share ideas.

Dan Schelp represented Employers Reinsurance Company, which also primarily provides stop-loss coverage. The company filed an appeal of the assessment in July. Mr. King graciously denied it based on the Safeco decision. The stop-loss carriers are paying the same assessment amount as primary insurers even though they collect fewer premiums. He noted that passage of Senate Bill 123, which moved the timing of the count of covered lives to March 31 of each year, relieved some of the impact of the assessment on stop loss carriers.

Scott Taylor from Symetra stated that the assessment was equal to or slightly greater than the profit for these carriers. They support the concept of the assessment, but several other states base it on premiums rather than covered lives. If the stop loss carriers increase their rates for Oregon

self-insured companies, they will no longer be competitive in the market. They are hesitant to pass the assessment cost to the self-insured companies.

Three years ago, seven carriers together hired a 3rd party to analyze the impact of the assessments. The seven carriers represent 50% of the stop loss market. The representatives noted the assessment causes an 18.8% increase in the cost of doing business in Oregon. One carrier indicated that his company intended to leave the large group market because the assessment makes its cost noncompetitive. He predicted that self-insured businesses will decide to go without coverage rather than to get stop loss coverage elsewhere. The representatives agreed that 80% to 90% of stop loss carriers will leave the Oregon market.

Self-funded employers without stop loss pay none of the assessment. The representatives indicated OMIP should be able to assess based on the full scope of insured Oregonians. They asked the Board to find a better method to fund the pool.

James Kinder from the Self Insured Institute of America noted that his company is comprised of employer associations. His suggestion was to utilize alternative funding strategies that are not traditional in the marketplace. He supports risk pools. Funding has become a huge issue and small employers are not providing benefits at all because of the costs. He stated that the assessment is a tax that is a tough sell, and companies view it as a penalty on those that offer insurance to their employees. He recommended moving to state general funds as the source of revenues to cover losses in the pool.

Mr. Houck noted that the funding recommendations from the representative did not include eliminating the ERISA restrictions on assessing self-funded companies. He stated that if that restriction were gone, then pools would be able to spread their assessments over all insurers. Mr. Kinder stated that ERISA expanded the healthcare market tremendously.

Mr. Barnett said that stop loss carriers have difficulty passing along the assessment costs because employers can go outside the US to purchase the coverage. If the ERISA restriction were gone, self-funded companies would be on the same footing as other insurers. Federal legislation that tweaked ERISA would do this.

Ms. Sumpter said that most of the changes on the representatives' list of funding alternatives would require legislative change and this would take considerable time and they would be controversial. The representatives agreed but said that the change is a long range goal. Ms. Sumpter expressed concern that the cost would shift to the enrollees, who would find the coverage unaffordable. She agrees that OMIP needs to broaden the base, but in a way that does not shift the costs to the enrollees. Mr. King stated that there are 142,000 stop loss lives currently reported. Mr. Lynch said that the Board wrestled with this issue previously. He stated that the Board will continue these discussions. Ms. Sumpter asked when this would be brought back to the Board. Mr. King said that a subcommittee would be put together to discuss over the next several months.

CAREAssist

Mr. Jovick met with the staff at the CAREAssist program to discuss pursuing the 50% share of the 503(B) rebates. He also discussed the Wellpartners' proposal to establish a direct purchase pharmacy option for the CAREAssist enrollees. Mr. King stated that the first phase of this process is that CAREAssist send OMIP 50% of the rebates. OMIP is still pursuing what could be a better option for discounts than the rebates. This involves the second phase in which CAREAssist will pursue the feasibility of establishing a direct pharmacy purchase program for the CAREAssist enrollees.

Ms. Sumpter asked for an estimate on the rebate amount. Mr. Jovick said that OMIP does not have a dollar amount yet. OMIP's projected portion could be approximately \$1 million. Ms. Sumpter asked if we could pass this on to members in the form of a premium reduction. She stated that this would reduce the trend which would soften any increase. Mr. Jovick said that this rebate was not factored in to the rate estimation for 2006. The Board could determine what action it may want to take if the rebates are substantial. Mr. Jovick also stated that these rebates are tracked separately in the fiscal department.

Medicare Update

Mr. Jovick stated that Ms. Rasmussen had contacted all of the Medicare people individually. Most all have enrolled in other plans. OMIP has become more familiar with all of the other plan choices in the market and we will do more follow up with Regence to verify that the Medicare enrollees enrolled in other coverage. Ms. Sumpter asked what happens now when people become eligible. Mr. Jovick responded that they get a letter 90 days in advance of becoming eligible for Medicare. Mr. Lynch expressed his thanks to Regence and its staff for contacting all of these people individually. Ms. Wirtz said that additional steps were being taken to find people that might have slipped through the cracks.

OMIP Board Meetings

Mr. King stated that Ms. Meink will work with the Board to firm up dates. The legislative concepts need to be decided in order to help choose the appropriate Board meeting dates.

The Appeals and Case Management Subcommittee will meet as needed.

The Policy and Legislative Subcommittee will have several meetings during January, February and March. This Subcommittee will consist of Mr. Barnett, Ms. Healey, Mr. Houck, Dr. Santa and Mr. Morgan.

Mr. Provencher volunteered to be a member of the Rates and Benefits Subcommittee. The Board will request additional volunteers at the April meeting.

Other discussion items

Mr. King noted that upcoming critical tasks include the July assessment, benefits and rate development for 2007, legislative concepts for the next Session and the request for proposals for the 2008 - 2011 TPA contract.

Mr. King asked if OMIP should subsidize people that are able to pay full cost. Mr. Houck asked if other carriers did this. Mr. King stated that commercial carriers used to have products with deductibles for different income levels.

Ms. Sumpter commented that she had attended the NASCHIP conference and wanted to thank the Board for sending her. She said that she learned quite a bit about the different risk pools and their issues while she was there. She mentioned that there are several options available for cost savings. Options for TPAs to use such as case management or telemedicine or pill splitting of say 100 mg tablets with a pill splitter. There are also some other pharmaceutical programs that should be included in our next RFP. Mr. Lynch said that the unit cost is the issue and utilization issues also need to be included in the RFP discussions.

Dr. Santa asked about the medical errors issue. Mr. Jovick said that Regence BCBSO would make a presentation about subrogation at the next meeting.

Public Comment

No public comment

With no further discussion, the meeting adjourned at 3:30.