

Oregon Medical Insurance Pool  
October 6, 2006  
Health Net of Oregon  
Tigard, Oregon

**Board Members Present**

Maribeth Healey, Public Representative  
Stephen Lynch, Health Net of Oregon  
C.J. McLeod, ODS  
Ken Provencher, PacificSource  
Dr. John Santa, Health Care Provider Representative  
Cory Streisinger, Dept. of Consumer & Business Services  
Sue Sumpter, Public Representative

**OMIP Staff**

Rocky King, Administrator  
Tom Jovick, Program Manager  
Barry Burke, Compliance Specialist  
Claudia Grimm, Program Development Specialist  
Linnea Saris, Program Development Specialist  
Marcy Meink, Administrative Assistant

**Others Present**

David Ball, Oregon Insurance Division  
Mike Becker, Regence BCBSO  
Dan Fields, Kaiser Permanente  
David Houck, Public Representative Emeritus  
Diane Lund, Oregon Health News  
Nancy Nevins, Lifewise  
Susan Rasmussen, Kaiser Permanente  
Sophary Sturdevant, Regence BCBSO  
Jason Strandquist, Regence BCBSO

**Call to Order**

The meeting was called to order at 10:13 a.m. The minutes from the 9/22/06 meeting were approved unanimously.

**Benefits**

Mr. King reviewed some of the discussion points that the Board needed to focus on for the rates and benefits decisions to be made. The OMIP Board already agreed to adopt the following benefit changes:

- \* Mental Health Parity
- \* \$10 generic drug copay

- \* Mandatory generic with Dispense as Written language.

The Board would need to reaffirm its decisions on the following items:

- \* Self Care Management courses – need direction
- \* Smoking Cessation – should OMIP pay? What would the cost be?
- \* Age bands adjustments

#### *Smoking Cessation Benefit*

Ms. Sturdevant indicated that the cost for the smoking cessation program would be 50 cents per member per month, which reflects the actual cost for Regence BCBSO. Ms. Sturdevant indicated that Regence would not charge any administrative fee for the program. The cost could be paid by the assessment if absorbed in claims or OMIP could add 50 cents per member per month to the premium.

#### *Age Bands*

Mr. Jovick explained the proposal to change the distribution of premiums across the age bands to reflect the distribution in the commercial market. In 2006, the highest OMIP rate was set at 2.8 times the lowest rate; however, in the commercial market, the highest rate typically is 4.8 times the lowest rate. In setting the rates for 2006, the Board agreed to adjust the rates by age band with a limit of no more than a 2% increase for any age band; this limit protected the enrollees from large age-band adjustments on top of a rate increase of more than 15%. Mr. King said that the Board cannot exceed a 25% surcharge above the market rates. The age-band adjustments are revenue neutral because they generate the same total revenue. Mr. Provencher noted that the distribution of risk across the age bands in OMIP is considerably different from what it is in the individual commercial market. Mr. King noted that, in setting the 2006 rates, the Board interpreted the statute to indicate that the age-band distribution should reflect what exists in the commercial market, and, therefore should change the distribution over time to reflect what exists in the market. Ms. Sumpter stated that this would be a golden opportunity to fix this problem because the weighted average market rates show a decrease and the insurers have been quite profitable. The Board agreed that 2007 was the right opportunity to bring the age-bands in line with the commercial market.

#### *Use of the Federal Grant Funds*

Ms. Healey asked if OMIP could use the grant funds to offset the cost of some of the benefit changes. Mr. King indicated \$2.375 million is available to offset losses and \$1.5 million is available to cover additional costs the program would incur by changing the generic copayment to \$10.

There were four options discussed as possibilities for use of the \$2.375 million.

- 1) Apply it to reduce the total assessment in January;
- 2) Spread it equally over the next two assessments;
- 3) Use it as a premium assessment stabilization fund, in the event there is a significant spike in unpredictable losses; or

- 4) Use it to subsidize a lower surcharge on premiums.

Mr. Fields indicated that Kaiser would favor using it all to reduce the January assessment. Mr. Lynch stated that the magnitude of the grant could reduce the loss ratio. Ms. Streisinger said that the state's fund balance policy is designed to minimize volatility. This decision does not need to be made today and favored postponing the decision about the use of the funds until the January meeting. She noted that the funds are fungible, meaning that OMIP could spend the cash it has now and replace it with the grant funds.

Mr. Lynch asked if the principal should be to dedicate the grant money to the assessment. Ms. Sumpter said that doing so indirectly passes the dollars to the carriers. Ms. Healey said she was not convinced that covering losses is the best way to spend the grant money.

Mr. Lynch agreed that the Board should address when and how to spend these grant funds at the January meeting when the Board reviews the next assessment projection. He asked if the lower premium is justified.

### **Premiums**

Mr. Jovick reviewed rate average change percentages and 2007 assessment projections at several different premium surcharge levels for the medical plans. He noted that the portability prevailing plan would need a 6% decrease and the portability low cost plan would need a 4% decrease to get them to market rates.

Mr. McLeod noted that the information Mr. Jovick presented shows that there would be a 7% decrease in rates at a 125% surcharge. Ms. Sumpter asked what the rationale would be for moving to a higher surcharge. Mr. Lynch said that it would anticipate higher costs in the next year. He also noted that, if the market premiums are lower than they should be and would increase considerably in 2008, then a higher OMIP surcharge in 2007 would prevent a drastic rate increase in 2008. Mr. McLeod said that a higher surcharge would result in better rate stability.

Mr. Houck questioned whether it would be sensible to establish a higher surcharge simply because Regence BCBSO had a large commercial rate decrease for its individual plans. He agreed that an 11% surcharge would be appropriate, and that the Board could use the federal grant funds to offset some of the losses. Dr. Santa agreed that a surcharge between 11% and 15% would be sensible. He also noted that an 11% surcharge would be the best if the first choice for the federal funds was to reduce the assessment. He acknowledged that insurers are uncomfortable when the assessment is large.

Mr. Lynch said that he felt the Board should dedicate the grant money to reducing the assessment if the Board approves a surcharge between 11% and 15%. Ms. Streisinger stated that she liked the idea but was worried about sustainability of the rates. She noted that members are not served as well if they receive a considerable decrease in 2007 followed by a significant increase in 2008. Mr. McLeod stated that he was more comfortable with a 15% surcharge, but he did not agree that an 11% surcharge was reasonable because of the impact it had on reducing rates. Mr. Field agreed with Mr. McLeod's comments.

Mr. Lynch said that the affordability issue also exists in the commercial market. Rates for group plans have not decreased; only those for the individual market have. Mr. Provencher expressed he is hesitant to predict what would happen in the commercial market in 2007 and 2008.

Ms. Sumpter reminded everyone that a large portion of the OMIP population is poor whereas those covered in the individual market are not. Mr. Lynch said that OMIP cannot solve the cost shift problem, but should pay attention to it.

Mr. Lynch recommended that the Board approve revising the rates that the staff presented so that the age-bands 60-64 and 65+ receive either no increase or a moderate one. General discussion indicated agreement with his proposal.

### **Board Decisions**

Ms. Sumpter motioned to establish the surcharge at 111% and change the age-band adjustments so that the age-band 60-64 and 65+ receive either no increase or a moderate one. Ms. Healey seconded the motion. The motion was approved by everyone except Mr. McLeod with Ms. Streisinger abstaining.

Ms. Sumpter motioned to add \$.50 to the premium for smoking cessation through the Free & Clear program and that OMIP absorb the cost for the self care management education course. Mr. Provencher seconded the motion and the Board passed it unanimously.

### **Future Items**

There will be significant issues for discussion at the next meeting around the RFP. The meeting will hopefully be scheduled in early January.

Mr. King said that a lot of the legislative hearings will involve the future of OMIP. The Board will be discussing these in the future.

### **Public Comment**

No public comment

With no further discussion, the meeting adjourned at 12:03 p.m.