

**MINUTES OF THE
BOARD OF COMMUNITY HEALTH MEETING
August 11, 2011**

Members Present

Ross Mason
Norman Boyd
Inman C. "Buddy" English, M.D.
Hannah Heck
Jamie Pennington
William H. Wallace, Jr.
Mary Eleanor Wickersham, D.P.A.

Members Absent

Clay Cox
Archer Rose

The Board of Community Health held its regularly scheduled meeting at the Department of Community Health, Fifth Floor Board Room, 2 Peachtree Street, N.W., Atlanta, Georgia. Commissioner David A. Cook was also present. (An agenda and a List of Attendees are attached hereto and made official parts of these Minutes as Attachments #1 and #2). Chairman Mason called the meeting to order at 10:33 a.m.

Minutes

The Minutes of the July 14, 2011 meeting were UNANIMOUSLY APPROVED and ADOPTED.

Committee Reports

Ms. Hannah Heck, Chair of the Care Management Committee, reported that the Committee reviewed the 2010 Medicaid Managed Care Quality Metrics. The Committee will review Medicaid Fee-for-Service quality measures in November. Also, the Committee reviewed the State Health Benefit Plan quality measures and hospital admission, emergency room utilization and urgent care rates.

Mr. Norman Boyd, a member of the Audit Committee, reported that the Independent Auditors gave a progress report on the Fiscal Year 2011 financial and single audits. The Committee also received an update on the previous audit and the status of the actions taken to address the 48 management points; 41 have been completed; 7 are on going.

Report of the Commissioner

Commissioner Cook stated that the Department would present two resolutions today that relate to the SHBP. One resolution sets employee premium levels for SHBP members that include state employees, teachers, non-certificated school personnel, and retirees. The other resolution increases the employer contribution from school systems on behalf of non-certificated school personnel. He said Vince Harris, CFO, and Trudie Nacin, the Director of the State Health Benefit Plan, will present the Calendar Year 2012 plan design changes in the context of the two resolutions. Commissioner Cook said the contribution rates set forth in the resolutions were developed using the cost projections from these plan design changes. By adopting the two recommended resolutions, the Board is also approving the plan design changes. All plan design changes are communicated to members before they are implemented. A few of the plan design changes have already been implemented, such as mail order prescriptions, but most of them will become effective January 1, 2012.

Commissioner Cook stated that the recommendations are the product of a great team effort on the part of the staff. Staff began working on this project several months ago with one simple imperative: to put the SHBP on a sound financial footing in a way that is fair to everyone. He thanked the DCH team for the great job they have done to develop this plan.

Commissioner Cook said this year has been particularly difficult given the fiscal realities we face. The Department is projecting a significant deficit in both FY 12 and FY 13. Without any changes in plan design or contribution levels, the projected deficit for FY 12 is \$280 million. The preliminary projected deficit for FY 13 is \$535 million. The combined total of these deficits over the next

two fiscal years exceeds \$800 million. He reviewed at a high level both the causes of the deficits and how DCH proposes to address them.

Commissioner Cook stated the deficit is not the result of poor management. The SHBP expense trend has been 4.1% over the past four years--less than half of the national average. In addition to keeping costs down, the SHBP is recognized across the country as a leader in innovation. More than 50% of its members participate in a consumer directed health plan--the highest percentage of any state in the country.

Commissioner Cook outlined the three areas that are driving the deficit. The first area is Employers of Non-Certificated Members. The State's practice over the years has been to divide the cost of the coverage roughly along a 25-75 split with members paying 25% and employers paying 75% of costs. Currently employers of our non-certificated members only pay 22% of the costs of their members which is substantially less than the 75% threshold. Typically, the difference between 22% and 75% has been made up by a state appropriation which includes an intergovernmental transfer of funds from the Department of Education to SHBP to help pay Boards of Education contributions. Due to budget constraints, the SHBP has seen this funding diminish over the past few years. This in turn has caused the SHBP to spend down reserves. The second area is the Affordable Care Act. More than one-third of the increase in employee premiums is attributed to the additional costs of these benefits which include the elimination of lifetime caps, extension of dependent coverage and 100% coverage of preventative care. The third reason is that state employees and teacher payroll is decreasing. The employer contribution to the plan for teachers and state employees is based on percent of payroll. When payroll declines for any reason, the contributions to the SHBP decrease. Unfortunately for the SHBP, state and school payroll has been declining for a number of reasons: a decline in the government sector workforce, members who retire are being replaced by younger workers who are paid less, and state employees have not received a pay increase in four years making payroll flat while medical costs have gone up.

Commissioner Cook said the Department's plan is to be fiscally responsible by eliminating the FY 12 deficit of \$280 million and reduce the combined FY 12-FY 13 deficit of \$815 million by 80%; achieving results in a way that is fair manner that includes a mix of plan design changes, shared responsibility between employers and employees; promotes wellness and choice; and increases administrative efficiency and accountability. Plan design changes call for the implementation of a hybrid direct bill model that will move the SHBP away from the old "percent of payroll" model to a more accurate method of billing in which the employer pays a defined premium for each individual covered. This will increase administrative efficiency and make the system more transparent and accountable.

Commissioner Cook emphasized that the plan presented today is designed to address the immediate issue of the FY 12 and FY 13 deficit. It does not attempt to address the long-term liabilities of the plan known as Other Post Employment Benefits (OPEB). The OPEB liability is an estimation of SHBP liabilities over the next 30 years. The current OPEB liability is estimated to be \$15.7 billion. He said the Department has been working on options to address OPEB liabilities and will return to the board later in the year to present those options.

Mr. Vince Harris began the SHBP presentation to the Board. He said if the SHBP did not make any plan design changes or have premium adjustments the year end balance would total a deficit of about \$280 million; adding the IBNR liability would increase the deficit to \$492.5 million. The SHBP ended the fiscal year with \$50 million which would pay claims for about five days. The Department is managing the Plan with declining revenue and increasing expenditures which takes into account that the Early Retiree Reinsurance Program (ERRP) funds did not materialize; decreasing employee headcount; and growth in retiree enrollment.

Ms. Trudie Nacin stated that the SHBP is ahead of most private employers. SHBP has one of the highest enrollments in consumerism plans in the country. SHBP members' out of pocket costs is in line with private employers.

Ms. Nacin stated one of the biggest changes to the plan is the additional plan options available to SHBP members in Calendar Year 2012: Wellness HRA, Wellness HDHP, Wellness HMO, Standard HRA, Standard HDHP, Standard HMO, TRICARE Supplement, Medicare Advantage Standard and Medicare Advantage Premium. The Wellness Plan is a three-year strategy to increase health awareness, wellness, and engagement with SHBP members to improve overall health risk. Ms. Nacin described the Wellness Promise and Wellness Plan. The new standard plans will have a lower level of benefits and a 6% higher premium than Wellness plan options. Plans are available to active employees and retirees who are not enrolled in a Medicare Advantage Plan. Also, she outlined the plan differences and changes for the Wellness and Standard HRA, HMO and HDHP. With new wellness strategy, the SHBP will begin covering prescription tobacco cessation medications beginning January 1, 2012. Other

plan changes include eliminating coverage for bariatric surgery in 2012 and eliminating the \$200 vision hardware/frames benefit in the HMO plans.

Ms. Nacin advised that federal law has changed to allow SCHIP programs to decide whether to enroll children covered by state health plans into SCHIP programs if they qualify. About 40,000 SHBP members may qualify to have their children in PeachCare for Kids™. It is expected that over 42,000 SHBP member children will choose PeachCare for Kids™. SHBP will realize savings of approximately \$32 million from FY 2012 from parents choosing PeachCare for their children. A State Plan Amendment is required. A proposed effective date will be January 1, 2012.

Ms. Nacin said the SHBP will offer a new, voluntary health plan option called the TRICARE supplement to SHBP members who are currently enrolled in the federal TRICARE program. TRICARE is healthcare coverage for the active and retired military and their families. The TRICARE Supplement is a fully insured product that pays claims as a secondary payer after TRICARE pays as the primary payer. Federal Law changed last year to allow employers to offer the TRICARE supplement; however the law does not allow the employer to subsidize or endorse TRICARE Supplement coverage. The Employee pays the full cost of the coverage but has the benefit of premiums deducted on a pretax basis. SHBP passes the premiums on to the TRICARE supplement vendor.

Ms. Nacin described changes to the Medicare Advantage Plan. The plans are fully insured offerings through the SHBP vendors and are subject to Centers for Medicare and Medicaid Services (CMS) rules and regulations. Some changes to the plans increase out-of-pocket, co-pays and co-insurance levels. Ms. Nacin said these changes were necessary to keep the premiums at a lower rate for the State.

Mr. Harris described the levels of which each of the three plans—State Employees, Teachers and Non-Certificated personnel—are funded through their employer contributions and the level of their expenses. He said clearly the state employee and teacher contributions are more than covering expenses. The employer contributions for Non-Certificated personnel are not adequate to properly fund the actual expenses.

Mr. Harris reviewed how the SHBP has managed the Plan in the past when it realized the employer contribution for the Non-Certificated employees is too low. The SHBP has been receiving a state subsidy through an interagency transfer from the Department of Education. He indicated the DOE receipts in FY 2007 were \$242.5 million, \$279.2 million in FY 2008 down to \$0 in FY 2012.

Also Mr. Harris outlined years of service for current retirees with SHBP coverage. Most state employees and teachers work 25 years or more before retiring. Most Non-Certificated members work less than 25 year prior to retirement which removes the per member per month (PMPM) premium for the member and transfers the liability to the Plan. He said the current employer contribution is \$246.20 PMPM. The Department is proposing to increase the PMPM to \$296.20 effective September 2011. The increase will generate \$32 million in revenue for the plan in FY 2012.

Mr. Harris stated effective July 1, 2012 the SHBP will implement the Hybrid Direct Bill for employer contributions which is a direct bill model for teacher and non-certificated employers and will be calculated based on the number of employees that are members of the SHBP (PMPM rates). The SHBP expects to gain administrative efficiencies and increase accountability by moving to a Hybrid Direct Bill Plan. Employer contribution rates for state employees will continue to be based on a percent of payroll.

Mr. Harris discussed the impact of Health Care Reform (Affordable Care Act) on the SHBP. The Department is proposing a base 5% premium increase in CY 2012. An additional 6.2% premium increase is a result of the Affordable Care Act which extends dependent coverage to age 26 and provides 100% coverage for preventive care. The projected revenue to the plan with the 6.2% increase is \$17.9 million. The Early Retiree Reinsurance Program (ERRP) subsidizes the cost of early retirees with high cost claims (between \$15,000 and \$90,000). Actual claims for January-March 2011 were \$10.9 million. The Department hopes to hear from the federal government in the next several weeks. The Department expected to receive \$67 million of ERRP funds for FY 2012, but with the overwhelming popularity of the program, coupled with increased number of requirements to request the funds, the Department does not expect to receive additional funds.

Mr. Harris stated that after all plan changes, premium increases, and the Non-Certificated employer contribution increase are considered, the Plan has a remaining deficit of \$60 million. He said DCH will request this amount as part of its budget submission to the Governor on September 1. Next steps are ask the Board to adopt two resolutions to approve member

premiums for CY 2012 based on Plan design changes and increased employer contributions for Non-Certificated personnel. DCH will submit an Amended FY 2012 and FY 2013 budget request to the Governor's Office of Planning and Budget that will include a request for additional funds for the Plan. (A copy of the State Health Benefit Plan Presentation to the DCH Board is attached hereto and made an official part of these minutes as Attachment # 3).

Mr. Harris presented a Resolution entitled "State Health Benefit Plan Calendar Year Member Contribution Rates." This resolution establishes three types of contribution rates for 2012: unsubsidized rates for members who will pay the entire cost of SHBP coverage and in some cases an administrative fee (Exhibit 1); subsidized rates for members who will pay only a portion of the cost of SHBP coverage and in some cases an administrative fee (Exhibit 2); and TRICARE Supplemental Coverage Rates which are the premiums charged by association society insurance for a voluntary benefit that will be made available to TRICARE eligible members for CY 2012 (Exhibit 3). The resolution also approves the continuation of an \$80 tobacco surcharge and \$50 spousal surcharge. Dr. Wickersham MADE a MOTION to adopt the Resolution entitled "State Health Benefit Plan Calendar Year Member Contribution Rates" and the accompanying Exhibits and Rate Tables. Ms. Pennington SECONDED the MOTION. The MOTION was UNANIMOUSLY ADOPTED. (A copy of the Resolution - State Health Benefit Plan Calendar Year Member Contribution Rates and the accompanying Exhibits and Rate Tables are attached hereto and made an official part of these Minutes as Attachment # 4).

Mr. Harris presented a Resolution entitled "State Health Benefit Plan Employer Contribution Rates." The resolution increases the local system employer contribution to the Plan for Non-Certificated public school employees to \$296.20 per member per month, effective for September 2011 billing. All other contribution rates remain in effect. Ms. Pennington MADE a MOTION to adopt the Resolution entitled "State Health Benefit Plan Employer Contribution Rates." The MOTION was UNANIMOUSLY ADOPTED. (A copy of the Resolution - State Health Benefit Plan Employer Contribution Rates is attached hereto and made an official part of these Minutes as Attachment # 5).

Mr. Scott Frederking, Budget Director, gave a brief update on the process of the budget development for the Amended FY 2012 and FY 2013 budgets. The Office of Planning and Budget (OPB) released budget instructions to state agencies on July 25. Consequently, the Department has not had time to develop budget recommendations. OPB's budget instructions for the Amended FY 2012 and FY 2013 budgets were a 2% budget reduction for all programs except Medicaid and PeachCare. A 2% cut means a reduction in the Department's operating budget—about \$1.5 million in state funds or \$3 million total funds. Mr. Frederking said the Department is reviewing its operations to see where it can save those dollars, particularly reducing or eliminating contracts, holding the line on personal services and salaries, and looking for operating efficiencies where possible. The Department will discuss budget recommendations at the August 25 board meeting.

Jerry Dubberly, Pharm.D., Chief, Medical Assistance Plans, gave an update on the Medicaid Design work. On May 4, the Department released a Request for Proposal (RFP) to obtain the services of a consultant to assist DCH with reviewing the current Medicaid program and assisting the Department with decisions about the design of the future Medicaid program. The RFP resulted in an award to Navigant Consulting for a one-year contract with two one-year options with a total cost of the contract over a three-year period not to exceed \$3.3 million. The Department will require Navigant to perform a comprehensive environmental scan at the local and national levels. Navigant will conduct up to 30 stakeholder forums throughout Georgia. Some forums will focus on providers, but other forums will include other state agencies, members, advocates and elected officials. Also, Navigant will assist with any resulting procurements and implementation phase. The timeline for the design work is in four phases: 1. assessment – environmental scan that will begin now through early December; 2. recommendations – expect delivery of strategy report by January 17, 2012 and finalize solutions by March 2012; 3. procurement – post RFP for ultimate design solutions by July 2012; and 4. implementation – expect contract awards by January 2013. The DCH web site is the best source of information about updates and upcoming opportunities for input.

Commissioner Cook stated that the Department received public comment on the Copayments for Medicaid and New Copayments for PeachCare for Kids™ Members Public Notice and the Nursing Facility Services – Ventilator Bed Hold Rate Public Notice. He said the Department is reviewing the comments and data and may discuss the public notices at the next board meeting.

Commissioner Cook presented the Department's Strategic Plan for FY 2012-2014. The Governor's Office asked state agencies to develop and submit a strategic plan for FY 2012 that aligns with state strategic priorities. The strategic-business plan was developed by the DCH senior management team. There are 5 agency goals, 37 strategies and performance measures and 86 elements in the FY 2012 business plan. He reviewed the 5 program areas, the budget, the number of employees and support functions, areas of dramatic change and uncertainty, significant financial and demographic trends, Georgia's health status and

state-wide health focus. Commissioner Cook described the four pillars that establish the state strategic goals—education, health, safety and growth that are supported by the Best Managed State. The Department's strategic plan aligns with two components—health and best managed state. He described the Department's mission, vision, core business, and core organizational values. The DCH strategic goals are: 1. improve healthy lifestyles through preventative care, disease management, and disparity elimination; 2. improve access to quality health care at an affordable price; 3. plans administered by DCH will move towards being financially solvent to meet the needs of the members; 4. increase effectiveness and efficiency in the delivery of healthcare programs; and 5. ensure DCH has enough workers with the necessary skills and competencies to meet the current and future demand. Each of the 37 strategies and performance measures/indicators has a benchmark and goal and will be measured quarterly. The progress of the 86 elements of the business plan will be measured over the next year. Commissioner Cook praised the senior management team for their hard work on the plan. (A copy of the Strategic Plan: FY 2012-2014 is attached hereto and made an official part of the Minutes as Attachment # 6).

New Business and Closing Remarks

Chairman Mason commended Commissioner Cook for his innovative leadership. He also thanked the senior management team for their hard work in developing a strategic plan to be proactive in planning for changes in health care delivery and economic uncertainty.

Chairman Mason said on September 1, the First Lady of Georgia Sandra Deal and U.S. Senator Johnny Isakson will host "Celebration of Service and Sacrifice 10 Years After 9/11" to recognize and honor military men and women and their families.

The next board meeting will be held August 25.

Adjournment

There being no further business to be brought before the Board, Chairman Mason adjourned the meeting at 11:51 a.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE _____ DAY OF _____, 2011.

ROSS MASON
Chairman

ARCHER R. ROSE
Secretary

Official Attachments:

- #1 List of Attendees
- #2 Agenda
- #3 State Health Benefit Plan Presentation to the DCH Board
- #4 Resolution - State Health Benefit Plan Calendar Year Member Contribution Rates and Exhibits and Rate Tables
- #5 Resolution - State Health Benefit Plan Employer Contribution Rates
- #6 Strategic Plan: FY 2012-2014 Presentation