

**Public Employees' Benefit Board**  
 Tuesday, May 15, 2007 1:30 to 4:30 p.m. - Minutes  
 Hearing Room, Agriculture Building  
 635 Capitol St NE, Salem OR

*Approved June 19, 2007*

<b>Board Members Present</b>	
Diane Lovell, Chair Peter Callero David Hartwig Paul McKenna	Sue Nelson Rich Peppers Jeanene Smith
<b>PEBB Staff Present</b>	
Bobbie Barott Dena Comer Isabel Joslen Mona McMullen Ingrid Norberg	Rick Schoonover Margaret Smith-Isa Rebecca Sweatman Jean Thorne
<b>Consultants Present</b>	
Pam Hodge, Aon Paige Sipes-Metzler	Barbara Wall, Aon
<b>Guests Present</b>	
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 Paul Pfnister, AFLAC	Jean Poling, Kaiser Permanente David Scarce, The Standard Insurance Co. Diane Skutack, BenefitHelp Solutions Tamara Strauss, Samaritan Health Systems Deborah Tremblay, Oregon Judicial Dept Kim Waldroff, BenefitHelp Solutions Don Wiggins, The Standard Insurance Co. Denise Yunker, Oregon University System
<b>Agenda</b>	
<b>Welcome</b> <b>Overview of Meeting</b> <b>2008 Rates Approval</b> <b>2008 Contract Issues Follow-Up</b> <b>Wellness Grant Program</b> <b>Life and Disability Coverage</b> <b>General Public Comment</b> <b>Other Business</b>	
<b>Welcome</b>	
<b>Diane Lovell</b> called the meeting to order and explained that at today's meeting, the Board will discuss and approve rates for the 2008 benefit plans, based on the plan and plan design decisions made at the meeting on May 8.	

**2008 Rates Approval**

**MEDICAL PLANS: FULL-TIME**

**David Hartwig** asked how the increases compare to last year.

**Jean Thorne** replied that the overall medical composite for 2007 was approximately 8.2 %.

**Kaiser Permanente**

**Jean Thorne** reported that the overall increases over 2007 are as follows:

Kaiser HMO = 8.92%

Kaiser Added Choice = 9.82%

**David Hartwig** moved to approve the following rates for 2008:

<b>2008 Kaiser Permanente HMO Monthly Medical Rates</b>			
<b>Employee</b>	<b>Employee &amp; Spouse/Partner</b>	<b>Employee &amp; Child(ren)</b>	<b>Employee &amp; Family</b>
<b>729.91</b>	<b>978.08</b>	<b>839.40</b>	<b>999.98</b>

<b>2008 Kaiser Permanente Added Choice POS Monthly Medical Rates</b>			
<b>Employee</b>	<b>Employee &amp; Spouse/Partner</b>	<b>Employee &amp; Child(ren)</b>	<b>Employee &amp; Family</b>
<b>772.15</b>	<b>1,034.69</b>	<b>887.98</b>	<b>1,057.86</b>

**Rich Peppers** seconded the motion.

- Hearing no further discussion, the motion passed unanimously.

**Providence Choice PPO**

**Jean Thorne** reported that the overall increase over 2007 is 12.52%.

**Jeanene Smith** moved to approve the following rates for 2008:

<b>2008 Providence Choice PPO Rates</b> (Self-insured at Aon Recommended Rates, Not Including VSP Routine Eye Care Services)			
<b>Employee</b>	<b>Employee &amp; Spouse/Partner</b>	<b>Employee &amp; Child(ren)</b>	<b>Employee &amp; Family</b>
<b>726.60</b>	<b>973.64</b>	<b>835.60</b>	<b>995.44</b>

<b>2008 Providence Choice PPO</b> <b>Administrative Fees*</b> (included within rates above)
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Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
90.48	90.48	90.48	90.48

\*Administrative Fees exclude Aon commission, claims recovery services, negotiation of claims fees, health risk assessment, terminal claims processing, SPD printing and distribution. All these items are charged separately as line items by Providence.

**Peter Callero** seconded the motion.

➤ Hearing no further discussion, the motion passed unanimously.

**Regence BlueCross BlueShield of Oregon**

**Jean Thorne** reported that the overall increase over 2007 is 7.80%.

**Rich Peppers** moved to approve the following rates for 2008:

2008 Regence BlueCross BlueShield of Oregon PPO Monthly Medical Rates (Not Including VSP Routine Eye Care Services)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
776.48	1,040.39	892.91	1,063.67

**Sue Nelson** seconded the motion.

**David Hartwig** asked whether there was still a separate settlement for mental health parity.

**Jean Thorne** replied that costs for mental health parity were integrated into the premiums beginning in 2006.

➤ Hearing no further discussion, the motion passed unanimously.

**Samaritan Select PPO**

**Jean Thorne** reported that the overall increase over 2007 is 10.32%.

**Peter Callero** moved to approve the following rates for 2008:

2008 Samaritan Select PPO Rates (Self-insured at Aon Recommended Rates, Not Including VSP Routine Eye Care Services)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
718.47	962.75	826.24	984.31

2008 Samaritan Select PPO Rates Administrative Fees* (included within rates above)			
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Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
79.94	107.12	91.93	109.52

\*Administrative fees exclude Aon commission claims recovery services, non-network provider fee negotiation, worksite health screening fees and any sales or use taxes. These services are billed separately.

**Jeanene Smith** seconded the motion.

**Paul McKenna** commented that the percentage for hearing aids seems low.

**Barbara Wall** of Aon replied that she will recheck these figures.

- Hearing no further discussion, the motion passed unanimously.

**ROUTINE EYE CARE**

**Vision Service Plan (VSP)**

**Jean Thorne** reported that the overall increase over 2007 is 9.3% for the Full-time Plan.

**David Hartwig** moved to approve the following rates for 2008:

2008 VSP Rates			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
10.82	14.48	12.44	14.82

**Sue Nelson** seconded the motion.

- Hearing no further discussion, the motion passed unanimously.

**MEDICAL PLANS: PART-TIME AND RETIREE**

**Regence BCBSO, Kaiser Permanente, Providence and Samaritan**

**Jean Thorne** reported that the overall increase over 2007 is 7.71%.

**Paul McKenna** moved to approve the following rates for 2008:

2008 Part-time Employee and Retiree Medical Plan Monthly Rates; Providence, Regence and Samaritan rates do not include VSP Routine Eye Care Services (Providence Choice & Samaritan Select PPO Plans Self-insured at Aon Recommended Rates*)				
Plan	Employee	Employee & Spouse	Employee & Child(ren)	Employee & Family
Kaiser HMO	617.90	827.99	710.59	846.52
Kaiser Added Choice	624.72	837.13	718.43	855.87
Providence*	588.82	789.02	677.15	806.69
Regence BCBSO	630.80	845.18	725.38	864.13
Samaritan*	587.17	786.81	675.25	804.43

**2008 Administrative Fees for Part-time and Retiree Plans  
(included within premiums listed above)**

<b>Plan</b>	<b>Employee</b>	<b>Employee &amp; Spouse</b>	<b>Employee &amp; Child(ren)</b>	<b>Employee &amp; Family</b>
Providence Choice*	<b>90.48</b>	<b>90.48</b>	<b>90.48</b>	<b>90.48</b>
Samaritan Select*	<b>70.45</b>	<b>94.40</b>	<b>81.02</b>	<b>96.51</b>

\*Administrative Fees exclude Aon commission, claims recovery services, negotiation of claims fees, health risk assessment, etc.

**Rich Peppers** seconded the motion.

- Hearing no further discussion, the motion passed unanimously.

**DENTAL PLANS**

**Kaiser Permanente**

**Peter Callero** moved to approve the following rates for 2008:

<b>2008 Kaiser Permanente Dental Plan Monthly Rates</b>			
<b>Employee</b>	<b>Employee &amp; Spouse/Partner</b>	<b>Employee &amp; Child(ren)</b>	<b>Employee &amp; Family</b>
<b>60.93</b>	<b>81.65</b>	<b>70.07</b>	<b>83.47</b>

<b>2008 Kaiser Permanente Part-time and Retiree Dental Plan Monthly Rates</b>			
<b>Employee</b>	<b>Employee &amp; Spouse/Partner</b>	<b>Employee &amp; Child(ren)</b>	<b>Employee &amp; Family</b>
<b>45.42</b>	<b>60.86</b>	<b>52.23</b>	<b>62.23</b>

**Rich Peppers** seconded the motion.

- Hearing no further discussion, the motion passed unanimously.

**ODS Dental Plans**

**Pam Hodge** explained that because ODS is a self-insured plan, the Board must establish the rates. Aon's projections are higher than those projected by ODS. Aon chose to err on the conservative side, given that there are only three months of experience as a self-insured plan and because there are a number of plan design changes. If costs exceed the rates, the Board would draw down reserves.

**Sue Nelson** moved to approve the following rates for 2008:

<b>2008 ODS Indemnity Dental Plan Monthly Rates (Self-insured at Aon Recommended Rates)</b>			
<b>Employee</b>	<b>Employee &amp; Spouse/Partner</b>	<b>Employee &amp; Child(ren)</b>	<b>Employee &amp; Family</b>
<b>73.66</b>	<b>98.71</b>	<b>84.71</b>	<b>100.92</b>

<b>2008 ODS PPO Dental Plan Monthly Rates (Self-insured at Aon Recommended Rates)</b>			
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Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
68.04	91.18	78.24	93.22

2008 ODS Part-time and Retiree Dental Plan Monthly Rates (Self-insured at Aon Recommended Rates)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
53.00	71.03	60.96	72.62

2008 ODS Dental Monthly Rates Administrative Fees* (included within rates above)			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
4.94	4.94	4.94	4.94

\*Administrative Fees are the same for all plans and exclude Aon commission and communication fees.

**Rich Peppers** seconded the motion.

➤ Hearing no further discussion, the motion passed unanimously.

#### Willamette Dental Plan

**Jeanene Smith** moved to approve the following rates for 2008:

2008 Willamette Dental Plan Monthly Rates			
Employee	Employee & Spouse/Partner	Employee & Child(ren)	Employee & Family
67.79	90.84	77.96	92.87

**Paul McKenna** seconded the motion.

➤ Hearing no further discussion, the motion passed unanimously.

**Jean Thorne** explained Aon is currently preparing the composite rate for 2008 and they will be sent to the Board and to DAS within the next few days.

#### 2008 Contract Issues Follow-Up

##### **Kaiser Permanente - Third Party Liability**

**Barbara Wall** explained that the Board asked Aon to do additional follow-up on one of the proposed contract changes from Kaiser. She outlined the proposed change, as follows:

“In order for us to determine the existence of any rights we may have and to satisfy those rights, you must complete and send us all consents, releases, trust agreements, authorizations, assignments, and other documents, including lien forms directing your attorney, the third party and the third party’s liability insurer to pay us directly.

You must place and hold in trust a portion of the proceeds of your recovery that is sufficient to satisfy our claim(s) under this provision pending final resolution of the claim(s). You must provide us with written notice before you settle a claim or obtain a judgment against any third party for relevant services already furnished or provided by us.

In addition to the rights set forth above, we shall also be entitled to all of the remedies, benefits, and other rights of sections 742.520 – 742.542, Oregon Revised Statutes.

If your estate, parent, guardian, or conservator asserts a claim against a third party based on your injury or illness, your estate, parent, guardian, or conservator and any settlement or judgment recovered by the estate, parent, guardian, or conservator shall be subject to our liens and other rights to the same extent as if you had asserted the claim against the third party. We may assign our rights to enforce our liens and other rights.

If you are entitled to Medicare, Medicare law may apply with respect to Services covered by Medicare.”

She explained that Regence and Providence do not put the responsibility for notification on the member; their claims departments track and send notification to the member.

**Rich Peppers moved to not accept Kaiser’s proposed contract change.**

**Peter Callero** seconded the motion.

- Hearing no further discussion, the motion passed unanimously.

**Providence - Mail Order**

**Barbara Wall** explained that the Board asked Aon to do additional follow-up on one of the proposed contract changes from Providence. She outlined the proposed change, as follows:

“Expand the mail order benefit to allow purchase of a 90-day supply through certain preferred retail pharmacies at the mail order copay amount.”

She explained that the ratio of retail to mail order copays will be one retail copay to two and a half copays for the 90-day mail order supply available at Walgreens and Fred Meyer pharmacy locations. This is consistent with the current mail order plan design. Walgreens and Kroger (owner of Fred Meyer stores) are two of the three vendors that Providence uses for their mail order service. PEBB will be receiving the same discounts in this proposed arrangement as PEBB currently receives through the traditional mail order service.

**David Hartwig moved to accept the contract language change proposed by Providence.**

**Sue Nelson** seconded the motion.

- Hearing no further discussion, the motion passed unanimously.

**Wellness Grant Program**

**Jean Thorne** explained that last year, the Board put together a set of proposals to request budget

limitation related to expenditures from the Stabilization Fund. Those limitation amounts have now been approved by the Legislature. One of the purposes is a wellness grant program for agencies.

**Rebecca Sweatman** referred to **Bdattach.1** and provided background on the program. She explained that the goal of the program is to support state agencies in focusing their efforts toward sustainable worksite wellness programs, tailored to meet the specific needs of their workforce.

The program would provide small grant funds to agencies to assist them in the promotion of employee worksite wellness activities that will lead to longer-term sustainability of worksite wellness programs and contribute to efforts to improve employees' health status and control health care costs.

Grants could be used for such items as educational resources, exercise aids, and wellness activity instruction for employee engagement in personal wellness activities, and other resources upon approval.

She reported that feedback from agency wellness coordinators on the proposal has been to allow PEBB to use funds for statewide efforts, such as training. Actual grant awards would be based on consideration of all program award criteria, which are as follows:

- Number of employees at agency;
- Number of employees that will be impacted by the agency wellness program (estimate);
- Presence of staff to coordinate agency wellness program;
- Management support of agency wellness program;
- 2-year agency wellness program plan (includes goals, strategies and action plan);
- Number of scheduled events/activities and scope of events/activities;
- Clearly identified strategies for health and wellness promotion;
- Estimated agency wellness program costs;
- Commitment to evaluation;
- Willingness to participate in grant program meetings;
- Past efforts to promote worksite wellness and to engage employees in personal wellness activities;
- Efforts to create a sustainable agency wellness program;
- Anticipated challenges and strategies for dealing with them;
- Involvement in the Statewide Safety and Wellness Leadership Initiative.

**Jean Thorne** explained that when agencies are considered for selection the intent is not to be competitive, rather to assist agencies to develop a plan and implement a wellness program. The program will complement current wellness and safety initiatives.

**Diane Lovell** complimented Rebecca on an excellent work product. She suggested that the document speak to the agencies' responsibility to work with the labor unions.

**Rich Peppers** also complimented Rebecca's work, and asked what the goal level for commitment would be.

**Rebecca Sweatman** replied involvement in the healthy worksite initiative (there are 15 current agencies currently involved), and participation in the agency wellness coordinators group.

**Jean Thorne** added that this would be an opportunity to draw other agencies in; the goal is to have more agencies involved.

**Jeanene Smith** asked how the agencies will know they are engaging in evidence-based programs.

**Rebecca Sweatman** explained that this is one of the goals of the training. PEBB will provide resources such as links to credible sites and other supportive information.

**Jeanene Smith** suggested that the Future of Long-Term Care workgroup, which has done work

around this, would be a good resource for a list of credible resources.

**Rebecca Sweatman** explained that the Wellness collection at the library was reviewed by a committee and has been determined to be credible, so will be an additional resource for agencies.

**Jean Thorne** explained that the program would require up to \$250,000 in the 2007-09 biennium, and this Stabilization Fund expenditure requires Board approval.

**Sue Nelson moved to approve up to \$250,000 for the PEBB Wellness Grant Program in the 2007-2009 biennium, with periodic updates on the program to be provided to the Board.**

**Paul McKenna** seconded the motion.

➤ Hearing no further discussion, the motion passed unanimously.

**David Hartwig** stated that this would be an opportunity to address the health fair activities within agencies, in coordination with the Safety and Wellness Leadership Initiative (SWLI).

**Diane Lovell** suggested a presentation from a member of the SWLI at a future Board meeting.

### **Life and Disability Coverage**

#### **Standard Renewal**

**Jean Thorne** explained that while the Board is not being asked to take action on life and disability coverage until June, there are a number of things that Standard is proposing. If after today's presentation the Board needs additional information there will be time to review it before decisions are made at the June 19 meeting.

**Pam Hodge** referred to **Bdattach.2** and reviewed the proposed renewal responses for performance standards, administrative enhancements, requested plan design changes, and other proposed plan design changes.

Board discussion on the various plan design proposals included the following:

- **Proposal: Elimination of Coverage for Seasonal & Intermittent Employees**

**Pam Hodge** explained that the coverage for seasonal and intermittent employees is difficult to administer due to irregular earnings. Industry norms show that it is common to exclude such employees, and Aon recommends exclusion.

**Jean Thorne** explained that intermittent and seasonal employees may not realize a benefit for what they pay versus what they would receive in actual benefits.

**Paul McKenna** stated that members should be informed of the logic behind this decision.

**Diane Lovell** asked if something could be worked out with Standard regarding a portability option.

**Peter Callero** concurred with Paul, and asked if personalized letters could be sent to affected members.

**Bobbie Barrot** replied this could be done.

**Paul McKenna** suggested avoiding being paternalistic and that another approach could be providing the information to let the members choose.

**Sue Nelson** suggested not giving financial advice, rather providing an example of a situation where the pay-in didn't result in a pay-out. The Board has a responsibility to get the best value for members.

**Rich Peppers** would like to know if Standard has some private plan option, and if this information could be provided to the employees.

Aon will follow-up on these ideas with Standard and provide a report at the June meeting.

- **Proposal: Beneficiary Financial Counseling**

**Pam Hodge** explained that Aon recommends not offering the Beneficiary Financial Counseling due to the additional cost.

**Jean Thorne** added that Cascade EAP offers a referral service for this counseling, so there is an existing benefit there.

- **Proposal: STD & LTD Reasonable Accommodation Expense Benefit**

**Pam Hodge** explained that this would allow Standard to reimburse the employer up to \$25,000 if an employee was able to return to work as a result of a reasonable accommodation. Aon recommends adopting the proposed changes.

**Jeanene Smith** stated that the agencies would need education on this.

**David Hartwig** commented that this would be an option for non work-related injuries, and would truly be a benefit.

- **Proposal: LTD Rehabilitation Plan Provision**

**Pam Hodge** explained that this provision would allow Standard to pay for training and education, family care, job-related and job-search expenses for beneficiaries. Aon recommends adopting the proposal.

**Diane Lovell** asked if there would be any jeopardy to the LTD claim if an employee declines this benefit.

**Pam Hodge** replied that there would be no jeopardy.

**Diane Lovell** asked if there is the probability that PEBB could see a significant increase in the next year for these enhancements.

**Davis Scearce** of the Standard Insurance Company replied that this is not likely. These are enhancements that may or not be utilized.

**Rich Peppers** asked for more background on the actuarial value and the 2% increase, particularly if Standard is saying there is practically a zero impact.

**David Scearce** explained that Standard is saying the expense over a long period might be 2%, but there may be no increase at all.

**Jean Thorne** explained that the Board will make decisions on the proposals discussed today, and all items in the Standard Renewal response at its June 19 meeting.

### **Use of Standard Reserves – Continued Discussion**

**Jean Thorne** explained that this discussion on the use of the excess premium deposit account reserves is continued from the April meeting. The Board had narrowed the options to 3 categories, as follows:

- Decrease rates – on one, two or all lines of coverage (life, LTD, short-term disability) for some period of time
- Increase amount of employer-paid life insurance from \$5k to \$10k (or higher)
- Provide some basic level of employer-paid LTD coverage

Since then, a Department of Justice review of the options resulted in the following:

- Funds should not be retained by Standard (and used to pay for one of these options), but should be transferred to the PEBB Revolving Fund (i.e. Stabilization Fund).
- There are no legal restrictions to PEBB using the funds for any of these options.
- All three options would be considered “health insurance subsidies,” which means they would be “unlimited” (i.e. no need for PEBB to obtain legislative authorization to spend the refunds). (Although life and disability benefits may not typically be considered to be “health” benefits, the Legislature has used the word “health” to describe all the benefits that PEBB administers.)

- None of the uses would create an employer-employee relationship between PEBB and the employee.
- Members would not have additional tax liability if PEBB chose to increase the amount of employer-paid life insurance (up to \$50k of coverage is pre-tax; the amount of the employer-paid life is first deducted from that, i.e. the first \$45k of voluntary life purchased by the employee is therefore pre-tax).
- Because the purchase of STD and LTD coverage is considered “post-tax”, there would be tax consequences to employees if PEBB were to either subsidize the rates or purchase LTD coverage for employees. If PEBB were to subsidize the voluntary life insurance rates, there would also be tax implications because of the \$50k limit on pre-tax purchases.

She explained that there are additional technical/policy issues, as follows:

- Most complex option is employer-paid LTD policy – no payroll mechanism is available once employee is in leave status; future implied obligation of agencies to support once PEBB funds are exhausted (projected in 4.5 years).
- There are significant technical payroll issues associated with any option which would have part of the premium paid by the agency/employee and part paid by PEBB. The least cumbersome would be to have PEBB pay for all the employer-sponsored life insurance, not just the additional amount. Even in that instance, additional programming would be needed (and PEBB may need to fund it) to have it available for 2008.

**Paul McKenna** asked if tax consequences would be considered income by FICA and state and federal tax.

**Jean Thorne** replied that it would be considered income.

**Diane Lovell** commented that essentially members would be given a good thing, but they would then receive a tax bill that they have no control over.

**Peter Callero** asked if this is this sustainable and how long it will last at \$10, \$15 and \$20K.

**Jean Thorne** replied that this information will be brought to the June 19 meeting. She added that what this would mean is that PEBB would pick up the current base amount plus the additional amount and relieve the agency of this cost. Between now and June 19, PEBB staff will look at some way to do this that isn't terribly complex and with information on how long the different levels would last.

**David Hartwig** commented that this highlights the need for the Board to be attentive to reserves in any given year so it's not dealing with amounts that have such significant implications.

#### General Public Comment

None.

#### Other Business

**Jean Thorne** reported that the Board has completed its two meeting per month schedule. The next meeting will be June 19 and the agenda will include the Standard Renewal. The Board will also have a discussion on the contract with McGee and Evers, who will provide a presentation on their findings and recommendations on their review of various written PEBB communications. The Board will have a discussion on different self-insurance models for consideration of broad-based self-insurance in 2009, as well as a discussion on planning for the next few months.

**Rich Peppers** thanked Board members, staff, consultants and plans in having this work done so quickly.

**David Hartwig** thanked Board leadership and staff for providing the work and materials for what was the most beneficial and rewarding renewal period. The Board had very full and interesting discussions that went exceedingly well.

**Adjourn**