

**MISSOURI DEPARTMENT OF TRANSPORTATION AND
MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN**

**MINUTES OF THE CALLED BOARD OF TRUSTEES' MEETING
July 11, 2003**

MEMBERS PRESENT: Mr. Jeff Padgett, Chairman
Captain Terry Moore, Vice Chairman
Ms. Pamela Otto, Secretary-Treasurer
Mr. C.F. Barnes, Member (MoDOT Retired)
Mr. George Ellis, Member
Lt. James Remillard, Member
Ms. Teresa White, Member

Condensed

MEMBERS ABSENT: Mr. Dan Pritchard, Attorney to the Board
Mr. Roy Bergman, Member (MSHP Retired)

STAFF PRESENT: Ms. Marge Doerhoff, Employee Benefits Staff
Ms. Jennifer Wilbers, Employee Benefits Staff

GUESTS PRESENT: Mr. Paul Schultes, Watson Wyatt
Mr. Kevin Van Loon, Watson Wyatt
Mr. John Ware, Watson Wyatt

Mr. Padgett called the meeting to order at 11:30 a.m. He stated the Board meeting was called to discuss medical premiums for the year 2004.

Mr. Padgett welcomed Mr. Paul Schultes and Mr. Kevin Van Loon of Watson Wyatt. Mr. Schultes reported Ms. Julianna Viox has taken a job closer to her home and introduced her replacement, Mr. John Ware.

Mr. Schultes referred to two handouts he distributed for review: *Health Care Discussion* and *Creating a Sustainable Health Care Program*. Mr. Schultes reviewed the Health Care Discussion, which includes information regarding health care trends and results from the Washington Business Group on Health Survey.

Revised CY 2002 Valuation

Mr. Van Loon distributed the Revised Medical Plan Report for 2002 and reviewed the Executive Summary where impacts from the eligibility audit were addressed. At this point, Mr. Schultes suggested the plan engage in a medical claims audit as the last one performed was in 1999.

Mr. Van Loon stated the information on Exhibit 5, Contributions as a Percent of Benefits Paid, is more reasonable in the revised reports compared to the reports previously generated for calendar year 2002.

FY 2003 Valuation Review – Alternative Funding Projections

Mr. Van Loon then reviewed the Executive Summary from the Medical Plan Report for June 30, 2003 and presented an overview of the plan.

Discussion regarding the year-over-year trend for medical, pharmacy and combined ensued. The medical trend has been increasing since February 2003. The prescription trend has been decreasing since February 2003. These trends are based only on claims incurred. Due to the increased medical trend, Mr. Schultes and Mr. Van Loon again suggested doing a medical claims audit.

Watson Wyatt is recommending a 14 percent overall increase for premium rates for 2004. Appendix 2 of the report indicated a premium increase in all categories. However, it was assumed that management would recommend absorbing the increase for PPO participants. The Open Access III participants will experience a slight out-of-pocket increase.

Mr. Schultes asked if any plan changes are being considered. Mr. Barnes suggested indexing co-payments and deductibles similar to Medicare. Mr. Van Loon explained a client implemented this very concept this year.

Mr. Padgett noted that the objective for this meeting reviewing rates based on no plan changes and making a recommendation to the Commission. Mr. Barnes motioned to index the deductibles and co-payments from the year 2000 and continue to index every year with Watson Wyatt adjusting the deductibles and co-payments based on medical trend; based on the proposed rate increase have Watson Wyatt take into consideration the indexing regarding the possibility of lowering the 14 percent projection; and for the 2004 rates have the participant and employer share increase in the cost 50/50. Mr. Ellis seconded. Discussion ensued regarding the effect of raising the deductibles and co-payments as well as having the employee contribute in light of no salary increases. Mr. Padgett suggested holding quarterly meetings in addition to the regularly scheduled Board meetings to discuss plan changes for 2005. Mr. Barnes withdrew his motion. Mr. Ellis withdrew his second.

Mr. Barnes motioned to accept the recommended rates for 2004 with a 14 percent overall increase for PPO and OA3; MoDOT and Patrol management will determine how the cost will be shared; and advise MoDOT and Patrol management that the Board is pursuing a plan change for 2005 to include employee contributions for participants in an employee-only plan. Captain Moore seconded. Motion carried.

Mr. Van Loon pointed out some action items for the Board to consider:

- Additional contribution increases in CY04 and CY05;
- Monitor Westport's system on a PEPY basis;
- Review allocation of claim expenses to enrollment;
- Quarterly assessments of OA3 relative to contributions;
- Consider plan design changes for CY05;
- Pursue health or disease management program; and
- Monitor actual IBNR for FY03 compared to estimated IBNR.

Lifetime Maximum Issue

From a previous meeting, Mr. Padgett had asked Watson Wyatt to provide an actuarial projection to change the lifetime maximum from \$1 million to \$3 million. Mr. Van Loon stated the impact of raising the lifetime maximum would be minimal if the population reaching the lifetime maximum is small.

Mr. Padgett thanked Watson Wyatt staff for attending the meeting.

IPC Audit Proposal for 2002 EHS Audit

Mr. Padgett distributed a letter from Mr. Ken Anderson of IPC regarding performing an audit on EHS's 2003 prescription claims. The projected cost is \$190 per hour, not to exceed a total cost of \$10,000. Captain Moore asked if it is necessary to do an audit again this year since an audit was completed in 2002 on 2001 claims. Mr. Barnes suggested doing a prescription audit and medical audit at the same time.

Captain Moore motioned to approve the proposal from IPC to audit EHS' 2002 claims in conjunction with a medical claims audit. Mr. Ellis seconded. Motion carried.

Coventry Renewal

Mr. Padgett reported Coventry has proposed a 30 percent increase in rates with a contingency to raise rates after open enrollment based on the enrolling population. Mr. Padgett had a conference call with Coventry regarding removing these contingencies; however, a commitment for Coventry was not received during that call. The options are for Coventry to remove the contingencies or Mr. Padgett will communicate to the members that the rates may change after open enrollment. Staff has checked with HealthLink regarding offering OA3, however there is a very limited amount of time to execute this offering. Mr. Padgett will continue to keep the Board updated.

Other Business

Total Comp Report – Mr. Padgett stated this report recommends consistent benefits for all state employees and retirees as well as a consistent contribution level for everyone.

Open Account at Central Bank – The Board has an account at Central Bank with approximately \$5,000. Captain Moore motioned to close the account at Central Bank and consolidate it with the account at Exchange Bank. Mr. Ellis seconded. Motion carried.

Death Benefit for Retirees – Mr. Barnes asked the status of this issue. Mr. Padgett has spoken with Mr. Norm Robinson, but the issue has not been on the Retirement Board agenda. Mr. Barnes will pursue with the Retirement Board.

Watson Wyatt Reports – Mr. Padgett asked if current reports received from Watson Wyatt are sufficient and appropriate. The Board receives a Fiscal Year and a Calendar Year report. It was decided to continue receiving all of these reports.

Motion to go into Closed Session made by Captain Moore. Mr. Ellis seconded; motion carried.

CLOSED SESSION

Several issues were discussed during Closed Session.

Motion made by Mr. Barnes to adjourn Cbsed Session and the meeting. Lieutenant Remillard seconded; motion carried. The meeting was adjourned at 2:55 p.m.

Respectfully submitted,

Pamela R. Otto, Secretary-Treasurer
Medical and Life Insurance Board of Trustees

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