State Employee Advisory Commission and
Public-School Advisory Commission Minutes

April 9, 2024

The Arkansas State Employee Advisory Commission and Public-School Employee Advisory Commission met on Tuesday, April 9, 2024, at 10:00 a.m.

ASE Commission Members Present:	PSE Commission Members Present:
Ronda Walthall	**Jim Tucker**
Jerry Jones	**Billy Jackson**
Cynthia Dunlap	**Julie Bates**
	Kurt Knickrehm
	Greg Rogers

Others Present: Grant Wallace, Director of EBD; Amanda Land, Deputy Director of EBD; Jay Bir, EBD; Janella Deville, EBD; Denise Flake, EBD; Skochu Fields, EBD; Krista Grafe, EBD; Cindy Russom, EBD; Cindy Monterroza, EBD; James Caldwell, TSS; Sylvia Landers, Colonial Life; Jake Goll, Navitus; Sherry Bryant, EBRx; Trey Gardner, EBRx; Kristen Belew, EBRx; Dr. Jill Johnson, UAMS; LeeAnna Graham, UAMS; Jenna Goldman, UAMS; Paul Sakhrani, Milliman; Scott Cullin, Milliman; Ashley Boes, Nima Nabavi, AMAEN; Lori Bowen, BLR; Takisha Sanders, ABCBS; LeAnn Perkins, ASU System Office; Stephen Carroll, AllCare Specialty; Marc Bagby, Lilly; Vicki Johnston, USAble Life; Bryan Stuthe, Boehringer; Sharon Chuculate, AASBO; Mike Mertens, Marissa Keith, Debbie Rogers, Martha Hill, Erika Gee, Brian Loeb, Mary Grace Smith, Brent Parker, Emilie Monk, Julia Weber, Glenda Martin, Derrick Smith, Cassandra Mendenhall, and 3 others.

1. Call to Order

Meeting was called to order by Chairman Cynthia Dunlap. The Chair recognized a quorum for both the PSE and ASE Commissions.

2. Approval of March 12,2024 Minutes, Cynthia Dunlap

Kurt Knickrehm moved to approve the minutes from March 12 Regular Meeting, seconded by Jerry Jones. **Motion Passed.**

3. Director's Update, Grant Wallace

Director Grant Wallace updated the Commission on the updating process of the Summary Plan Document (SPD). He said he hopes to have something for the Commission in May. He said EBD is doing a thorough review of the SPD to make it as clear and concise as possible and to make sure any previous amendments are fully incorporated.

The medical claims review Request for Proposal (RFP) has been pulled. Director Wallace said as they were going through the consultant RFP it became evident that it would be better for EBD work with the upcoming consultant and Third-Party Administrator RFP rather than run this initiative separately.

Director Wallace said EBD is getting ready for Portability, or better known as when transfers are happening throughout Arkansas public schools. He said this year EBD is taking some steps to improve the process and make things smoother for employees and districts, but that there is a larger overhaul occurring which would allow for the creation of one seamless process everyone would adhere to in the future. He hopes it will eliminate the extra hoops employees seem to have to jump through and improve the overall operation for all stakeholders. Julie Bates asked if information is out there how is it not coming to EBD. Director Wallace said some of that information is not crossing over to ARBenefits from the file feeds. Bates added she hopes that will eliminate a lot of mistakes and frustration.

4. <u>Contract Reviews, Grant Wallace</u>

A. Retiree First

This is a pilot program for a concierge type of service for the Pre-65 and Medicare eligible retirees. What EBD is going to do with them is working with the public-school population and guide and educate them on the MAPD offering. Director Wallace said they need to be doing a better job of educating and getting people on to that plan. He said EBD is struggling with public school employees more so than with state employees. This will be a three-month contract for $49,500. Knickrehm asked if there was any obligation beyond the initial three months. Director Wallace said there was not. Knickrehm asked what metrics would be used to determine success. Director Wallace said the most obvious one is an increase in public school employee enrollment in the MAPD plan. But he added other things are added awareness, improved education, and other softer pushes that are not going to have exact measurable quota to adhere to. Knickrehm asked if this was deemed successful would this go out to bid or can it be automatically extended. Director Wallace said in his research this is the only company doing what they are doing, so this would be a sole source and would not go out to bid. But if another company did emerge with the same service, then it would go out for RFP. The goal is to have the contract to begin May 1 depending on how the approval process goes, but it could be June and there is a level of flexibility. Chairwoman Dunlap asked if this was successful would they then ask to broaden their scope to state employees also. Director Wallace said he would want to broaden it out but that is a conversation the Commission would need to have. Dunlap asked if the contract only contain public school employees and does not include state employees. Director Wallace said yes. Dunlap then asked what the contract may look like if they did include state employees. Director Wallace said part of their pricing was actual member engagement and the operational aspects and staffing needed for that engagement and local visits. Dunlap followed up by asking if the same matrix could be applied if the contract was expanded to include state employees. Director Wallace said yes and he will be able to provide those numbers more specifically when they are closer to executing the contract. Dunlap asked where the stat saying the state saves approximately $1.5 million annually for every 1,000 retirees on the MAPD plan came from and then how do they compare what kind of savings are being derived from this service. Director Wallace said the Milliman team would step in to provide those numbers and looking at how moving liability from EBD to UnitedHealthcare (UHC) saves the state. Billy Jackson asked if this proposal is to get more people to the MAPD plan and Director Wallace said yes. Jackson followed up with how taxpayer dollars are being saved by switching members to the MAPD plan. Director Wallace explained members on the Health Advantage plan are under the state's liability. The claims and expenses are paid for out of the trust fund and EBD's operating funds. If they shift to UHC the state's liability is only the portion of the premiums and claims and expenses are paid by UHC because it is a fully funded plan. Jackson commented that is why he thinks there was a lot of hesitation because the premium difference is $121 per month to $9 per month and many believe it is too good to be true. Director Wallace said he has heard the same which is why he feels they should go this route to help validate and rebuild the trust members. Jackson commented he believes this will get more people enrolled in the MAPD plan. Jones moved to accept the RetireeFirst contract, seconded by Jackson. **Motion Passed**.

B. Third-Party Administrator Consultant

The next contract was for the consultant to assist EBD with the Third-Party Administrator (TPA) RFP process. Director Wallace announced Foster & Foster is the prospective awardee. The contract is for $168,000 for one year. Knickrehm asked if the selection was already made. Director Wallace said Foster & Foster had been chosen. Bates asked what was being approved and Director Wallace said it would be the selection of Foster & Foster contract. Jackson asked for a summary of this proposal. Director Wallace said this consultant would help guide EBD through the RFP process for a TPA. Health Advantage is the current TPA. The goal is to have this consultant work alongside and make sure EBD is maximizing the opportunities and not just copy and pasting things that have been year after year and hope to get different results. He hopes this route will get the best contract for that service to the state. The last year of the current agreement is 2025, so the goal is to have an RFP out by late summer, early fall to hopefully provide any possible runway for transitions that may need to be done at the end of 2025. Knickrehm asked about the scoring grid and who else responded to this RFP. Assistant Director Amanda Land said Foster & Foster was the only bidder to submit a proposal, but they were still scored and interviewed to make sure they met the requirements of the RFP. Jackson asked if this was something new with Health Advantage. Director Wallace said this would be outside of Health Advantage but this process is new and different. He said he felt this was important to have additional support because of the newness of the administration team in EBD. Ronda Walthall motioned to approve the contract, seconded by Knickrehm. **Motion Passed**.

5. Formulary Review, Jake Goll

Jake Goll presented the March Formulary Advisory Committee (FAC) review changes.

SEE ATTACHED CHART

Bates motioned to approve the March FAC, Jones seconded. **Motion Passed**.

6. Milliman Update & Rate Setting Exercise, Paul Sakhrani & Scott Cullin

Paul Sakhrani provided some background around the guiding principles and how they derived at the employee contribution considerations and the financials for the Arkansas State Employee (ASE) and Public School Employee (PSE) sides of the plan.

Scott Cullin presented the vision statement which included the guiding principles. He said they want the plan performance to be competitive, so things like the average cost of the plan on a risk adjusted basis. The state share of expense is competitive with neighboring states. The reserves are adequate to avoid any disruptions, they do not want reserves to go up and down and then create a situation where it is urgent to increase funding the beneficiaries. There are distinct plan options, which is always a good principle. The employee contributions are affordable, which is the other side of things from state contributions. Does the plan promote wellbeing and encourage the appropriate use of preventative care and other things to keep members well? The subsidies split between ASE and PSE employees, actives and retirees, employees and dependents, are they fair? If there is a check mark by the guiding principle then it is meeting the guiding principle, if there is a circle then it needs more review or progress.

SEE ATTACHED PRESENTATION

Sakhrani said the past four to five years have been spent benchmarking the plans and trying to get the best practices by comparing Arkansas to neighboring states as a proxy of where the plan should be at the end of the day. Starting in 2023, the 5-year transition plan began to get more in alignment with benchmark by 2027. From there, it is expected both the employer and state contributions will go up with overall healthcare trends so everyone at that point will have an equal share in terms of any increases. The anchor plan for active employees and Pre-65 retirees is the Premium Plan and for Medicare eligible retirees the anchor plan is the MAPD Plan. For the ASE population the goal is to have the state subsidize 80% for the cost of the Premium Plan, for those with dependents on the plan the goal is 75%. For PSE employees, it is 75% for an employee only and 70% for a PSE with dependents. The goal is to keep the Pre-65 coverage where it currently is at 70% for employee only and 60% for those covering dependents. For Medicare eligible retirees, the MAPD plan is the anchor plan and the idea is to incentivize people to go to that plan and currently 90% of the cost is being subsidized for an employee and for those with dependents.

Sakhrani then reviewed the actuarial numbers and stated Milliman gets data from Arkansas Blue Cross Blue Shield, Med Impact, Navitus, and the State of Arkansas itself. He said they review the data for reasonableness, but they do not audit the data. Currently the ASE plan has about a $47.6 million surplus for 2024 and those projects are based off data through February 2024. One of the changes made to the projections was the pharmacy rebate and historically those are about 20% of pharmacy spend but with Navitus it is 25%, but those figures are still being monitored by Milliman and EBD.

In 2025, the state will increase funding to $660. Overall the total income of the plan is estimated at about $370 million and expense are at $322 million for a projected surplus of about $47 million. Over the next 5-6 years the plan is in a favorable cash flow position.

From an asset positioning by the end of 2023, there was about $100 million in assets which is about 32% of overall expenses and that number is growing over time. By the end of 2024, $151 million is projected to be in surplus which is about 47% of expenses. Sakhrani pointed out these numbers are operating under the current status quo with no changes to the program or employee contributions. The reserves will still be comfortable as 2024 still sees the $151 million and by the end of 2029 it is at $228 million.

As Milliman implements the 5-year transition plan if none of the assumptions change and things pan out the way they feel they will, the plan will still be in a pretty healthy position from both a reserve and income perspective.

For the PSE side, the same thing as data is pulled and the 25% pharmacy spend is applied. There is a currently a $5 million surplus projected for 2024. The current income streams include $142 in Department of Education funding and the district minimum contribution was set to $234.50 per active employee in June 2023. In 2024, projections show $461 million in income and expenses are at about $456 million. For 2025, projections have the Plan at a deficit of $30 million and it grows from there on.

In 2023, there was $205 million in reserves, which is about 48% of overall expenses. By the end of the year, it is projected assets available will be at $210 million, which is 46% of expenses. Keeping on the projected path will have the plan exhausting all reserves by 2028.

Milliman presented some different funding models to address the issue. The first scenario showed was a 3.7% annual increase in funding for school districts and for ADE beginning in 2025. Is still shows the plan going into deficit in 2025 but prolongs the depletion of assets until 2028. The idea is to draw down reserves slightly to get in line with the benchmark of 3 months' worth of reserves, so the thought is to have a negative cash flow position but then maintain stability once that goal is reached. The second scenario shows an 11% increase in the minimum district and ADE funding through 2030. This will ultimately have a negative cash flow through 2029 to draw the reserves down slowly and then after 2030 there is only a 7.5% increase annually which will maintain reserve levels. The next option is to draw down reserves quicker and then adjust with a bigger one-time adjustment then stabilize things after. This scenario models a 7.5% increase through 2027 then a 30% jump in 2028, then maintain 7.5% increases after.

Dunlap asked what the target of percentage of total assets to expenses was. Sakhrani replied that the Arkansas Legislative Council (ALC) has set a target of 12-16%. Dunlap followed up by asking if any of this is possible. Director Wallace said they are not necessarily locked into the CPI and that Segal Group also made a presentation and the numbers they presented were similar. Director Wallace noted he prefers a gradual increase and it may be a longer runway to get there but there is not a shock to the system in any one way and said the Department or districts probably cannot plan for a big jump. Rogers echoed the concern about not being able to plan for that kind of thing and believes the gradual approach is better. He said he thinks having a plan on using some of the reserves in 2025 to offset that deficit and then having a plan going into 2026-27 is much better since it will give the legislators time during the Regular Session to make decisions and they will have a new Adequacy Study at that time too.

Director Wallace said this was the start of the rate setting exercise and gives the Commission an idea of where things are. He would like to create time next month to do a deeper dive and this will allow him to have some preliminary guidance to start having conversations between the Department of Finance and Administration (DFA), the Legislature, and EBD to take care of some of the groundwork.

Director Wallace asked if there was any particular element the Commission would like to look at as they start preparing for next month. Rogers said the reserves for 2025 and then a gradual increase after. He explained he does not want the same thing to happen as it did in the past where nothing was done, then something had to be done suddenly, so having a plan would be useful. Rogers asked how the budgeted number of positions come about. He added he knows it has styed flat and agencies now must keep a 2-year list of positions, which goes on to another list for the main budget and one goes to ALC. Director Wallace said they just kept it flat since the process Rogers alluded to is ongoing. He said he has talked with Millman about the potential for a decrease in budgeted positions, but they will just have to monitor it and DFA has provided continuous updates on the number. Rogers appreciates the insight and is concerned about the PSE side but likes to have a plan to start conversations about it.

7. <u>Other Business</u>

There was none.

Jones moved to adjourn until May 14, 2024, and Walthall seconded. **Motion Passed.**