

State Employee Advisory Commission and Public-School Advisory Commission Minutes

July 11, 2023

The Arkansas State Employee Advisory Commission and Public-School Employee Advisory Commission met on Tuesday, July 11, 2023, at 10:00 a.m.

ASE Commission Members Present:

Ronda Walthall

Jerry Jones

Cynthia Dunlap

Bruce Maloch

PSE Commission Members Present:

Greg Rogers

Billy Jackson

Julie Bates

Others Present: Grant Wallace, Director of EBD; Amanda Land, Deputy Director of EBD; Jay Bir, EBD; Sylvia Landers, Colonial Life; Trey Gardner, EBRx; Ryan Lamberson, EBRx; Denise Flake, EBD; Paul Sakhrani, Milliman; Gregory Collins, Milliman; Kellie Prusch, Sanofi; Jomy Joesph, Sanofi; Lori Bowen, BLR; Stephen Carroll, AllCare Specialty; Sherry Bryant, EBRx; Bryan Steffan, Boehringer; John Vinson, Arkansas Pharmacists Association; Lisa Hill, MW; Secretary Joseph Woods, TSS; Randall Niemeyer, Nicholas Poole, Annesly Pruitt, Alix Stephens, Jim Musick, Takisha Sanders, Suzanne Woodall, Nima Nabavi, Marvin Parks, Leo Hauser, Gary Wallace, LeeAnna Graham, EBRx; Julia Weber, Roberto Pedraza, John Bridges, ASEA; Debra Wolfe, Jill Johnson, UAMS; Debbie Rogers, Scott Cohen, Judy Paslaski, Jimmy Lawrence, Skochu Fields, EBD; LeAnn Perkins, Sidney Keisner, Courtney White, Jake Goll, Clay Patrick, Sara Waters

1. Call to Order

Meeting was called to order by Chairman Cynthia Dunlap and announced there was a quorum for the PSE and ASE Commissions.

2. Approval of June 13, 2023, ASE & PSE Minutes: Cynthia Dunlap

Billy Jackson motioned and Jerry Jones seconded. **Motion Approved**

3. Director's Update: Grant Wallace

Director Grant Wallace introduced Paul Sakhrani, Milliman to go over the proposed rates for the next year.

Sakhrani recapped the assumptions they are operating under for the 2023 plan year. There will be a projected ASE Plan surplus of \$31.2 million and over \$101 million in reserves for 2023. There is a projected baseline inflation of 5% for medical and 8% for pharmacy costs.

Beginning in Calendar Year 2024, State funding is \$605 per budgeted position per month. In order to maintain the Classic Plan's status as a qualified high deductible plan, there will be an increase of \$500 to the deductible. The active employee proposal showed declines in rates in most categories, except for the Employee + child(ren) band, which is has a .4% increase. Non-Medicare retirees showed increases for the premium coverage bands but decreases in the Classic and Basic plans. The Medicare Primary plan showed 10% increases in all coverage bands except for the retiree + NME spouse + child(ren) band which only showed 6.7%. The MAPD plan showed all bands with increases and all under 5%.

The PSE projections show a surplus of \$51.9 million and estimated reserves of \$223.8 million. Baseline trends for costs show medical at 6% and pharmacy at 8%.

The proposed initiatives included continuing the 5-year transition to employee contributions being competitive and plan design changes for the Classic plan to maintain status as a qualified high deductible plan.

The PSE multi-year financial impact showed reserves holding steady, but then decreasing more dramatically after 2028. The total assets as a % of expense followed the same pattern.

The proposed active employee contribution rates showed decreases across all coverage bands. For the non-Medicare eligible retirees, the Premium and Classic plans showed decreases across all coverage bands and the Basic plan saw increases in the retiree + spouse and family coverage bands, but both were under \$5 per month. The Medicare Primary plan showed decreases for all bands except for the retiree only and retiree + ME spouse coverage bands. The MAPD plan saw decreases in all coverage bands except for retiree only and retiree + ME spouse, which both had 5.9% increases.

The base rates for ASE active employees showed a 2.9% increase for all coverage bands and for most non-Medicare plans. There were increases for both the Primary and MAPD plan base rates ranging from 2.9% to 7.7%.

Julie Bates asked if any financial assumptions had been made with the transition to Navitus as the new PBM. Sakhrani said it has not, but they are working with EBD to go through the contract details and how they could affect the bottom-line. But if there are potential savings, they will get built in. Bates followed up asking what the rate development timeline was and if there was any consideration given to the new PBM. Director Wallace said rates were set independent of that and said EBD wanted to see how the new PBM would affect things and then for 2025, the rates can be adjusted with that in mind.

Billy Jackson asked about the ability for people effected by Conway Regional's system no longer being in-network for UHC. Director Wallace said EBD wants to give both sides time to work through the issue and that 1,050 members who were on the MAPD plan and had a claim with Conway Regional were given the ability for a one-time switch to Health Advantage if they wanted to. He said, so far, there had been 236 respondents to that. He said the change would

be for the remainder of the year and if those people do want change back during Open Enrollment, they could, but it would not be effective until January.

Jerry Jones asked about how involved Milliman was with the PBM financials. Sakhrani said they were not involved so he could not estimate. Director Wallace said he saw anything between \$60-80 million in savings based on pricing negotiations and rebating there should be some savings, but he does not have a solid number currently. Jones asked if there were any limitations with Navitus. Director Wallace said there are none and anything covered June 30 will be until the end of the year and we will be looking at the formulary and making sure it is a maximum benefit for the members and taking full advantage of the rebates and guarantees through the RFP process.

Bruce Malloch asked about the pharmacy reimbursement rates and some of those could be violating state law. Director Wallace said he had heard those concerns also and said Navitus cannot go below the NADAQ pricing by law. Any instance where this occurs, Navitus will update it in their formulary and rebating. Malloch asked for more details in the next meeting. Director Wallace said he should have that by then.

There were no proposed base rate increase proposals for the PSE actives or non-Medicare plans. The Primary plan showed proposed base rate increases for the retiree only, retiree + ME spouse, and retiree + ME Spouse + child(ren) coverage bands. The MAPD plan only had 5.9% proposed increases for the retiree and retiree + ME spouse, and retiree + ME Spouse + child(ren) coverage bands.

The Classic plan has a proposed annual deductible increase for \$1,600 for an individual and \$3,200 for a family and these are IRS standards just being met. Being a High Deductible Health Plan gives members access to the Health Savings Account. HSAs can be funded by the employer and/or the employee. Employees can take the HSA account with them if they leave their job. The annual contribution limit being proposed is for an individual is \$4,150 and \$8,300 for a family.

Bates asked about the HSA contribution and if the state gives a direct payment. Director Wallace said there is a state match. Bates also asked about the participation rate of the HDHPs. Director Wallace said the HDHPs is the lowest utilized plan amongst the ASE but the highest for the PSE side. Bates said she feels more people need to take advantage of the plan. Director Wallace said EBD needs to better educate people and promote the HSA. He added it is an amazing tool for people to take advantage of the tax benefits with it also.

Director Wallace then added the Commission will need a motion for each proposal.

Rhonda Walthall asked if there were any benefit changes involved and Director Wallace said there were not any changes beyond the deductible changes for the Classic Plan.

Director Wallace said we will be seeing a decrease in rates and, in order to hit the goals of employee cost-sharing, there will likely be decreases in the next couple of years. The end goal

is when there is an increase in rates, it will be equally shared by the state and the employee, so it is more predictable and measured going forward. He did want to make sure everyone understood the trend will not always be a decline in rates.

Walthall motioned to approve the ASE base rate increases, seconded by Jones. **Motion approved.**

Bates motioned to approve the PSE base rate increases, seconded by Jackson. **Motion approved.**

Jones motioned to approve the ASE contribution rate changes, seconded by Walthall. **Motion Approved.**

Bates motioned to approve the PSE contribution rate changes, seconded by Rogers. **Motion Approved.**

4. Other Business

Jackson motioned to adjourn, seconded by Jones. **Motion Approved.**