

INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE MINUTES 7-15-10

PRESENT

- Les Robbins, Chair
- William de la Garza, Vice Chair
- Edward L. Blecksmith
- Simon S. Russin

ABSENT

- Will Pryor, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

- Yves Chery
- Ed C. Morris

STAFF, ADVISORS, PARTICIPANTS

- Gregg Rademacher
- Cassandra Smith
- Leilani Ignacio

- Mercer Human Resource Consulting
- Clay Levister
- Laurie Silva

The meeting was called to order by Chairman Robbins at 10:25 a.m.

1. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

All regular members of the Committee were present.

2. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF JUNE 10, 2010

A motion was made by Mr. de la Garza, seconded by Mr. Russin, to approve the minutes of the regular meeting of June 10, 2010. The motion passed unanimously.

3. ACTION ITEMS

1. Recommendation as submitted by Cassandra Smith, Retiree Health Care Division: Direct staff to develop a policy to waive the 6-month waiting period and report back to the Board. (Memorandum dated June 25, 2010)

LACERA currently allows members to change their healthcare plan at any time during the year following a six-month waiting period. This waiting period was implemented in lieu of, and is more

flexible than, the traditional annual open enrollment, which is common policy for many other health care systems.

The CIGNA medical plan once again incurred a significant increase in the plan premium effective July 1, 2010. Many retirees participating in this plan are voicing their frustration over their inability to immediately change medical insurance plans.

Staff is seeking the Committee's direction to develop a six-month waiting period waiver policy that can be applied fairly and consistently to all plans. This policy would be presented to the Board of Retirement at the August 4, 2010 meeting. A motion was made by Mr. de la Garza, seconded by Mr. Russin, to approve the recommendation. The motion passed unanimously.

4. FOR INFORMATION

1. Staff Activities Report for June, 2010

The staff activities report was discussed.

2. CIGNA & Anthem Blue Cross Claims Experience

The CIGNA & Anthem Blue Cross Claims Experience reports through May 2010 were discussed.

3. Massachusetts Appeals Board Overturns Rejection of Premium Increases

As Massachusetts has several laws requiring everyone to have health insurance, the state has been used as an example of some issues that might occur as a result of national healthcare reform. Earlier in 2010 health plans in Massachusetts filed for rate increases with the state, of which 240 of 250 increases were denied. The health plans appealed the state's decision. Essentially state regulators denied the increases for four basic reasons:

- Differing rates of reimbursement to providers
- Adequate steps not taken to renegotiate rates of reimbursement to providers
- Rates of premium increase higher than New England Regional Medical CPI
- Inadequately controlling utilization costs

After a fact finding process, the appeals board overturned the state's decision on each of those points. The review board looked at dynamics in the market, difficulties with trying to maintain a network, and varying costs with provider groups. It was determined the health plans could demonstrate they have had adequate cost controls in place, and the majority of increases were directly associated with unit cost contracting efforts with actual providers of service and higher utilization increases over time.

In the future it will be very difficult for regulators to dictate price increases that are actuarially unfounded. As actual underlying costs and risks get worse, and as providers get higher and higher reimbursement levels, the plans need to generate increased revenue or else become insolvent.

4. Federal Legislation

- Weekly Highlights – June 28, 2010
- Weekly Highlights – June 21, 2010
- Weekly Highlights – June 14, 2010
- Weekly Highlights – June 7, 2010
- Weekly Highlights – June 1, 2010

Beginning in 2011, there will be a higher premium for Medicare Part D members with higher incomes. This was previously implemented with the Medicare Part B premiums. The mechanics of this implementation are as yet unclear. The Part D premium credit for low income individuals has

been administered through the health plans. We assume there will be a similar process with the Part D premium increases for higher income individuals.

In 2011-2012 we will begin to see changes in how CMS addresses compensation for the Medicare Advantage programs, which on average, are 10%-15% more than traditional Medicare costs. CMS plans to revise reimbursement rates for the Medicare Advantage plans to bring them closer to average Medicare costs. This could potentially result in increased premiums or higher member co-pays for those plans. As happened in the past, some carriers could pull out of the Medicare market altogether.


5. MISCELLANEOUS

6. PUBLIC COMMENT

7. GOOD OF THE ORDER

(For discussion purposes only)

8. ADJOURNMENT

 PROMISED BENEFITS | In 1937, a promise was made to County employees; we exist to uphold that promise.

8/12/10