

**MINUTES OF THE
BOARD OF COMMUNITY HEALTH MEETING**
October 30, 2008

The Board of Community Health conducted a conference call on October 30, 2008 to discuss Other Post Employment Benefits. Chairman Holmes called the meeting to order at 11:02 a.m. Board members participating in the call were Richard Holmes, Chairman; Ross Mason, Vice Chairman; Dr. Inman C. "Buddy" English; Raymond Riddle; Richard Robinson; and Archer Rose. Dr. Rhonda M. Medows, Commissioner of the Department of Community Health, and Carie Summers, Chief Financial Officer, also participated in the call. The Fifth Floor Board Room at the Department of Community Health, 2 Peachtree Street, Atlanta, Georgia 30303, was available to anyone wishing to listen to the discussion. (A List of Attendees and Agenda are attached hereto and made official parts of these Minutes as Attachments #1 and #2.)

Dr. Medows thanked the Board for meeting with the Department to share information regarding the State Health Benefit Plan (SHBP). She said today's presentation will outline several strategies that the Department is going forth with respect to Other Post Employment Benefits (OPEB). The State of Georgia, as other states and other employers, has to make preparations for having funds available to pay for Other Post Employment Benefits for our retiree population now and in the future going forward. The most recent valuation of the OPEB liability as of June 30, 2007, is \$16.4 billion—a reduction from previous presentations. The State of Georgia has been able to reduce the liability by \$2.4 billion through the strategies implemented by the SHBP. Dr. Medows said the Department will review three strategies going forward—only one of which will be effective January 1, 2009; the other two will be implemented later. The strategies going forward beginning January 1 is for new hires (new entrants) and will not impact current employees and retirees. She asked Ms. Summers to give the Board an overview.

Ms. Summers said topics she will cover are the status of the June 30, 2008 OPEB Trust Fund, the most recent completed valuation, and the impact of future strategies on OPEB that the Department recently implemented and the impact on the OPEB valuation, and additional strategies that the Department will be implementing that will have more immediate financial impact on the Plan and how that translates to reductions in OPEB liabilities.

Ms. Summers reviewed the OPEB Trust Fund functions since FY 2007: used to deposit employer revenues earmarked for retirees as well as retiree premiums and pay expenses for current retirees; and deposit contributions earmarked for Future OPEB liability for state employees which is used for long-term investment that the Division of Investment Services within the Employees Retirement System manages on behalf of the Department. She reviewed the FY 2008 State of Retiree Revenue and Expense. Total Revenue was \$734 million, total expense was \$549 million, resulting in a \$185 million surplus in the OPEB Trust Fund which was placed into long-term investment for OPEB.

Ms. Summers described the deposits and activities that occurred during FY 2008 which was the first year funds were placed into long-term investment accounts: \$57.2 million dollars was the segregation of the June 30, 2007 fund balance; state agencies contributed 4.3% (\$125.9 million) of payroll earmarked for OPEB and forwarded to long-term investment \$2.1 million in interest income and dividends, but \$9 million in realized and unrealized investment losses given the economic situation of the financial market. A discussion ensued about the statute that requires the Division of Investment Services to invest the OPEB funds and the role of the Division managers, overall losses of the Employees Retirement System, Teachers Retirement System in aggregate and how the OPEB long-term investments compare.

Ms. Summers reviewed the SHBP Implemented Strategies with Impact on the OPEB Valuation: Calendar Year 2008 – Consumer Directed Healthcare Plan (CDHP) option available statewide, no new enrollment in the Indemnity Plan, reducing HMO options

from four to three plans, and increasing employee premiums; Calendar Year 2009 – major procurement moving to two statewide health plan vendors, each offering five plan designs, including a Medicare Advantage plan, and strategic premium pricing to provide incentives to enroll in CDHPs. The CY 2008 implementation of the CDHP strategy (including offering a Medicare Advantage plan) is expected to reduce annual expenditures by over \$661 million between FY 2008 and FY 2012 and reduce the June 30, 2007 OPEB valuation by \$2.4 billion.

Ms. Summers continued with a review of future SHBP strategies. In CY 2009 enrollment options for new SHBP entrants (new hires) after January 1, 2009 will be limited to CDHP options during the first plan year after enrollment. At the next open enrollment period, a new entrant will then have all plan designs available for selection if they want to change. Mr. Robinson asked if the Department had studied the behavior of members in the CDHP, i.e., once enrolled, do members continue enrollment in the CDHP. Ms. Summers said the Department has reviewed the experience of the CDHP members and found that 85% of those members have remained in a CDHP. Beginning July 1, 2009, retirees age 65 and older who do not participate in Medicare Part B will pay higher premiums to offset the loss of Medicare cost avoidance (about 2,000 members). The SHBP will pay any late entrant penalties for members who are older than 65 years of age and not already in Medicare Part B. Retirees age 65 and older can sign up for Medicare Part B between January and March 2009 (Medicare open enrollment). The final strategy, which will have long-term and short-term impact on financials, is beginning in CY 2010 retirees age 65 and older will be required to enroll in a Medicare Advantage plan in order to continue receiving the state subsidy toward the cost of SHBP premiums. Those retirees age 65 and older not participating in a Medicare Advantage plan can continue to participate in the other SHBP plan options but will not receive a state subsidy. Retirees must be in at least Part B to qualify for Medicare Advantage Plan participation.

Mr. Robinson asked why the Department is delaying this strategy until CY 2010 instead of CY 2009. Ms. Summers advised that waiting until CY 2010 would give members an opportunity to sign up for Part B. Valerie Duncan, SHBP Director of Plan Management, added that the Medicare enrollment period does not start until January and once those individuals sign up for Medicare Part B during Medicare enrollment, members can sign up for the Medicare Advantage beginning July 1. Mr. Robinson asked if the Department could make mandatory enrollment in a Medicare Advantage Plan effective July 1, 2009. Ms. Summers said the Department is attempting to coincide significant changes with the beginning of the plan year so that during open enrollment members can make those decisions. A discussion ensued about conducting an additional open enrollment period, the fairness of asking members to make the decisions in a very short period of time, the opportunity to save state funds by cost shifting to the federal government, and the Governor's position on the start date for mandatory Medicare Advantage enrollment. Dr. Medows indicated she would share the Board's sentiments on this issue with the Governor's Office.

Ms. Summers said the implementation of the additional strategies is expected to further reduce annual expenditures by over \$360 million between FY 2009 and FY 2012. She reviewed the impact of each future strategy on OPEB. Based on the June 30, 2007 valuation baseline (\$16.4 billion), the new entrants policy would reduce the OPEB liability by \$205 million; Part B pricing strategy would reduce the liability by \$66.9 million; and the Mandatory Medicare Advantage Plan strategy would reduce the OPEB liability by \$718.6 million. Ms. Summers said the combinations of strategies do not necessarily result in an additive impact.

In conclusion, Ms. Summers said next steps are communicate to payroll locations the new policy for new hires/new SHBP entrants (November 2008); outreach and educate the 2,000 retirees age 65 and older not already in Medicare Part B about Medicare Part B enrollment (by March 2009); prepare a Board Resolution for July 1, 2009 retiree rates to consider Part B coverage (April 2009); and prepare a Board Resolution for the January 1, 2010 retiree rates to consider Medicare Advantage Plan participation (August 2009). (A copy of the State Health Benefit Plan Other Post Employment

Benefits Presentation is attached hereto and made an official part of these Minutes as Attachment # 3).

Chairman Holmes asked the Department to prepare an analysis of the impact of moving the Mandatory Medicare Advantage Plan enrollment to July 2009 (instead of January 2010) and convey to the Governor the Board's thoughts on this particular strategy. Chairman Holmes asked if the new entrants policy would have a negative impact on attracting and retaining employees. Dr. Medows said she believes the new entrant policy will not be a detraction from getting the talent base needed. She pointed out that 1. most state agencies are under a hiring freeze; 2. most new employees are hired near the end of the year so most new employees would be in a consumer directed health product for five or six months before the next enrollment period; and 3. the consumer directed products the SHBP offers are very good plans. Mr. Robinson asked if moving the mandatory Medicare Advantage Plan enrollment date would decrease the OPEB liability significantly; staff answered no. He also asked if the mandatory Medicare Advantage Plan enrollment date was moved to July 1, 2009 would there be less costs to the state; staff answered yes. Mr. Mason asked if the Department was pleased with OPEB Fund investments. Ms. Summers said the Department has a good bead on the investments, receives monthly accounts of the OPEB Fund investments and is comfortable with the information provided.

There being no further business to be brought before the Board, Chairman Holmes adjourned the October 30 meeting at 11:42 a.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE _____ DAY OF _____, 2008.

RICHARD L. HOLMES
CHAIRMAN

KIM GAY
SECRETARY

Official Attachments:

- #1 List of Attendees
- #2 Agenda
- #3 SHBP OPEB Presentation