

**MINUTES OF THE
BOARD OF COMMUNITY HEALTH MEETING
January 8, 2009**

Members Present

Richard Holmes, Chairman
Kim Gay, Secretary
Dr. Inman C. "Buddy" English
Richard Robinson
Archer Rose

Members Absent

Ross Mason, Vice Chairman
Dr. Ann McKee Parker
Raymond Riddle

The Board of Community Health held its regularly scheduled monthly meeting at the Department of Community Health, Fifth Floor Board Room, 2 Peachtree Street, N.W., Atlanta, Georgia. Dr. Rhonda Medows, Commissioner, was present also. (An agenda and a List of Attendees are attached hereto and made official parts of these Minutes as Attachments #1 and #2). Chairman Holmes called the meeting to order at 10:41 a.m.

Approval of Minutes

The Minutes of the October 30, 2008 and November 13, 2008 meetings were UNANIMOUSLY APPROVED AND ADOPTED.

Committee Reports

Ms. Kim Gay, Chair of the Care Management Committee, reported that the Committee reviewed enrollment numbers and as expected due to the downturn in the economy, member enrollment is increasing. She said next month the Committee will begin reviewing policies since policies have not been reviewed in a while and will give the Committee members an opportunity to refresh their understanding of the policies.

Mr. Richard Robinson, Chair of the Audit Committee, said he met with the Independent Auditors and discussed the audit process, reports and letters. The Department received an unqualified opinion for FY 2008.

Commissioner's Comments

Dr. Rhonda Medows, Commissioner of DCH, reported that the State Health Benefit Plan is in its second week of the plan year and statewide rollout of the two contracts—United HealthCare and CIGNA Healthcare. She said reports from the field indicate that the plans are doing well; there are no overriding issues.

Dr. Medows said the Department is awaiting the release of the Governor's budget. She anticipates the budget will be released on January 14 and has no preview information available to share with the board today.

Dr. Medows advised that the Board would receive a demonstration today on Phase One of the Transparency Web Site that has been in the works for almost two years. The web site is for health care consumers and provides quality, availability and cost information for hospitals, pharmacies, outpatient centers as well as comparison information for health insurance plans. It also provides health and fitness information. Phase Two will begin in July.

Department Updates

Clyde Reese, General Counsel, stated that at the November 13 board meeting, two CON Rules were presented for initial adoption to release for public comment. Rule 111-2-2-.07(2)(b)(1) was a minor revision that changed a review period reference from 90 to 120 days. The Department conducted a public hearing but received no oral or written comments on this rule. Ms. Gay MADE a MOTION to approve for final adoption Rule 111-2-2-.07(2)(b)(1). Dr. English SECONDED the MOTION. Chairman Holmes called

for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of Rule 111-2-2-.07(2)(b)(1) is attached hereto and made an official part of these Minutes as Attachment # 3).

Mr. Reese said the second more substantive rule provisions that were initially adopted in at the November 13, 2008 meeting dealt with the exemption from CON review and approval for hospitals seeking to perform therapeutic cardiac catheterizations who could comply with similar standards of the C-PORT (Cardiovascular Patient Outcomes Research Team) Study. The Department conducted a public hearing on December 17, 2008, and received numerous comments. Mr. Reese stated that the comments warranted some revisions to the rule. Consequently, Mr. Reese said the Department will not ask the Board to take any actions today on those rules. The Department will revise some of the provisions proposed to take into account some of the comments received and present the proposed revisions for initial adoption for a new comment period. Mr. Reese added he would provide an update at the February meeting on the C-PORT Study and the data on the Georgia participation to date with information from Dr. Thomas Alversano, C-PORT Trial Administrator.

Ms. Carie Summers, Chief Financial Officer, presented to the board two resolutions related to the State Health Benefit Plan. The first resolution revises employer rates for the State Health Benefit Plan for contributions to be made to the Plan between February 2009 and June 2009 which impacts FY 2009 only. As of June 30, 2008, net assets of the SHBP were \$472.9 million. This is the amount of assets in excess of liabilities. By June 30, 2009, and given the current employer rates the Board approved in May 2008, the Department projects the net assets to increase by \$199.6 million; making the June 30, 2009 net assets estimated at \$672.5 million. Ms. Summers stated that in evaluating what is an appropriate net asset level, the Department often looks to what other employer-sponsored health plans are doing both in the private and governmental sector. She said there are no state statutory or accounting requirements for net asset balance other than net assets need to be \$0 or greater. In the private sector, employer-sponsored plans typically maintain net assets in an amount equivalent to a minimum of one to six months of annual expenditures. Governmental employer-sponsored plans vary, with some governmental plans maintaining as low as 5% of annual expenditures. The June 30, 2009 project net assets of \$672.5 million are equivalent to three months or 25% of expected FY 2009 expenditures. Given the fact that this far in excess of what is considered industry standards, and given the budget constraints that participating state and local entities are facing in FY 2009, this resolution would reduce employer contribution rates for the months of February 2009 through June 2009. The Department would then come back to the Board to set the employer rates for FY 2010 that starts July 1. Currently state agencies are paying 22.165 % of payroll. This resolution would lower the rate to 1.926% percent of payroll during the February-June 2009 period which is \$126.6 million the Plan would forego in revenue from state agencies. Local boards of education are currently paying 18.534% percent of payroll for teachers and libraries on behalf of librarians would go down to 8.579% percent of payroll (state-based only for teachers); a \$274.8 million reduction in revenue. The quarterly payments that the Department of Education makes for mostly noncertificated employees are currently \$248,864,058 and would be reduced by \$124.4 million. Ms. Summers said since the Department would not have that revenue coming into the Plan for the last five months of the fiscal year, net assets to the Plan would be used to cover the reduction leaving the Plan with about \$147 million in the fund balance which is approximately 5.4% of expenditures. Chairman Holmes asked if this had to be done in Fiscal Year 2009 and could not go beyond FY 09. Ms. Summers said this Resolution is limited to FY 09. Chairman Holmes asked if participants would resume the normal contribution after FY 09. Ms. Summers said she presumed that would be the case but would not know until the Department sees the Governor's budget proposal. Every year the Appropriations Act defines by law what the contribution will be to the plan; the Department presents the employer rates to the Board based on the Appropriations Act; and the Board approves a Resolution to support the Appropriations Act. Ms. Gay MADE a MOTION to adopt a Resolution – Revision of Employer Rates for State Health Benefit Plan for FY 2009. Mr. Rose SECONDED the MOTION. Chairman Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of Resolution - Revision of

Employer Rates for State Health Benefit Plan for FY 2009 is attached hereto and made an official part of these Minutes as Attachment # 4).

The second Resolution would forego the June 2008 contributions that have been made to the Plan for long term investment related to Other Post Employment Benefits (OPEB) and instead it would remain in the fund balance for the SHBP and cover SHBP expenditures in FY 2009 to support the \$147 million left in the fund balance at the end of FY 09. The contribution is worth \$9.6 million from long term investment for OPEB but a gain of \$9.6 million for use toward FY 2009 SHBP expenditures.

Mr. Robinson stated that he opposed this Resolution because he feels the State promised retirees and current employees an insurance benefit after retirement. He said the amount that is not funded which changes every year based on actuarial assumptions is \$16 billion. According to Mr. Robinson, the audit report reflects that the last time the Department funded the OPEB Fund, it put in about 25% of what was estimated to fund over 30 years. He said the Department needs to continue funding it, even if it is at the 25% level because the credit of the state is dependent upon its financial condition, and even though this liability is not recorded in the financials, it is disclosed and as much a liability as bonds or anything else. Mr. Robinson said he thinks it is going in the wrong direction not to put this money in the OPEB Fund. He said he looked at the other numbers in the audit report and conferred them with the independent auditors this morning. He stated that the Department turned back to the state this year \$101 million, so it seems the Department could spend \$9 or \$10 million to fund this last payment. He added that if the Resolution is correct, HB 95 passed this money to DCH and instructed the Department to put it in this fund, so he thinks the Department should do it.

Mr. Holmes asked Ms. Summers to explain the 25% Mr. Robinson mentioned. Ms. Summers said annually the actuaries determine annual required contribution. The most recent valuation for the Plan for OPEB would require the Plan or State to contribute about \$1.6 billion per year for 30 years to fund a \$16 billion unfunded liability that Mr. Robinson speaks of. Through pay-as-you-go contributions, the Plan is paying today for retirees who are already retired and participating in the SHBP as part of the contributions that are received annually; some of those funds are used to cover the healthcare costs of those retirees. Although the actuarial valuation and the reflection of the OPEB liabilities in the financial statement are relatively new, the State has historically covered pay-as-you-go costs for retirees. Ms. Summers said what Mr. Robinson is referring to is in FY 08, that pay-as-you-go cost was about \$400 million, a fourth of the annual required contribution if the State were to fully fund the OPEB liability for the next 30 years. In FY 09, the Plan will continue to pay pay-as-you-go costs which will be deposited in the OPEB Trust Fund. The difference is money will go in and then come out and be expensed to cover retiree costs. So the net contribution to the OPEB Fund is basically \$0. She said what is not happening is the Plan is not placing funds above and beyond pay-as-you-go costs to take advantage of the time value of money today in order to pay for expenses somewhere down the road in 30 years.

Mr. Holmes asked if the Department intends to increase the contributions in future years. Ms. Summers said the actuaries perform the valuation, calculate the annual required contribution, consider the unfunded balance across the 30-year amortization and adds to the liability. The liability is not required to be funded from an accounting perspective. She said she agreed with Mr. Robinson that the State has an obligation to pay for retiree healthcare; however given the budget situation, the fact that these dollars that the Plan is using to support the fund balance, and the savings to the employers contributing, gives them dollars today in order to offset other cuts they are having to make, versus placing money in an investment account for 30 years and may not be used for 30 years. She said if it was not an economic situation, the State would want to fully fund the annual required contributions, but the State is not in that situation. Ms. Summers stressed that there is no danger in the State not paying for the healthcare of its current retirees.

Chairman Holmes asked the board for recommendations. Mr. Robinson reiterated his concerns about the State's promise to provide retiree benefits to employees. He said if

he reads the Resolution correctly it says the Legislature, in the Appropriations Act, told the Plan to place 18.9% of payroll contributions in this fund, and on September 16, 2007, the Board voted to place that amount in the fund. He sees this as a fiduciary responsibility to place these contributions in this fund. Mr. Robinson said that if the Legislature decided to not appropriate any funds to the OPEB Fund next fiscal year, then the Plan would not contribute to the Fund. He said DCH returned to the Treasury \$101 million, and the previous year DCH returned a smaller amount to the Treasury. He says it is keeping faith with the employees and General Assembly. Mr. Robinson said he will not vote to not put the money in the Fund because he believes he has a fiduciary responsibility to do that.

Dr. Medows said she would like to clarify the surpluses Mr. Robinson mentioned and where the Department has returned money to the Treasury. At the end of each fiscal year the Department must return any unused funds in each of the programs. The amount turned in is then audited by the State Auditor and confirmed. The Department has returned in total surplus funds for Medicaid, SCHIP, Healthcare Access and Administration budgets in FY 08 \$134 million. Of that \$134 million, \$114.7 million was from Medicaid and SCHIP; \$450 million from SHBP. In total, DCH returned to the Treasury \$584 million before any cuts were made. For FY 09, in the Department's budget proposal to address the shortfall in terms of the Medicaid cut (5% reduction), DCH took out another \$67 million of its reserves to cover the reduction to try preventing the loss of eligibility, benefits and to prevent provider rate cuts. This was before the Governor's budget was released and before any other cuts are put into play.

Chairman Holmes called for a MOTION to approve the Resolution. There being no motion offered, the Board DID NOT VOTE on the Resolution.

Dr. Carladenise Edwards, Chief of Staff, began the presentation on the Transparency Web Site for Healthcare Consumers. She said the Department has reached a major milestone in its strategic goals of making healthcare more transparent in the marketplace. One year ago the Office of Health Information Technology and Transparency (OHITT) was created and in December launched the Transparency web site under the leadership of Renea Steele, Director, and Denise Hines, Transparency Program Director, and a team of people working behind the scenes to make sure that the Department could make a product and a service that would not just meet the needs of Medicaid members but Georgia healthcare consumers in general. She introduced Ms. Steele.

Ms. Steele said the purpose of the OHITT is to lead Georgia's strategic efforts to improve the quality and efficiency of health care services through the adoption and utilization of electronic health information and also coordinate the state's HITT activities and facilitate collaboration among public and private health care stakeholders. She reviewed some of the HITT priorities, initiatives and highlights which included in FY 08 distributing \$700,000 in health information exchange grants, staffing the Governor's HITT Advisory Board, receiving a Medicaid Transformation Grant (\$3.9 million) and a Health Information Security and Privacy Collaborative (HISPC) Contract, and participation in a Medicare EHR Demonstration project. In FY 09, the OHITT launched the Georgia Rx Exchange Project, launched the Transparency Web Site and plans to continue the HIE Grants program, the HISPC and Medicaid Transformation grant activities and implement an Electronic Health Record for Medicaid and PeachCare for Kids providers. She introduced Denise Hines, the Transparency Program Director, who is responsible for the Transparency Web Site.

Ms. Hines began a live demonstration of the Transparency Web Site georgiahealthinfo.gov – *Know Before You Go. The Facts of Georgia's Healthcare*. She said in June 2008 the Department embarked on the transparency project by contracting with IBM. Phase I web site features include contents from MayoClinic.com to provide health education and disease content.; a Georgia Health News section; online user guide to help navigate the web site; health security and privacy information; disease and conditions information; healthy living tools; a search for care wizard for quality, cost, service data comparisons for pharmacies, hospitals, health plans, and outpatient care centers; and geographic mapping functions with driving directions. In Phase II more

information will be added to the web site which will include quality, cost, service data comparisons for long-term care, free standing health clinics, dialysis centers and additional hospital and ambulatory services; and physician profiles. Ms. Lisa Marie Shekell, Communications Director, addressed questions from the Board about a full media launch scheduled for February 2009. (A copy of Georgia's Transparency Web Site for Healthcare Consumers presentation is attached hereto and made an official part of these minutes as Attachment # 5).

New Business

Chairman Holmes asked board members to think about agenda items that they would like added to the agenda any time throughout the year. He asked members to call or e-mail him with their ideas.

Adjournment

There being no further business to be brought before the Board, Chairman Holmes adjourned the meeting at 11:57 a.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE _____
DAY OF _____, 2009.

RICHARD L. HOLMES
Chairman

KIM GAY
Secretary

Official Attachments:

- #1 List of Attendees
- #2 Agenda
- #3 CON Rule 111-2-2-.07(2)(b)(1)
- #4 Resolution - Revision of Employer Rates for SHBP for FY 2009
- #5 Georgia's Transparency Web Site for Healthcare Consumers Presentation