State Employee Benefits Committee
June 22, 2009, 1:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on June 22, 2009 at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, OMB, Director, Statewide Benefits
Faith Rentz, OMB, Statewide Benefits
Ann Skeans, OMB, Statewide Benefits
Vicki Ford, OMB, Financial Operations
Mary Thuresson, OMB, Statewide Benefits
Casey Oravez, OMB, Financial Operations
Andrew Kerber, Department of Justice
Lori Christianson, Controller General's Office
David Craik, Office of Pensions
Velda Jones-Potter, State Treasurer
Henry Smith, DHSS
Karen Welden Stewart, Insurance Commissioner
Linda Nemes, Department of Insurance
Ed Tos, SEBAC Chair/DOL
Mike Nichols, SEBAC, DSP
Terry Mullaney, PHRST
Judy Anderson, DSEA
Donna Mitchell, City of Dover
Elaine Edwards, City of Dover
Rhonda Walker, City of Dover
Joe Morocco, HMS
Drew Brancati, BCBSD
Faith Joslyn, BCBSD
Mike North, Aetna
Katherine Impellizzeri, Aetna
Julie Caynor, Aetna
Wayne Kee, Dominion Dental
Greg Sisafo, Delta Dental
Vincent B. McCann, AFSCME
Sandy Richards, AFSCME
James Harrison, DSEA retired
Jim Tester, DSEA retired
Barbara Jacobs, DSEA retired
Steve Smith, DSEA, retired
Nancy Feldman, AFLAC
Clarice Kwasnieski, AFLAC
Dave Leiter, DHSS, Facilities Op.

Agenda Items Discussed:

Introductions/Sign In

Ms. Visalli called the meeting to order at 1:10p.m. Introductions followed.

Approval of Minutes

Ms. Visalli asked for a motion to approve the May 29, 2009 SEBC minutes. Ms. Jones-Potter made the motion to approve the minutes and Mr. Smith seconded the motion. The minutes were approved with unanimous voice vote.

Director's Report

Concerning the Med Solutions Utilization Management Review presented by Blue Cross last month, Ms. Lakeman stated that Statewide Benefits continues working with them on questions and she will get back with more on that next month. A membership update as of July 1 from the carriers shows an overall increase in contracts of 426. Aetna increased by 70 contracts, 16 of those on the non Medicare eligible population. Blue Cross increased 356 contracts overall. First State Basic was up 33 with five of those on non Medicare eligible. Blue Cross HMO was up 316 with 38 of those non Medicare eligible. The PPO went down 140. Two of those were non Medicare eligible. The Point of Service for the Port of Wilmington employees went up one. We

increased Special Medicfill contacts by146. Mike Morfe will talk more about the enrollment changes and what they will mean to the plan.

Spousal Coordination of Benefits numbers are in. Aetna had 295 members who did not complete their spousal form by the end of Open Enrollment. That number is down over 500 from last year. Blue Cross numbers should be coming in today. Last year there were over 1,700 that did not complete their forms. We hope to have a lower number this year as more people did complete them electronically. We will provide to each Department's HR personnel a list of those employees who did not complete the form and request them to contact those people to encourage them to do the form in the next week or so. If they have not completed the form by July 1st, they will get a letter from our office that states they will be sanctioned until they submit the form. That means their spouses claims are only paid at a 20 percent until they comply.

In terms of the COBRA subsidy, the state is currently paying the 65 percent subsidy for about 15 ex-employees who were involuntarily terminated. There were approximately 100 identified as eligible. The subsidy will continue until the end of December. Anybody who is involuntarily terminated through December 31st will be offered this. We will keep you informed of the numbers. We did incur an additional cost of about $15,000 through the COBRA vendors to send out second election notices that were required as part of the ARRA legislation. That is an administrative cost to the state. There is a monthly fee each month for each member who is enrolled.

A reminder was given about the change to the amount of life insurance coverage that can be ported upon retirement or termination is changing to 50 percent for anyone whose last day of work is on or after July 1. Employees who have a termination date of June 30 or before will be able to port their coverage at 100 percent.

Health Fund Financials

Fund and Equity Report – Vicki Ford (handout)

An overview of the May Fund and Equity Report was presented. The net fund balance is slightly over $7.3 million.

3rd Quarter FY09 – Mike Morfe (handout)

All reports are for year to date July 1, 2008 – March 31, 2009. The Executive Summary new report format was explained. There were no surprises from the last quarterly report. There were premium deficits as had been anticipated. There was an overall loss of $31 million including a Premium Holiday of $40 million, resulting in a nine percent loss for the period. Details were given.

The FY 2009 Financial Analysis of Health/Rx Plans – Incurred Basis was explained. The projection for the current year remains consistent with about $500 million in expenses anticipated. On a non-adjusted basis, about $522 million for the upcoming fiscal year compared to $520 million from the starting point in our projections before adjustments that will occur on July 1. Previous discussion noted there would be some risk if a significant number of individuals switched from the PPO to the HMO plan. Ms. Lakeman stated there

was very little movement between plans. She also mentioned there was an increase in number of members. That will raise premium payments and expenses some.

Graphs illustrated premiums and expenditures by Blue Cross and Medco, Aetna and Medco and All Plans.

Health Fund Reserve Methodology

Ms. Visalli explained there is standard industry methodology and the Group Health Insurance Fund is probably not where it should be. Ms. Weldon Steward has been a great help to us in offering expertise to develop a proposal. A request was made of the Committee to defer this item since SEBC members from the Department of Finance and the Controller General's Office are not present. We will put this on the agenda for the next meeting. It does not require any action today. It is important for the health of the plan.

SEBAC Comment

None.

Public Comments

Jim Testerman – DSEA – retired. For a lot of years he lobbied for this OPEB fund knowing that eventually it would need to pay a large portion of the cost of retiree medical benefits. The fund is good government and long range policy. There was fear the state would lose its AAA bond rating. The fact that the fund was already started for this purpose, when only two other states are doing anything about it, actually assured the state's AAA bond rating. He did not lobby for years for OPEB funds to see retiree benefits decrease and increase the cost of the fund. He finds it strange that just over three years ago the cost of OPEB was just over $3 billion and now its $5 billion. The increased medical costs in such a short time are unbelievable. There will be a hard fight on deduction of medical benefits and increased fees for retirees.

Steve Smith – DSEA retired. Looking at double state share, what has changed? For a long time it was a cost sharing thing for the SEBC and now it is not. He would like to know what the figures are that it will no longer save the state money. There has been discussion about taking the retired, non Medicare persons and putting them into another bracket, not leaving them in the whole group. We are very much against that as it keeps the costs down for all those retired, non Medicare people. We worked hard, we did our 30 some years and it's not our fault we're not 65.

Dave Leiter – DHSS – State Employee – The double state share thing, does anyone know what's going on? Ms. Visalli stated it would be better for them to prepare a response. It is best if he would present the questions, then they will take his information and draft a response and get it back to him. He wants to know the status of double state share. The non Medicare retirees, there has been a lot of discussion about them. What is happening? Ms. Visalli explained both of those would require legislative action. The SEBC would not be addressing either of those issues. Those things have been suggested for cost cutting, but no language or legislation has been seen to this point to enact either. He would rather have not seen the 2.5 percent pay decrease.

Other Business

None.

Ms. Visalli reminded everyone that the next SEBC meeting was scheduled for July 20, 2009 at 1:00 p.m. She requested a motion to adjourn. Ms. Jones-Potter made the motion and Mr. Smith seconded the motion. Upon unanimous voice approval the meeting ended at 1:28 p.m.

Respectfully submitted,

Mary K. Thuresson
Administrative Specialist
Statewide Benefits Office, OMB