

West Virginia PEIA/RHBT Finance Board
Thursday, March 23, 2023
DEP Building, Canaan Valley Conference Room 1041
601 57th Street SE, Charleston, WV 25304



MINUTES

PLACE OF MEETING:

The meeting of the Finance Board of the West Virginia Public Employees Insurance Agency (PEIA) and Retiree Health Benefits Trust (RHBT) Fund was held in the Canaan Valley Conference Room No. 1041 at 601 57th Street SE, Charleston, WV 25304, on Thursday, March 23, 2023 at 1:00 p.m., pursuant to the online notice filed with the Office of West Virginia Secretary of State Mac Warner. The meeting was held in person and via teleconference.

BOARD MEMBERS PRESENT:

Mark Scott, Chairman
William "Bill" Milam
Damita Johnson
Doug Coffman
Geoff Christian
Amanda Meadows
Jason Myers
Jared Robertson
Mike Smith
Hugh Murray
Michael Cook

MEETING BEGAN AT APPROXIMATELY 1:00 P.M. WITH A QUORUM PRESENT

TOPIC: Approval of Minutes from the December 15, 2023 Board Meeting
MOTION: A motion was offered by Bill Milam with Mike Smith to second.
ACTION: The motion to approve the minutes was passed unanimously.

TOPIC: Adoption of Updated Financial Plan FY24
DISCUSSION: Jason Haught, Acting Director and CFO, PEIA

Jason Haught began by stating that with the changes in SB268, the previously passed Finance Plan for FY24 has been nullified and a new plan must be created and passed. The PEIA/RHBT Finance Board has asked for three options to consider. SB268 requires an 80/20 split, adoption of 110% reimbursement to healthcare providers, and changes to spousal coverage. Mr. Haught also noted

that WVU Medicine has stated that they will not be pulling Wheeling Hospital out of PEIA.

Mr. Haught explained the spousal coverage changes.

Spousal Coverage Changes:

SB268 states that if an employee's spouse has health insurance available through a non-PEIA employer then they are not eligible for PEIA's spousal coverage unless the employee adds his or her spouse to his or her coverage by paying the actuarial value of the plan (between \$139-\$149 – beginning 7-1-23). This does not apply to the non-state employees, spouses of retired employees, or spouses whose employer participates in PEIA. This also will not apply to active employees whose spouse is eligible for Medicare or if the spouse is eligible for Medicaid or TriCare/Champus.

Mark Scott: Wanted to point out that this is not the entire cost for spousal coverage, only a portion. This is just what the actuaries have deemed adequate for what we need to do.

Jason Haught: Correct. Appropriately referred to as the Actuarial Value. We don't want to run off any healthy spouses because of it being too high. We want to keep a good mix to blend the healthcare cost.

Damita Johnson: Do you expect more people to stay and pay the surcharge or do you expect them to leave?

Chris Borcik: We have been working on this for at least a year. We have assumptions as to who would leave and who would stay. There are about 4700 state employee/spouse coverages that will stay and not be charged. We believe about 4800 may leave while 9000 will stay.

Dave Bond: We tested a lot of different assumptions with data over the course of a year. We can only wait and see.

Amanda Meadows: What happens if these percentages are off one way or another?

Chris Borcik: We believe, based on the assumptions, that most likely more people will stay, and it will be for the good of the plan. Claims won't be reduced as much as we thought but we will get a lot more premiums and must balance the following year. If more people decide to leave then vice versa. There are a lot of assumptions to discuss with the board.

Mike Smith: Any adjustments would have to happen the following fiscal year?

Jason Haught: Yes, that is a safe assumption.

Mike Smith: As I read the law, we can only use premium dollars. Could we use rainy day fund for premium increases?

Chris Borcik: Built up reserve that was built up that were above the actuarial required reserves, but we no longer have that. If you look at the projections we are pretty much right on the money.

Dave Bond: This is why you have a reserve for situations like this as long as we have a plan to get above the actuarial reserve.

Mike Smith: Is the actuarial reserve still at 12%?

Chris Borcik: It is about 12.3%

Mr. Haught continued the presentation of the three options.

Option 1: Premium Increase Only (PEIA)

For the State Fund, this option requires a 24.2% increase in employee premiums and would vary based on each plan since enrollment and performance vary from plan to plan. For the Non-State Fund this option would require 15.6% increase. The Retiree Health Benefit Trust would see no premium increase.

Bill Milam: The pre65 Retirees will see an increase, right?

Jason Haught: We do not anticipate increases at this time.

Amanda Meadows: Is the 7.4% for local fund, is that the only one that is lower than what we wanted?

Jason Haught: Correct.

Mike Smith: What is the average premium for a state employee?

Jason Haught: Currently the Employee Only rate is \$94 and would be about a \$20 increase. This included tobacco use. You would deduct the fee for tobacco use which would be about \$85. Family in the same index code we just calculated would be about \$58 increase. This is all based on Plan A. There will also be a salary increase that was passed during the legislative session that will factor into these amounts.

Option 1: Premium Increase Only (RHBT)

There will be no increases for retirees in FY24.

Bill Milam: The pre 65 Retirees will see an increase, right?

Jason Haught: We do not anticipate increases at this time for retirees.

Option 2: Blended Approach 1 (PEIA)

Blended Approach 1 would require the following premium increases: State Fund- 19.2%, Non-State Fund – 12.5%, no premium increase for Retiree Health Benefit

Trust. Benefit changes would include: a medical deductible increase of 25% for Plans A, C, and D (Plan B will be set 20% higher than Plan A). Medical out-of-pocket maximum increase of 25% for Plans A, C, and D (Plan B would be set 20% higher than Plan A). Prescription drug deductible and out-of-pocket maximum increase by 100% for Plans A, B, and D (Plan A would increase from \$75 single/\$150 family to \$150 single/\$300 family. Plan C prescription deductible is combined with the medical deductible, so there would be no separate increase). Other benefit changes, except no PCP and Specialist office visit copay increases.

Amanda Meadows: I think it would be helpful to provide more information like these specific details for each option so we can evaluate if it is possible to ease the blow on the premium increase. This will allow everyone across the board to see premiums of those that utilize the plan more.

Jason Haught: Yes. Utilizers will see greater impact than non-utilizers. With healthcare costs on the rise, we want to continue to work towards providing meaningful benefits for our members.

Doug Coffman: From an actuarial perspective, are these costs for utilization of the plan significant enough that people might defer healthcare which will end up costing us more down the road?

Dave Bond: My answer would be no based on these levels.

Option 2: Blended Approach 1 (RHBT)

Currently, there is no difference in some active and non-Medicare retiree benefits. This approach would have an impact on non-Medicare retirees. There is a 3.6% deduction in benefits. Premiums in the out years have a dramatic impact which would be favorable factor for non-Medicare retirees if this plan were to be adopted.

Option 3: Blended Approach 2 (State Plan & RHBT)

Includes a 14.6% State Fund employee premium increase and no retiree premium increase. Non-Medicare benefit changes would include: a medical deductible increase of 50% for Plans A, C, and D (Plan B would be set 30% higher than Plan A). Medical out-of-pocket maximum increase of 50% for Plans A, C, and D (Plan B would be set 30% higher than plan A). Prescription drug deductible and out-of-pocket maximum increase by 100% for Plans A, B, and D. (Plan A would increase from \$75 single/\$150 family to \$150 single/\$300 family. Plan C prescription deductible is combined with the medical deductible, so there would be no separate increase). Prescription drug copays increase by 100% and change Specialty cost sharing from \$100/\$150 to 30% coinsurance.

Amanda Meadows: This approach seems to have slightly more of an increase to employee premiums.

Mark Scott: I see this approach gets local fund closer to 10%

Doug Coffman: Same question as before.

Dave Bond: Any time you have more out-of-pocket, it is more accentuated. Definitely more so under Blended Approach 2.

Geoff Christian: It seems as though there are significant plan design changes. It would seem there would be more towards benefit and less premiums needed to support the plan. Could you help explain that a bit?

Jason Myers: Had the same thought.

Dave Bond: All of our assumptions will go up in FY 2025 is that expenses will trend up. If at the end of FY 24 we are just hitting the mark for reserves, we would have to match it maintain the 12.3%.

Geoff Christian: It moves the needle immediately whereas I would expect it to move later down the line.

Chris Borcik: You can see a bit of relief in 2026-2027

Dave Bond: The last two years have been the highest medical drug trends we have ever seen. We had a lot of evidence saying trends would be flat this fiscal year. We have had to push them up a little bit due to changes.

Jason Myers: Prescription deductible and out-of-pocket maximum increases are a huge issue. Can we soften the blow at all? Could we drop prescription and raise in another area?

Jason Haught: Yes. All of these are available for adjustments.

Doug Coffman: Is that a onetime increase in deductible?

Jason Haught: Yes.

Mr. Haught took this time to introduce Mike Madelena. He is the data warehouse manager and assists with digging into the numbers/data if need be.

Option 3: Blended Approach 2 (Non-State)

This approach would require a 9.7% premium increase. The benefit changes would include: medical deductible increase of 35% for Plans A, C, and D (Plan B would be set 20% higher than Plan A). Medical out-of-pocket maximum increase of 35% for Plans A, C, and D (Plan B would be set 30% higher than Plan A). Prescription drug deductible and out-of-pocket maximum increase by 100% for Plans A, B, and D (Plan A would increase from \$75 single/\$150 family to \$150 single/\$300 family. Plan C prescription deductible is combined with the medical deductible, so there would be no separate increase). Prescription drug copays

increase by 100% and change Specialty cost sharing from \$100/\$150 copay to 30% coinsurance. Other benefit changes would apply.

Bill Milam: As I understand it, non-Medicare has a change in benefits but not premiums, Medicare has change in premiums and not benefits?

Jason Haught: That is correct.

Doug Coffman: Is there a reason we increase premium for Medicare but not non-Medicare retirees?

Jason Haught: The out years are difficult. It all depends on how you want to display it. For example, the Medicare fund has a premium stabilization reserve. It is assumed that the board would share the PSR with the retirees in future years based on the current information of trends and data.

Chris Borcik: On the RHBT side, we had a couple good years as well as a gain share from Humana which allowed us to set up this reserve to be used for retirees. The benefit of this Blended Approach is if you just use the reserve you will create a fiscal deficit every year once the reserve is gone.

Doug Coffman: Why have the premium increase of 10% on the Medicare retirees only?

Chris Borcik: The benefits that are changing only affect the non-Medicare retirees so it was thought that something could change for Medicare retirees, but you could ultimately decide to go a different route as a board.

Jason Haught: There has been a discussion about modifying Blended Approach 1 so we could definitely look at any changes. One of the models we reviewed is similar to Blended Approach 1 – no prescription changes, non-state has a 14.9% premium increase. This particular modeling has a 9.2 million reserve, which is 4.8% higher than what we passed in December and does not include the benefit change Mr. Myers is concerned with.

Jason Myers: Like this idea.

Damita Johnson: Do you recall how that affected the outlying years?

Jason Haught: There is a bit of a change but not substantially.

Chris Borcik: Non-state in 2025 would be 18.1, 2026 would be 8.7, 2027 would be closer to 9.

Mike Smith: This would be all of the benefit changes in Option 2: Blended Approach 1, except it would delete the change to prescription changes. We would keep the out-of-pocket maximum.

Mike Smith: Is anybody in favor of Option 1? I don't know if it is worth keeping.

Amanda Meadows: I would like to hear the public comments to see what they are thinking before deciding.

Geoff Christian: I just want to be clear on the prescription deductible. Is the deductible for all drugs or is it tiered towards brand only?

Jason Haught: All.

Geoff Christian: So if you are on the plan as it sits now, you have a \$75 deductible no matter what?

Dave Bond: Yes for everyone.

Doug Coffman: An increase in that deductible would lower the 14% premium increase somewhat even if it wasn't 100%?

Jason Haught: Yes.

PUBLIC COMMENTS AND QUESTIONS:

Dale Lee-

Question 1: Legislators said we would need to get to the 80/20 premium split. I am assuming the 24% increase gets us to that mark, correct? Mr. Haught confirmed. If we go to a blended model, I assume we are not at an 80/20 split, so benefit changes would get us to that? Mr. Haught, Mr. Borcik, and Mr. Bond explained that each model is based on an 80/20 split. Mr. Lee then explained that prescription increases is a negative.

Question 2: If you change it to no prescription increase, what will premiums go up to?

Chris Borcik responded that it will go from 19% to 21%.

Mr. Lee stated that it is a 3% difference from the Premium Increases Only. The Blended Approach will not be ideal.

Mr. Lee expressed his appreciation for the Finance Board members, Acting Director Jason Haught, and the PEIA staff for their diligent work. He understands the board's difficult decision. Many people will be upset, but hopefully they realize these are only the cards you were dealt. It is not the fault of the Finance Board. He has had a position on a committee similar to this and understands the gravity of this decision. This will cost money either way. Raises will not cover the difference. If benefits are increased then salary increases are necessary. In 2019 there was a recommendation from the taskforce pushing for a goal of 80/20. He wishes that would have been implemented in order to avoid this situation. Mr. Lee strongly urged the board to consider the prescription portion of these options as it seems to be what will make the most impact. He is appreciative that there is now a long-term plan and hopes this will turn things around to get back on track.

Mr. Lee had an additional question at the end of the public comments.

He urged that PEIA consider extending Open Enrollment so members can consider their options and make the best decision possible. Mr. Haught stated that open enrollment is scheduled to end May 15th.

Tracy Judy-

Ms. Judy is with the City of Elkins. She had two questions for the board.

Question 1: Has the spousal plan been considered for the non-states? What kind of savings would that offer?

Jason Haught and Chris Borcik confirmed that it would be about 5-6 million or 4%.

Question 2: Is the amount of money in the reserves able to be invested?

Jason Haught and Dave Bond assured Ms. Judy that it is invested. She stated that she would see investments as a great asset.

TOPIC: Approval to take the three proposed plans to a series of Public Hearings.

MOTION: A motion was offered by Jason Myers with Bill Milam to second.

ACTION: **The motion to approve the minutes was passed unanimously.**

Mike Smith: Option 1 (Premium Increases Only) seems like something where everyone would get an increase. The blended approaches seem to be only affecting utilizers. Should we spread it out for everyone or give the non-utilizers a break? Should we take only two options to the hearings?

Amanda Meadows: I would hesitate to eliminate because I would want to hear how a public forum feels about these options. It seems like a lot of people would be hesitant to see a benefit change but a premium increase would not be as substantial. Open to taking all of them.

Geoff Christian: Agree with taking all options.

Doug Coffman: The premiums built in actuarially are only worth anything if the healthy members remain in the plan. I fear a higher premium will deter some of the healthy participants which will cause them to move to a spouses plan or another option. In turn that would drive up costs for others. As a business you want to have a larger number of participants in order to spread out the cost.

Amanda Meadows: We have talked a bit before about educating people about each of the PEIA plans (A, B, C, D). How does it affect the plan if people move into different plans after learning what works best for their family? Is there savings to the plan if people do decide to move?

Jason Haught: What we have seen is that dollars drive enrollment. We still have a pretty low premium even on our richest plan due to the salary index for our membership. We are working on our details for Open Enrollment.

Amanda Meadows: It seems like more people are in Plan A based on what you are saying.

Jason Haught: It just doesn't seem like a very hard decision to make with premiums so low.

Doug Coffman: 10-15% in a high deductible plan is probably normal right?

Dave Bond: Up until about 10 years ago we only had Plan A then we introduced Plan B, Plan C to follow. We slowly grew.

Jason Haught: Our non-state grew. The employers in the non-state are similar to the state. They have control and can move people where they want them. The board, with the state fund in the future, could make adjustments and changes like that as well.

Dave Bond: With the state fund, we need to grow Plan B and in order to do that we need to create a greater difference between Plan A and Plan B. We have not done that yet.

Jason Myers: Agree with Amanda. It is a great point to educate because some people may be in the totally wrong plan.

Jason Haught: We do plan to implement some educational tools. We continue to host our benefit fairs. There are Benefit Coordinator trainings in place as well. It is a goal to promote these as much as possible.

Amanda Meadows: I appreciate that answer because this could help with decision making for members and the board.

Jason Myers: Can these percentages change on these plans even after we vote to take these to the public hearings?

Jason Haught: I think the board can dictate those decisions and is asked to evaluate their options after these plans are taken to public hearings.

Jason Myers: I would like to see us move away from prescription increases. I anticipate that is where we will hear the most comments during next week's meetings.

Dave Bond: Prescriptions is where we used to see the most action. It used to be such a small percentage of our claim dollars but now it is about 40%.

Doug Coffman: Is there a model/option where we might exclude the health maintenance drugs so they are not subject to a deductible?

Jason Haught: Yes. Just as Mike discussed earlier, this is something we could do in the future.

Dave Bond: There are ways to do that.

Doug Coffman: You would use your deductible in the first month.

Geoff Christian: If I had that deductible I would just use a discount card and not even use my insurance. We are still doing some things for the Rx- SaveOn that was reimplemented for everyone.

Bill Milam: Jason, do you want us to take one of these options to the public hearings or all three?

Jason Haught: I want you guys to vote and decide what you prefer to do.

Bill Milam: The way I see it is, Premium Increase Only is the best so it doesn't mess with the benefits. There would be the least hurt with leaving benefits alone.

Jason Myers: The Premium Increase with non-states, which is who I represent, is 15.6% compared to 14.9%. Yeah that seems small, but I look at the reserve. Even with just the Premium Increase we are only at 7% and I believe we need to hold up our end of the bargain and get as close to that 10% as we can. That 14.9% gets us there next year with Option 3: Blended Approach 2.

Mark Scott: One thing that does concern me is that most cities and counties already set their budgets. That big of an increase may be cause for drastic measures. If there is a way we could combine some things to avoid such a large increase then that would be best.

Bill Milam: These could even be leveled out after we take these to the public hearings. I am not speaking for my constituents since I represent the retirees. I still think Premium Increases is best.

Amanda Meadows: My question is, do we think this is too much information to take to public hearings? Is it too much to absorb in a short meeting?

Jason Myers: I think she is right. I think we should take the aggressive one off the table. It is too deep of a cut.

Geoff Christian: I think taking multiple plans out shows the depth of what we are looking at.

Amanda Meadows: By taking multiple options, it may help them see the options better.

Doug Coffman: Three options would show how there is a middle ground. We should at least take two to show comparison.

Amanda Meadows: I think by only taking two options to the public hearings would make the public think here is one extreme, here is another, when really the most extreme option was option three but we already took that off the table. They may not know that. It offers a reference point.

Geoff Christian: You have to start the discussion somewhere since the speed of this is moving very fast. The opportunity to get the conversation going by showing these options.

TOPIC: Motion

MOTION: Jason Myers moved to take all three options to the public hearings. Bill Milam moved to second.

ACTION: **The motion to take all three options to public hearings was passed.**

TOPIC: Financial Statements Year to Date

DISCUSSION: Jason Haught, Acting Director and CFO, PEIA

Mr. Haught gave a review of the Financial Statement for PEIA.

He explained IBNR (incurred but not reported reserve) and what the actuaries do with that reserve. Investment income is close to budget. Revenue is slightly behind. Amanda Meadows asked if there was a formulating error in the budget variance, which April Taylor confirmed was a mistake and would be fixed. Chris Borcik stated medical has gone up for the year. Prescriptions have been performing as we expected. They are balancing each other out.

Mr. Haught moved on to explain the RHBT Financial Statement.

TOPIC: Financial Statements Year to Date

DISCUSSION: Bill Hicks, General Counsel, PEIA

Mr. Hicks briefly discussed the following bills passed during the 2023 Legislative Session and highlighted their effect on PEIA:

- SB 268: Relating to PEIA
- SB 267: Updating Law Regarding Prior Authorizations
- SB 577: Reducing Copay Cap on Insulin & Devices
- HB 2029: Repealing the Creation of an All-payer Claims Database

TOPIC: Old Business

DISCUSSION: Mike Smith

TOPIC: New Business

DISCUSSION: Public Meeting Schedule introducing these options to the public and allowing the opportunity for questions. All meetings begin at 6pm.

March 27 – Charleston (Culture Center)

March 28 – Huntington (Mountain Health Arena)

March 28 – Morgantown (Hampton Inn)

March 29 – Martinsburg (Holiday Inn)

TOPIC: Next Meeting

DISCUSSION: March 30, 2023

TOPIC: Adjourn

ACTION: There being no further business, the West Virginia PEIA/RHBT Finance Board meeting on March 23, 2023 adjourned at approximately 3:00 p.m.

MOTION: A motion to adjourn the Finance Board was made by Chairman Mark Scott.

ACTION: **The motion to adjourn passed unanimously.**

These minutes were transcribed from a recording by Erika Smith, Finance Board Secretary and are respectfully submitted on the 23th day of March 2023.