

MISSOURI CONSOLIDATED HEALTH CARE PLAN
BOARD MEETING
APRIL 26, 2018

Attending: Jim McAdams
Representative Kip Kendrick
Linda Luebbering (via conference call)
Daniel O'Neill (via conference call)
Senator David Sater (via conference call)
Viola Schaefer
Director Randall Williams (via conference call)
Representative David Wood

Absent: Mark Langworthy
Director Chlora Lindley-Myers
Senator John Rizzo

Others attending: Judith Muck, Executive Director; Kim Backes, Research Coordinator; Denise Chapel, Director of Vendor Relations; Shelley Farris, Director of Benefit Administration; Stacia Fischer, Chief Financial Officer; Tammy Flaucher, Senior Administrative Specialist; Garry Kornrumpf, Internal Auditor; Bruce Lowe, Chief Information Officer; Jennifer Stilabower, General Counsel; Julie Watson, Chief Population Health Officer; and visitors.

Mr. McAdams called the meeting to order.

Dennis Morrissey addressed the Missouri Consolidated Health Care Plan (MCHCP) Board of Trustees. Mr. Morrissey would like to request that MCHCP members be allowed to have the Health Savings Account (HSA) Plan option until they turn 65 years. There is a personal financial impact to him and he stated he believes this change would help many other members.

Mr. Morrissey quoted 103.080 2. RSMo. Mr. Morrissey believes this is something that can and should be changed. Again, Mr. Morrissey asked for the board's consideration in changing the rule.

No further public comments were offered.

Mr. McAdams asked if there was a nomination for Chairperson.

Currently, Office of Administration (OA) Commissioner Sarah Steelman is the official Chairperson. Mr. McAdams has served as the chair on behalf of the Commissioner in my capacity as her official designee that is provided for in statute and as agreed to by the board in 2017. Mr. McAdams has enjoyed the time serving on behalf of the Commissioner and wanted to let the board know

that Commissioner Steelman would not have any reservations with continuing this arrangement for 2018.

Mr. O'Neill made a motion to elect Mr. McAdams as Commissioner Steelman's official designee as Chairperson of the MCHCP Board of Trustees for May 2018. Ms. Schaefer seconded. Motion passed unanimously.

The floor was opened up for nominations for Vice Chairperson of the MCHCP Board of Trustees.

Mr. McAdams made a motion to elect Mr. O'Neill as Vice Chairperson of the MCHCP Board of Trustees for May 2018. Representative Wood seconded. Motion passed unanimously.

Representative Wood made a motion to approve the open session minutes of the January 25, 2018, regular MCHCP Board of Trustees meeting. Ms. Schaefer seconded. Motion passed unanimously.

Prior to discussing some monthly financial results, Ms. Fischer began with an update on the MCHCP fiscal year (FY) 2019 budget. MCHCP resides in the Office of Administration's budget within employee benefits in House Bill (HB) 2005; MCHCP has provided informational testimony before both House and Senate committees to date. On Wednesday, April 25, 2018, the Senate Committee Substitute (SCS) for House Committee Substitute for HB 2005 was taken up, adopted, third read and passed last night. The SCS recommends total funds of \$465,967,275 without an (E). This recommendation is a return to the Governor's recommended level of funding. Of the \$465,967,275; the recommendation is comprised of \$285,856,087 or 61 percent in general revenue. As this recommendation differs from the House position, MCHCP will be taken up as a conference item. The last day for appropriation bill actions is May 11, 2018. As there were no questions, Ms. Fischer moved to the monthly projection update.

Representative Kendrick joined the meeting.

Ms. Fischer presented the financial update. She reviewed some of the March 2018 results. She mentioned that the calendar year (CY) 2018 projections that were shared with the board represent financial activity through March 2018 and beginning in July 2018, reflect the SCS recommended level of funding. When moving to the projections for 2019 we again are reflecting the SCS appropriation level, but these projections do not include any 2019 plan design or member premium decisions yet before the board for the 2019 plan year.

Monthly state contributions for March from the employer of \$33,620,450 and member contributions of \$9,271,844 represent contributions from 53,527 subscribers and total 96,201 covered lives.

MCHCP received \$8,948,350 for third quarter commercial and Employer Group Waiver Plan (EGWP) pharmacy rebates. These rebates are composed of commercial rebates of \$6,307,165 and EGWP rebates for our retiree population of \$2,641,184.

Ms. Fischer then moved to our investment primarily associated with the Other Post-Employment Benefits (OPEB) Trust. The OPEB total portfolio returned .25 percent for March net of fees with a concentration mix of 41 percent equities, 56 percent fixed income and 3 percent in cash and equivalents. Since inception total fund return is 7.09 percent; outperforming the weighted benchmark of 6.24 percent. For our rolling returns, the one-year portfolio return was 5.496 percent with the three-year at 3.967 percent and the five-year at 6.399 percent. Comments from our investment manager as it relates to our performance strategy include: While equity markets were falling in March, interest rates were declining slightly. The manager is looking for market clues to reduce equity exposure if necessary.

In our expense section, self-funded medical claims posted at \$35,258,682 for March. Gross pharmacy expense for March was \$13,949,700. Although first quarter medical claims results are premature to indicate actual 2018 trends and January 2018 medical claims expense is naturally highly saturated with 2017 dates of service due to claims processing lag – the impact to the Plan is significant for both January and February 2018. March 2018 was somewhat buffered with the receipt of pharmacy rebates as discussed earlier.

Next, Incurred But Not Reported (IBNR) remains unchanged from the last report to the board. Claims data from our data warehouse through March 2018 has been requested by and sent to Willis Towers Watson for updated INBR calculations which will be provided with my report in an upcoming meeting with the board. For December 2018, under the current assumptions as mentioned, the Plan as projected at Dec. 31, 2018, at (\$46.2 million) is unable to fully fund its IBNR liability reservation of \$66.5 million in December by the difference of the two or \$20.3 million.

Briefly turning to 2019, with the assumptions as mentioned, and including the actuarially projected medical and pharmacy spend based upon the Plan's historical performance and anticipated trends net of rebates. In CY 2019, the Plan, beginning in January 2019 and for the full CY will be unable to fund the Plan actuarially projected liability for IBNR, and portions of the remaining liabilities progressively as the calendar months of 2019 continue. We ask you to appreciate that actual results may differ from these projections as funding levels remain subject to final appropriation.

The board moved into closed executive session pursuant to §610.021 RSMo (1), (5), (11), (12) and (14) of §621.021 to discuss confidential or privileged communications between the board and its attorney; health

proceedings involving identifiable persons; specifications for competitive bidding; sealed bids and related documents; and records protected from disclosure by law. A roll-call vote was taken, and the motion passed with Mr. McAdams, Representative Kendrick, Ms. Luebbering, Mr. O'Neill, Ms. Schaefer, Director Williams and Representative Wood in favor.

Upon return from closed executive session, Representative Wood made a motion to adjourn. Representative Kendrick seconded. Motion passed unanimously. Meeting adjourned.