



**Washington State
Health Care Authority**

Public Employees Benefits Board

January 17, 2008 Meeting



Public Employees Benefits Board Meeting

January 17, 2008

1:00 p.m. – 3:00 p.m.

Health Care Authority
Sue Crystal Center
Lacey, Washington

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Public Employees Benefits Board

January 17, 2008

1:00 – 3:00 p.m.

Health Care Authority
Sue Crystal Center
Lacey, Washington
Conference call dial in 360-923-2996, pin 360 946 1464

1:00 p.m.	Welcome and Introductions	Steve Hill	
1:05 p.m.	Approval July 17, 2007, meeting minutes	Steve Hill	Action
1:10 p.m.	LEOFF 2 Eligibility Resolution	Steve Hill	Action
1:20 p.m.	Governor's Budget Update	Megan Atkinson	Information
1:40 p.m.	2008 Open Enrollment Results	Mary Fliss	Information
2:00 p.m.	Aetna Implementation Update	Nicole Oishi Debbie Dexter	Information
2:20 p.m.	Procurement Update	Elin Meyer	Information
2:30 p.m.	PEBB Legislative and Rules Update	Mary Fliss	Information
2:40 p.m.	BAIAS Update	Mary Fliss	Information
2:50 p.m.	Public Comment		
3:00 p.m.	Adjourn		

The Public Employees Benefits Board will meet Thursday, January 17, 2008, at the Health Care Authority, Sue Crystal Center, 676 Woodland Square Loop Southeast, Lacey, Washington. The board will consider all matters on the agenda plus any items that may normally come before them.

This notice is pursuant to the requirements of the Open Public Meeting Act, Chapter 42.30 RCW.

Direct e-mail to: board@hca.wa.gov

Materials posted at: <http://www.pebb.hca.wa.gov/board/>

PEBB Board Members

Name	Representing
Steve Hill, Administrator Health Care Authority 676 Woodland Square Loop SE PO Box 42700 Olympia WA 98504-2700 V 360-923-2828 steve.hill@hca.wa.gov	Chair
Greg Devereux, Executive Director Washington Federation of State Employees 1212 Jefferson Street, Suite 300 Olympia WA 98501 V 360-352-7603 greg@wfse.org	State Employees
Lee Ann Prielipp 29322 6 th Avenue Southwest Federal Way WA 98023 V 253-839-9753 leeannwa@comcast.net	K-12 Retirees
Robert Porterfield 10423 – 65 th Avenue South Seattle WA 98178 V 206-722-8194 robertporterfield@comcast.net	State Retirees
Dr. Penny Palmer 123 East Indiana Spokane WA 99207 V 509-389-4229 pennypalmer@msn.com	Benefits Management/Cost Containment
Eva Santos, Director Department of Personnel PO Box 47500 Olympia WA 98504-7500 V 360-664-6350 evas@dop.wa.gov	Benefits Management/Cost Containment

PEBB Board Members

Name	Representing
Vacant position*	K-12
Margaret T. Stanley Executive Director Puget Sound Health Alliance 2003 Western Ave, Suite 600 Seattle WA 98121 V 206-448-2570 mtstanley@pugetsoundhealthalliance.org	Benefits Management/Cost Containment
Yvonne Tate, Director* Human Resources City of Bellevue PO Box 90012 Bellevue WA 98009-9012 V 425-452-4066 ytate@ci.bellevue.wa.us	Benefits Management/Cost Containment

Legal Counsel

Melissa Burke-Cain, Assistant Attorney General
7141 Cleanwater Dr SW
PO Box 40109
Olympia WA 98504-0109
V 360-586-6500
melissab@atg.wa.gov

*non voting members

D*R*A*F*T
Public Employees Benefits Board
Meeting Minutes

July 17, 2007
Health Care Authority
Sue Crystal Center
Lacey, WA
1:00 p.m.

Members Present:

Steve Hill
Greg Devereux

Via Telephone:

Lee Ann Prielipp
Robert Porterfield
Eva Santos
Margaret Stanley
Yvonne Tate
Penny Palmer

Call to Order

Steve Hill, Chair, called the meeting to order at 1:00 p.m. Sufficient members were present to allow a quorum.

Approval of July 10, 2007, PEBB Meeting Minutes

It was moved, seconded, and carried to adopt the July 10, 2007, PEBB Board meeting minutes.

2008 PEBB Procurement

Mr. Barney Speight presented an overview of the PEBB procurement materials reviewed in detail at the July 10, 2007 meeting. Mr. Speight noted that a change to the previously presented materials regarding managed dental benefit design is recommended that would move co-pays to align the dental orthodontia benefit across the two managed dental plans.

The following resolutions for 2008 plan year passed by unanimous vote:

1. Resolved, that the PEBB Board approves modification of the outpatient mental health benefit from 20 visits per plan year to 50 visits per plan year and the inpatient mental health benefit from 10 days per plan year to full parity.
(Slide 8, Board Presentation of July 10, 2007)
2. Resolved, that the PEBB Board approves the elimination of the \$2 million lifetime maximum for medical coverage.
(Slide 8, Board Presentation of July 10, 2007)



3. Resolved, that the PEBB Board approves the active and early retiree premium contributions for plan year 2008.
(Slides 10 and 11, Board Presentation of July 10, 2007)

4. Resolved, that the PEBB Board approves the modification of outpatient and inpatient mental health benefits and the modified benefit design of the Group Health Cooperative Medicare Advantage Value Plan for Medicare retirees.
(Slide 14, Board Presentation of July 10, 2007)

5. Resolved, that the PEBB Board approves the maximum \$164.08 state contribution to Medicare retirees for plan year 2008 as set forth in the 2007 legislative budget appropriation.

6. Resolved, that the PEBB Board approves adoption of the Standard Managed Dental benefit design as described at the July 10 Board meeting and the increase in the Uniform Dental Plan annual and orthodontia maximums from \$1,500 to \$1,750, respectively.
(Slide 19, Board Presentation of July 10, 2007 modified as follows: Proposed \$2,000 Managed Dental Orthodontia co-pay alternative changed to \$1,500)

The meeting was adjourned.

Respectfully submitted,

Steve Hill, Chair

DRAFT



STATE OF WASHINGTON
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD

P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • FAX (360) 586-2329 • www.leoff.wa.gov

November 1, 2007

Mr. Steve Hill, Chairman
Public Employees' Benefits Board
Post Office Box 42684
Olympia, Washington 98504-2684

Chairman Hill and Members of the Board,

The Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF 2 Board) respectfully requests the Public Employees' Benefits Board (PEBB) adopt a policy providing access to the healthcare insurance, under RCW 41.05.080, for all spouses and children of LEOFF Plan 2 members, who are killed in the course of employment.

The LEOFF 2 Board recommended legislation in the 2006 session which provided that spouses and children of all LEOFF 2 members who are killed in the course of employment are eligible to have their medical insurance premiums paid for by the LEOFF 2 retirement fund. That bill passed both houses of the Legislature with overwhelming support and was signed into law by the Governor. However, the LEOFF 2 Board was recently informed that due to a question about the technical language of the bill, some spouses and children are currently being denied this benefit if the LEOFF 2 member died for a reason other than a duty-related injury. For instance, the family of a firefighter whose death was determined by the Department of Labor & Industries to have resulted from a duty-related illness would not be covered.

The LEOFF 2 Board recognizes that the initial legislation in 2000 which provided beneficiaries of public safety officers with the opportunity to purchase healthcare insurance offered by PEBB was limited to only those deaths which resulted from injuries. However, the 2006 legislation was written to provide this benefit at no cost to the families of all LEOFF 2 members who die in the course of employment. "In the course of employment" is a term of art in Labor & Industries statutes which covers deaths resulting from duty-related illnesses and other non-injury medical conditions, such as heart attacks.

Chairman Hill, PEBB

November 1, 2007

Page 2

The implementation of the 2006 legislation by the Department of Labor & Industries, the Department of Retirement Systems and the Health Care Authority has resulted in an awkward situation where a member was determined to have died in the course of employment and his family was determined to be eligible for reimbursement of their healthcare premiums but were then denied participation in the PEBB plan because the member died from duty-related leukemia and not an "injury."

The LEOFF 2 Board would like to work cooperatively with the Public Employees' Benefits Board to resolve this issue and fully implement the 2006 legislation without an additional bill.

I would be happy to meet with the PEBB to answer questions about the 2006 legislation or provide any desired background information if that would be helpful. I can be reached at (360) 586-2320.

Sincerely,

A handwritten signature in cursive script that reads "Steve Nelson".

Steve Nelson, Executive Director

cc: Dennis Martin, Legislative Liaison
Health Care Authority



**Washington State
Health Care Authority**

P.O. Box 42700 • Olympia, Washington 98504-2700
360-923-2828 • FAX 360-923-2606 • TTY 360-923-2701 • www.hca.wa.gov

December 12, 2007

TO: Public Employees Benefits Board Members

FROM: Steve Hill, PEBB Chair

The Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board (LEOFF 2 Board) has submitted a request to the Health Care Authority (HCA) and the Public Employees Benefits Board (PEBB) to expand the current eligibility policy regarding surviving family members of LEOFF 2 members killed in the line of duty. Based on legislation adopted in 2006 the LEOFF 2 Board requests that eligibility be expanded to include the family members of LEOFF 2 members who die in the course of employment - as defined by the Department of Labor and Industries this definition would include the family members of LEOFF 2 members who died from a duty related illness.

Based on HCA staff analysis, I have directed the PEBB program to approve the applications of family members of emergency service personnel, including LEOFF 2 members, who die in the course of employment. I have chosen to take this action pending review by the Board as I am aware that a family is currently seeking PEBB coverage and I did not want to wait until January to resolve this matter.

While I have been advised that I can proceed with this policy decision without approval of the PEBB Board, I believe it is prudent to request your review and support of this decision given the Board's statutory responsibilities. Therefore, I am recommending the PEBB Board adopt the following motion at the January PEBB meeting:

Surviving spouses and dependent children of emergency service personnel killed in the course of employment as determined by the Department of Labor and Industries consistent with Title 51 RCW are eligible to participate in PEBB program insurance plans and contracts.

Current Statutes:

1. PEBB statutes:

RCW 41.05.080(1)(c):

Surviving spouses and dependent children of emergency service personnel killed in the line of duty may participate in insurance plans and contracts.

RCW 41.05.011(14):

"Emergency service personnel killed in the line of duty" means law enforcement officers and firefighters as defined in RCW 41.26.030, members of the Washington State Patrol

retirement fund as defined in RCW 43.43.120, and reserve officers and firefighters as defined in RCW 41.24.010 who die as a result of injuries sustained in the course of employment as determined consistent with Title 51 RCW by the department of labor and industries.

2. In 2006, the Legislature amended LEOFF 2 statutes by adding a subsection to RCW 41.26.510:

(5) The retirement allowance paid to the spouse and dependent children of a member who is killed in the course of employment, as set forth in RCW 41.05.011(14), shall include reimbursement for any payments of premium rates to the Washington state health care authority pursuant to RCW 41.05.080.

HCA Staff Analysis:

1. IMPACT OF PROPOSAL ON PEBB RISK POOL
 - Based on data provided by the Office of the State Actuary and discussions with the Department of Retirement Systems and LEOFF 2 Board staff, HCA assumes that utilizing the broader eligibility criteria of "in the course of employment" for all emergency service personnel (including LEOFF 2) will result in an increase in PEBB enrollment of two people/families per year. Thus, HCA assumes this change will not adversely impact the PEBB risk pool or rates.
2. AUTHORITY TO ADOPT BROADER ELIGIBILITY CRITERIA
 - The term "emergency service personnel killed in the line of duty" in RCW 41.04.011(14) is broad enough to include dependants of employees who die in the course of employment. In this case the statutory terminology is broad enough to authorize either the HCA Administrator or the PEBB Board to adopt the broader eligibility criteria.
 - The PEBB Board has broad statutory authority to determine eligibility for PEBB programs. The PEBB Board could adopt a policy that exceeds the minimum eligibility criteria provided in RCW 41.04.011(14) and RCW 41.05.080(1)(c). Thus, the PEBB Board has the authority to expand eligibility to family members of all emergency service personnel killed in the course of employment.
 - The PEBB Board has the authority to resolve any conflict of statutes resulting from adoption of the 2006 legislation in support of the LEOFF 2 Board position to expand eligibility. The PEBB Board could choose to determine that the legislature intended the 2006 legislation to expand coverage for LEOFF 2 surviving spouses.

cc: Steve Nelsen
Matt Smith
Jeff Wickman

**2008 Governor's Supplemental Budget
Fiscal Years 2008 and 2009**

Public Employees Health Plans (UMP and Aetna)

No budget driven changes but calendar year benefit changes go into effect during FY2008.

PEBB Program, Fund and related impacts on Agency Admin budget

- Fiscal Year 2009 funding rates:
 - Represented Subscribers \$575.00
 - Non-represented Subscribers \$575.00
 - Employer Groups \$575.00
 - K-12 \$575.00

- Medical Premium Increase = 8.1 percent for all groups.

- Employee Contributions maintained at a weighted average of 12 percent (ceiling).

- No change to the CY 2009 Explicit Medicare Retiree Subsidy – \$182.89 which is an 11.5 percent increase from CY 2008.

- Slight reduction to the K-12 Subsidy Remittance to \$61.80.

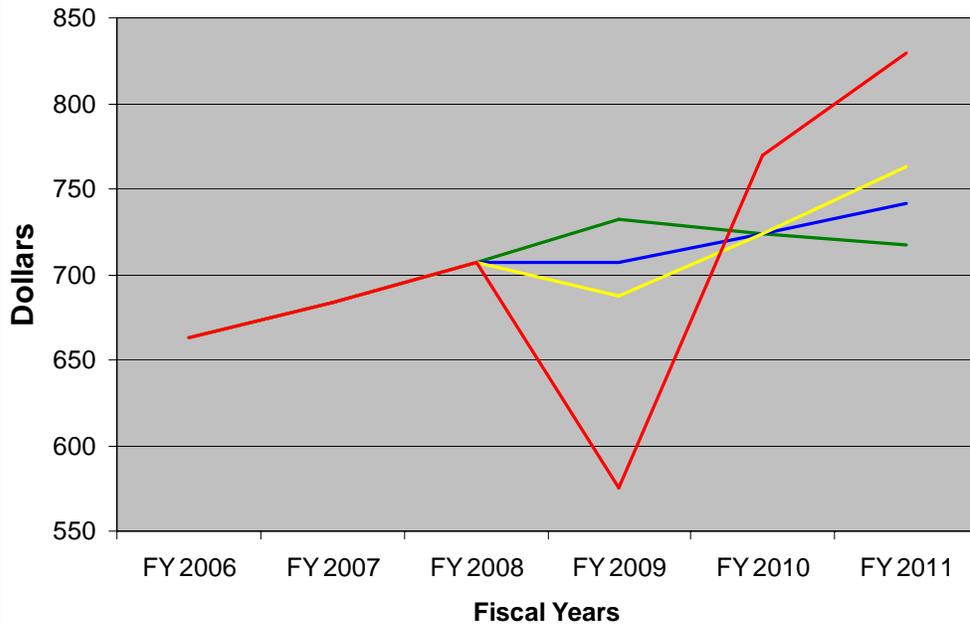
- Increase of about \$25 million to HCA administration budget from a variety of funds.
 - \$22.4 million for continued BAIAS funding (non-PEBB sources).
 - Transfer Dependent Care Program...minimal budget impact.
 - \$2.0 million for continued implementation of Health Insurance Partnership.
 - \$1.0 million for Moore v. HCA litigation costs.

- Remove BAIAS funding from Fund 418. This impacts overall PEBB Fund (Fund 721).

- Spend down of approximately \$200 million from PEBB fund unrestricted fund balance. The fund balance has been accumulating in recent years, mostly due to better than expected procurement results and UMP performance.

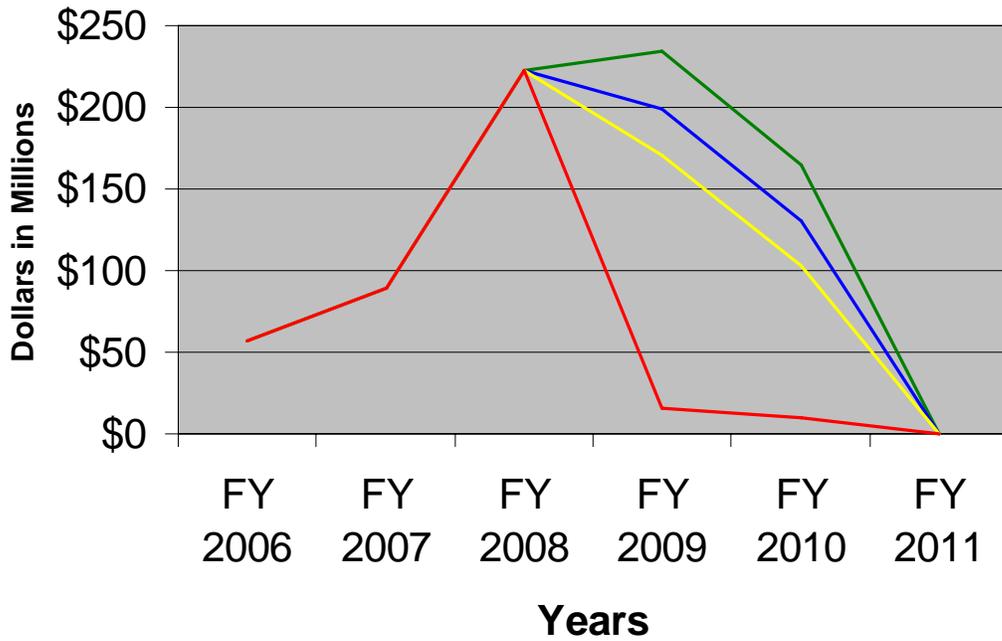
- Ending FY09 Unrestricted PEBB Fund balance of about \$19-\$20 million.

Funding Rate



— Case A = Current Law FY 09 FR \$732 — Case B = FY09 FR \$707
— Case C = FY09 FR \$687 — Case D = FY09 FR \$575

Unrestricted Fund Balance



— Case A = Current Law FY 09 FR \$732 — Case B = FY09 FR \$707
— Case C = FY09 FR \$687 — Case D = FY09 FR \$575

2008 Plan Year Open Enrollment Review

Mary Fliss

Assistant Administrator, PEBB

Changes for 2008

	Active	Retired
Aetna is new plan	●	●
Regence, CHPW termed	●	●
Improved medical benefits	●	●
Dental plan/benefits changes	●	●
New pharmacy service	●	●
FSA promotion	●	
DCAP transition	●	

Goals

1. Agencies and partners have the tools and training they need
2. Members feels confident and secure in making the best choices for themselves and their families

Communications

Personal	Technology	Publications
Phone Incoming calls Outgoing calls	Web site E-coverage Plan compare	Newsletter
Benefits fairs	Video	Custom packets for retirees
Walk-in clients	E-mail (FUZE)	Reminder postcard
Staff in personnel/payroll offices Labor Healthcare Coalition Meeting	List-Serv	Letters to Regence, CHPW subscribers

Results

- **Enrollment**

- Aetna attracted 11,000 members
- 4.6% 'default' enrollment
- Value plan enrollment up more than 15%
- FSA enrollment up by 23%
- DCAP enrollment up by 9%

- **Customer Service**

- Increased volume of phone calls and e-mail
- Maintained high level of customer service
- Successful benefits fairs
- Positive feedback from agencies

Plan change data

Carrier	Subscribers Enrolled		Change	
	2008	2007	Number	Percent
Aetna Public Employees Plan	11,250	0	11,250	100%
Uniform Medical Plan	95,710	92,821	2,889	3.1%
Group Health Classic	38,596	41,232	(2,636)	(6.4%)
Group Health Value	16,310	13,387	2,923	21.8%
Kaiser Classic	3,294	3,463	(169)	(4.9%)
Kaiser Value	368	293	75	25.6%
Retiree Only Plans				
Premera BC Plan E	1,917	1,933	(16)	(0.8%)
Premera BC Plan J w/ Rx	1,697	1,800	(103)	(5.7%)
Premera BC Plan J w/o Rx	2,482	2,429	53	2.2%
Secure Horizons Classic	2,148	2,510	(362)	(14.4%)
Secure Horizons Value	132	112	20	17.9%
TOTAL	175,065	170,855		

Aetna Public Employees Plan

Presentation to the PEBB Board January 17, 2008

Nicole Oishi, Clinical Director, Public Employee Health Plans
Debbie Dexter, Executive, Aetna National Accounts

The Plan

What it is:

- Preferred Provider Organization (PPO)
- Simple \$10 copay per office visit
- In-network benefits only
- Large national network
- Similar benefits to UMP
- Self-Insured
- Pharmacy benefits through Washington State Rx Services

What it isn't:

- Managed Care
- No PCP assignment required
- Co-insurance
- Deductibles
- Out of network benefits
- Referrals / Gatekeepers

Why Aetna...

- Extensive National Network
- Strong network overlap with Regence and CHPW
- Good Provider Discounts
- Excellence in Customer Service
- IT Expertise and Resources
- Experienced and Motivated Account Team
- Current involvement with local collaborations such as the Puget Sound Health Alliance.

2008 Monthly Premiums for Aetna Public Employee Plan Members

- \$104 employee only / \$296 per family
- Compared to 2007 CHPW
 - +\$3 for employee
 - +\$8 for employee with family
- Compared to 2007 Regence
 - \$35 for employee
 - \$96 for employee with family
- Overall reduction of \$3.9 million in premium costs

Implementation Process

See Scorecard

Innovative Features of the Plan

- Accreditation by NCQA for PPO Plans
- Radiology Management Program
- On-line Personal Health Record
- On-line provider pricing and quality information
- Compassionate Care Program
- Computerized identification of care opportunities and alerts to members and providers

Aetna Public Employees Plan Custom Web-Site

www.aetnahca.com

Demonstration

- Public Site
 - A. How to find a doctor
 - B. Benefit Information
 - C. Bariatric Surgery Questionnaire
 - D. Health Risk Assessment
- Private Web-Site
 - A. Creating an on-line account
 - B. Navigator tool

Aetna Public Employees Plan Implementation Status Report: January 7, 2008

Task	Goal / Critical Milestone	Due Date	Status	Interim Progress and Comments
Network Recruitment	Meet contract performance guarantee of contracting with Regence/CHPW providers not in Aetna (85% of claims that were originally identified as non-network under Aetna)	January 1, 2008	↑	On track to meet performance guarantee. Once documentation confirms, this task will be considered closed.
Eligibility transfer from PEBB	Fully tested and in production	December 1, 2007	DONE	Eligibility file is being accepted and read.
Eligibility transfer to ODS	Fully tested and in production	December 1, 2007	DONE	ODS is currently receiving the eligibility file without difficulty.
Customer service training	Phone lines go live.	Live person: October 1, 2007 Automated: December 1, 2007	DONE	Training done and phones live with message. Customer service staff answered over 200 calls per week in November.
Integrated Provider Network Directory (IPND)	Submit provider file to IPND in specified format and data is available.	October 23, 2007	DONE	File finally loaded and usable 11/2/07.
Benefit design	Finalize Single Source Document (benefit design provisions) for claims system		DONE	
Certificate of Coverage	COC posted on Web site	October 1, 2007	DONE	Certificate of Coverage posted, printed and distributed in Welcome Packets.
Custom Web site	Web site goes live	October 1, 2007	DONE	Enhancements to online provider directory (Doc Find) done. Pharmacy look up tool also complete.
Promotional materials	Materials final and approved for OE.	October 14, 2007	DONE	Documents printed and sent to appropriate places.
OE Benefit Fairs	Schedule complete all items prepared.	October 14, 2007	DONE	
Welcome Packet materials	All materials for welcome packets approved and final	October 31, 2007	DONE	
Welcome Packet Process	Process for new members to receive ID cards and enrollment information	October 1, 2007 Process Done Mid-December 2007 Items Sent	DONE	Welcome packets mailed on 12/14/07. Included the notice of privacy practices.
Bariatric surgery process	Enrollees able to request bariatric surgery	January 1, 2008	DONE	Program developed. FAQ's done. Online questionnaire available for use. Work continues on finalizing next steps to handle members who enroll.

Task	Goal / Critical Milestone	Due Date	Status	Interim Progress and Comments
Behavioral Health Mgt.	Full behavioral health program available.	January 1, 2008	DONE	More information provided, it appears that there is not much that needs to happen, and that the program will just go live 1/1/08.
Transition of care process	Process in place for members under treatment.	December 31, 2007	DONE	Process is complete. List of members in case mgmt with Regence/CHPW has been given to Aetna.
Free & Clear	Free and Clear services available to enrollees	January 1, 2008	DONE	Program live.
ID cards	ID cards ready to be printed and sent to enrollees	October 31, 2007	DONE	Cards were mailed on 12/7/07 and again on 12/13/07. Included the COB stuffer. Notice of privacy practices was sent in Welcome Packets.
Personal Health Record	Personal Health Record goes live	January 1, 2008	DONE	Demo done 9/10/07. Very cool. No further action needed.
VIPS	Aetna sends claims extracts to VIPS	Test files 12/07 Extracts sent 3/08		Group is meeting to develop mapping of Aetna data extracts for the HCA data warehouse. This item is on timeline to complete.
OneHealthPort	Providers access Aetna claims etc. through OHP	January 1, 2008		Time line for implementation has been delayed, possibly until April or May 2008. Aetna will continue to require providers to register separately for access to secure information.
Claims system fully tested	Ready to process claims	December 1, 2007	DONE	Audit completed. Process appears to be working.
Pre-Implementation Audit	Completion of an implementation audit.	January 1, 2008	DONE	Audit completed.
Radiology Mgmt Program	Implement precertification of high-cost imaging services.	January 1, 2008	DONE	Program live. Amendment completed. Aetna providing extra customer service training and education through mailings to providers.
Post Implementation and Monitoring	Smooth implementation and successful claims adjudication and eligibility.	March 1, 2008		Currently resolving minor eligibility issues. Will be performing a post-implementation audit in February 2008.

Public Employees Benefits Board

2009 Procurement

January 17, 2008

Washington State Health Care Authority

2009 Purchasing Goals

- Stay within fiscal limits set by the Legislature and reduce cost trends into the future
- Improve access to affordable benefits
- Maintain benefits that compare well with other high quality State of Washington employers

The Long View: Health Plans for Actives

2006	2007	2008	2009	2010
UMP PPO	UMP PPO	UMP PPO	UMP PPO	UMP Redesign
UMP Neighborhood		Aetna Copayment Plan	Aetna Copayment Plan	Aetna Copayment Plan
GHC MCO	GHC Classic	GHC Classic	GHC Classic	GHC Classic
GHC Options MCO	GHC Value	GHC Value	GHC Value	GHC Value
KPNW MCO	KPNW Classic	KPNW Classic	KPNW Classic	KPNW Classic
	KPNW Value	KPNW Value	KPNW Value	KPNW Value
CHPW MCO	CHPW MCO			
PacifiCare MCO				
Regence MCO	Regence MCO			
				High Deductible Health Plan
				To Be Determined

The Long View: Health Plans for Retirees

2006	2007	2008	2009	2010
UMP PPO	UMP PPO	UMP PPO	UMP PPO	UMP Redesign
		Aetna Copayment Plan	Aetna Copayment Plan	Aetna Copayment Plan
GHC MCO	GHC Classic	GHC Classic	GHC Classic	GHC Classic
GHC Options	GHC Value	GHC Value	GHC Value	GHC Value
KPNW MCO	KPNW Classic	KPNW Classic	KPNW Classic	KPNW Classic
	KPNW Value	KPNW Value	KPNW Value	KPNW Value
CHPW MCO	CHPW MCO			
Regence MCO	Regence MCO			
PacifiCare MCO	Secure Horzn Classic	Secure Horzn Classic	Secure Horzn Classic	Secure Horzn Classic
	Secure Horzn Value	Secure Horzn Value	Secure Horzn Value	Secure Horzn Value
				New Pre-65 Retiree & Medicare Options

2008 Tentative Board Procurement Agenda

March 19

- Procurement Overview

May 28

- Annual Rule Making

June 25

- Procurement Results and Staff Recommendations

July 9

- Board Action: Benefits, Eligibility and Premiums

2008 Health Care Authority Agency Request Legislation and Rules Revisions

Legislation

- 1. Transfer of the Dependent Care Assistance Program (DCAP) from the Department of Retirement Systems (DRS) to the Health Care Authority (HCA) – Joint agency request with DRS**
 - Transfers statutory responsibility for administration of DCAP to HCA beginning January 1, 2009.
 - Allows the agencies to maximize administrative efficiencies by eliminating the need for accounting transactions between the agencies - DRS would no longer process DCAP accounting transactions.
 - Allows the state to submit a single salary reduction plan to IRS for DCAP and medical FSAs.
 - Identifies HCA as the administrator of DCAP thereby resolving any potential questions from IRS.
 - Provides separate accounts for benefits and administration of DCAP and medical FSAs.
 - Makes technical corrections to HCA's statutory authority related to salary reduction plans.

- 2. Revise PEBB participation requirements for K-12 school districts and educational service districts**
 - Authorizes HCA to collect a composite rate from participating K-12 school districts and ESDs based on the school district fiscal year.
 - Removes a statutory requirement that the same terms and conditions of PEBB eligibility apply to state employees and to K-12 employees and ESD employees.
 - Removes a statutory requirement that the employees of school districts and ESDs participating in PEBB pay at least the same employee premium as state employees.

Rules

- 1. Amend PEBB administrative rules to clarify appellate process**
 - Clarifies the role of HCA vs. the role of employer agencies in the eligibility appeals process-- Eligibility appeals will first go to employer agencies, then to HCA.
 - Clarifies which decisions are appealable and the time limits for appealing a decision.

- 2. Expedited Rules**
 - Brings rules into better alignment with IRS statute, HIPAA and legislative mandates.



BAIAS **Benefits Administration Insurance** **Accounting System**

Project Overview

Presented by: Mary Fliss, Asst. Administrator, PEBB

January 17, 2008

Summary of Presentation

- Overview of HCA
- Scope of BAIAS
- Project History to Date
- Managing Project Risks
- Moving Forward
- Questions



Overview of HCA

- Cabinet level agency of approximately 300 FTEs
- Administers 2 Health Care/Benefits Programs
 - Public Employees Benefit Board (State employees)
 - Administered through self-insured program – PEHP (UMP, Aetna)
 - Administered through insured programs/health plans
 - Membership is approximately 360,000
 - Basic Health (Income eligible, state-funded program)
 - Administered through insured programs/health plans
 - Membership is approximately 105,000
- More than \$1.5 Billion spent annually for health care and employee benefits
- Ancillary programs support agency's mission

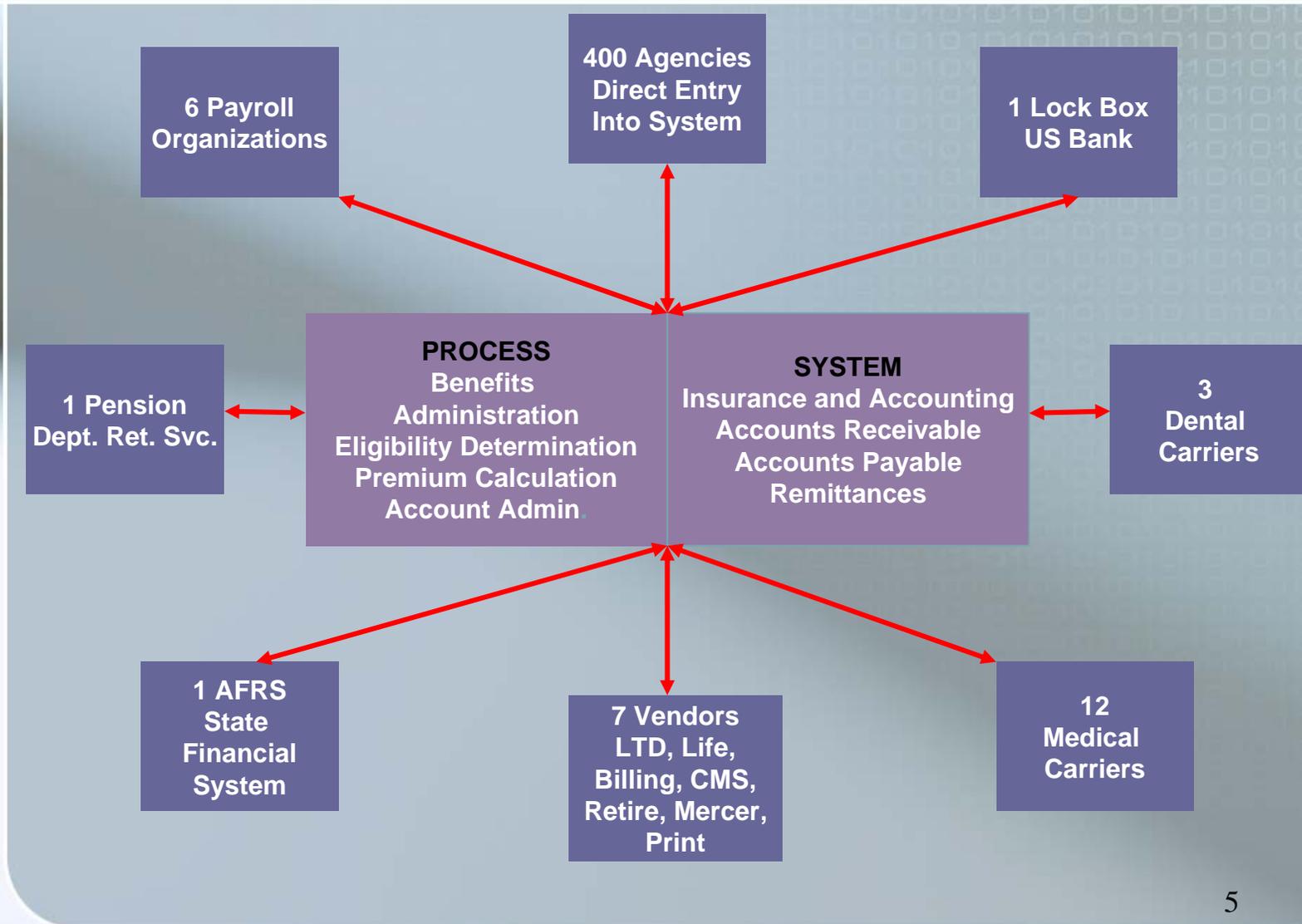
Scope of BAIAS

- Business Transformation
 - PEBB and BH Process Re-Engineering
 - Alignment with SAP “out of the box” solution
 - Opportunity for standardized processes and policies
 - End-to-end transformation, engaging customer base
 - Flexibility for product offerings and service

- Technology Improvement
 - Phase 1 - Replace PAY 1 system with COTS
 - PEBB eligibility
 - PEBB and BH accounting
 - Enable HIPAA compliance
 - Self-Service option for members
 - Phase 2 – Replace MBMS with COTS
 - BH eligibility



Scope of BAIAS



Project History To Date

- Year 2005
 - ISB approval and appropriation (\$7.5 Million) to proceed
 - Phased approach (PEBB and then BH)
 - COTS Solution
 - Gated ISB approval

- Year 2006
 - RFI conducted April 2006
 - 1st RFP released August 2006
 - New legislative appropriation of \$25.5 Million

- Year 2007
 - Contract with SAP completed June 2007
 - Integrator contract negotiations terminated
 - Market search completed July 2007
 - New RFP issued August 2007
 - ASV selected December 2007 – Accenture
 - Protest-free procurement



Fast Forward SAP & Accenture

- SAP Agreement – Effective July 2007
 - Solution most closely addresses 1200 HCA business requirements
 - Strong business and operational advantages to signing
 - ❖ Competitive Pricing (locked for future years)
 - ❖ Deferred maintenance costs and expanded warranty
 - ❖ Warranty of custom interface between the benefits & PSCD financial modules
 - ❖ Process re-engineering geared to SAP
 - ❖ Alignment with Roadmap

- Accenture Agreement – Targeted for February 2008
 - Solution approach strongly differentiated between PEBB and BH
 - Solution approach minimizes risk of “green bridge” transactions
 - Robust OCM approach
 - Weathered HRMS team with “lessons learned”
 - Familiarity of firm’s strengths and weaknesses

Managing Project Risk

- Successful SAP Module Integration
 - Accenture solution minimizes risk
- Long-term sustainability of the solution
 - Early business and IT readiness critical
 - Plan B assessment sooner than later
- Legislative mandates expanding scope
 - Non-session stakeholdering with legislature
- Adequate project resources
 - Maximizing other agency staff (reimbursement)
 - Utilizing contracts for specialized services
- Complex external stakeholder environment
 - Robust change management effort
 - Proactive solicitation
 - Early stakeholder involvement with BPR work



Moving Forward

- System Freeze
 - Precious resources needed for LODO and project work
 - HRISD contractors to be used for project work
 - Currently developing governance for approving system work/enhancements
- Resources
 - Staffing required for approximately 60 project FTEs
 - Benefits specialists, Financial Analysts, BASIS developers
 - Dedicated FTEs loaned to HCA will be compensated
 - Opportunity for internal subject matter expert
 - Growth opportunity for employee
 - Meeting with key agencies to solicit resources
- Project Participation
 - Standardizing business processes
 - Engagement in organizational change and business readiness activities



Questions?



PEBB Meeting Schedule

Working Lunch 11:30 a.m. – 1:00 p.m.
Board meetings 1:00 p.m. – 3:00 p.m.

Proposed dates:

January 17, 2008

February 20, 2008

March 19, 2008

April 23, 2008

May 28, 2008

June 25, 2008

July 9, 2008

July 16, 2008

October 22, 2008 Board Retreat