

TML INTERGOVERNMENTAL EMPLOYEE BENEFITS POOL
Underwriting/Bid Review and Budget/Finance Committees Meeting
June 26, 2008 @ 9:00 am
Sheraton Fiesta ~ South Padre Island
310 Padre Boulevard
South Padre Island, Texas 78597
(956) 761-6551 ~ (956) 791-4181 Fax

AGENDA

I. Organizational Items (Part I)

- A. Call to Order
- B. Roll Call and Declaration of Quorum
- C. Underwriting/Bid Review and Budget/Finance Committees Minutes (**Tab A**)
 - 1. June 28, 2007

II. Executive Session

The Trustees will adjourn into Executive Session under authority of the Texas Government Code 551.0785 to deliberate a matter that includes a consideration of information in the medical or psychiatric records of an individual applicant for a benefit from this plan.

III. Discussion Items

- A. Budget Overview
- B. Healthcare Update
- C. Market Based Management
- D. Eligibility Update
 - 1. Eligibility Update
 - a. TML IEBP requires 100% employee participation except for:
 - i. Employees that are Tricare participants
 - ii. Employees that are participating on their spouses plans
 - iii. Employees that have retired from a previous employer and are receiving retiree benefits
 - iv. **Council is required to maintain 100% participation regardless of the above guidelines**
 - b. Alternate Plan Option will **not** be available to active Tricare employees, active Medicare-entitled employees and spouses of Tricare and/or Medicare entitled employees
 - 2. All active and full-time employees will be considered eligible covered individuals for benefits
 - 3. An employee is defined as a person who works at least twenty (20) hours per work and receives all benefits afforded to other employees
 - 4. Employees must enroll within 31 days of employment or qualifying event regardless of waiting period procedure
 - 5. Eligibility information for the birth of a new child must be received within 60 days of birth
 - 6. If the employer pays 100% of Employee's costs eligibility and maintains 100% participation the enrollment paper work will be accepted within 32-60 calendar days of commencement of employment as a late entrant.
 - 7. Employees must enroll eligible dependents within thirty-one days of the qualifying event

8. Elected officials may enroll in the Plan if 100% participation requirement of the elected officials is met
 9. Creditable Coverage is a recognized benefit for new hires after 10/1/07.
 10. Management of Actively at Work Status
 - a. Exhaust vacation time
 - b. Exhaust sick time
 - c. Exhaust FMLA Benefit
 11. If an employee is not actively at work termination of health benefits will be required.
- E. Vendor Benefits
1. United Medical Resources-ID Card Change
 2. MBI to BPS (Benefit Payment System) Consumer Driven Care Benefits
 - a. Health Reimbursement Accounts
 - b. Health Savings Accounts
 - c. Section 125
 - d. Health Risk Appraisal/Assessment to Health Power Assessment
- F. TML IEBP Service Overview
- G. Healthy Initiative Plan Overview/**Medical Schedule of Benefit Changes**
1. Medical Covered Individual Communication (**Tab B**)
 - a. Employee Reminder Notice
 - b. Notice of Pre-Existing Limitation
 - c. Notice of Special Enrollment Opportunities
 - d. Notice of Benefits for Mastectomy and Breast Reconstruction
 - e. Employee Audit Tool
 - f. Employer/Employee Benefit Guide ~ PPN
 - g. Medicare Information
 - h. Life/LTD/STD Information
 2. Summary of Schedule of Benefit Changes (**Tab C**)
 - a. Personal Health Record/Biometric Screenings
 - b. Eligible Prescription Benefit within the Medical Plan
 - i. Comprehensive Blood panel
 - ii. Thyroid Stimulating Hormone >age 35 (Prior benefit >50)
 - iii. Osteoporosis Screening/Bone Density >35 (Prior benefit >50)
 - iv. Benefit will transition to calendar year vs. plan year
 - c. Hearing Appliance - \$3,500 (Prior Benefit: \$2,000)
 - d. Morbid Obesity - 18 years of age or older (Prior Benefit: 64 age cap)
 - e. Physical/Occupational Therapy - \$3,000 (Prior Benefit: \$2,000)
 - f. Medical Notification Care Management
 - i. Sonogram/Ultrasound in excess of three (3) (Prior Benefit (2)
 - ii. Chemotherapy
 - iii. Computerized Axial Tomography (CAT Scans)
 - g. Deductible
 - i. The Family Deductible is cumulative dollar amount and applies collectively to all covered family individuals. Once the family deductible is satisfied, no further deductible requirements will be applied for any covered family individual during the remainder of the calendar year.

- h. Out of Pocket/Deductible per Calendar year
 - i. The Family Out of Pocket is cumulative dollar amount and applies collectively to all covered family individuals. Once the family out of pocket is satisfied, no further out of pocket requirements will be applied for any covered family individual during the remainder of the calendar year.
- i. Mastectomy and Breast Reconstruction
 - i. Prophylactic Mastectomy and/or Oophorectomy - prophylactic mastectomy and/or oophorectomy will be covered only with clear and concise documentation establishing that the continued presence of the body part sought to be removed constitutes a serious threat to the health of the covered person. Current recommendations supporting prophylactic mastectomy and/or oophorectomy in United Healthcare Guidelines and NCCN Guidelines will be required for eligible benefit approval.
- j. Exclusions/Limitations
 - i. For penile prosthetic implants and devices
 - ii. For charges for internet medical management services and/or telemedicine, unless medical information is communicated in real-time with the use of interactive audio and video communication equipment, and is between the performing physician and a distant physician or health care specialist with the patient present during the communication
 - iii. For treatment of any injury or illness during any extension of the time period of continuation of coverage which is attributable to the Employer's failure under the law or as required by contract to give timely notice of a qualifying event
 - iv. For treatment of any injury or illness during any time period following a lump sum or severance settlement of an employment termination unless continuation of coverage has been elected and then only for the time period required by law under continuation of coverage
 - v. For inpatient treatment of any injury, illness or disability, resulting from or sustained as a result of being engaged in a felonious act as defined by Texas law or a criminal act as defined by Section 49.04 (driving while intoxicated), 49.045 (driving while intoxicated with child passenger), 49.05 (flying while intoxicated), 49.06 (boating while intoxicated), 49.065 (assembling or operating an amusement ride while intoxicated), 49.07 (intoxication assault), or 49.08 (intoxication manslaughter) of the Texas Penal Code or comparable statutes of another state, regardless of whether the covered individual was arrested, indicted or convicted as a result of the act. Proof of such act may be shown by a preponderance of the evidence
 - vi. for contraceptive devices including, but not limited to, IUD and Norplant;

- k. Unproven Medical Procedures
 - i. The use of a drug, substance or device that has not been approved by the United States Food and Drug Administration; or has been conditionally approved for limited diagnosis or treatment of conditions other than those for which a Covered Individual is receiving service, supply, or treatment (off label or unlabeled use); or has not been designated as efficacious by NCCN (National Cancer Care Network) or NIH (National Institute of Health) guidelines.
- l. Prescription
 - i. Coverage for prescriptions that are available through the Pharmacy Benefit Manager will be paid per the prescription schedule of benefits and will not be eligible under the medical plan. Eligible Network, Specialty Pharmacy Benefit Manager and BioTech prescriptions may be covered under the Medical Plan.
 - ii. For prescriptions purchased outside of the Pharmacy Benefit Manager, Specialty Pharmacy Benefit Manager or the Network, the plan will pay at the out of network benefit percentage or 50% for indemnity plans and will not, at any time, pay at 100% for any prescription services under the out of pocket provision of the Plan.
- 3. Medical Benefit Book Language Changes (**Tab D**)
 - a. Large Care Management to Intensive Care Management
 - b. Eligible Expenses transition to Eligible Benefit
 - c. Usual, Reasonable & Customary – A usual, reasonable and customary charge is based on 110% of RBRVS
 - d. Health Risk Appraisal to Health Power Assessment
 - e. Proof of enrollment may be requested twice per plan year and must be provided when requested
 - f. The Group Benefits Administrator may require satisfactory proof of the continued incapacity documented as a disability by the Social Security Administration (SSA)
 - g. Special Rules for Coordination/Integration Benefits
 - h. For covered individuals who are enrolled in and receive benefits under Medicare C or Part D, any expenses incurred under these programs are not eligible for coverage under this Plan.
 - i. Clinical Trial Definition Update
 - i. Phase I Trial
 - ii. Phase II Trial
 - iii. Phase III Trial
 - j. Allergy Immunotherapy – stimulation of the immune system with gradually increasing doses of the substances to which a person is allergic. The aim is to modify or stop the allergy by reducing the strength of the response.
 - k. Sublingual Immunotherapy – involves the administration of antigen drops under the tongue. The antigen drops are administered in gradually increasing doses in an effort to build up individual tolerance to the allergy-causing substance. Note: This is considered investigational.

II. Plan Options

A. Group Plans (Tab E)

1. Group Managed Care Plans
100% participation requirement would need to be met for group plans and group individual plans excluding:
 - a. Employees on Spouse Plan
 - b. Employees on a retiree plan from prior employment
 - c. Tricare Covered Individuals
2. Indemnity Plans

B. Group Individual Choice Plan

1. **Plan A:** P85-30-25 - \$300 Deductible/\$2,500 OOP Retail: Mac A \$10/35; Mail Order: \$25/83; **(4.5%)**
2. **Plan B:** P85-50-25 - \$500 Deductible/\$2,500 OOP Retail: Mac A \$10/35; Mail Order: \$25/83; **(2.5%)**
3. **Plan C:** P85-50-50 - \$500 Deductible/\$5,000 OOP Retail: Mac A \$10/35; Mail Order: \$25/83; **(1%)**
4. **Plan D:** P85-75-40 - \$750 Deductible/\$4,000 OOP Retail: Mac A \$10/35; Mail Order: \$25/83; **(flat)**
5. **Plan E:** Core Plan - No Deductible/\$3,000 OOP Retail: Mac A \$10/35; Mail Order: \$25/83; **(10.0%)**
100% participation requirement would need to be met excluding:
 - a. Employees on Spouse Plan
 - b. Employees on a retiree plan from prior employment
 - c. Tricare Covered Individuals
6. Health Reimbursement Accounts would need to be implemented
7. Health Reimbursement Plan Documents would need to be submitted/completed to covered individuals
8. Mac A
 - a. If a brand name drug is dispensed and a generic equivalent drug exists, the Covered Person pays the difference between the brand name and generic price in addition to the appropriate copayment for the brand name.
9. Payroll Deductions would need to be established for buy up plans
10. Continuation of Coverage procedures will be included in education meetings
11. Debit Card procedures will be established for HRA balances that may be accessed for time of service eligible healthcare services
12. Life Benefits will be provided on Group and Group Individual Plans
13. Early Retirees accessing Group Individual Plans will be charged 185% of the Group Individual Plan rate

IV. Prescription Benefits (Tab F)

A. Managed Care Plans

1. Deductible: \$100.00
2. Specialty Rx Copay \$80.00/34 day dispensement
3. Plan Benefit Percentage after the deductible has been met will be 80% and Covered
4. Individual will be 20% until Annual Out of Pocket Maximum is met
5. Factor Change due to Biotech Prescription Costs **1.04 to 1.14**

- B. Prior Authorization
 - 1. ADD
 - 2. Growth Hormones
 - 3. Accutane
 - 4. Botox
 - 5. Myobloc (similar to Botox)
 - 6. Oral Chemotherapy
- C. Over the counter
 - 1. Non-Sedating Antihistamines (Claritin, Alavert)
 - 2. Smoking Deterrents (Nicorette, Nicotine Patch)
 - 3. Stomach and Ulcer Medication (Prilosec)
 - 4. Allergy Medication (Zyrtec)
- D. Expand Contraceptive
 - 1. Transdermal Patches
 - 2. Oral Extended Cycle Contraceptives
 - 3. Contraceptive Devices (Rx Plan Only)
 - 4. Levonorgestrel (Norplant)
- E. Prescriptions not Covered under benefit
 - 1. Lifestyle Convenience Prescriptions
 - 2. Extended Release Medications
 - a. Lifestyle Convenience Prescriptions (ie: erectile dysfunction)
 - b. Anti-depressive agents
 - c. ADD/ADHD agents
 - d. Migraine Prophylactic agents
- F. Specialty Rx: 34 Day dispensement (Prior Benefit: 30 days)
- G. Wal-mart Access
 - 1. 70% of retail copay fro brand
 - 2. 70% of retail copay for generic
 - 3. \$4.00 retail prescriptions, no out of pocket expense for covered individuals
 - 4. \$10.00 retail prescriptions, no out of pocket expenses for covered individuals
- H. Caremark Access
 - 1. Retail/Mail Generic
 - 2. Retail/Mail Brand Formulary/Preferred
 - 3. Retail/Mail Brand Formulary/Non Preferred
 - 4. Mail Biotech/SpecialtyRx

V. **Dental Benefit Changes (Tab G)**

- A. Dental II Benefit Changes
 - a. New ADA Codes
 - D0210 ~ Intraoral
 - D0330 ~ Panoramic Survey film
 - b. Complete intraoral series (full mouth series) limited to one series in a sixty (60) consecutive month period (Prior Benefit 36 months)
 - c. Panoramic with/without bitewings (full mouth series limited to one series in a sixty (60) consecutive month series) (Prior Benefit 36 months)
 - d. **ADA Fee Schedule Review**
 - e. Eligible Language Changes per Medical Book
- B. Voluntary Dental II Rates
 - a. Voluntary 30% Rate Increase over 100% Participation Plan
 - b. Voluntary Dental II Rates same for active and retiree covered individuals

- C. **Dental III Benefit Changes 5% Rate Increase**
 - a. Preventive, Basic and Major Dental Expense Benefit \$2,000 per calendar year (Prior Benefit \$1,500)
 - b. Bitewings X-Rays limited to two (2) sets in a calendar year
 - c. Full mouth X-Ray limited to one (1) in a sixty (60) month period (Prior Benefit 36 months)
 - d. Panoramic X-Ray limited to one (1) in a sixty (60) month period (Prior Benefit 36 months)
 - e. Eligible Language Changes per Medical Book

VI. **Vision Benefit Changes (Tab H)**

- A. Vision A
 - 1. No Benefit Changes
 - 2. Eligible language changes per Medical Book
- B. Vision B
 - 1. No Benefit Changes
 - 2. Eligible language changes per Medical Book

VII. **Retiree Benefits (Tab I)**

- A. Comprehensive Medical Plan/TML IEBP Loss Ratio ~ 254.18%
- B. Retiree Continuum of Care (RCC) Medical
 - 1. High Plan
 - a. Hearing Appliance \$1000 (Prior Plan: \$500)
 - b. Physical/Occupational (combined) \$3,000 (Prior Plan: \$2,000)
 - 2. Standard
 - a. Hearing Appliance \$1,000 (Prior Plan: \$500)
 - b. Physical/Occupational (combined) \$2,000 (Prior Plan: \$1,000)
 - c. Out of Pocket Expense Family Collectively (2)
- C. Retiree Continuum of Care Prescription
 - 1. \$2,000 Calendar Year Maximum (changes per active)
 - 2. \$4,000 Calendar Year Maximum (changes per active)
- D. Retiree Continuum of Care Book Language Changes per Comprehensive Plan
- E. Retiree Continuum of Care Plan does not have access to the Healthy Initiative Personal Health Record
- F. Rate ~ Loss Ratio: 254.80%

XI. **Network Review (Tab J)**

- A. Provider Network
 - 1. East Texas
 - 2. South Texas
 - a. Universal Health Systems
 - b. Medicare/Medicaid
 - c. AARP
 - 3. Direct Counties
 - a. Gillespie
 - b. Kerr
 - c. Llano
 - d. Blanco
 - e. Kendall

- B. HealthSmart
 - 1. Taylor County
- C. United Regional Hospital vs. Kell West

VIII. Supplemental Benefits

- A. Employee Assistance Program
- B. Accidental Supplemental Policy
- C. Life/LTD/STD/ADD/PAI
- D. Critical Care Supplemental Policy
- E. Wellness Web Portal
- F. Cancer Supplemental Policy
- G. Long Term Care Policy
- H. On-Line Enrollment

IX. Factors (Tab K)

- A. Healthcare Trend
- B. Age and Gender Factors
 - 1. No Change
- C. Area Factors
 - 1. No Change
- D. Medical Trend Factor/Healthcare Trend Analysis
 - 1. IBNR/Lag ~ 10%
 - 2. TML IEBP 2007-2008 Operation/Utilization Trend 10.15 with census changes ~ October through May 10.65%
 - 3. Factor Sheet
- D. Prescription Trend ~ 8%
- E. Stop Loss Trend ~ 12%
- F. Plan Factor Review for 2008-2009
 - 1. 75-50-30 Loss Ratio ~ 127.37%
 - 2. 85-50-15 Loss Ratio ~ 127.77%
 - 3. 85-55-75 ~ 102.04%
- G. Tiered Factors
 - 1. Composite 185% of EE
 - 2. Spouse 103% of EE
 - 3. Child 76% of EE
 - 4. Family 230% of EE ~ Current Load is 200% TML IEBP error
 - 5. MI 85% of EE
- I. Retiree Benefits
 - 1. Manuals
 - 2. 185% recommendation
 - a. Loss Ratio ~ 254.18%
 - 3. Retiree Continuum of Care
 - a. Loss Ratio ~ 254.80%
 - 4. Voluntary Dental & Vision Rates

| Benefit | 2007-2008 Rates | 2008-2009 Rates |
|--------------------|---|--|
| Voluntary Vision A | Retiree \$9.38/Family \$18.75 | Retiree \$9.38/Family \$18.76 |
| Voluntary Vision B | Retiree \$12.50/Family \$25.00 | Retiree \$12.50 Family \$25.00 |
| Dental II | Retiree \$25.00; Retiree & Spouse \$50.00; Retiree & Child (ren) \$68.75; Family \$75.00 | Retiree \$11.36 Comp \$19.14/ Spouse \$15.26/ Child (ren) \$13.08/ Family \$22.40 |

- J. Fixed Rates
 - 1. Network ~ \$2.00
 - 2. Medical Management ~ \$4.00

X. **Management of Member Equity (Tab L)**

- A. Reserve Policy
- B. Equity Allocation

XI. **Loss Ratios through May**

| Membership | October – May 2008 |
|------------|--------------------|
| Pool: | 85.74% |
| Mini-Pool: | 93.40% |

XII. **Cost Projection (Tab M)**

XIII. **Membership Contribution Cost Overview (Tab N)**

Pool Single Plan Groups

| Rate Increase/Decrease | Number of Groups |
|------------------------|------------------|
| 0% | 167 |
| 2% | 136 |
| 3% | 115 |
| 4% | 3 |
| 6% | 40 |
| 8% | 11 |
| 10% | 23 |
| 11% | 1 |
| 12% | 17 |
| 13% | 38 |
| 15% | 33 |
| 16% | 1 |
| 17% | 27 |
| Total | 612 |

Mini-Pool Single Plan Groups

| Rate Increase/Decrease | Number of Groups |
|------------------------|------------------|
| 0% | 9 |
| 3% | 4 |
| 5% | 5 |
| 7% | 2 |
| 12% | 2 |
| 11% | 3 |
| 14% | 2 |
| Total | 27 |

Pool Multi-Plan Groups

| Rate Increase/Decrease | Number of Groups |
|------------------------|------------------|
| 0% | 2 |
| 3% | 2 |
| 15% | 1 |
| 16% | 1 |
| Total | 6 |

Mini-Pool Multi-Plan Groups

| Rate Increase/Decrease | Number of Groups |
|------------------------|------------------|
| 0% | 2 |
| 3% | 2 |
| 6% | 1 |
| 13% | 1 |
| 15% | 2 |
| Total | 8 |

XIV. **HIPAA (Tab O)**

- A. Comply and/or Opt Out Decision