

**Texas Health Insurance Risk Pool
Board of Directors Meeting
May 22, 2009**

The meeting of the Board of Directors of the Texas Health Insurance Risk Pool was held on Friday, May 22, 2009, at 333 Guadalupe, Room 102, in Austin, Texas.

Notice of the Meeting was filed electronically with the Secretary of State's office on Wednesday, May 13, 2009 and published immediately on the *Texas Register* web site (TRD number 2009003509).

Members present were Gary Cole, Chair, Rick Ott, Vice-Chair, Greg Barbutti, Secretary/Treasurer, Ed Baxter, Robert Emmick, M.D., Pati McCandless, Vicky Paparelli, R.N., Bill Rainey, M.D., and Marinan Williams. Also present were Steven Browning, Pool Executive Director, Patricia Calhoun, Pool Appeals Specialist, and Betty DeLargy, General Counsel to the Pool.

The following representatives from BlueCross BlueShield of Texas ("BCBSTX") attended: Jackson Boen, Vice President State Accounts; Wanda Gutierrez, Senior Manager; George Hamilton, Attorney; Brian Naiser, Divisional Vice President Government Accounts; and Cyrus Walker, Director of Account Management, Government Accounts.

The following representatives from Medco Health Solutions attended: Patrick Fiduccia, Financial Manager; Bryan Hammons, Director of Clinical Services Key Accounts; David Runyan, Account Manager; Jill Stearns, Senior National Account Executive; Ken Wagg, RPh., Accredo Health Group; and Mark Wermes, Vice President Key Accounts.

Sue Hart, with Milliman, Inc., and Alan Kellogg, RPh., HealthLinX, also attended the meeting.

Meeting Called to Order

With a quorum of the Board present, Chairman Cole called the meeting to order at 8:30 a.m.

I. Approval of Minutes

Dr. Emmick moved to approve the minutes of the February 13, 2009 Board of Directors meeting. The motion was seconded by Dr. Rainey and unanimously approved.

II. Financial Report

Mr. Browning discussed the Pool's Y2008 Annual Statement, filed with the Texas Department of Insurance ("TDI") in March. **Dr. Emmick moved to ratify the 2008 TDI Annual Statement filing, seconded by Dr. Rainey and unanimously approved.**

Mr. Browning introduced Don McPhee and Leo Zvonek with PMB Helin Donovan, which audited the Pool's Y2008 financial statements. They presented their audit reports for the Pool's statutory and GAAP financial statements and affirmed that the statements present fairly, in all material respects, the assets and liabilities of the Pool as of December 31, 2008. They noted that the audit team did not identify any deficiencies in internal controls that were considered to be material

weaknesses. Discussion ensued about the Pool's statutory accounting practices, prescribed by TDI, which differ from generally accepted accounting principles. Further, the auditors confirmed that the audit, which was conducted in accordance with U.S. government auditing standards, verified that the Pool, a recipient of federal grant funds during 2008, complied with the requirements of OMB Circular A-133. Mr. Zvonek agreed to revise next year's report to clarify that the Pool files financial statements only with TDI and not with other states.

Mr. Barbutti moved to accept the December 31, 2008 financial audit report prepared by PMB Helin Donovan, and noted there are no operational changes to be made as a result of the audit. Dr. Emmick seconded the motion, which was unanimously approved.

Dr. Emmick moved to approve \$76,471,627 as the audited Y2008 net loss for the Pool and the amount of the Y2008 Regular Assessment. The motion was seconded by Mr. Barbutti and unanimously approved.

Mr. Browning reviewed the Pool's unaudited monthly financial reports for the period of January through March 2009. Following further discussion of the reports, **Mr. Barbutti moved to approve the Pool's January, February and March 2009 financials, seconded by Dr. Rainey and unanimously approved.**

Mr. Browning reviewed the First Quarter 2009 Statement filed with the Department. He noted that this statement is a reformat of financial data previously approved by the Board. **Mr. Ott moved to ratify the TDI First Quarter 2009 filing, seconded by Dr. Emmick and unanimously approved.**

Mr. Browning reviewed the Pool's investments as of 04/30/2009 and the Pool's current investment policy. He indicated that he will present, at the fall Board meeting, proposed revisions to the Pool's investment policy, as the current investment market has made it difficult to comply with the investment category concentration caps of the policy. Further discussion ensued about the difficult investment market and poor returns.

Mr. Browning informed the Board about the recent CMS announcement of the FY09 federal risk pool grant, for which an application must be submitted by June 30, 2009. He discussed the Pool's federal grant award history and his estimate of this year's award amounts. The Board discussed at length whether to use this year's Bonus and Operational Losses grants for general premium trend reduction for all enrollees or for targeted low-income premium subsidies.

To assist the Board with this decision, Ms. Hart presented the standard risk rate analysis for premium rate changes, to be effective August 1, 2009, and discussed how different levels of federal grant funds applied to premium relief would affect the rate of premium increase. There was extensive discussion about the separate low-income premium subsidy program that would be created by HB 2064 and how that would interface with a premium subsidy program funded by this year's federal grants. Given the complexity of a subsidy program, consensus was reached to use this year's grant awards for overall trend reduction instead of a low-income premium subsidy.

After further discussion, **Mr. Ott moved to authorize the Executive Director to submit the Pool's application for the FY09 Bonus Grant for Supplemental Consumer Benefits as a request for funds for general Pool premium reduction. The motion was seconded by Dr. Emmick and unanimously approved.**

The Board next discussed the Operational Losses grant and whether to split that award between premium trend relief and assessment reduction. By regulation, the Texas Pool must allocate at least half of this federal grant to premium reduction. After discussion of the issue, consensus was reached to allocate 100% of this grant to premium reduction.

After further discussion, **Mr. Barbutti moved to approve the premium rate increases recommended by Milliman, effective August 1, 2009, to maintain Pool premiums at 200% of the standard risk rate. The approved rate increases, prior to adjustments for federal grant subsidies, are as follows: Plan I: 8.6%; Plan II: 10.3%; Plan III: 12.1%; Plan IV: 12.1%; and Plan V: 10.3%. The motion was seconded by Dr. Rainey and unanimously approved.**

Mr. Barbutti moved to allocate the full amount of the FY09 federal Operational Losses Grant to premium reduction, and approve premium rate increases for enrollees, as subsidized by the federal grants, effective August 1, 2009, as follows: Plan I: 4.3%; Plan II: 5.9%; Plan III: 7.7%; Plan IV: 7.6%; and Plan V: 5.9%. The motion was seconded by Mr. Ott and unanimously approved. All rate adjustments are subject to Commissioner approval.

In tribute to Ed Baxter's dedicated service to the Pool, Mr. Cole presented Mr. Baxter with a certificate of appreciation. Mr. Baxter was the Pool's first chair and has served continuously on the Board since 1997.

Mr. Cole recessed the meeting for a brief break.

III. Executive Directors Report

Mr. Cole called the meeting back to order at 10:15 a.m.

Mr. Browning presented the updated Board of Directors Summary and the draft of the Annual Report to the Governor, which must be distributed by June 1, 2009. He asked the Board members to submit any suggested edits to the draft Report by May 26, 2009.

Ms. McCandless moved to adopt the Y2008 Annual Report to the Governor and authorize the Executive Director to make final revisions as necessary. The motion was seconded by Dr. Rainey and unanimously approved.

The planning Timeline was reviewed by Mr. Browning.

IV. Other Board Issues & Administrative Matters

Ms. DeLargy reviewed her bill status report, as of May 14, 2009, which lists bills that may affect the Pool. She updated the status of several bills with legislative action since the report date.

Mr. Browning presented the medical claims audit report from Claim Technologies, Inc. for the May 1, 2007 through April 30, 2008 audit period. The report results were generally favorable. Those areas requiring additional recovery work, primarily duplicate claims, will be tracked by the Executive Director's office.

Mr. Cole announced his appointment of members to this year's benefits review work group, to include himself, Mr. Barbutti, Dr. Emmick, and Ms. Williams.

Mr. Browning discussed the timeline for the BCBSTX administrative services contract and the Medco pharmacy management contract. Last year, the two contracts were extended and scheduled for different termination dates, with the intent to release the administrative services contract for competitive bid this year, by year-end. Otherwise, the BCBSTX contract would have to be extended another year and the two contract periods would again coincide. After further discussion, **Mr. Barbutti moved to authorize the Executive Director to prepare and release by year-end a request for proposals for third-party (non-PBM) administrative services. Ms. Paparelli seconded his motion, which was unanimously approved.**

Dr. Rainey, Grievance Committee chair, reviewed the April 8, 2009 Grievance Committee minutes. **Ms. Paparelli moved to approve the Committee meeting minutes, seconded by Dr. Emmick and unanimously approved.**

V. Discussion and Actions on Matters Concerning the Third Party Administrators

A. Report from BlueCross and BlueShield of Texas

Mr. Naiser provided corporate updates, including a progress report for consolidation of the five Dallas/Ft. Worth BCBSTX offices into a one-million square-foot facility that will house 4,000 BCBSTX employees, scheduled for December.

Ms. Walker updated the Board about various projects, including the explanation of benefit form (EOB) enhancement project. BCBSTX is identifying the denial explanations on the Pool's EOBs and reviewing and clarifying them, as needed, with input from Mr. Browning and Ms. DeLargy. Blue Health Intelligence is a new claims database tool that will allow the Pool to compare its claims data with similar populations in other national Blue-administered plans, including other risk pools.

Ms. Walker discussed the conversion of the Pool account to a new uniform ID card platform used by all Blue-administered plans. This new card contains magnetic stripe "smart card" technology. Since April 16th, new Pool enrollees have received the new card, which permits medical providers to access eligibility information via the stripe. The new platform gives BCBSTX the ability to pull up an actual image of each enrollee's ID card. A mass reissue of this card to all Pool members is planned. Ms. Walker noted the small size of the Pool's logo on the new card compared to the BCBSTX logo and stated that work is ongoing to increase the relative size of the Pool's logo. The Board urged Ms. Walker to increase the size of the Pool logo to reduce confusion among enrollees about their coverage.

Ms. Walker introduced the 24/7 nurse help line service that is now available to the Pool, at no additional charge. This service has been provided for several years to administered accounts for an extra fee through BlueCare Connections, but is now being unbundled and offered to all accounts at no additional charge. The nurses use script protocols to assist callers who are attempting to evaluate the severity of an injury or symptoms. Ms. Walker agreed to follow up and provide Board members with some examples of these protocols.

Ms. Walker discussed this year's revisions to the BCBSTX PPO physician reimbursement fee schedule, effective August 15th, which will decrease overall network physician reimbursement by an average of 3 to 6%. Ms. Walker agreed to provide information that compares BCBSTX PPO network reimbursement rates to Medicare rates.

Ms. Gutierrez presented the first quarter 2009 claims and customer service activity statistics. She discussed the reasons for the slower average speed of answer during the quarter. Ms. DeLargy

asked her to provide data that compares the Pool's daily call volume to the volume for BCBSTX'S individual business.

Ms. Gutierrez reported that BCBSTX can allow Pool member monthly premium payment on a direct paper bill basis in addition to monthly bank draft. She also noted that the transition of the Pool's post office box from Abilene to Richardson has gone smoothly.

Ms. Walker presented the Pool's claim trend analysis for the first quarter, compared to the first quarter of 2008. She indicated that members are staying enrolled in the Pool longer, and, as they age, their rates of utilization are increasing. Ms. Williams asked BCBSTX to examine what further cost reductions might be obtained from hospitals, particularly those in the more expensive Houston area, given the Pool's special mission.

Ms. Walker provided an update about BCBSTX's case management activity for the Pool. She explained that as more facilities and providers are being contracted by the network, negotiated case management activity declines and the reported case management savings drops. Provider discount trends were discussed. The quarter-to-quarter total paid claims analysis indicates the Pool's overall discount has deteriorated to 46.4%, but if very large claims, Medicare claims, and out-of-state claims are excluded, the overall discount has held steady at $\pm 57.4\%$. This higher discount rate is still lower than BCBSTX's overall average discount of 60%, due to the relatively higher usage of specialty hospitals and noncontracting outpatient facilities by Pool members. Ms. Walker agreed to analyze this data further and provide more information about discounts at the next meeting.

Ms. Williams asked for a list of the 10 costliest facility providers, inpatient and outpatient, and their discount rates. She is concerned that these providers may be cutting back their discounts for large claims that exceed certain thresholds, hurting the Pool's discounted savings. She asked if it might be possible for the Board to assist BCBSTX's efforts to improve the Pool's discounts at such facilities since the Pool has a higher proportion of high-cost claimants. Mr. Naiser suggested that the head of BCBSTX network management attend the next meeting to discuss the network contracting process and how special provisions might be structured to benefit the Pool.

Dr. Emmick asked BCBSTX to review the file for cancelled member 222, whose primary diagnosis is shown as alcoholic liver cirrhosis, an excluded condition.

Mr. Browning discussed the updated performance standards chart and the resulting administrative fee reductions.

B. Report from Medco Health Solutions -- Status of Operations

Mr. Wermes discussed the ongoing health care reform debate and specific legislation filed by Rep. Henry Waxman and others that would authorize the FDA to set up a regulatory pathway for approving generic versions of expensive biologic drugs. Approximately 18% of the Pool's drug spend is for specialty drugs, so passage of this legislation could generate significant savings. Mr. Wermes said that Medco has drafted a letter, which clients are encouraged to sign, supporting passage of legislation to make these specialty generics available. He will forward the draft to Mr.

Browning for review. There was general consensus among the Board members to support the effort to allow FDA approval of generic specialty drugs.

Mr. Fiduccia presented the first quarter's results for the drug program. With the improved drug pricing from the recent contract extension, total drug costs increased only 3.3% compared to the first quarter of 2008; and most of this increase was related to the recent restriction of certain high-cost specialty drugs to the pharmacy benefit.

Mr. Fiduccia presented the Medco generic copay waiver program, in which Medco covers the copays for new generic scripts filled through the mail service if the script has not been obtained through mail during the prior 12 months. This voluntary program should increase the Pool's generic dispensing rate, at no cost to the Pool. The first waiver period will be offered the fourth quarter of this year, followed again in the second quarter of 2010. Medco will also cover the cost of member communications. The program requires no revisions to the Pool's coverage documents. Medco estimates annual savings of \$200,000 for the Pool and \$165,000 for participating Pool members. Consensus was reached to participate in this copay waiver program.

In response to the discovery by Medco researchers of a heightened risk of heart attack and stroke when Plavix and proton pump inhibitor drugs are taken together, Medco sent out fax alerts to 60,000 physicians who had prescribed this concurrent therapy for 90,000 patients. The Pool has 257 members in this group.

Mr. Browning noted that all performance guarantees were met in 2008.

C. Report from HealthLinx--Pharmacy Audit and Action Item Updates

Mr. Kellogg reported that the 2007 audit is complete, with a couple of administrative recommendations for Medco. All financial guarantees were met by Medco and there were no material findings. He stated that the Pool's drug benefit is well managed and all of Medco's available clinical programs are in place.

He reported that the Pools' pharmacy cost trends are in line with other health plans. All pharmacy data for the 2008 plan year have been received from Medco and that audit is now underway.

VI. Public Comment

Mr. Cole requested public comment. None was offered.

VII. Executive Session

At 1:15 p.m., Mr. Cole announced that the Board would go into Executive Session in accordance with the Texas Open Meetings Act (Subchapter D, Section 551) to seek the advice of counsel. He asked Board members, Pool staff and counsel to remain, and all others to rejoin the meeting upon conclusion of the Executive Session.

VIII. Approval of Any Executive Session Actions

At 1:30 p.m., Mr. Cole reopened the meeting to the public and reported that there were no matters from Executive Session requiring Board action.

The Board again discussed the Pool's new ID card, stressing to Mr. Browning the importance of increasing the size of the Pool's logo and reconfiguring the card to avoid the implication that BCBSTX insures the coverage of Pool members. Ms. DeLargy suggested that the word "administrator" could be placed below BCBSTX's name and logo for further clarification. Mr. Browning reiterated that he has already objected to the new configuration and the Pool's relatively small logo, and is now working with Ms. Walker to enhance the placement of the Pool's information on the card. He confirmed that he would let BCBSTX management know that the Board is also displeased with the card format.

IX. Adjournment

Mr. Barbutti moved to adjourn the meeting, seconded by Mr. Ott and unanimously approved. There being no further business, Mr. Cole adjourned the meeting at 1:45 p.m.