



**MISSOURI HIGHWAYS AND TRANSPORTATION
COMMISSION**

Official Minutes

TABLE OF CONTENTS

June 29, 2017

COMMISSION/DIRECTOR ITEMS

Commission Workshop – MoDOT / MSHP Medical and Life Insurance Plan..... 4

**MINUTES OF THE SPECIAL HIGHWAYS AND TRANSPORTATION
COMMISSION MEETING HELD IN CLARKSVILLE, MISSOURI,
THURSDAY, JUNE 29, 2017**

A special meeting of the Missouri Highways and Transportation Commission was held on Thursday, June 29, 2017, at the Overlook Farms, Cedarcrest Manor, 901 South Highway 79, Clarksville, Missouri. Michael B. Pace, Chairman, called the meeting to order at 10:00 a.m. The following Commissioners were present: Gregg C. Smith, Michael T. Waters, Jr., Mary E. Nelson, and John W. Briscoe.

On January 30, 2017 Governor Eric Greitens withdrew the appointment of Commissioner Edward D. Hillhouse; at the time of the June 29, 2017 meeting, a replacement had not been appointed.

The meeting was called pursuant to Section 226.120 of the Revised Statutes of Missouri, as amended. The Secretary verified that notice of the meeting was posted in keeping with Section 610.020 of the Revised Statutes of Missouri, as amended.

* * * * *

* * * * *

Patrick McKenna, Director of the Missouri Department of Transportation; Rich Tiemeyer, Chief Counsel for the Commission; and Pamela J. Harlan, Secretary to the Commission, were present on Thursday, June 29, 2017.

* * * * *

*“Department” or “MoDOT” herein refers to Missouri Department of Transportation.
“Commission” or “MHTC” herein refers to Missouri Highways and Transportation Commission.*

-- OPEN MEETING --

COMMISSION WORKSHOP – MODOT / MSHP MEDICAL AND LIFE INSURANCE PLAN

The Commission held a special meeting to learn more about the Missouri Department of Transportation and Missouri State Highway Patrol medical and life insurance plan. On behalf of the director, Roberta Broeker, Chief Financial Officer, explained that each year staff requests the Commission make a decision regarding the rates for medical insurance. She informed the Commission that the Medical Plan Board of Trustees met on June 28 with the actuary and has recommendations for the Commission’s consideration.

Jeff Padgett, Risk and Benefits Management Director, explained the medical plan has faced some financial challenges this past year and the plan has lost close to \$12 million. There have been a number of claims of serious type conditions that have contributed to that loss. There was also an annual adjustment to the estimated liability for incurred but not reported (IBNR) claims that went up significantly and put the plan in a bind from a financial statement perspective. From a cash flow perspective the plan is in good shape, but when you figure in the IBNR there is very little left in reserves to work with. In the past, the plan had been able to fund some of the increases from the plan reserves, Mr. Padgett reported that will no longer take place.

From 2016 compared to 2015, the claims themselves increased nearly five percent. The biggest issue for that time period was the payout of the claims increased by 17 percent. A large part of those claims were over \$100,000, which are large claims, and those increased by 48 percent. For example one claim for one person was about \$2.5 million, and another claimant was in excess of \$1 million. In addition, there were a number of people who had pretty severe conditions that were treated during the year. The plan continues to struggle with specialty medications which are very costly; payouts have

increased 13 percent. As a result the final net position as of December 31, 2016 is just over \$10 million, which is considerably less than where the plan was in 2015.

The medical plan developed a communication plan to convey to employees and plan members the value of the plan, the claims volume that has increased, the types of claims that have been paid, and what they can do to mitigate some of these claims. It is also a reminder that this is an open enrollment year during the month of October with an effective date of coverage for January 2018. This information is being distributed through Connection articles, the website, and other outlets available.

Ashley Halford, Employee Benefits Manager, described the history of the medical plan and the makeup of the Medical Plan Board of Trustees. There are eight members: four active MoDOT employees, two active Highway Patrol employees, one MoDOT retiree, and one Highway Patrol retiree. Each member of the board is recommended by either the Colonel of the Highway Patrol, or the Director of MoDOT, and is approved by the Commission. The board meets monthly and prepares its annual recommendations to the Commission for consideration when funding the plan.

Ms. Halford reviewed the recent history of the funding for the medical plan. She explained that from 2000-2007 the employers absorbed all increases for employees in the plan. Beginning in 2008, the employers started sharing the plan increases with the employees and the plan was no longer offered to active employees for free. In 2012 a special committee was created by the Commission to start developing a long-term funding strategy, from which was made the recommendation to have the employer pay 80 percent of the premium and the employee pay 20 percent of the premium.

Ms. Halford reported the medical services provider for the plan is Aetna and the pharmacy services provider is MedImpact. She noted the plan offers a PPO (preferred provider option) as the traditional plan as well as a HDHP (high deductible healthcare plan) with a HSA (health savings account). The deductible for the PPO plan is \$450 for an individual and \$1,350 for a family, and the prescription plan deductible is \$100 with ten percent co-insurance. The maximum out of pocket for an

individual is \$1,600 and for a family it is \$4,800. There are over 13,000 subscribers in the PPO plan. The HDHP with the HSA was first offered in 2016, and currently there are 253 subscribers. The deductible for the HDHP is \$1,700 for an individual or \$3,500 for a family. The HDHP has a thirty percent co-insurance. The maximum out of pocket for the HDHP is \$3,300 for an individual and \$6,600 for a family. It was noted that no meaningful deductible or out-of-pocket changes have occurred since 2012.

Another consideration are the other post-employment benefits (OPEB) which are the medical plan costs that is provided for current retirees and for current employees who plan to retire in the future. This is a financial obligation on the financial statements. While the OPEB obligation has dropped considerably over recent years, it remains a very large balance without a trust fund to support those costs. The department will be conducting an OPEB review soon.

Mr. Padgett then reviewed with the Commission the Plan Board of Trustees recommendations:

- (1) Continue offering the two plans that include the PPO plan and the HDHP with the HSA option.
- (2) Increase the deductibles for the PPO from \$450 to \$600 for the individual and from \$1,350 to \$1,800 for family. No changes for the HDHP.
- (3) Increase out of pocket maximum amounts for the PPO from \$1,600 to \$1,950 for individual and from \$4,800 to \$5,850 for family enrollments. No changes for the HDHP.
- (4) Increase the premiums by 8.5 percent for active employees in the PPO and HDHP as well as the Medicare retiree categories.
- (5) Increase the premiums by 11.5 percent for pre-Medicare retirees in the PPO.
- (6) Absorb the entire premium increase for active employees and subscribers in the work related disability categories.

Discussion took place regarding concerns in the legislative appropriations process which may restrict the Commission's ability to implement these changes. Staff indicated that these changes should be able to be implemented under the current appropriation but if a supplemental appropriation is needed

it will be requested. It was noted that an appropriation was made to cover health care cost increases for the rest of state employees.

Staff then sought the consensus of the Commission whether to proceed with these recommendations or if they needed to be modified at the Commission's request. Commission consensus was indicated that staff may proceed with formally making these recommendations at the next commission meeting.

The Commission thanked staff for preparation of the meeting materials that were easy to read and understandable for the presentation today.

* * * * *

* * * * *

By unanimous consensus of all members present, the meeting of the Commission adjourned.

* * * * *

* * * * *

The Mission of the Missouri Highways and Transportation Commission is to:

- Represent the citizens of Missouri pursuant to the Constitution by providing independent and nonpartisan governance of the Missouri Department of Transportation; and
- Establish policies, exercise oversight, and ensure accountability in developing and maintaining a world class transportation system in Missouri which fosters safety and economic development.

* * * * *