

Health Insurance Project Update

August 5, 2009

The RFP (Request for Proposal) developed and released by our consultants, Gallagher Benefit Services, Inc., closed on June 24, after extending the deadline two days to allow vendors additional time to develop their proposals. The RFP requested proposals for medical, dental, vision, and COBRA/retiree administrative services for calendar year 2010.

While there were a number of vendors who submitted proposals for dental, vision, and COBRA/retiree, only one, Blue Cross and Blue Shield of Oklahoma, provided a proposal for medical insurance. Our group of fourteen institutions met with Gallagher at UCO on July 21, to review the proposals submitted and to attempt to determine how to move forward.

(The fourteen institutions involved include: the RUSO institutions, the RUSO Board office, Rogers State University, Cameron University, the University of Science and Art, Seminole State College, Western Oklahoma State College, Murray State College, and Northern Oklahoma State College.)

Key to the discussion was the determination of why only one vendor chose to respond. A number of factors influenced this, all related to the degree of risk that the vendors were willing to assume.

1. The general state of the economy, with serious concerns about increasing inflation rates in the short term coupled with national discussion of health care reform and market instability: Insurance quotes are based upon actuarial projections of cost. Each of these factors adds a level of uncertainty to those projections.
2. The lack of reliable claims data for our group from OSEEGIB: OSEEGIB made a change in claims processors at the end of 2008. This resulted in a highly publicized backlog of claims that was estimated at one time to be as high as 300,000 claims. Recent reports in the last three weeks have placed the current backlog at 30,000. While OSEEGIB provided total claims numbers for 2008, the numbers were distorted due to this backlog. There was no way for our vendors to quantify the impact.
3. The lack of specific information related to our high claims from OSEEGIB: OSEEGIB provided highly summarized information about the number and total dollars of claims from 2008 for our members who have catastrophic illnesses. They were not able to provide specific information such as what illnesses make up those within the group or the prognosis for these illnesses. This information is critical to projecting the costs for the plan for the coming one to two years.
4. The lack of a formal agreement cementing the involvement of the entities involved in our project: The vendors expressed concern that without an agreement, any number of institutions could choose to withdraw from the project. Because the projections are based upon past claims history, any significant change to the number of members participating could dramatically change those projections. Our request for quotes for the group as a whole and as individual entities fed the fear that the group would not survive.

With only one viable response to the medical portion of the RFP, there are two basic options for the group: (1) stay with OSEEGIB for calendar 2010, planning to market our insurance again for 2011, or (2) accept the Blue Cross proposal and move our health coverage from OSEEGIB.

The Blue Cross, Blue Shield proposed rates for the 2010 plan year are 5.2% higher than the current (2009) OSEEGIB rates. Last week OSEEGIB presented a request to their Board for a 12.1% increase to their standard rate. We know from past experience that the rate OSEEGIB requests is not necessarily the rate which will be announced and implemented, but it is an indication of what they feel is required actuarially to fund their plan for 2010.

There are several plan structure changes included with the Blue Cross proposal. While OSEEGIB does not have a lifetime maximum, Blue Cross has proposed a \$2 million lifetime maximum. OSEEGIB offers six tiers of coverage, while BCBS proposes five – eliminating ‘Employee, Spouse and one child’. Blue Cross has a strong network, not only in Oklahoma, but across the United States. OSEEGIB provides network coverage within Oklahoma and some providers in the Sherman/Denison area.

During the meeting the group asked a number of questions for Gallagher to take back to Blue Cross for clarification or for response. For example, we requested information on whether a higher lifetime maximum could be considered. Those responses are being reviewed at this time.

As a group we discussed the viability of remaining with OSEEGIB for another year. Because the claims backlog has taken so long to resolve, we believe that claims data available for 2009 will be just as suspect as that for 2008. While the 2008 data was understated, there is a strong possibility that the 2009 claims data will be significantly overstated. There is also no indication that our claims data will be maintained in any different format, meaning that our specific large claims data will not be available from OSEEGIB in future. We feel this means that there is a high likelihood that future marketing efforts will also be distorted.

If we should choose to move forward with the proposal from Blue Cross we ensure that our claims data is accessible for future marketing efforts. The group as a whole recognized the value in making a change to position ourselves to be able to return to market within a year or two with accurate data. We should then be able to attract bids from several vendors. Weighing against this recommendation is the stress that we inflict on our employees when asked to change insurance providers and the increased limitations of a commercial insurance product compared to our current coverage through OSEEGIB.

The participants were asked if they could commit to the project by August 7. Several were concerned with taking the information that we now have to their Board for authorization to move forward. They are concerned that they do not have enough information in hand for their Board to make a decision.

The final rates from OSEEGIB are expected to be announced on August 21. This will give us roughly one week to make a final decision. Enrollment period for the coming year is usually during the month of October. If we choose to move to Blue Cross, September will be extremely busy formalizing our agreement, developing enrollment materials, and communicating the change to our employees.