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PRESENT

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Treasurer

HONORABLE PETER FRANCHOT

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CONTENTS

| Subject | Agenda | Witness | Page |
|---|---------------------------|--|------|
| Emergency Management Services at Western Maryland Hospital Center | SEC A1, p. 14 | Sheila McDonald Thomas Kim Joshua Sharfstein Mona Gahunia Joe Ross | 10 |
| Emergency Management Services at Western Maryland Hospital Center | SEC A2, p. 16 | Sheila McDonald Thomas Kim Joshua Sharfstein Mona Gahunia Joe Ross | 10 |
| Acquisition of Merryman and Gilmore Easement | DNR 14A, p. 53 | Emily Wilson | 31 |
| Acceptance of Donation from Civil War Trust of Pappalardo Property | DNR 18A, p. 57 | Emily Wilson Kathy Robertson | 31 |
| Payment of Settlement in <i>James v. UMUC</i> | DBM 21-GM, p. 123 | T. Eloise Foster George Shoenberger | 34 |
| USM Agenda | USM | Joe Evans | 37 |
| Extension of Contract for Toll-Free Services | DoIT 11-IT-MOD, p. 160 | Michael Mallinoff | 37 |
| Perpetual Subterranean Easement for Baltimore Red Line Project | DOT 30-RP, p. 229 | James Smith Judith Freedman-Breckon | 40 |
| Perpetual Subterranean Easement for Baltimore Red Line Project | DOT 31-RP, p. 230 | James Smith Judith Freedman-Breckon | 40 |
| Perpetual Subterranean Easement for Baltimore Red Line Project | DOT 32-RP, p. 231 | James Smith Judith Freedman-Breckon | 40 |

| | | | |
|--|----------------------|--|----|
| Perpetual Subterranean Easement for Baltimore Red Line Project | DOT 33-RP, p. 232 | James Smith Judith Freedman- Breckon | 41 |
| Commuter Bus Service between Kent Island, Annapolis, and Washington, D.C. | DOT 36-GM, p. 237 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Severna Park, Annapolis, and Washington, D.C. | DOT 37-GM, p. 239 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Kent Island, Davidsonville, and Washington, D.C. | DOT 38-GM, p. 241 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Severna Park, Davidsonville, and Washington, D.C. | DOT 39-GM, p. 243 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Kent Island and Washington, D.C. | DOT 40-GM, p. 245 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Havre de Grace and Baltimore | DOT 41-GM, p. 247 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Kent Island and Washington, D.C. | DOT 42-GM, p. 249 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Long Gate Branch and Washington, D.C. | DOT 43-GM, p. 251 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Columbia, Silver Spring, and Washington, D.C. | DOT 44-GM, p. 253 | James Smith Anna Lansaw | 44 |
| Commuter Bus Service between Columbia, Silver Spring, and Washington, D.C.; and Columbia, Ellicott City, and Washington, D.C. | DOT 45-GM, p. 255 | James Smith Anna Lansaw | 44 |

| | | | |
|---|-----------------------|--|----|
| Grant to Diakonia, Inc. | DGS 20-CGL, p. 303 | Bart Thomas | 48 |
| Grant to Oakdale Athletic Boosters, Inc. | DGS 21-CGL, p. 305 | Bart Thomas | 48 |
| Lease of Phillips Building and Annex at Crownsville Hospital Center to Gaudenzia, Inc. | DGS 14-LL, p. 293 | Bart Thomas Michael Gaines Jerimiah Sabir | 48 |
| Employee and Retiree Health Plan Administration and Services | DBM 4-S, p. 67 | T. Eloise Foster Anne Timmons Mary Penczek Denise Bower Mike Bucci Laurie Wasserstein Geb Buchness | 54 |
| SLEOLA Medical Plan Administration and Services | DBM 5-S, p. 73 | T. Eloise Foster Anne Timmons Mary Penczek Denise Bower Mike Bucci Laurie Wasserstein Geb Buchness | 54 |
| Employee and Retiree Dental Plan Administration and Insurance Services | DBM 6-S, p. 76 | T. Eloise Foster Anne Timmons Mary Penczek Denise Bower Mike Bucci Laurie Wasserstein Geb Buchness | 54 |

PROCEEDINGS

GOVERNOR O'MALLEY: Ladies and gentlemen, you are here at the Board of Public Works and so am I, August 13th, Wednesday. Any opening thoughts, Mr. Comptroller, Madam Treasurer?

COMPTROLLER FRANCHOT: Madam Treasurer, I did frankly, Madam Treasurer and Governor have a comment about the fact that it does not quite seem right at this Board of Public Works that we're meeting without Arnold Jolivet. And I know how saddened we were to hear of his recent passing. But now that we're here for the first time having a Board of Public Works without Arnold it's almost incomplete. And I think I say that he has left a void, and that I think I am probably understating his legacy that he leaves behind. And to describe him as a thorn in the side of the three Board members, that is pretty accurate. But what a thorn he was, and what an advocate for the public and for the people that he advocated on behalf of. And his unique style, frankly even when he was criticizing me, I grew to love and admire. Because it was heartfelt.

TREASURER KOPP: And often correct.

(Laughter.)

COMPTROLLER FRANCHOT: I would prefer to describe him as a champion --

(Laughter.)

COMPTROLLER FRANCHOT: -- for fairness and for opportunity and for transparency. And he ultimately was just a good man, and someone who remained steadfast in his beliefs. And I never got the sense that this was just part of his job. I always believed that he inside himself really believed and had a deep commitment and that was why he was so passionate. And he has left an indelible mark. I send, hopefully on behalf of the Board, thoughts and prayers to his family. And I personally will miss Arnold. We are a community here and he was part of that community. Thank you, Governor.

GOVERNOR O'MALLEY: Thank you, Mr. Comptroller.
Madam Treasurer?

TREASURER KOPP: Yes, I think that was very well taken. I have very little to add, except isn't it a lovely day? Let's get out and enjoy it.

GOVERNOR O'MALLEY: In some places in Maryland yesterday we had nine inches of rain within a two-hour period. MEMA has a pretty scary map that I'm sure you can see on their website showing you the intensity of that rainfall. We've never seen it before. We've never seen the planet hotter than it is now, either. But it is a beautiful day today. And as Abraham Lincoln, one of my favorite Republicans, once said, "The good thing about the future is it only comes one day at a time." So we will enjoy this day, every bit of it, beginning with the Secretary's Agenda.

TREASURER KOPP: Governor, could I just say --

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GOVERNOR O'MALLEY: Oh, I'm sorry.

TREASURER KOPP: I wasn't going to say this, but since you mentioned, I would just like to point out that the word is spreading about the impact of climate change and sea level rise and storm surge. And finally we have an article on the front page of the Baltimore Sun. They call it nuisance floods. But what a nuisance flood is is a flood that has not yet reached the catastrophic stage. But it is the result of very heavy rains and at times exacerbated by storm surges if you are along the coast so heavy that it blocks the storm sewers, of course, and things overflow, and it eats away at the concrete and at the infrastructure. And these nuisance storms that used to come every few years are now coming several times a year particularly aimed at areas like, or particularly felt in areas like Baltimore, Annapolis, Norfolk, a little further up the coast, and then a few places on the West Coast. And if people think that this change is temporary, I simply cannot agree with them. And I am glad at least that Maryland is out there trying to predict, trying to factor in assumptions about the impact of change on our infrastructure and on our development. Because it's only going to get more and more severe. I mean, people can argue until the cows come home. The waters are going to continue to rise. And when we have storms they are going to continue to blow in and our infrastructure is going to continue to not be built for this new time. And I am just publicly here, first of all, apologizing to my grandchildren, but secondly hoping that we can continue to rally and lead the

nation and help adapt and mitigate the impact of these changes. And thank you for letting me orate.

GOVERNOR O'MALLEY: And they call them what? Nuisance floods?

TREASURER KOPP: Nuisance floods.

GOVERNOR O'MALLEY: Nuisance floods? Like the sort of nuisance that happens right before the Apocalypse?

TREASURER KOPP: Yes. Yes, the little nuisances that work their way up to --

GOVERNOR O'MALLEY: The nuisances that draw our attention to the pending Apocalypse. Okay, on that happy note we go to Secretary's Agenda.

SECRETARY MCDONALD: Good morning, Governor, Madam Treasurer, Mr. Comptroller, if I may apropos of the Comptroller's comments, I just want to note at Mr. Jolivet's funeral one of his eulogists did say I know out there that you are thinking how much he irritated you. But if he didn't irritate you, he said, but that was all part of Mr. Jolivet's plan. And if he didn't irritate you, maybe he thought you weren't worth irritating. So I think all those times that people might be sitting here and thinking, yes, that Arnold was irritating, remember that was probably a sign of respect from him because he thought you were worth irritating.

All right. We have nine items on the Secretary's Agenda this morning and ten reports of emergency procurements.

GOVERNOR O'MALLEY: Okay. Any questions? Mr. Comptroller?

COMPTROLLER FRANCHOT: Yes. The Western Maryland Hospital Center?

SECRETARY MCDONALD: Okay. Yes. This is on the Appendix, the emergency reports A1 and A2. Deputy Secretary Thomas Kim is here on behalf of the Department of Health and Mental Hygiene to discuss the Western Maryland Hospital Center.

MR. KIM: Good morning, Mr. Governor, Madam Treasurer, Mr. Comptroller. Thank you for the opportunity to discuss this procurement which reflects the department finding a problem at Western Maryland Hospital and then moving quickly to fix it.

Beginning April 28, 2014 the State's federal regulatory agency, the Office of Healthcare Quality, conducted its annual survey at Western Maryland Hospital skilled nursing and long term care unit, which serves 46 individuals. Despite Western Maryland's satisfactory status in previous years, serious deficiencies were identified during this most recent survey. In working with senior management at Western Maryland Hospital, DHMH leadership determined that additional expert support was necessary to correct the deficiencies and put

into place systems to ensure the health and safety of the residents moving forward.

Although no serious injuries or deaths occurred, the department needed to take immediate action to minimize risk to patients. The department solicited two proposals from vendors recommended by OHCQ. On May 17th DHMH contracted with Mid-Atlantic Healthcare to work with Western Maryland to develop a plan of correction that would return the center to full and continuous compliance with federal and State regulations.

Mid-Atlantic was selected over another vendor, LW, Inc., due to having significantly more experience with federal and Maryland State regulations. LW was deemed to specialize in providing executive staff as opposed to providing in depth consulting services to current staff.

The contract with Mid-Atlantic is for one year and it is not to exceed \$2 million. At this point we plan to spend far less than that amount.

Shortly after beginning Mid-Atlantic --shortly after bringing Mid-Atlantic on board to provide guidance, and based in part on their initial assessment, DHMH leadership came to the conclusion that Western Maryland also required new stronger leadership to execute necessary changes. Both the Chief Executive Officer and the Chief Nursing Officer resigned. The Chief Nursing Officer had been serving as the Acting Director of Nursing of Long Term Care since this position had been vacant for four months. The Chief Medical

Officer was demoted, and eventually resigned. This individual had also been serving as the Medical Director for the long term care unit.

Meritus Health is the largest healthcare provider in Washington County. Led by CEO Joe Ross and a talented and dedicated team of healthcare executives, it functions to provide comprehensive, high quality health services to Washington County residents and those from surrounding areas. On June 24th DHMH contracted with Meritus Health to provide interim leadership positions comprised of a Chief Executive Officer, Chief Medical Officer, and a Chief Nursing Officer. A Medical Director for a Long Term Care and a Quality Assurance Nurse have also been added to this contract and will be brought before BPW as future amendments. With the help of Meritus Health in recruitment we now have also hired a full-time Director of Nursing for Long Term Care.

Since adding both vendors Western Maryland Hospital has stabilized its care. In a short amount of time the facility has retrained all staff on relevant State and federal regulations for long term care, put into place new policies and procedures to ensure quality and optimized patient safety, and reinvigorated its quality assurance and performance improvement program. In late July OHCQ resurveyed the facility and determined that more than four in five of the original deficiencies were clear. DHMH anticipates for OHCQ to perform another inspection in the near future. At that time we expect all deficiencies to be resolved.

With the proper capacity and guidance now in place, Western Maryland will continue to execute its plan of correction to ensure continual compliance with federal and State regulations and a program to ensure the proper training of staff to sustain this high level of care and patient safety. We will update the Board on our progress and next steps.

COMPTROLLER FRANCHOT: Excellent.

MR. KIM: And with that, Secretary Sharfstein is also here, along with our Chief Medical Officer Dr. Mona Gahunia, and the Chief Executive for Meritus Joe Ross is also here as well.

COMPTROLLER FRANCHOT: Oh, excellent. Where is Mr. Ross? That is a great organization.

MR. ROSS: Thank you.

COMPTROLLER FRANCHOT: And thank you for the leadership, and frankly for continuing Jim Hamill's vision which I think the Governor is a big fan of as well as I am. But I think we will talk more about that when we get to the DBM Agenda.

My question here is this is a State facility in Hagerstown?

MR. KIM: That's correct.

COMPTROLLER FRANCHOT: And it has how many patients?

MR. KIM: The long term care unit has 46.

COMPTROLLER FRANCHOT: Okay. So we were alerted by the federal regulatory body that there were problems and we now have moved in with these emergency procurements. And we are replacing, or they have left, the CEO, the Chief Medical Officer, the Director of Nursing. I guess I have two questions. Number one, how is the new regime going? I understand, you know, I heard your testimony but it still looks like it's, well, it underlines the serious deficiencies I guess that existed there. So in addition to finding out a little bit more about how it is going under the new leadership, I guess I have a question as to how we got into a situation --

DR. SHARFSTEIN: Sure.

COMPTROLLER FRANCHOT: -- where everyone had to leave and maybe this was on your radar screen over the last couple of years, but it is the first I have heard of it.

DR. SHARFSTEIN: Yes. Well, let me ask Dr. Gahunia and Joe Ross to come up because they will have different parts to add to this. Just to clarify one thing, OHCQ is obviously part of our department that found the problem. It also serves a function for the federal government but it wasn't a federal agency that found the problem. It was DHMH that found the problem.

COMPTROLLER FRANCHOT: Okay, good. I misheard that, I guess.

DR. SHARFSTEIN: Yes.

COMPTROLLER FRANCHOT: But tell me again. How does something like this reach the state of having to basically remove the entire leadership --

DR. SHARFSTEIN: Sure. Let me --

COMPTROLLER FRANCHOT: -- and bring in a new operator?

DR. SHARFSTEIN: Sure. Let me give you my perspective and then there will be more details, particularly from Dr. Gahunia. I visited Western Maryland. Western Maryland had an excellent reputation and very good surveys. I think that what happened was that some of the senior staff retired and things went downhill from there, particularly in the nursing home.

GOVERNOR O'MALLEY: You said retired, not are tired?

DR. SHARFSTEIN: Right. Retired, exactly. Yes. And we picked it up. This was not on our radar screen. We picked it up when our regulators went out from our department and found the problem. And our first instinct was to bring in some expertise from Mid-Atlantic and to let the leadership there fix the problem if they could. But we came within a few weeks to a determination that they, you know, had been around when things got worse and they did not have the capability to really lead the fixes that were necessary. And we moved pretty aggressively.

As Thomas said, this is not a case where there was death or serious injury, but it was a case where that was a risk. And we didn't want to wait around

for that to happen. We felt like we had given a lot of chance to the current leadership to fix the problem. And when they were really unable to it was the judgment of Dr. Gahunia, who was spending a lot of her time out there, that it was not moving fast enough in the right direction. And that led us to make the significant change.

So you see the two stages: bringing in the experts on the long term care side and then making the decision maybe a month in that we needed new leadership. And we turned to the institution in the region that really had the best record. And you know, worked closely with Joe Ross. And he was just tremendous as a partner to find really terrific people. We looked, and Dr. Gahunia met with all the people that would go in there. And then they have really immediately taken charge of the situation. So it may be, Dr. Gahunia and Joe, if there is anything that you want to add to that?

TREASURER KOPP: Could I ask a question, Josh?

DR. SHARFSTEIN: Sure.

TREASURER KOPP: Higher up. One of the questions of the Comptroller was, I think, how did it get that way and what is the process, ongoing process, at DHMH for monitoring to see that it and other institutions for which we are responsible --

DR. SHARFSTEIN: Right.

TREASURER KOPP: -- don't get that way? I mean, there must be a system of trip wires or, you know --

DR. SHARFSTEIN: Well and one of them was, one of them was tripped here. This will lead us to go back. But this is not like a 20-year slide, or a ten-year slide, or a five-year slide. This was like their inspection was good and then when we came back there were serious problems. So things fell down pretty quickly there, is our best assessment. And it had to do with a number of things that were happening at the personnel level. Retirements, and other things and --

TREASURER KOPP: And that's not happening? These vacancies and retirements are not happening elsewhere?

DR. SHARFSTEIN: Well we are using this as an opportunity to review all of our institutions. And in fact we created the position the Medical Director in part to be able to have a sort of independent look. Traditionally the facilities have been kind of own their own and we have been trying to, you know, strengthen, we have strengthened a whole bunch of different procedures. We have had a big worker safety initiative across all the institutions. But this is teaching us something that we have to be on top of proactively. But in this case it was our own trip wire that got tripped. That it was our inspectors that went out and found the problem and then we moved very quickly, you know. It took one call from the, you know, chief regulator to me saying, you know, you've got a

problem. And I work very, you know, closely with them and I realize that when she says that that is very serious. And so we take --

TREASURER KOPP: I just have to say this is one example of the confluence, I think, of the impact of budget cuts and retirement of, that's going on all over the State, in your institutions, and in all the other parts of State government, too. And the question is what we are putting in place to monitor the impact and to adjust the --

DR. SHARFSTEIN: Right.

TREASURER KOPP: -- to new reality, another new reality.

DR. SHARFSTEIN: Right. Well we're doing a lot on the psychiatric hospital side. And you may know that, you know, we had a, when I started, right after I started we had all these different problems at Perkins, and Perkins just got a big award from the joint commission. It is doing very, very well. Spring Grove, I think, just got another award. And you know, we have been spending a lot of time with the psychiatric hospitals where the same challenges in terms of retirement and other things are there. It's a big, I mean, you know, our department is more than half the employees work in institutions. And it is, you know, a huge amount of clinical risk that is carried by the department in that regard. And so it is definitely, you know, one reason why we have a Medical Director and we, you know, we don't shy away from inspecting our own places or fining our own places or, you know, everybody knows they

have got to do this. And my expectation is that our facilities are going to provide the best possible care and we are not going to make excuses. And you know, that is why we have responded pretty aggressively in this situation.

TREASURER KOPP: And set up procedures and structures so that when you after January are no longer Secretary of Health, these things stay in place.

DR. SHARFSTEIN: Right. And I think that is partly why it has not been me going out there, it has been our new Medical Director. And you know, she has really started looking around different facilities --

GOVERNOR O'MALLEY: And succession planning.

DR. SHARFSTEIN: Yes.

TREASURER KOPP: Yes.

DR. SHARFSTEIN: It is extremely important, yes.

GOVERNOR O'MALLEY: I mean, this shows what happens when --

TREASURER KOPP: Yes.

GOVERNOR O'MALLEY: I mean, we take for granted that decent people are always coming up through the ranks of our State government. But after 30 years of dumping on government employees, it starts to have an effect.

TREASURER KOPP: An effect on real people out there.

GOVERNOR O'MALLEY: -- real people that our government serves.

DR. SHARFSTEIN: Yes. I think, you know, more than one thing failed in this case, I mean, for it to get to this level. It was not just that that happened but that we weren't alerted. You know, there are several things.

TREASURER KOPP: But so often, I mean, that's like a lot of things happening all the time --

DR. SHARFSTEIN: Yes. No, that's true. But that was one of the reasons why we wound up replacing the leadership at the hospital, not just --

TREASURER KOPP: Thank you, Comptroller.

COMPTROLLER FRANCHOT: Yes, no. I'm, if you want to say something --

DR. GAHUNIA: Sure. I mean, I just echo Josh's comments. You know, one of the reasons that we replaced the leadership was because even, so before the survey happened there was really poor communication with us, the governing body, about the problems that they were having. In fact, there was really no communication. So to your point, Madam Treasurer, we have changed our overstructure for both chronic care facilities, Deer's Head and Western Maryland, and taking a much more proactive role, and actually visiting the sites, and setting up quarterly meetings with the leadership. Before we would have governing body meetings but we would really count on them to bring problems to

our attention. But now we are actually going to be more proactive about looking for problems.

And after the survey the reason that we felt that the leadership needed a change was they didn't, they sort of crumbled under the survey results. There was no urgency. There was no plan made to correct the problems. And there was no effort to do a root cause analysis of the problems. So, and the two key positions that had very inexperienced staff were the Nursing Home Administrator position and the Chief Nursing Officer, who was also serving as the Director of Nursing. And these two individuals just didn't have the experience or the management skills to run the facility. And I had brought in a prior Director of Nursing, Kathy Marshall, who had been at the facility for ten years and had gone through three years survey of, deficiency free surveys. So excellent reputation under her Director of Nursing management. And she came to the same assessment that we came to when we brought her in, that the system that had been put in place for quality clinical care and patient safety just seemed to somehow have disintegrated over time. So that is really what happened.

DR. SHARFSTEIN: Maybe --

GOVERNOR O'MALLEY: We saw the same thing happen in Baltimore City Public Schools around 2000-2002.

DR. SHARFSTEIN: Maybe talk about --

GOVERNOR O'MALLEY: -- internal controls, they stopped doing them because it was such a nuisance then to balance your books on a monthly basis.

MR. ROSS: I, good morning and thank you for allowing me to be here and join this discussion. You know, I guess from Meritus' perspective we have had a good partner in Western Maryland Hospital Center for a long time. I think it is difficult for folks outside of healthcare to fully appreciate how unique Western Maryland Hospital Center is. It's really a nursing home, a skilled nursing facility at one level, but it is also a long term care hospital. And I think just in support of what has been shared with you, as we have done our assessment in the first month that we have been there we find a lot of things right on the long term care hospital side. I think the nature of what we found was necessary to get things moving again really were communication and accountability. And you know, the procedures were there. The right thing was known and understood but it had slipped a little. And so we have done some things like institute morning briefings, where the staff come together and staff every patient, talk about every patient's goals for the day. We have done things like lock doors, establish a security system to control flow of visitors through the building. A lot of what you try to do with skilled nursing patients is create a safe environment, create a therapeutic environment, and mostly support activities of daily living. And so all of those things are in place and being done.

The other thing I think that is worth understanding is the oversight, the focus on quality and oversight, we have really ramped that up in the last couple of years. It has become a big, it has become a big and important part of our healthcare strategy to ensure quality because we know when we do not have good quality, we pay for bad quality. And so I think that some of it is external to the home as well.

Our process right now is we have placed three very senior leaders there and they form a good team together and are building relationship with the middle management structure of the organization. There are some very talented people inside that organization.

You know, as an aside my son-in-law was a public employee for years and years and years and anticipated a long career at the federal level. And his frustrations with how he was treated the last couple of years just put him in the private sector. So I do think we have got to step back and think about how we become an employer of choice at Western Maryland. Tell the good story to people, you know. We have got seven great nursing schools in the area. We have got a lot of resources driving a workforce, a healthcare workforce. We just need to make that linkage to Western Maryland.

Leadership and talent in healthcare is tough these days. You know, we are going through a little bit of change as an industry. And you know,

it is affecting everybody. It is affecting these facilities as well as the acute care. But we are delighted to be there.

Jerry Walsh is our CEO on our ground. Gerry has worked for me since 1996 while I was at Shore Health System and is now with me out there. And so that relationship is an every morning conversation. Dr. George Newman, a long time internist in the Hagerstown community, retired in March, cried boredom in May, and this came up in July so timing was perfect. And he is there full-time as the Chief Medical Officer. And Laura Mercer, who was our Director of med-surg services, a Ph.D. level nurse executive, saw this as an opportunity to spread her wings a little bit and so she has taken it on. We are holding her job for her depending on how things work out.

So I think we have got a very good team in place. The leadership of the department is a delight to work with. They are very focused. They are very quick to respond when we need help external of the facility. And so I think the path forward is clear and good. I just think we have got to continue to be diligent and we have got some hard work yet to do.

TREASURER KOPP: And as the Governor said, we have got to look a little farther down the road, too.

COMPTROLLER FRANCHOT: Well I'm delighted to hear Mr. Ross and the other presentations. And it doesn't surprise me the staff that is remaining there is responsive when the CEO, Director of Nursing, Director of

Medicine, assistant this, and assistant that vanish, disappear, are removed because of all the deficiencies. And so this is a good development from my standpoint if you, Mr. Ross, are involved in this. Are your people State employees now? Or are they your employees?

MR. ROSS: They are our employees. We are under contract to the State to manage. And then some of what we have been able to do is recruit some of the vacancies and fill them as State employees.

COMPTROLLER FRANCHOT: But the leadership that you mentioned are temporary?

MR. ROSS: We --

COMPTROLLER FRANCHOT: Are they in charge, or is someone else?

MR. ROSS: -- contract extends through December, January --

DR. SHARFSTEIN: Right. So a couple of things to mention about that. The first is we worked with the Office of the Attorney General just to clarify how we could have leadership come in under contract so that, and essentially it works out that the leadership will not be taking personnel actions under the State rules. That there will be other people who would do that, and there is a whole process for that, in case that was on your mind. But that was one of the, you know, there are different issues that arise when you do this kind of arrangement, which is unusual.

The second thing is we obviously have to start right now to think past December and what the approach is. Right now we have been focused very much on stabilizing the situation. We will be shifting to strategic discussions internal to the department and with Meritus. I think, you know, one of the things that made a lot of sense to us about working with Meritus not just was their reputation but the fact that they have such a vested interest in seeing a strong healthcare system out in Western Maryland. So we are going to be talking to Joe Ross and his team and we are going to be thinking about different options that we may have. And you know --

COMPTROLLER FRANCHOT: Okay. So this contract we are voting on today is to pay --

DR. SHARFSTEIN: Exactly.

COMPTROLLER FRANCHOT: -- Meritus for the loaning of some of their leadership team?

DR. SHARFSTEIN: That's right.

COMPTROLLER FRANCHOT: That makes a lot of sense. I noticed a recent article in Business Insider, which I'm sure the Governor likes. It reads, "an amazing healthcare revolution is happening in Maryland and almost no one is talking about it."

GOVERNOR O'MALLEY: That was a good article. That article has done the best, has done better than we have done ourselves at telling the story

of all of the good work that Josh and HSCRC and the hospitals have done to realign our incentives towards wellness and keeping people out of hospitals. And it's tremendously promising. I mean, it is the Holy Grail that was hoped for in the Affordable Care Act, that we would not only reduce costs, bend down the cost curve, but improve the well-being of our people. And these folks, I visited out there, well I guess as the article tells you. It was really phenomenal. Thank you for, Josh, you were there as well. And for making that trek. Those folks in Western Maryland should be rightly proud of what they are doing. They are really leading the way. And I hear Johns Hopkins has gone out there, huh?

DR. SHARFSTEIN: I'll tell you, when we were out there they were excited. Because they have Johns Hopkins specialists doing a lot of training of their hospital. But in this case because they are doing so many innovative things around financing, Johns Hopkins sent a team out to learn from them so they were very proud of that.

GOVERNOR O'MALLEY: And this isn't the same institution --

DR. SHARFSTEIN: No, no, no, no.

GOVERNOR O'MALLEY: -- that we're talking about --

DR. SHARFSTEIN: Yes, this is the --

GOVERNOR O'MALLEY: -- down the hall there with the administrator Mr. --

DR. SHARFSTEIN: Ronan, Barry Ronan.

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GOVERNOR O'MALLEY: Mr. Ronan. One of the people was saying, well, we provided this, and we provided this other thing for this patient because they kept coming back to the emergency room. And I said then and how do you get reimbursed for doing those things? And the hospital CEO says we don't worry about reimbursement. I've never heard a hospital CEO say that. He said we don't worry about reimbursement because we make it on the back end by the fact that we are reducing the admissions.

DR. SHARFSTEIN: Mm-hmm.

GOVERNOR O'MALLEY: That's pretty cool. It's actually working.

COMPTROLLER FRANCHOT: Yes, no, I recommend this article to everybody. But I brought it up because eight years ago or seven years ago I went out to Hagerstown and visited with your predecessor Jim Hamill who was implementing this exact in miniature an exact copy of what we are going to hear from the Budget Secretary in a few minutes anticipated for a large contract for our State employees. And this was very complimentary of the Cumberland Hospital which, you know, unfortunately has a name somewhat similar to the group we were just talking about. It is a different Western Maryland Regional Medical Center. But this came from Jim Hamill, this model. And I recall five years ago when we did the public employees contract I was pounding the table saying what about, what are we doing about chronic diseases and hospitalizations

that produce lots of costs and not very much quality care? And Jim Hamill was the person that I was always aware of because you guys did it with your own employees. Is that still ongoing?

MR. ROSS: It is, and we have learned a lot. One statistic I will give you from the TPR hospital perspective when we started into trying to understand and manage care differently. We, the collective ten original hospitals served about a million people. And we found that, we made a definition of a frequent flier as an individual who required three encounters at the hospital, ER or admission, per year. So within that population a million people, 9,500 represented those high volume, high utilization folks. And what you find as you get to know that community of people, it is really about helping them manage their diseases. And if you do that, and if you manage them across the continuum, cost shift very dramatically and very quickly.

DR. SHARFSTEIN: Just to say one thing that we are doing with, where Meritus has stepped into in that area which is really remarkable is that Meritus runs the school health program out in Washington County and is doing that in part to keep children with chronic illness, particularly asthma, better controlled. And then when there are fewer emergency room visits the savings accumulate to the hospital.

COMPTROLLER FRANCHOT: Just make sure Western Maryland Regional Medical Center gives you due credit. Because that is where this came from, trust me. And God bless them, but --

MR. ROSS: -- giving credit --

COMPTROLLER FRANCHOT: Thank you.

GOVERNOR O'MALLEY: Good stuff. We like stuff that works well. Anything else on the Secretary's Agenda?

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR O'MALLEY: The Comptroller moves approval of the Secretary's Agenda, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Was it on the Secretary's Agenda we had the African American History stuff? Or was that DNR? Okay. Anybody here to present on the African American History? I spoke too soon, then, back there in the meeting room. So we now go to Department of Natural Resources Real Property.

MS. WILSON: Good morning, Governor, Madam Treasurer, Mr. Comptroller. Emily Wilson with the Maryland Department of Natural Resources.

We have 18 items on our Agenda today. If I may there are two items I would like to highlight. Item 14A is an easement purchase with Program Open Space funds in Baltimore County immediately adjacent to Gunpowder Falls State Park. This was a transaction done in cooperation with our Land Trust partner the Manor Conservancy, who is also one of our Rural Legacy Area sponsors. The easement was acquired at a five percent discount but what is particularly nice about this easement is that we were able to negotiate some public access components to part of the easement and it is the part that includes the Sawmill Branch that goes through the property at the bottom of the property. So our parks folks are going to work with the landowners once we go to settlement on the details of that public access. But we do know that it will expand the trail system in what is called the Sweet Air Area of Gunpowder Falls State Park in addition to providing some more fishing opportunities.

The other item I would like to highlight, if I may, is Item 18A. This is an acquisition that again done in cooperation with a partner, the Civil War Trust. They are actually donating one of the parcels, the parcel known as Parcel 54, of the Pappalardo Tracts. This is a great pair of acquisitions. It is a nice puzzle piece to fit in with the rest of protected lands in the South Mountain area and along the Appalachian Trail. And with us today is Kathy Robertson, who is the Deputy Director of Real Estate for the Civil War Trust.

GOVERNOR O'MALLEY: Kathy, do you want to say something? Ms. Robertson?

MS. ROBERTSON: Thank you, Madam Treasurer, Governor O'Malley, and Mr. Comptroller.

COMPTROLLER FRANCHOT: Yes, whoever I am.

(Laughter.)

MS. ROBERTSON: I would like to thank you for this opportunity to partner on such a wonderful project. The historic nature of this property is unique. It is a bit of property that Mr. Lighthizer, our President, has been anxious to preserve for a while and we finally were presented the opportunity recently and we were able to use funding from the State and from the American Battlefield Protection Program to preserve both tracts and keep them, hopefully restore the properties to their battlefield appearance.

GOVERNOR O'MALLEY: That's great. What number was this?

MS. WILSON: 18A.

GOVERNOR O'MALLEY: Eighteen? Okay. Thanks, Ms. Robertson.

MS. ROBERTSON: Thank you.

GOVERNOR O'MALLEY: Anything else? All right. The Treasurer moves approval of the DNR items, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it.

MS. WILSON: Thank you.

GOVERNOR O'MALLEY: We're going to hold on Department of Budget and Management a second. Well actually, we can consider, what was the item where the protest is and all?

MS. FOSTER: Item 4 is the protest, but Items 4, 5, and 6 are all of the health plans. But I do have 19 other items on this Agenda, Governor.

GOVERNOR O'MALLEY: Okay. So let's do, let's hold Items 4, 5, and 6.

MS. FOSTER: Okay.

GOVERNOR O'MALLEY: Are there questions on the non-healthcare related items on the Agenda? Something else, Eloise? No? Four, five, and six. Any other items not four, five, and six. We'll come back to those. Okay. The Comptroller moves approval, seconded by the Treasurer. All in favor --

COMPTROLLER FRANCHOT: Oh, hang on.

GOVERNOR O'MALLEY: I'm sorry. Hold on. Hold your tickets.

COMPTROLLER FRANCHOT: There seems to be, yes, sorry.

Item 21?

MS. FOSTER: Item 21 is a settlement. It's the request for payment of the settlement of all claims in the Deloris James case versus the University of Maryland, and George is here.

MR. SHOENBERGER: Good morning. As the Secretary said, this is a request to settle two lawsuits that we have against the University, one in State court and one in federal court. We believe that this settlement is the appropriate action. There is risk to going to trial, risk that would potentially cause the University quite a bit more than this.

COMPTROLLER FRANCHOT: Well this isn't the first time we have seen Dr. Volpe.

MR. SHOENBERGER: No, it isn't.

COMPTROLLER FRANCHOT: And I guess what concerned me was that we are giving \$250,000 to a person who was fired for not staffing an internet class, which is in the UMUC universe considered the highest form of treason and heresy, to leave your internet students without anyone for over a week. And, so she was I believe fired and she, the grievance committee I believe found that she -- well, you tell me. What did they find from the grievance committee recommendation? I believe it was that she not be rehired.

MR. SHOENBERGER: That's correct. So they were in agreement in effect that she no longer be employed at the University. What they wanted was for her to be given the opportunity to resign as opposed to termination, and she was given that opportunity.

COMPTROLLER FRANCHOT: But now we're, for this negligence we are giving \$250,000 to this individual?

MR. SHOENBERGER: No. The \$250,000 really is a negotiated settlement. There is risk to us in going to trial on these two issues. One is a breach of contract that goes back -- by the way, she did not resign. We gave her that opportunity but she did not. So she claimed breach of contract. She had a little bit less than two years left on her contract. And there was also a subsequent case filed for discrimination.

COMPTROLLER FRANCHOT: Well I've already expressed that several years ago my view of Dr. Volpe, which I, you know, hopefully he is no longer working anywhere for the State of Maryland?

MR. SHOENBERGER: He is not. We checked on that, and he absolutely is not.

COMPTROLLER FRANCHOT: Okay. And, but I just, I'm going to vote for this settlement based on your recommendation. But I think it's completely undeserved in my view for someone who acted as this professor did. And you know, we who are not in the internet community don't realize what a

significant violation of the trust that is to leave these students without anybody. And so I'm, I'm glad she was fired but I'm regretful that this thing is being put in this kind of a context. And, but we have to deal with Dr. Volpe's egregious, poor behavior.

MR. SHOENBERGER: Absolutely right, sir.

COMPTROLLER FRANCHOT: Thank you, Governor.

MR. SHOENBERGER: Thank you.

GOVERNOR O'MALLEY: Thank you.

TREASURER KOPP: And this is the last of the --

MR. SHOENBERGER: Yes.

TREASURER KOPP: Okay.

COMPTROLLER FRANCHOT: You also remember him?

TREASURER KOPP: Oh, yes.

GOVERNOR O'MALLEY: Who could ever forget him? Okay, the Treasurer moves approval of --

MS. FOSTER: All items except --

GOVERNOR O'MALLEY: -- all items but four, five, and six --

MS. FOSTER: Correct.

GOVERNOR O'MALLEY: -- on the Department of Budget and Management Agenda, seconded by the Comptroller. All in favor signal by saying, "Aye." All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We now move on to the University System of Maryland.

MR. EVANS: Good morning. Joe Evans representing the University System of Maryland. We have eight items on the Agenda. We're here to answer any questions.

COMPTROLLER FRANCHOT: Move approval.

GOVERNOR O'MALLEY: The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye." All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. We now move on to the Department of Information Technology.

MR. MALLINOFF: Mr. Governor, Madam Treasurer, Mr. Comptroller, my name is Michael Mallinoff. I'm the COO of DoIT. We have 14 items on the Agenda and I'm here to answer any questions.

GOVERNOR O'MALLEY: Any questions?

COMPTROLLER FRANCHOT: Yes. Item 11?

MR. MALLINOFF: Yes?

COMPTROLLER FRANCHOT: The question I have is -- well, why don't you just explain quickly what this contract does?

MR. MALLINOFF: The MCI toll-free contract provides services to the entire State.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. MALLINOFF: We had a SME who was in the process of rewriting the specs for the RFP --

COMPTROLLER FRANCHOT: What is an SME?

MR. MALLINOFF: Subject matter expert. That subject matter expert unfortunately went out on a medical emergency. We weren't able to complete the RFP and get it out sooner. But what we're looking to do, as mentioned here, is combined, replace this service from the toll-free services contract and they will be performed under a master contract known as call center and it will be reissued in June, 2015. Part of the services, I was asked earlier, are the IVR services, which is interactive voice response, and that is included in all executive branch agencies.

COMPTROLLER FRANCHOT: Okay. I'm very supportive of that. But I would ask you, since you are here, if you could to contact my agency. Because we pride ourselves on customer services. We returned \$2 billion to tax refunders in an average of 2.1 business days. A lot of it is handled electronically. Our call in system for taxpayers wanting information from our agency is hobbled by an apparently an antiquated circuit breaker that the Legislature has approved several times the money, I think it's about \$2 million, for its replacement and it

continues to be pushed to the end of the line. And that is extraordinarily important for us in being able to answer questions from the public.

MR. MALLINOFF: Very good. I'll follow up.

COMPTROLLER FRANCHOT: We have everything there, it's the hard item that keeps getting postponed for whatever reason. And since I think we answer questions on behalf of some other agencies, it is not just the Comptroller's Office, but it is, you can imagine how frustrating it is if citizens call up and they get a hang up.

MR. MALLINOFF: Absolutely. I will follow up and follow up with your staff on the item.

COMPTROLLER FRANCHOT: Thank you very much.

MR. MALLINOFF: You're welcome.

GOVERNOR O'MALLEY: Any other questions? The Treasurer moves approval of the Department of Information Technology Agenda items, seconded by the Comptroller. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: The ayes have it. Thank you, Mr. Mallinoff.

MR. MALLINOFF: Thank you.

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GOVERNOR O'MALLEY: We move on now to the Department of Transportation. Jim Smith, who has an update for us, right Mr. Secretary, on Red Line, I think?

MR. SMITH: On Red Line.

GOVERNOR O'MALLEY: And some underground easements?

MR. SMITH: Right. Good morning, Madam Treasurer, Governor, and Mr. Comptroller. MDOT is presenting 47 items this morning. We would like to withdraw Item 3, and Item 48 has been added as a supplemental item. As the Governor just mentioned, let me point out that the Items 30 to 33 are for subterranean easements under Cooks Lane in Baltimore City. These are the first of actually many types of these easements that will be coming to the BPW in the future to allow construction of the Red Line Light Rail. We actually have, with the Board's permission we have Judy Freedman-Breckon, our Property Acquisition Manager with the Red Line project. And she can give you a brief overview of these easements and why they are necessary if you would like.

GOVERNOR O'MALLEY: Sure.

MS. FREEDMAN-BRECKON: Good morning, and thank you, Madam Treasurer, Governor, and Mr. Comptroller. The Baltimore Light Rail project is a 14-mile project. I'm here to present four items of many to come. These are subsurface or underground easements to support the Cooks Lane Tunnel, which is a little bit less than a mile. The tunnel will run under Cooks

Lane and surrounding that would be a five-foot buffer. The acquisitions that I'm presenting today range in width from two to 12 feet and these easements and the tunnel itself in the location of these four properties is about 57 feet underground.

MR. SMITH: We'd also like to point out that these easements are really running along property lines. They don't run under houses, as I understand it.

MS. FREEDMAN-BRECKON: For the most part, no. They are at the street level and at Cooks Lane the houses sit fairly far back from the street.

MR. SMITH: So there is not jeopardy to the structures.

TREASURER KOPP: That was really my question when I raised this. Are you boring --

MS. FREEDMAN-BRECKON: Yes there are, a tunnel boring machine --

TREASURER KOPP: -- under --

MS. FREEDMAN-BRECKON: -- yes, the, at its deepest point on Cooks Lane we are at about 114 feet. But this is at, these four properties are at the end of where Forest Park and Security Boulevard meet so it's a little higher up as it is reaching the portal.

TREASURER KOPP: So the assumption when we get the next 200, or however many there are of these --

MS. FREEDMAN-BRECKON: There are 645 acquisitions on the project. About 500 are private acquisitions and they consist mostly of subsurface easements and narrow strip acquisitions on Edmondson Avenue for road widening.

TREASURER KOPP: And the assumption is, unless you tell us otherwise I guess, that in no case is this going to be disturbing actually the buildings on the property?

MS. FREEDMAN-BRECKON: Correct. We have done lots of work, lots of engineering studies. And they have gone and done visual studies of properties along the entire corridor. We are doing some grouting work downtown tunnel to provide extra support to those foundations. So we are not expecting anyone to have any trouble from the boring of the tunnels themselves.

TREASURER KOPP: And these are all, you are not taking, using eminent domain?

MS. FREEDMAN-BRECKON: We will if we need to, yes.

MR. SMITH: But these are all by agreement.

TREASURER KOPP: By agreement?

MS. FREEDMAN-BRECKON: These first four were negotiated agreements for the amount of the appraisal.

TREASURER KOPP: And a slightly different question, when you are doing all this boring and stuff are you taking sensitive tests on water and water seepage so we don't get -- I live on the Red Line, the Metro.

MS. FREEDMAN-BRECKON: Okay.

TREASURER KOPP: And all of a sudden, it's the greatest project in the world, the Metro when it was created. But it turns out there were some problems we hadn't anticipated, one of which is seepage into the Red Line tunnel.

MS. FREEDMAN-BRECKON: Those are all things that our engineering teams are considering. I am not an engineer, but I sit in meetings and these things are discussed on a daily basis. Things like water tables, especially downtown. So they are taking all that into consideration.

TREASURER KOPP: Okay. Thanks. So now when we see a whole lot of these, unless there is something different about them, we will know what they are?

MS. FREEDMAN-BRECKON: Mm-hmm.

TREASURER KOPP: And you will draw our attention --

MR. SMITH: Right --

TREASURER KOPP: -- to any anomalies?

MR. SMITH: Will do.

MS. FREEDMAN-BRECKON: And we will also have the Purple Line coming your way as well.

TREASURER KOPP: Yes. One day, yes.

GOVERNOR O'MALLEY: Okay. Anything more on this? Any other questions on Department of Transportation Agenda items? Mr. Comptroller?

COMPTROLLER FRANCHOT: Items 36 to 40 and 41 to 45.

TREASURER KOPP: Yes.

COMPTROLLER FRANCHOT: I'm not sure, Mr. Secretary, if this is directed to you, or someone who is expert on commuter bus contracts? Oh, great.

MR. SMITH: Okay. This is Anna Lansaw and she will, this is her area of expertise.

COMPTROLLER FRANCHOT: Great.

MS. LANSAW: Not necessarily. But good morning.

COMPTROLLER FRANCHOT: Ha! Well, you can fake it. Here we are awarding a total of ten, ten MTA commuter bus contracts with an aggregate value of \$87 million. Nine of these awards are going to Dillon Bus Services, a long-time, well known provider of commuter bus services around the State, while the other one is going to Academy Express out of Patterson, New Jersey. I'm going to vote in support of these awards, but, in recognition of the sheer amount of money I do want to ask a few questions if I could. Of the nine

contracts that are going to Dillon, how many are for services that they are already providing as the incumbent vendor, and how many are new contracts for Dillon?

MS. LANSAW: Currently there are nine commuter bus services routes. They are all provided by Dillon. These are a total of 13. Three of them are going to Academy, one is going to Erie Bus, and the remainder are going to Dillon.

COMPTROLLER FRANCHOT: And apparently there have been some service problems recently with Dillon, much as I admire their company. Are you convinced that there are quality vehicles, skilled drivers, reliable on-time service from all of these new contracts that are being granted today?

MS. LANSAW: As far as I know, sir, yes they are. The evaluation committee, because it is a multi-step review, all their proposals, technical proposals, they did review to see the availability, the amount of buses provided, the equipment, the safety, and so forth.

COMPTROLLER FRANCHOT: Okay. And I recall from my days in the House when we were looking at these transportation budgets that these bus companies had the State divided up into regions that they essentially provided services for. Keller was down in Southern Maryland, Air Bus in Howard County, and Dillon. So it appears to me that rather than three we are getting to the point where we basically have one commuter bus company in Maryland. Is that the case?

MS. LANSAW: No, sir. We currently have on the street another five commuter buses that will service Southern Maryland. And I believe they are competitively bid with interest from three other vendors. Keller, Martz Group, Erie, besides Dillon.

COMPTROLLER FRANCHOT: Okay. That's good, and we'll see those contracts as that process moves forward. I'm pleased to hear that. Academy Express, the New Jersey based company that is awarded the contract, I haven't heard of. Is this their first service contract with the State of Maryland?

MS. LANSAW: I'm not sure, sir, since I've only been in the job for three months. I'll look into it and let you know.

COMPTROLLER FRANCHOT: And I'm particularly interested if they have done other work what their performance was.

MS. LANSAW: I'll get back to you and provide that answer.

COMPTROLLER FRANCHOT: And then a question on Southern Maryland's commuter passenger demand, are we still having trouble keeping up with park and ride spaces for those --

MS. LANSAW: That I do not know, sir. I will provide you an answer to that as well.

COMPTROLLER FRANCHOT: Terrific. Thank you, Mr. Secretary. I'm sure it's in good hands under your leadership. But if you could communicate that, you know, there is a little bit of concern in my mind because

Dillon, despite its great reputation, has had some problems. And I think they are downsizing now. And to the extent we are giving them all of this, all of these new contracts I hope that someone can oversee it.

MR. SMITH: Okay. Well we do have competition though in these bids, so that's a good thing.

COMPTROLLER FRANCHOT: Yes. I'm talking about the can they handle it.

MR. SMITH: Got you.

COMPTROLLER FRANCHOT: We're giving them to them, they have won them. Let's make sure the reputation isn't --

MR. SMITH: Covering up stuff?

COMPTROLLER FRANCHOT: Thank you.

MR. SMITH: There you go. All right.

COMPTROLLER FRANCHOT: Thank you very much.

MS. LANSAW: Thank you.

GOVERNOR O'MALLEY: Thank you. Any other questions, Department of Transportation Agenda items? The Comptroller moves approval, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

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GOVERNOR O'MALLEY: The ayes have it. We return now to Items 4, 5, and 6. I'm sorry?

SECRETARY MCDONALD: DGS.

GOVERNOR O'MALLEY: Oh, I'm sorry.

SECRETARY MCDONALD: Mr. Bart Thomas, Deputy Secretary

GOVERNOR O'MALLEY: How could I forget? I apologize. I apologize. We do not return to Items 4, 5, and 6. We take care of the people that are doing great service, Department of General Services.

MR. THOMAS: Good morning, Governor, Madam Treasurer, Mr. Comptroller. I'm Bart Thomas, Deputy Secretary of General Services. We have 25 items on our Agenda, including one supplemental. I would like to recognize we have two individuals that came from the grants and loans program, Ryan Dager from the Oakdale High School Concession; and Claudia Nagle, the Executive Director for Diakonia Housing. They visited us to see the process. DGS is prepared to answer any questions you may have at this time.

GOVERNOR O'MALLEY: Any questions? Mr. Comptroller?

COMPTROLLER FRANCHOT: Item 14.

MR. THOMAS: Fourteen? Item 14 is a landlord lease for the Department of Health and Mental Hygiene at Crownsville Hospital. I'd like to ask Michael Gaines, our Assistant Secretary for Real Estate.

MR. GAINES: Good morning.

COMPTROLLER FRANCHOT: Good morning.

MR. GAINES: Michael Gaines, Assistant Secretary, Office of Real Estate, DGS.

COMPTROLLER FRANCHOT: So thank you, Mr. Gaines. We are being asked to approve a five-year lease agreement, one that features an annual rent payment of one dollar between the State Department of Health and Mental Hygiene and a Baltimore based behavioral health services firm called Gaudenzia, Inc.

MR. GAINES: Yes, sir.

COMPTROLLER FRANCHOT: Under this agreement Gaudenzia will occupy the Phillips Building and Annex located at Crownsville Hospital Complex to, “provide behavioral health services for the citizens of the State of Maryland.” And it strikes me somewhat unusual, which is, I might ask you to try to explain it, that we would be providing a vendor with rent free space for at least five years while they perform contract services for the State of Maryland. For example, the bus contracts we just talked about that are awarded to Dillon, I doubt we would consider providing Dillon with a complimentary dispatch center and bus garage while they carried out their contract. Aren’t these businesses expected to pay for the infrastructure that they use?

MR. GAINES: Well this is not unusual for the Department of Health and Mental Hygiene. This is a standard format and lease rate for organizations like Gaudenzia. Gaudenzia is a nonprofit health provider. And the mission of the Health Department is to provide these behavioral health services. Oftentimes they are free of service and the idea is to maintain the buildings to be leased. This one particularly is in Crownsville. We don't want to see buildings go vacant and begin to deteriorate. But it is a standard practice. This isn't the first time that we have brought leases before the Board at this rate and for these services.

COMPTROLLER FRANCHOT: Well, it's the first time I've noticed one. So and the background notes are pretty thin. What exactly does Gaudenzia do, and what do we pay them for their services?

MR. GAINES: I can give you a general response. But I can turn to folks from DHMH, Jerimiah is here, to ask more specifically. But they will be providing services to individuals who are dealing with chemical dependency, mental illness, and related conditions to help them improve their quality of life.

GOVERNOR O'MALLEY: They are a drug treatment organization.

COMPTROLLER FRANCHOT: Okay. Yes.

GOVERNOR O'MALLEY: They opened the first one in 30 years in Baltimore City up in Park Heights.

COMPTROLLER FRANCHOT: Mm-hmm.

GOVERNOR O'MALLEY: Twelve years ago. Currently on a year to date basis we have had more people overdose on heroin, well mostly on heroin, in Maryland than we had all lives lost from homicide, traffic accidents, and fire deaths. It's really appalling.

COMPTROLLER FRANCHOT: I know other governors have taken up this call. I know the Governor of Vermont devoted his entire State of the State to the epidemic of heroin that is flooding his state, I guess because we're cracking down on prescription drugs. Whatever it is.

GOVERNOR O'MALLEY: It's hard to say. You know we were doing so, we were doing so well on this for so many years until we hit 2011 and it started creeping back up. And Gaudenzia was a big part of that. We had gone for 30 years, even though our city, our major city was the most addicted in America we hadn't built one new drug treatment center. And now this heroin thing is causing all of us to go back and pull apart the numbers.

COMPTROLLER FRANCHOT: Sure.

GOVERNOR O'MALLEY: But certainly one of the answers is not to do less on drug treatment, but to do more.

COMPTROLLER FRANCHOT: I'm all for drug treatment. Could I just hear from Gaudenzia as to the extent of your contract with the State, and what the services are that you provide out of the Crownsville office?

MR. SABIR: Well my name is Jerimiah Sabir. I'm with the Office of Capital Planning, Budget, and Engineering Services. Gaudenzia, we have provided leases to them before. They provide wonderful services. A lot of times they are to individuals that have mental health disabilities as well as developmental disabilities. These services are free. A lot of times they are getting very minimum reimbursements for the services that they are providing. The leases that we provide in our facility usually covers the cost that they would incur due to the fact that they will be responsible for all of the operating costs for the facility. They will be responsible for the utilities, maintenance, and repair. If we were to leave these buildings vacant, these facilities would, the State would usually incur these costs. This is actually a savings to the department by leasing these facilities out and now this organization paying for the operational costs.

COMPTROLLER FRANCHOT: Okay. Well I'm going to rely on the Governor's good assessment of this organization and the need for it. But it does seem a little bit, depending on what we are paying them, that we give complimentary lease space and it's a rather odd definition you just gave me of something, savings for the State. I mean, we could get a lot of companies located in State office buildings if all they had to pay were the utilities. So great organization and I'm happy to be supportive of it. But since they are, apparently this is not the first one if someone could keep an eye on this so that, you know, organizations that can pay should pay rent.

MR. GAINES: And we agree.

COMPTROLLER FRANCHOT: You know, a dollar a year for five years, that's --

MR. GAINES: Well, and it's really mission driven. You know, to the extent that they are providing free services and health services that are needed in the community, then it, you know, we believe it is mission driven. If this were a for profit organization generating significant profits obviously we would treat it differently.

COMPTROLLER FRANCHOT: Okay. Thank you.

TREASURER KOPP: Could I just say as, years and years ago I chaired the Appropriations Subcommittee on Human Resources, Health and Human Services. And we searched for organizations like this and searched for ways to support their providing for our citizens in a way State facilities couldn't, whether the area was in child care, juvenile services, or health. And that's just honestly the way Maryland has provided services for a long time. And been able to have vacant State properties maintained at the same time, including some historic properties that we also do. I do think question, let me be candid. The item, the item that was before us had no backup information. If you didn't know what Gaudenzia did, you wouldn't know it from this item and why they were in this situation. And I would suggest just a little more information would be helpful.

MR. GAINES: Absolutely. Not a problem. We can do that.

GOVERNOR O'MALLEY: Okay. The Comptroller moves approval of the Department of General Services items, seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed, "Nay." Once again, that was aye, and aye --

(Laughter.)

GOVERNOR O'MALLEY: Anyway, you all are through with that one, right? Okay, pass. We move on now to Items 4, 5, and 6 on the Department of Budget and Management Agenda.

MS. FOSTER: Governor, Madam Treasurer, Mr. Comptroller, again, good morning. Items --

GOVERNOR O'MALLEY: Before you begin, may I point out on this, on these healthcare contracts that many years ago I believe this Board instructed Secretary Foster to redesign this contract for healthcare services in such a way as to improve the wellness of our people and prevent the things and to have some rewards for people that are doing the right things to bring down their hospital utilization and all of those individual actions that once nudged and incentivized can lead to big improvements for the health of our people as well as big reductions in the cost to all of us of healthcare. And now we are here.

MS. FOSTER: Yes. Because when the Governor and the Board give me an assignment, I try to follow through.

(Laughter.)

MS. FOSTER: So Items 4, 5, and 6 basically pertain to the State's employee and retiree health plans. Item 4 is the medical plan contracts, Item 5 is the carve out for SLEOLA, the State Law Enforcement Officers Labor Alliance, and Item 6 pertains to the dental care contracts. So we have a brief power point presentation, Governor. It's going to give an overview of the design of the new medical plan. It discusses the accountability requirements that are imposed on our carriers. It also talks about the accountability requirements imposed on the participants. And it provides some other pertinent information. Anne Timmons, who is the Executive Director of our Employee Benefits Program and the resident expert and truly the person who has led this charge is going to walk you through that document. And we have other staff members who are here. We will be happy to answer any questions that the members of the Board may have. So, Anne?

MS. TIMMONS: Thank you, Secretary Foster. Good morning, Madam Treasurer, Comptroller, Mr. Governor. Thank you for allowing me to be here to walk through DBM's exciting plans to finally bring wellness and disease management and population health improvement to the employees and retirees of the State.

Moving forward to better health is our goal, that is what we are trying to achieve. The Governor and many other stakeholders have advocated a robust wellness program for several years and we worked very closely with our consultant to develop the appropriate parameters. Right now what we are facing is a significant low use of preventive care services and very poor treatment compliance in our population, and that is resulting in costs of over \$700 million annually to the State.

To just kind of compare where we were when we were given this task and where we would like to go at the completion of it, our current contracts, we have two PPO plans, three point of service plans, and three EPO plans. Under the new program it will be two PPO, two EPO, and one integrated health model. Our current contracts just include a basic wellness, there is no incentives for participants and as a result we are not getting a lot of preventive screening use. Under the new contracts there will be incentives but not just for the plan participants but also for the carriers to encourage engagement. Weight loss, smoking cessation, programs like that will be covered in full for our participants. Disease management, right now we just have a basic disease management program. And again, what is happening is when that care manager is making that phone call to somebody who has been identified with a chronic condition it says my health plan on the caller id and guess what? Nobody is taking that call. So they are not engaging.

Under the new program we will incentivize our participants to take that call. We have carrots and sticks, which we will talk about as we get through. Also not included in our current program is a value based insurance design and so going forward this is to encourage the use of quality, effective care, improve health outcomes, reducing out of pocket costs for our participants.

So our new contracts are going to include the robust new wellness program and that is designed to improve our population health, which is not great at the moment, and that in turn will flatten our trend and promote the sustainability of the program which is also very important.

TREASURER KOPP: Anne, just a couple of indicators of the health not well and the cost that add up to this cost of \$700 million?

MS. TIMMONS: Mm-hmm.

TREASURER KOPP: What --

MS. TIMMONS: So if you look at the usage of preventive screening, say mammograms, and you compare our population to other employer populations in Maryland as well as other regionals, you will see that our participation rate or our usage rate is in the low thirties, 30 percent. The other employers are in the 50 and 60 percent. So we are dramatically lower than where we should be.

TREASURER KOPP: Why? I mean, the others don't use, why?

MS. FOSTER: I mean, I think one of the things that we found were just for folks that had hypertension, cardiovascular disease, and diabetes, those three alone we are spending over \$225 million to treat those three conditions.

MS. TIMMONS: Right. And it's just unmanaged and non-treatment compliance. So we're trying to take --

TREASURER KOPP: And a lower quality of life.

MS. TIMMONS: Right, exactly. You are right. So also this program is designed to align with the DHMH State innovation model that they are working with for their Medicaid population that encourages the use of community health workers and patient centered medical homes. We also are going to promote affordable access to care by waiving coinsurance and copays on x-ray and lab work. Also participants can have their primary care sick visit copays waived if they complete their healthy activities.

And again I guess we can't say it enough, the key is to improve the population health. But we want to flatten that trend line without draconian cuts to benefits. Our benefit plan helps us to be an employer of choice and cutting those benefits doesn't serve our population or the State.

So the base plans will remain mostly consistent. So we'll have the two PPO plans, we will have the two EPO plans, and then the new integrated health model which utilizes a regional network and allows for, holds that provider

group accountable for managing the population health of their enrollees. It is similar to what you hear in terms of federal healthcare reform, the accountable care organizations. So that's what that integrated health model is like, modeled after. But we are also including delivery system reforms. We want to integrate community health workers into the overall health management of our members. We will work with our carriers to identify high value medical services and offer recommendations for incentives to reward the use of those services. And we are going to be mining all of the data and the reports that we can get in order to support the plan management and to make sure that our initiatives are achieving our goals.

Other features we will have, the key is affordable access to care. We want to remove whatever is keeping our participants from engaging in compliant treatment. So the x-ray lab will have no copay or coinsurance and the copays for the primary care visits are waived if they complete their health assessment and they discuss that with their physician. And we will continue to waive the drug copays for generic drugs that target our top five disease states, which are hypertension, diabetes, high cholesterol, and then we also have issues with depression and asthma and they flip flop as the top five.

We also want to educate our members because they need to be aware. Some people may be walking around as ticking time bombs, they don't know they have hypertension. So we want to make sure that they are getting

these screenings. We want to give them information. We want to allow them to take that weight management course, get some nutrition education, tobacco cessation, all of that will be provided at no cost. There will also be online resources allowing members to compare providers' quality and efficiency and also provider outcomes, and offer online tools for pricing basic services, tests, and procedures as well.

This next slide walks through what the wellness activities will look like. I won't read that line by line. You can peruse that at your leisure. But we are also, so we have the carrots. We are removing, we are lowering --

TREASURER KOPP: Before you get this, is this on, I should know the answer, never ask a question you don't know the answer to. Is this on work time, these programs that you would participate in? Or --

MS. TIMMONS: There will be, we will coordinate efforts with the carriers to have things available at work sites, but not necessarily during work time.

TREASURER KOPP: Okay.

MS. TIMMONS: Okay? So we're going to give them all these great incentives to participate. But if they still choose not to, well, we are going to have some penalties. For the first year it is a \$50 per year surcharge, premium surcharge. And that is divided over their 24 pays for the year. And that is for not completing, not selecting a primary care physician and completing the health risk

assessment. But if they are identified as somebody who has a chronic condition and the disease management reaches out to them, if they refuse to engage in that then they will be looking at a \$250 premium surcharge that will be spread out over 2016.

And we are also going to hold our carriers accountable for helping us achieve these goals as well. So we have performance measures that will encourage the carriers to help increase the percentage of eligible members who are receiving preventive care, including cancer screenings; increased treatment compliance, especially with participants that have diabetes, hypertension, high cholesterol; increase the number of participants that have those conditions, have their numbers in a normal range, so get to where they want to be; reducing hospital readmission rates that occur with 30 days of discharge; and also cutting down on the number of emergency room visits by participants that have asthma, COPD, and diabetes. If they manage their care, they shouldn't have to rush to the emergency room as often.

The cost benefits of this new contract, if we continue down the path with the exact same plans that we have in place right now, it is projected to cost us \$20 billion over the next ten years. If we implement the contracts as awarded, we can avoid \$4 billion of that cost in that same period. We do that by improved awareness and treatment compliance, which is going to flatten the trend line; improve preventive care usage, which will avoid the cost of acute inpatient

admissions; and cost avoidance improves the sustainability of the program. And again, we want to be that employer of choice and being able to continue to offer a rich benefit package is key to doing that.

So our award recommendations include that the PPO and EPO are awarded to CareFirst and United Healthcare. We have eliminated the point of service plan because several years into the current contract referrals were no longer required on the point of service plan so that just made the point of service plan the same as a PPO plan. So it's redundant. The integrated health model has been awarded to Kaiser. And we followed our RFP, which allowed up to two awards in each plan. This will help us focus more on what we are trying to achieve through these plans and less on administration. And the expected cost of the entire program will be \$16 billion over ten years instead of the \$20 billion.

The other two items on our agenda relative to this, the SLEOLA medical, they voted to carve out from the larger medical plan back in July of 2012. We conducted a separate RFP. They will have their one PPO, one point of service, and one EPO, and that will be through CareFirst. And the estimated cost of that value would be \$81 million of that contract.

For our dental, the dental HMO, which is health maintenance organization, was awarded to Delta Dental and that brings with it an expanded national network instead of a regional HMO network. And the DPPO was awarded to the incumbent, United Concordia, and they increased the annual

maximum benefit from \$1,500 to \$2,500. These are five-year contracts. The DHMO is fully insured. We are moving the DPPO plan to self-insured, which will save us about \$6 million per year. The contract value for these two items is almost \$230 million and that results in \$24 million in savings over five years.

I'm happy to answer any questions that you might have. Thank you.

COMPTROLLER FRANCHOT: Do either of you have questions?

GOVERNOR O'MALLEY: I don't.

COMPTROLLER FRANCHOT: All right. I have a few questions.

MS. TIMMONS: Oh, okay.

GOVERNOR O'MALLEY: Mr. Comptroller?

COMPTROLLER FRANCHOT: Good. Thank you, Ms. Timmons, and for that excellent power point. This proposal is a ten-year contract, as you noted, costing the State almost \$16 billion. I believe it's a six-year base plus two options of two years each?

MS. TIMMONS: Correct.

COMPTROLLER FRANCHOT: And the contract is with the three vendors that you mentioned, CareFirst, United Healthcare, and Kaiser to deliver healthcare benefits for the more than 120,000 active and retired State employees as well as their covered dependents. I do have a couple of questions.

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Primarily this is the largest contract by a lot that I have ever seen in the last eight years before this Board, so I believe it should have a little bit of scrutiny. And if you could help me understand the size of the group that we are providing healthcare, our State employees. Is that figure correct, 120,000 active and retired State employees? Does that include dependents?

MS. TIMMONS: No --

COMPTROLLER FRANCHOT: What is the number --

MS. TIMMONS: -- if we count dependents we are up to about 255,000 --

COMPTROLLER FRANCHOT: Okay. So you have 255,000 folks in the pool that are being covered over ten years by the \$16 billion?

MS. TIMMONS: Right.

COMPTROLLER FRANCHOT: How much of that \$16 billion roughly comes from, I take it some of those dollars come from the employees?

MS. TIMMONS: Mm-hmm.

COMPTROLLER FRANCHOT: What --

MS. TIMMONS: There is a, the State subsidizes 80 percent of that and the participants pay roughly 20 percent.

COMPTROLLER FRANCHOT: Okay. So the State share is 80 percent of \$16 billion, whatever that is. And the employees are 20 percent. And

in your presentation you said that the cost to the employees would be as is, or stabilized, or not increased?

MS. TIMMONS: It will help stabilize the premiums but it also reduces their out of pocket cost, so the dollars they pay every time they use care.

COMPTROLLER FRANCHOT: Okay. So that is going to obviously the employees are going to save money. And so the State, does the State also have that guarantee, that its costs will not go up?

MS. TIMMONS: Well there are no guarantees in health insurance, healthcare claims. But by engaging our population and the treatment compliance that will come from that, that flattens the trend line. Generally if you are looking at health insurance costs, they are going to go like this. And what we are trying to do is to flatten that line to avoid having higher costs for our health insurance and therefore having to make big decisions about benefit cuts in order to save money.

COMPTROLLER FRANCHOT: Mm-hmm. No, it's a laudable goal and a great idea and as the Governor mentioned, I'm not sure how much the Treasurer was pounding the table, but I was five years ago saying what are we doing about --

MS. TIMMONS: Right.

COMPTROLLER FRANCHOT: -- benefitting not only our employees but also the taxpayers.

MS. TIMMONS: Yes, if we can reduce --

COMPTROLLER FRANCHOT: Better healthcare, lower costs.

MS. TIMMONS: Yes.

GOVERNOR O'MALLEY: And I might add this is all very similar to what we were talking about earlier with the Western Maryland --

MS. TIMMONS: Exactly.

COMPTROLLER FRANCHOT: Exactly. It is the Meritus model, as far as I can tell.

MS. TIMMONS: Right.

COMPTROLLER FRANCHOT: Because as you know from several years ago, they took their employees, which I think are in the 2,000 to 3,000 range and put them exactly in this carrot and stick program.

GOVERNOR O'MALLEY: And Dow Chemical as well. A bunch of big companies.

MS. TIMMONS: Right. And to the point that was made earlier about --

GOVERNOR O'MALLEY: And small.

MS. TIMMONS: -- the things that government employees have to put up with, in the private sector these carrots have been available for five years or more. And so we are finally being able to bring this to our State employees, and that is a good thing.

COMPTROLLER FRANCHOT: Okay. So I am particularly concerned with the finances of how all this is handled because it is a long term contract. I know the options are options, but let's be honest. This is a ten-year buy in, partnership with these organizations. And the employees essentially are being told, I take it, that their payments if anything will go down. I take it, are there deductibles for State employees? I am not on their plan.

MS. TIMMONS: Only on the out of network side, not in network.

COMPTROLLER FRANCHOT: Will those deductibles go up at all?

MS. TIMMONS: No, those are not changing.

COMPTROLLER FRANCHOT: Is that in writing? How do we guarantee that the employees --

MS. TIMMONS: Well the deductible is a function of the plan design. And so the plan design that we have laid out in the RFP is what the carriers must adhere to for the duration of the contract.

COMPTROLLER FRANCHOT: So that is in writing somewhere --

MS. TIMMONS: Mm-hmm.

COMPTROLLER FRANCHOT: -- that they are going to, that they are not going to do that. How about the 80 percent from the State, the taxpayers? What, is there a possibility that down the road we are going to be

asked to approve upward cost modification to the public 80 percent share? Has this happened in previous healthcare contracts and are there uncertain variables in the marketplace, federal law changes, unanticipated surges in enrollment, or shifts in consumer behavior among our base of enrollees that in fact could, these winning bidders could come back and say the taxpayers owe a lot more?

MS. TIMMONS: Well all except the integrated health model are self-insured. So we pay, the State pays an administrative fee per head and then we pay the cost of the claims. So it is not a function of one of the insurance carriers coming back and raising our rates through the roof. Our costs are determined by the utilization of our population, what we are actually spending everyday on healthcare claims.

COMPTROLLER FRANCHOT: Okay. And how is DBM intending to track those trends, either upward or downward, of this contract over the course of the next ten years?

MS. SIMMONS: In a very similar manner to what we are doing now. We get quarterly reports. We track one offs, or is there an increase in large claims happening? Is there a spike in emergency room care? What can we do to address that? You know, things like that. So we will be monitoring this also against all of the performance measures that we outlined in our RFP. So they will be held accountable.

GOVERNOR O'MALLEY: Can you talk -- I'm sorry, Mr. Comptroller.

COMPTROLLER FRANCHOT: Sure --

GOVERNOR O'MALLEY: Can you talk a little bit more about the performance measures? Because in our discussions, Madam Secretary, I know we talked about, and I think the Treasurer may have a question with regard to how this affects union contracts or anything previously negotiated. But my question is on the feedback loop in the performance measurement. In the past we did not even require or ask in the RFP that the healthcare providers, the vendor in this case, even give us a dashboard, even give us reports about whether we are doing any better by our employees this week than we were last week on keeping them well and keeping them out of hospitals. What are those performance measures now?

MS. TIMMONS: We actually have specific measures laid out in the RFP that target increasing preventive care use, getting the number of people who are diabetics to have all of their screenings, getting their numbers normal. It addresses the hyperlipidemia as well. And we will be tracking that. And they have a goal. They are to hit X percentage in the first year, X percentage in the next year through the contract. And we have a shared savings program available where, built into this contract where if they are meeting those goals we will share some of the money from that pool. But if they do not meet those goals they are

going to have to pay us. So we're, everybody has got skin in the game: the State, the carriers, the providers, and the participants.

GOVERNOR O'MALLEY: Thank you.

COMPTROLLER FRANCHOT: Okay. Thank you, Governor.

GOVERNOR O'MALLEY: I was using the word provider when I meant to use the word carrier, I guess --

COMPTROLLER FRANCHOT: Yes, okay.

MS. TIMMONS: Yes, sorry. It's a whole new language in benefits world.

COMPTROLLER FRANCHOT: Well I'm going to ask when we, before we vote on this, that, perhaps the Board would be interested in making sure that those reports that are brought to you are also brought before the Board so that we can track exactly what is going on with the program both as far as wellness with our employees but also the costs, which are particularly of concern to me.

As I mentioned earlier, I love the emphasis on preventive care. This is a very, very appealing focus that you have brought, Madam Secretary. I'm not sure you were listening to me, but whoever you were listening to, congratulations. It's a good, it is a good development because it is going to allow the treatment of chronic illnesses and acute healthcare emergencies in a way which actually, before they become acute diseases and extremely costly to the taxpayers. It's going to break that cycle that the Governor noted we have been in.

And I am delighted that in your presentation you say health plan participants will be required to complete certain wellness program requirements, such as health risk assessments, biometric screenings, selecting a primary care provider to be eligible for enhanced benefits, while members who choose not to complete the healthy activity requirements will be subject to an annual premium surcharge.

MS. TIMMONS: Mm-hmm.

COMPTROLLER FRANCHOT: So people the do the right things

--

MS. TIMMONS: Benefit.

COMPTROLLER FRANCHOT: -- they get premium benefits.

People that do the, well putting themselves at risk, I guess, by not dealing with their health problems, they are going to pay for their foot dragging and procrastination.

MS. TIMMONS: Right.

COMPTROLLER FRANCHOT: That's good. I like that. And it's exactly what Meritus did with their employees in Hagerstown. And so to that extent, this is a very, very exciting contract. Here is my concern. Meritus' system was about 2,000 employees, or 2,000 to 3,000. They are a hospital and a medical center. They had their employees embark on this same kind of wellness program with the same kinds of incentives, penalties if they didn't participate, payments to them if they did. And they had some terrific results. This is a

completely different situation. Instead of 2,000, we have 250,000. Inherent in that is an enormous problem as far as the complexity of implementing this laudable goal. And I guess the question that I have is, what has been the experience in other states that have this in place? Where --

MS. TIMMONS: Well -- I'm sorry.

COMPTROLLER FRANCHOT: -- I'm sorry, where their public employees are penalized for not paying attention to the health but rewarded if they do?

MS. TIMMONS: Right. Several states are involved in this. Alabama, Georgia, Tennessee, North Carolina, Texas, Oklahoma, just to name a few. And the first year typically starts out slow. And then as the participants who are actually engaging in their health are telling the other employees who are sitting beside them, hey, this is what I learned, and this is what I have been able to do, then the momentum keeps rolling. And our plan is partnered communications. Everything is going to look the same no matter who the carrier is, and they will be targeted communications, and we will sponsor different activities throughout each year to help get the momentum going and keep it going. And we will also take an opportunity at the end of each plan year to look back and say what did we achieve? That's great. What did we not quite get to what we needed to? And let's see what we can do to enhance that. So, you know, it's an ongoing process but we are fully ready to take that on.

COMPTROLLER FRANCHOT: Okay, that's good. So we have a number of southern states that have adopted this concept that we are proposing here. Have you visited any of those states and talked to primary care physicians and employees as to how it is working?

MS. TIMMONS: I have not visited the states. But in various arenas where I can network with my peers I do certainly talk to them about how things have played out, what are they doing. And a couple of the states are doing what we are trying to do, which is we are combining our efforts with DHMH so that we are really making reform happen in the State for all of our residents. So not --

COMPTROLLER FRANCHOT: Which are those states --

MS. TIMMONS: So Alabama is one, and Mississippi is another. I can certainly get back to you with a list.

GOVERNOR O'MALLEY: Are there any outside of the South, as the Comptroller noted?

MS. TIMMONS: Well the South has the biggest problem. So where Mississippi and Alabama have some of the worst population health rates, that is where, you know, so where there is need is where it developed from.

GOVERNOR O'MALLEY: The difficulty in any of this is, I mean, there is not another state that has an HSCRC.

MS. TIMMONS: Correct.

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GOVERNOR O'MALLEY: There is not another state that has a Health Information Exchange, something like CRIS that allows you to have that open platform for managing population health and creating the analytics and feedback loops for carriers, providers, or even the medical homes sort of things.

MS. TIMMONS: Right. Right.

GOVERNOR O'MALLEY: So it's difficult to find another model that is like ours, because there isn't another that actually has those things.

MS. TIMMONS: Right. Good point.

COMPTROLLER FRANCHOT: And that is an excellent point, and I totally support the motivation and the intent of this initiative that is before us. I'm trying to articulate exactly what it is that is troubling in the sense that I obviously support the general direction. And let me ask a few more questions just to see whether I can flesh that out. Because what the Governor said actually stirred me up a little bit because, well, if we don't, do these other states, have they, what percentage of plan participants wind up paying the premium surcharge because they didn't complete the necessary preventive steps?

MS. TIMMONS: It varies by state and by the type of incentives. There is, you can incentive people to complete the health risk assessment by paying them. You know, here is \$25, please complete this health risk assessment. Or they can say if you don't do all of these things this is the only benefit plan you

can have, but if you do these things you are going to have these much richer benefits. So it varies based on how they have designed their program.

COMPTROLLER FRANCHOT: And how much State revenue do we expect will be reverted to the State as a result of the premium surcharge penalties, and how will that money be reinvested if at all?

MS. TIMMONS: Right. So that money comes back in almost in a similar manner as a premium deduction, so it goes into the health trust and then that helps to defer costs or give us additional money for our wellness incentives.

COMPTROLLER FRANCHOT: So here is my problem with this, and frankly the, it is a great idea. It is a very expensive relationship we are entering into, albeit according to you it will be cheaper than if we did nothing. But it is still \$16 billion over ten years. So it is a very, very, obviously large, significant amount of money. As I mentioned it sounds to me like it is incredibly complicated to implement this on behalf of the, I would like to hear from the companies if they are here, how exactly they are going to hire the hundreds and hundreds if not thousands of people that is going to be required to implement this incredibly complicated plan and I'm a little uninformed or skeptical maybe about the ability of the State to administer it. And not because the State is not competent but because the exercise is so huge. And when the Governor said that it is, we are basically different from the other states, and we are going to do something new, it reminds me of something else new we did that we all supported

that cost a lot of money and was a great idea and didn't, because it wasn't properly tested didn't produce the result that we wanted. And so the question is why are we entering into a ten-year contract? I mean, ten years ago George Bush was President, there was no Affordable Care Act. This industry is changing in front of our eyes, as I think the President of Meritus testified earlier today. There is huge uncertainty surrounding the healthcare market. Why are we locking ourselves into a ten-year contract for \$16 billion as opposed to, say, a two-year contract, not focused on 255,000 people, but maybe concentrated on 10,000 people to see whether in fact the unique aspects of the Maryland system are actually going to work to produce quality healthcare and cost savings?

MS. TIMMONS: Well, there's several answers to that. The first, I guess the positive for us being so long in coming to the wellness pool is that it has been done. It has been tested. There are proven achievements that you can reach. And our carriers are certainly ready to step up and partner with us and help us achieve those. Why this is a ten-year contract is because in any wellness disease management engagement you are not going to see that cost avoidance and that health improvement in under five years. And so you do not want to have to be doing a new RFP just when you are starting to see the improvements that you have been trying to achieve?

TREASURER KOPP: Is this a ten-year contract?

MS. TIMMONS: It is a six-year base with two two-year renewal options.

GOVERNOR O'MALLEY: -- quality. What --

COMPTROLLER FRANCHOT: The Treasurer and I always go back and forth. I say it's a ten-year contract. She is perfectly entitled to say it's a six-year. Whatever it is, it is the biggest gosh darn contract I have ever voted on and to the extent it is brand new, and we are I guess doing something that Alabama and Mississippi has done, but that doesn't give me a lot of comfort because those states are different from Maryland. And to the extent we are doing something new and that it is relatively untested, yes, that reminds me of something that we did recently and it didn't work out even though it was a fabulous idea. So what are the protections for the taxpayers?

GOVERNOR O'MALLEY: May I, may I, as you answer that question, and I think that question deserves certainly to be answered, the point I, I wanted to, I guess the point I was attempting to make was that, yes, other, that there are other states who do not have the health information platform that we have, and who do not have the Health Services Cost Review Commission that we have, and yet even without those additional tools and platforms and feedback loops, Mr. Comptroller, they have nonetheless been successful in implementing something that is only based on improving the wellness and the better choices for better results of their employees. And that was the point I was attempting to

make. As that article that you pointed out pointed out, there is a revolution happening in Maryland. Almost no one is talking about it. Because we keep going back to the fact that our website launch was a disaster and did not work well at first. Although by the end of the six months we enrolled more people than we had set out to enroll at the beginning of it. And in any phase but government you would call that a successful enrollment period. But that was the point I was trying to make.

COMPTROLLER FRANCHOT: Sure.

GOVERNOR O'MALLEY: Was that these other states, without those two tools of the health information exchange, as separate from the shopping exchange, and also that Health Services Cost Review Commission, they have been successful in doing this. So with those additional tools we should be even more successful and we should be more successful more quickly, especially with what we have learned about the mistakes the others have made in the structuring of their contracts and the evolution that this represents in terms of nudges, feedback loops, performance measures, and those things.

MS. TIMMONS: Right.

GOVERNOR O'MALLEY: Isn't that what you wanted to say?

MS. TIMMONS: Exactly.

(Laughter.)

MS. TIMMONS: And I would add to that that five years ago when I was standing up here we talked at length, you brought this up as well, the private sector has been engaged in this for a very long time and now we are finally catching up to them. So it is not that it is a new idea or a new science. It has been around and the other employers have benefitted from it. And it is time for the State and its employees to benefit.

COMPTROLLER FRANCHOT: Well I should probably stop asking questions because I'm going to talk myself into voting against it. Because here is the concern. This is a, now I'm, you know, waking up to this, this is a relatively untested model that we are going to sign onto for ten years at \$1.6 billion per year. How can we possibly do that without some protections for the taxpayers? The employees are, that is completely taken care of. I mean, they are, they look like they are going to benefit tremendously. And that is good. They are good people. What about the taxpayers? Because if anyone, if it doesn't go the way that we would like it to, if we all of a sudden discover that the complexity of installation for Blue Cross and United Healthcare for 255,000 people is, wow, we didn't realize it was that hard, kind of like something else. And then if you guys, faced with the complexity of administering this, I can't imagine. Well, the only people that are holding the bag here at the end of the day are the taxpayers. Because as you noted, we pay 80 percent of the \$16 billion. And if those costs go up, because obviously, you know, what if it doesn't work? What if it doesn't

work the way we are laying it out and there are a lot of extra costs? I mean, where are the protections?

GOVERNOR O'MALLEY: Let's not forget --

MS. TIMMONS: Well we --

GOVERNOR O'MALLEY: Let's not forget, and this is a very good question, we are on a path to spend \$20 billion instead of \$16 billion. And so I believe --

MS. TIMMONS: That's one.

GOVERNOR O'MALLEY: -- I believe that the question is who, you talked about everyone having skin in the game, suppose we get down the road here and we see we are still headed for the \$20 billion instead of the \$16 billion?

MS. TIMMONS: Well we have two ways of helping to protect against that. One is it is really a six-year base contract with two two-year renewal options. If we have a carrier and that population base is not achieving, they are not meeting those performance measures, we are going to do an RFP for them. We will replace them.

COMPTROLLER FRANCHOT: Six years from now?

MS. TIMMONS: Correct.

GOVERNOR O'MALLEY: No but we won't have to wait six years to find out they are not performing.

MS. TIMMONS: Exactly. And --

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GOVERNOR O'MALLEY: Because now we have --

MS. TIMMONS: We have the performance measures where they are going to have to pay us money if they don't meet them.

GOVERNOR O'MALLEY: There you go.

MS. TIMMONS: So those are our two ways to avoid that.

COMPTROLLER FRANCHOT: But for six years we're locked into --

MS. TIMMONS: But that --

COMPTROLLER FRANCHOT: -- this relationship?

TREASURER KOPP: But --

MS. TIMMONS: Because you can't get your results in under five.

GOVERNOR O'MALLEY: But with the penalty of canceling the last four.

MS. TIMMONS: Right.

COMPTROLLER FRANCHOT: Six years ago George Bush was President. There was no such thing as Affordable Care Act. The events in this sector are moving at a galloping pace. Obviously, you know, I would feel better if we implemented this for a smaller number of public employees and a certain, fewer number of agencies and tested whether in fact all the things that you say are readily apparent and are going to be successful here in Maryland.

GOVERNOR O'MALLEY: The Treasurer had a question.
Madam Treasurer?

TREASURER KOPP: Well I --

COMPTROLLER FRANCHOT: Let me just finish if I could, because I didn't finish my comment. And we've already gone through this, haven't we? We had a great idea before. We spent tons of taxpayers' money on it. We thought that it was going to work just fine. It didn't work, maybe because of IBM, maybe because of whatever. All I'm saying is, this is so much bigger than that. And so much more complicated than that. And so much more difficult. So simply to say, geesh, let's sign up for six years to me is ludicrous from a fiscal standpoint. I guess from a hope standpoint it's great.

GOVERNOR O'MALLEY: And I'm not done with my comment either. There are ten other very complex IT projects that I could rattle off that you will never read about in the newspaper because each of them went actually very well. Not perfectly, not without glitches, not without challenges, but the public safety dashboard is working very well and is used by law enforcement throughout the State every single day. The performance measurement regimen that we use and now six, five other states use to reduce nitrogen, phosphorous, and sedimentary flow into the Chesapeake Bay on a GIS base platform has now been adopted by the federal government and is happening there. The health information exchange, that thing in the article that you held up, Mr. Comptroller,

which by the way has a great picture on the front of it, talked about the health information exchange going so very well that it didn't generate a lick of mention in any publication that any of the general public would read and yet it is the first one in the country that has worked so well and is comprehensive and can bring forward on a statewide basis the things that have only been done in cities like Camden and a few other pioneers as well. The interoperable communication system, which is going to make Maryland one of the very first states to have interoperable communications with all our first responders on their radios from the mountains of Western Maryland all the way to the Eastern Shore, you won't read about that or see it every night on the news because it actually went very, very well.

So please, look, I mean, there are many things that we do well as a State. That one we didn't do. But I think we're beyond the time when we need to tar with a wide brush and act like we are not capable of doing things well because that one went poorly. And final word on that, I do believe that part of the thinking behind the Affordable Care Act allowing states that were willing to make themselves vulnerable by being leaders, and all leadership involves a certain amount of vulnerability, was that we would learn from one another and figure out the platform that works. And now we have. And we are on course to implement what Kentucky and Connecticut found worked by their good fortune of choosing Deloit over IBM. So anyway, I just felt I needed to say that as long as --

COMPTROLLER FRANCHOT: Sure, no, that's fair. All I'm trying to say is this is much bigger than any of those other contracts. This is a \$16 billion commitment. And I hope that you have got the capability to implement it. It looks like it has the votes. I'm going to vote for it but I would much prefer to be voting for a two-year contract where these ideas are tested. Because it's not, you know, it's new. It's brand new. And if it is not right, if we find after four years their primary care physicians hate this and the employees don't like it and it's not working, and we have to pay more because people are not participating, they are paying the penalties or whatever, and they are not, the savings are not there, I mean guess who has to step up. The federal government isn't. Counties aren't. It's our people, our taxpayers. And so in my agency, if we ever put something out we test it nine ways to Sunday. This is not being tested. This is just here we are, hello 255,000 people, we are about to change your lives. And so anyway, I have made my point and I hope that on an annual, or a regular basis you can come back and brief us. I hope that, I wish we could frankly delay this and look at the possibilities of where some protections for the taxpayers could be put into this in case all of our best intentions prove to be chimerical and not there. I mean --

MS. TIMMONS: There are no protections currently.

COMPTROLLER FRANCHOT: There are no what?

GOVERNOR O'MALLEY: What is that word? What is that word?

MS. TIMMONS: -- we at least are putting mechanisms in to have some protection.

GOVERNOR O'MALLEY: Chimerical? How do you spell chimerical?

COMPTROLLER FRANCHOT: C-H-I-M-E-R, chimerical.

TREASURER KOPP: Anne --

GOVERNOR O'MALLEY: The Treasurer has been waiting very patiently. Chimerical, that's a good word.

TREASURER KOPP: -- this is the State employee wellness program that has to be renewed periodically, right?

MS. TIMMONS: Mm-hmm.

TREASURER KOPP: I mean, this is the normal healthcare, PPO, EPO, you've got a new little Kaiser sort of thing, right? And we're layering on it after all this time a specific more strenuous wellness aspect. You always had some.

MS. TIMMONS: Mm-hmm.

TREASURER KOPP: But this is a stronger one.

MS. TIMMONS: Mm-hmm.

TREASURER KOPP: It has both carrots and sticks. But the \$16 million is not for the experiment in management.

MS. TIMMONS: Correct.

TREASURER KOPP: It is for the ongoing healthcare program for State employees and their --

MS. TIMMONS: You are right, exactly right.

TREASURER KOPP: That's the first thing. Secondly, I agree with the Comptroller. This is going to be a big hill to climb, I think. Getting out to the State employees and making the services so available, like having some of these things at the workplace that they have no excuse, we, we State employees have no excuse not to take advantage of it.

MS. TIMMONS: Right, exactly.

TREASURER KOPP: And we will know, I assume, and I completely agree with the Comptroller that we need to have periodic updates about how your metrics are going.

MS. TIMMONS: Mm-hmm, yep.

TREASURER KOPP: And maybe be prepared to make some changes like --

MS. TIMMONS: Mm-hmm, exactly.

TREASURER KOPP: -- putting in a different place, etcetera. There is an aspect that has not been touched on, and I know that you have got a,

and I would like to see a little more substance in the roll out, about the roll out plan.

MS. TIMMONS: Mm-hmm.

TREASURER KOPP: The health providers themselves are critical. Because when you read what people have to do, they have to go to have a health provider and the health provider has got to sign off yes, they were here.

MS. TIMMONS: Yes.

TREASURER KOPP: So we really need their buy in to play this straight, right?

MS. TIMMONS: Correct.

TREASURER KOPP: That actually is my greatest concern.

MS. FOSTER: And that is a big part of our job.

TREASURER KOPP: Yes, I mean that is a really serious thing. Because if you just walk into the office and somebody signs something, whether it is true or not, you are not making people healthier. And the point is to have a healthy workforce. But when you look at things like the mammogram, 23 percent --

MS. TIMMONS: Yes.

TREASURER KOPP: -- of the appropriate people in our workforce get mammograms. They could get them for free.

MS. TIMMONS: Right.

TREASURER KOPP: It could save their lives.

MS. TIMMONS: Mm-hmm.

TREASURER KOPP: And the average across the State is more than three times that.

MS. TIMMONS: Right.

TREASURER KOPP: Something has to be done. And I see this initial penalty actually of a dollar a week, I don't know whether it is enough to draw people's attention to it. And it rose, it's sort of like --

MS. TIMMONS: Mm-hmm.

TREASURER KOPP: -- you know, sometimes you've got to get hit on the side of the head to wake up to these things. But I just think it's important people understand this is the normal healthcare program that we as employers have with our employees. What we are trying to do is, as you propose, as you discussed --

COMPTROLLER FRANCHOT: Mm-hmm.

TREASURER KOPP: -- manage care a little more strenuously so that there is, A, a savings to the taxpayer. B, perhaps a savings to the employees because they are getting a cash benefit --

MS. TIMMONS: Right.

TREASURER KOPP: -- if they do it. And C, a healthier --

MS. TIMMONS: And more productive workforce.

TREASURER KOPP: -- workforce because we need all the people that we can get staying with us and being healthy. So I agree with the Comptroller that it is a big challenge. And we are going to be wanting, or whoever is here, should be kept abreast of how things are going. But to delay it any longer, there are large, complex private corporations that have this sort of program. There are some other states that have this sort of program. There are more states that are talking about having this sort of program.

MS. TIMMONS: Mm-hmm.

TREASURER KOPP: And I just think that we've got to bite the bullet and do it. Thank you.

COMPTROLLER FRANCHOT: Is Blue Cross Blue Shield here? Or one of the vendors?

MS. TIMMONS: Yes. Yep.

COMPTROLLER FRANCHOT: If I can ask someone to come up? And I have a question for them, too.

MS. PENCZEK: And perhaps I can alleviate --

COMPTROLLER FRANCHOT: I'm sorry --

MS. PENCZEK: -- some of your concerns because it is a big undertaking.

COMPTROLLER FRANCHOT: Could you just give your name?

GOVERNOR O'MALLEY: Especially of the chimerical point.

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MS. PENCZEK: Sure. So my name is Mary Penczek, and I am the Director of State and Municipal Business for CareFirst Blue Cross Blue Shield. I have been working with the State Employee and Retiree Program in excess of six or seven years now. You know, I can only obviously speak to our model and what we have been doing to try to support the goals that the State has for their employees and retirees. To alleviate hopefully some of your concerns, it is new to the employees of the State of Maryland and the retirees. It is not new to CareFirst as a carrier, in particular. And I'm sure the other carriers will have their own models that they can speak to.

We started our programs geared toward the improvement of health and wellness really on the premise of our patient centered medical home. So for three years now we have developed relationships within the provider community that are targeted in engaging them with the patients who need it most and really with a goal of improving the wellness activities but primarily trying to keep these patients who need the care out of the hospitals, away from the readmits, because oftentimes readmissions are more expensive than the initial admission. So they have some skin in the game with the provider community and we are putting --

GOVERNOR O'MALLEY: And I believe that was enabled, was it not, by legislation championed by the Lieutenant Governor --

MS. PENCZEK: You are correct.

GOVERNOR O'MALLEY: -- patient centered medical home --

MS. PENCZEK: You are correct. And we are getting recognition with CMS as well now because --

GOVERNOR O'MALLEY: Recognition with everybody but the press.

(Laughter.)

MS. PENCZEK: Yes. It is true. Not me personally. But, you know, I think, I am passionate about the model because I think we are starting to see results as a whole year over year and the trends are bending. Are they staying flat? No. Do we expect them to be flat? No. But I think we can bend the curve.

So to the earlier point, you know, can the taxpayers themselves and the impact to them, they are also patients, they are also citizens of Maryland, they are also CareFirst subscribers. So to the extent that we can avoid the claims costs on their end, I think we are doing that and it is a benefit to them. I think --

COMPTROLLER FRANCHOT: Well no, I was talking about the taxpayers who pay the 80 percent of this \$16 billion contract that we are entering into today.

MS. PENCZEK: Correct.

COMPTROLLER FRANCHOT: And my concern is that because of the uncertainty surrounding this entire issue of healthcare --

MS. PENCZEK: Right.

COMPTROLLER FRANCHOT: -- despite our best intentions, the costs are going to go up and, rather than down. And so I asked do we have any tests of this system in Maryland? I guess I should ask you. The three years that you have had this program of, how much money, how much money --

MS. PENCZEK: And we can provide that. We do track that. We track --

COMPTROLLER FRANCHOT: Let me just ask the question.

MS. PENCZEK: Yes?

COMPTROLLER FRANCHOT: How much money have you returned to the State of Maryland from savings --

MS. PENCZEK: I would have to actually go through that. I mean, based on the entire CareFirst population? I'm not sure I have the dollar figure with, you know, today that I could speak to. But we can derive some of those economic benefit factors for you for sure. We track, you know, readmissions, we track the cost of admissions, we track emergency room use. We have a plethora of reporting that goes out not only to the employer groups and to DBM and Anne Timmons and her staff, but we are also reporting back to the primary care physicians who have, who have to look at that data to see where there are gaps in care. And that is how we are trying to manage some of this.

COMPTROLLER FRANCHOT: So Blue Cross Blue Shield is going to report on how you are spending our money?

MS. PENCZEK: Absolutely.

COMPTROLLER FRANCHOT: That is the oversight that we have?

MS. PENCZEK: And again to Anne's point in the self-funded arena it is a fee arrangement and then the claims costs themselves are tracked.

COMPTROLLER FRANCHOT: So --

MS. PENCZEK: But we are tracking what those claims costs are for and things like that.

COMPTROLLER FRANCHOT: Let me ask Ms. Timmons, why don't we have an independent consultant hired through this to do the kind of reporting back that I guess you are going to be getting from Blue Cross Blue Shield?

MS. TIMMONS: We do.

COMPTROLLER FRANCHOT: Who is that?

MS. TIMMONS: We have Segal, is our consultant. And the reporting will be rolled up into them as well. But they also will get monthly raw claims data fees that they put in their data warehouse and do their analytics as well. So we will be able to, we have a check and balance.

COMPTROLLER FRANCHOT: So how much have we gotten back from these folks, of all the savings. You said this home thing has been in existence three years?

MS. PENCZEK: The patient centered medical home has been in place for three years.

COMPTROLLER FRANCHOT: Okay. How much money have we saved? And where is it?

MS. TIMMONS: Well you have to remember that we are talking cost avoidance, nobody is writing us a check back.

MS. PENCZEK: Right.

MS. TIMMONS: We are avoiding these acute costs, the cost of readmits, and that type of thing. So that is how well this works.

COMPTROLLER FRANCHOT: What other wellness things have you done for Blue Cross?

MS. PENCZEK: So in general?

COMPTROLLER FRANCHOT: What else do you have experience with?

MS. PENCZEK: So we are huge advocates of the health assessment and biometric screens, which the employees are now going to be charged with doing in the upcoming 2015 calendar year. We, what we basically do, without getting into a three-hour discussion, is based on the claims data that comes in, we are risk stratifying every single member that is insured by Care First Blue Cross Blue Shield. And we risk stratify them based on medical algorithms, whether they have multiple chronic conditions, whether they are maintaining their

disease state, whether they are spiking up in claims. And they are stratified into five bands. And the top band, which is the fewest number of members who drive the biggest number in claims costs and dollars, it's those top bands that we are working and giving that data back to the primary cares to work with our local nurses to make sure they are engaged in disease management programs, chronic care coordination programs, complex case management wherever they may fall.

In that risk stratification process what is difficult is it is based on claims activity. So if they have not been to a doctor in a year or two years, they will automatically be titled as a healthy or stable member. We cannot get at that member if they are a ticking time bomb unless they engage in a health assessment and get their biometric screen, which this, the employee benefit plan --

COMPTROLLER FRANCHOT: Okay. Well what happens if they don't?

MS. PENCZEK: Excuse me?

COMPTROLLER FRANCHOT: What happens to the cost avoidance of they don't?

MS. PENCZEK: They could end up in an admit situation. To Anne's point, if they have hypertension and they end up with a heart attack and they are an admit, that claims cost skyrockets and they automatically jump to the first band. Whereas potentially a biometric screen could identify that before that happens.

COMPTROLLER FRANCHOT: Anyway, I've kind of beaten this horse into the ground. But I cannot imagine that those programs that you talk about, and I can't imagine they have any cost avoidance data associated with them. But I'll give you the benefit of the doubt and assume they are. But --

MS. PENCZEK: -- happy to supply you with some of our results over the last three years --

COMPTROLLER FRANCHOT: Are you comfortable with us contracting with you for this size group, with the lack of testing that has gone on, that this system is going to work as it has been laid out in this very nice power point?

MS. PENCZEK: It is going to be a challenge, but I am comfortable with it. I am. We are doing it with other employer groups throughout the State.

COMPTROLLER FRANCHOT: With 255,000 people in them?

MS. PENCZEK: Not in one single account, no. But we do have 3.2 million members in total. Most of those employer groups, especially in the fully insured arena, are already realizing the benefits of that.

GOVERNOR O'MALLEY: Really? So what, like of the three million you already of compared to our 250,000 --

MS. PENCZEK: Mm-hmm.

GOVERNOR O'MALLEY: -- how many of those three million are in plans like this?

MS. PENCZEK: Mostly in the smaller employer groups, much more smaller employer groups I will say, are involved in what we have, these Healthy Blue products. And basically what they are --

GOVERNOR O'MALLEY: But the total population of the three million? If you know?

MS. PENCZEK: I would have to find out.

GOVERNOR O'MALLEY: A third of it? A third of it? Forty percent?

MS. PENCZEK: I primarily work in the large group market, so --
1.2.

GOVERNOR O'MALLEY: 1.2?

COMPTROLLER FRANCHOT: Well, yes, okay, well that's a good question because --

MS. PENCZEK: So in the -- yes?

COMPTROLLER FRANCHOT: -- in the private, in the private insurance area for individuals with Blue Cross --

MS. PENCZEK: Mm-hmm.

COMPTROLLER FRANCHOT: -- your rates have gone up 23 percent, I think. And even in the small employer group that you just mentioned,

they have gone up five percent. Yet you are telling us our costs are going to go down. And you have had --

MS. TIMMONS: -- not down --

MS. PENCZEK: Not down --

MS. TIMMONS: -- they are going to flatten.

MS. PENCZEK: We are going to attempt to flatten, correct.

COMPTROLLER FRANCHOT: Okay, cost avoidance. But their rates are all going up. And you are here telling us our rates aren't going to go up. How come? What is magic about us?

MS. PENCZEK: Well we are in an administrative fee arrangement with the State of Maryland. So you are paying a per dollar, per head to administer the benefits, and then you are paying 100 percent of the claims costs themselves.

MS. TIMMONS: So we get 100 percent of that cost avoidance.

MS. PENCZEK: Right.

MS. TIMMONS: We benefit by not paying the additional claims that we are avoiding by engaging our workforce this way.

COMPTROLLER FRANCHOT: Well actually I kind of --

MS. PENCZEK: It's a risk. I mean, I know it's a big undertaking.

COMPTROLLER FRANCHOT: Yes --

MS. PENCZEK: But I think --

TREASURER KOPP: But we're still --

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MS. PENCZEK: -- if you outweigh, you almost can't afford not to do it, right? You cannot afford not to.

COMPTROLLER FRANCHOT: Yes, but why don't we do it for two years and test it? I know it takes five years or whatever it is to see the stuff. But you can certainly get some indications that there are enough primary care physicians, the employees are going to respond positively, there is going to be a buy in. If the employees say we are not interested --

MS. PENCZEK: Then they will get the stick, right?

MS. TIMMONS: Right.

MS. PENCZEK: In this plan design.

COMPTROLLER FRANCHOT: Yes. But suppose they say, hey, that's, some of them do -- I don't know.

TREASURER KOPP: Well what --

COMPTROLLER FRANCHOT: I assume you have tested it. But it doesn't sound like it has been tested at all. And that is why I think, even though I will reluctantly vote for it, I think this is absolutely, it is irresponsible in a way. Because we are talking about a ten-year contract in a field that is changing overnight, could change politically dramatically. And we are just launching off into a very, very expensive contract with our fingers crossed. And yes, I think that is, based on previous experience, not a good idea. But thank you, Governor.

GOVERNOR O'MALLEY: Thank you. Let's hear from the, there is a protest that wants to be heard before we vote on this? Come on down.

SECRETARY MCDONALD: I think Aetna is here, Ms. Bowman and Mr. Bucci, and I think there are representatives from Aetna. Mr. Bucci? Ms. Bowman, can you just introduce yourself --

MS. BOWMAN: Denise Bowman. Good afternoon, Governor, Comptroller, Madam Treasurer. As you all are all aware, Aetna Life Insurance Company filed a protest after its debriefing alleging a multitude of grounds of concerns associated with the process where the selection occurred. Immediately following the filing of the protest five days later there was a response from the agency denying the protest. A day later Aetna has filed an appeal with the Board of Contract Appeals. As of 3:30 p.m. yesterday the appeal was filed with the Board of Contract Appeals and they have docketed it within their system.

I want to note that as it relates to the appeal, it is only as to functional area one and functional area two. It does not allege any matters associated with functional area three. Functional area one was the PPO, functional area two was the EPO, functional area three was what I would call managed care. The protest and appeal do not address any concerns associated with that functional area three.

The appeal sets forth a multitude of bases of protest related to deficiencies associated with the ranking, the analysis, the blending of technical

and financial, the evaluation methodology, calculations as to price, and a determination of the total cost. All of these items were not learned of until after the final rankings occurred and a debriefing was held. Today I have with me Mike Bucci from Aetna. He is the Market Head in the Public and Labor Segment, and he is going to address a few areas that are the basis for the protest as it relates to those functional area one and functional area two, and that would add some certain layers of concerns as the Comptroller has outlaid today as we are hearing the discussions associated with how the selection process went and the final calculation numbers. Mr. Bucci?

MR. BUCCI: Good afternoon. Again, my name is Mike Bucci. I'm with Aetna here locally. And what I would like to do is attempt to be as brief as I can and try to focus on a couple of things that I have heard raised already during the course of the discussion. By the way of background, we currently are a provider to State of Maryland employees. We have been for over ten years. We have about 8,000 employees currently enrolled in our plan, and about 9,000 of their dependents as well. So we cover about 17,000 of that 255,000 people today.

The specific issue that I would bring up relates to the \$16 billion figure that has been discussed. And I will try to be, I will try not to use jargon and try to be as clear as I can. You are a self-funded plan sponsor for your PPO and your EPO plans. There is two components of the cost that you pay. There is your fixed administrative fee costs and there is your claim costs. Of that \$16

billion with respect to PPO and EPO, five percent of your cost is guaranteed. Those are the administrative fees that bidders put forward that they will charge you and you are obligated to pay. Ninety-five percent of the contract value is an estimate. So we are talking about a dollar figure that is quite candidly an estimate.

In the assessment of the financials, the determination of that estimated claims cost was based solely on an assessment of unit cost. Now it was great to be here earlier this morning and hear from Meritus. As a plan, you pay the bills as they come due, as a self-funded plan sponsor. Your bills are a function of two things, the unit cost, what a service costs when someone goes and gets it, and utilization, how many times they need to go have the service done. The assessment that was done reflected just unit costs. We were asked to reprice historical claims, and that is done based upon our contracted rates. But no assessment in the financial analysis was made of our ability through utilization of, our health demands utilization through chronic and disease management programs and other wellness related activities how we could control utilization. The Governor said it very well this morning when he was talking about an interaction he had with a hospital CEO that surprised him, where the hospital CEO said it's not about admissions any longer, it's about reducing utilization and making money on the back end. That is where healthcare is going.

In the RFP, in the technical portion of the RFP the key criteria that the State identified was, of importance to them was the ability of the bidders to effectively help manage utilization through clinical program delivery, wellness programs, value based insurance design. We rank number one in that area. The second thing I would say was available to the State for consideration is, again, we are a current carrier. We are one of three EPO providers. Aetna, CareFirst and United are the three EPO providers that the State has in place right now. We are the lowest cost provider to the State today. Our rates are about 15 percent below CareFirst and United's today. So that is an indication that while an analysis of our unit cost may show that we are not the most competitive provider something is happening within our protocols, within our processes, that has delivered proven value to the State of Maryland.

So my statement really is summarized by saying that 95 percent of your cost is estimated. That analysis was based on one element, unit cost only, not utilization. And I think that there is merit to further reviewing the conclusions that have been reached.

COMPTROLLER FRANCHOT: So in summary costs could go up a lot based on the --

MR. BUCCI: Costs could be different.

COMPTROLLER FRANCHOT: Could be different. They could go down, for all I know. But the question that I have is how do we know? We're

just kind of holding hands and jumping off the cliff based on a good idea that I supported but it hasn't been tested, has it? Am I completely off the wall on that?

MR. BUCCI: Yes, I mean, I will support Anne if it's all right with you. These programs, these concepts, and as my colleague from CareFirst indicated, they have been widely tested. Perhaps not so much in the public sector. But definitely within the private sector.

COMPTROLLER FRANCHOT: But that's the point, I mean --

MR. BUCCI: But there are other instances within the public sector. For example, the Commonwealth of Virginia recently introduced, you are not going to have the proof yet because it is only 12 months old. But there are instances I think in fairness to the State of implementing programs such as what has been outlined --

COMPTROLLER FRANCHOT: You would advocate doing it with 255,000 people rather than say 25,000 people just to see whether Maryland perhaps has some unique features that require the programs to be tweaked in order to be successful?

MR. BUCCI: Yes, I don't know that that is my place to state. I think that there is different philosophies.

COMPTROLLER FRANCHOT: Thank you. Yes, I know, you are, I guess, okay. Just for the heck of it, is the other, is, who is the other? United Health? Are they here? Come on up. And Kaiser. Where is Kaiser? Come on

up. Kaiser I like. You guys, you guys actually, yes, you have some experience in this. Okay.

MS. WASSERSTEIN: Hi, I'm Laurie Wasserstein from United Healthcare. Thank you for having us here today.

COMPTROLLER FRANCHOT: So are you confident that you have the resources, the staff, to implement this program?

MS. WASSERSTEIN: In United Healthcare we have done these kinds of programs for large customers, public sector and commercial.

COMPTROLLER FRANCHOT: What is your large --

MS. WASSERSTEIN: So we have had, for our own employee base I can speak more freely about. We have about 100,000 employees in United Health Group.

COMPTROLLER FRANCHOT: Mm-hmm.

MS. WASSERSTEIN: We implemented a program similar to this multiple years ago and have been able to really flatten the trend across the organization. We have different benefit designs clearly than you do. We have a consumer driven program so there is a high deductible program there. It is a more aggressive program. We do not have union contracts to deal with in our organization. So it is a little easier I think on the commercial side to make more aggressive changes like this. But yes, we do this with many of our large customers have similar type incentive programs that we have found tremendous

progress on and tremendous savings and improvement in employee health costs and their health as a whole.

COMPTROLLER FRANCHOT: So you have low premiums and high deductibles? Is that --

MS. TIMMONS: At United Healthcare?

MS. WASSERSTEIN: For our employee base?

COMPTROLLER FRANCHOT: Yes. Yes.

MS. WASSERSTEIN: That depends on who you talk to as far as that goes. We have a different cost share for our employees. We don't, the company doesn't pick up as much as the State picks up. Very common for a commercial business than it is for public sector business. But to answer your question do we have experience doing similar type programs with large employers? We do.

COMPTROLLER FRANCHOT: If Kaiser could come up and say something?

MR. BUCHNESS: Hi, my name is Geb Buchness. Kaiser is extremely well suited to deliver, you know, the type of benefit that the State has required. We are a unique model in that our physician group is exclusive with our model. So there is a very tight interface between the health plan and the physician group. And it is powered by an electronic medical record. So we have the ability to not just rely on claims data but to use the patient's actual medical record to

track all the things that will be required for State employees. So we really have no concern whatsoever about being able to do this on behalf of the State. We do this for the State of California.

COMPTROLLER FRANCHOT: Mm-hmm.

MR. BUCHNESS: We are the largest provider for the State of California.

COMPTROLLER FRANCHOT: Yes, no, and I please excuse yourself from the skepticism I had about the other two groups, much as I like them. You have a great reputation in this field. So that is good you are there. But I'm still concerned about implementing this thing kind of whole cloth. Don't you think we should test it? Didn't you test the California --

MR. BUCHNESS: We've been doing it for seven years, quite honestly. You know, because we are a preventive oriented model. The only difference now is we are going to keep track of who complies and who does not comply. It is really not that complex. At the end of the day we are going to know because of the member's medical record whether they did the things that the State requires or not. So we will report back that, you know, these people did and these did not. And then the next period they will just go into different buckets. You know, it is not as complicated, you know, as it may appear.

COMPTROLLER FRANCHOT: Is this the kind of contract you had in California, ten years?

MR. BUCHNESS: Ten? It's probably, I don't know the exact duration of it, but it has been probably 30 years.

COMPTROLLER FRANCHOT: -- when they bid it, what is it? They bid a 30-year contract?

MR. BUCHNESS: No, it wasn't a 30-year contract. But --

COMPTROLLER FRANCHOT: Yes, five years. Thank you. Thank you. Because how can that not make sense from a fiscal standpoint?

MR. BUCHNESS: And our rates are fully insured so you know what you are going to be getting. So --

COMPTROLLER FRANCHOT: Okay. Is the Blue Cross person still here? One final question. This may be, this concerns the folks that you signed up during the health exchange issue. I understand you got 95 percent of everybody that privately signed up?

MS. PENCZEK: I believe that is true. That is handled in our Consumer Direct Area, yes.

COMPTROLLER FRANCHOT: Yes. I keep hearing complaints from folks that they were not fully informed. That they signed up with you based on low premiums, which were very attractive, but that it was not clear that the deductibles were thousands and thousands of dollars and completely unexpected, and that these people have low premiums and are unable to get even copays or anything paid for because the deductible is so high.

MS. PENCZEK: I personally have not heard that feedback from our Consumer Direct area.

COMPTROLLER FRANCHOT: Really?

MS. PENCZEK: I can inquire into that. I know we had, certainly we amped up on the customer service units that would be available in that individual Consumer Direct area. So if they were misinformed that would be news to me. And are you speaking directly of the exchanges and the mental plans and --

COMPTROLLER FRANCHOT: Yes. I am talking about your extraordinary success of getting 94.7 percent of all the people through the health exchange and enrolled with you guys. And I'm told --

MS. PENCZEK: Benefits assigned would be equal, side by side, based on those metals. You know, the bronze and gold plans. So the benefit plan designs on the exchanges would have been the same plan designs administered by other carriers. To the extent we gained the enrollment, I'm sure pricing was part of it. I'm also sure that our provider networks, which are quite broad, helped in that decision making. So that members have more choice.

COMPTROLLER FRANCHOT: Well I'll pass along the people that are talking to me. Because they are pounding the table saying, yes, I got a low premium but really it's an outrageous premium because --

MS. PENCZEK: I would be more than happy to go back and look and --

COMPTROLLER FRANCHOT: -- the deductible is --

MS. PENCZEK: -- plan designs on the exchanges should be consistent across all carriers.

COMPTROLLER FRANCHOT: As far as the deductible?

MS. PENCZEK: Correct. Correct.

COMPTROLLER FRANCHOT: Okay, thank you very much.

MS. PENCZEK: You're welcome.

MS. BOWMAN: If I may just to conclude Mr. Bucci's comments? What Aetna is requesting is based on the appeal that has been filed at the Board of Contract Appeals that that appeal go its course and that the Board consider not taking action today and letting the Board of Contract Appeals resolve all of the issues in that have been raised in the appeal that has been filed. Or in the alternative, taking into account a substantial amount of the concerns that have been raised here today and the comments, take a pause, defer this. Take one pause. Defer it. Let everybody look at a lot of the questions that are raised here today, not only from the Comptroller but from the Treasurer and those that are responding and saying we can look at it, we can discuss it, we can come back to you. Take this time period. Take a pause. Defer it until the next Board of Public

Works meeting to have an open discussion about all of those questions and the areas that have been asked. Thank you for your consideration.

GOVERNOR O'MALLEY: Thank you. Okay, any other questions?

MS. FOSTER: Well Governor, I would just recommend that the Board go forward and award this contract in spite of the appeal. The young lady is correct. They did submit a protest. My staff spent five days, long and hard days, responding to that protest. In fact, we issued an 18-page single spaced document with footnotes responding to the arguments that they had. We really don't believe it has merit. And on that basis we would recommend that the Board go forward with the contract.

GOVERNOR O'MALLEY: Got you. Mr. Comptroller?

COMPTROLLER FRANCHOT: So what bad things would happen if it were delayed to September 3rd?

MS. FOSTER: Well I think, you know, we are really on a fast pace with this. I think delaying these contract awards today is going to make it impossible for the department to implement the new plan design and the contract offerings in the next year plan. That plan begins on January 1, 2015. I think we have a lot of things to do and to complete over the next several months. They are complex tasks. And I think already we are behind the envelope. Work with the insurance carriers on any kind of joint communication cannot begin until the

Board approves these contracts. And if they are approved today we will have exactly 14 calendar days to finalize our communications for inclusions in the open enrollment packet. Open enrollment this year starts on October 15th. And the benefit booklets, the enrollment forms, the health fair schedules, all of that information needs to be sent to the printer by August 27th to ensure that we have 136,000 open enrollment kits ready for distribution by mid-September.

I think equally important we need to focus on the fact that we have got to put together some billing procedures. We've got to put together some programs that will track our claims systems. Other materials including documents which provide detailed plan descriptions, our health risk assessment materials, all of those things have to be done. As the Treasurer pointed out earlier we have a big job in regards to educating our employers, educating providers, just in terms of the changes and what this new program is going to involve. We've also got to set up the tests for our eligibility files. So, you know, any delay in the approval of this contract is going to adversely impact this very time sensitive schedule.

I think most importantly delaying the approval of the award today is just going to jeopardize our ability to go forward and put the value based insurance plan in place. And for the Kaiser folks, delaying it is going to mean it is going to harm Kaiser as well as harm the potential people who would be enrolled in their program. So this is a multibillion dollar contract but it is a less expensive option than not doing anything.

GOVERNOR O'MALLEY: And it is the one we have been working on for four or five years --

MS. FOSTER: Yes.

GOVERNOR O'MALLEY: -- to craft the RFP properly and put it out properly.

MS. FOSTER: So you know, the bottom line is the cost of delay is substantial, not only in terms of dollars but what it is going to mean for our employees in terms of improving their health and overall productivity.

GOVERNOR O'MALLEY: I think we are ready to vote.

COMPTROLLER FRANCHOT: So -- but if I could just ask for the record? Your testimony is that a \$16 billion, ten-year contract needs to be voted on the day it is presented to the Board of Public Works.

MS. FOSTER: I would say that, Mr. Comptroller, obviously as the Governor indicated we have been working on this for some time. We have been working on it at your direction basically since five years ago when we brought the other contracts to the Board. We certainly had conversations with your staff and briefed them. Hopefully they shared this information with you prior to today. So I don't see this in terms of this was a new thing that the members just heard today.

So on that basis, yes. I think what we need to emphasize is that this really is a six-year contract. It does have two two-year renewal options, which gets us to the ten-year period. The bottom line is after six years we have an

opportunity to go back and reassess, and as the Governor pointed out we can reassess before then. We will have information and will know how this is working.

COMPTROLLER FRANCHOT: How do we reassess before then? Is that in the contract?

MS. FOSTER: -- reassessing, as Ms. Timmons pointed out, we will be looking at the data that is coming in and we will be tracking how our employees are doing.

COMPTROLLER FRANCHOT: But we can't go back on the \$1.6 billion, I take it, for the first five, six years? We owe that?

GOVERNOR O'MALLEY: Come on back up and say that again.

MS. TIMMONS: All of our contracts allow us to terminate for convenience. So if we have a carrier that is significantly underperforming, we have that option. We have, we also have the flexibility to amend the contracts. You know, part of what we built into this contract is working with the carrier every year to see what's working, what is not, and what do we need to tweak in order to reach that goal.

COMPTROLLER FRANCHOT: So if healthcare costs go up despite our best intention, we can keep the payments of \$1.6 billion? Aren't we contractually obligated for the services that our employees take? I mean, isn't, as

the testimony was before, if they have X number of procedures despite our best intentions we owe them money, right?

MS. TIMMONS: Well as with all of our health insurance contracts, every year we go through an analysis with our consultants that determines what has the utilization looked like, what is it going to look like for the following year, how much money are we going to need to pay for projected health claims? And that is just part of the health insurance contract. To Mr. Bucci's point, claims are an estimate. So, you know, and so we analyze that every year and it becomes part of the budget.

COMPTROLLER FRANCHOT: Okay. Well then I would, since we are going to vote on this, I would like to move that each year the Board of Public Works is presented with the estimated cost that that year was supposed to take and that actual cost, and the Board be allowed to vote as it wishes on, I guess, what is it? The convenience of the State?

MS. TIMMONS: That's actually in the Appendix O, every year?
Is it Appendix O?

MS. FOSTER: Yes. I mean --

COMPTROLLER FRANCHOT: Or recommend to the Legislature that they vote. But somebody needs to --

MS. TIMMONS: Mm-hmm. We are happy to report on --

GOVERNOR O'MALLEY: Where is that in the Appendix?

MS. TIMMONS: It is Appendix O of the Budget Book.

GOVERNOR O'MALLEY: Appendix O?

MS. TIMMONS: Mm-hmm.

GOVERNOR O'MALLEY: Like O-apostrophe.

COMPTROLLER FRANCHOT: Yes.

MS. TIMMONS: Right, there you go.

COMPTROLLER FRANCHOT: I would feel a lot more comfortable if we had that right front and center, where we said each year the projected costs are going to be compared to the actual costs, the Legislature and the Board of Public Works is going to get a chance to weigh in on whether this --

MS. FOSTER: Certainly what we present to the General Assembly each year is our budget --

COMPTROLLER FRANCHOT: Yes, no, that's what I'm talking about. Yes.

MS. FOSTER: And in that we show what we are spending, we show what the receipts are. And that is included as the Appendix O in our budget highlights document.

MS. TIMMONS: -- yes.

COMPTROLLER FRANCHOT: Well, I think that is very good. I was in the Legislature, on that committee for 20 years. I would still recommend and move that we have a report back to us on the expenditures and the estimates

so that we can actually follow and see how this works, and the Legislature should receive that specifically on this program.

MS. TIMMONS: Well that's part of the design of this program, is that we are reporting to the participants, we're reporting to --

GOVERNOR O'MALLEY: Good. So this isn't a problem.

MS. TIMMONS: -- all stakeholders, yes.

GOVERNOR O'MALLEY: Do we want to, can you do it more than annually? Can you do it quarterly?

MS. TIMMONS: You may not see it enough movement quarterly. Annually --

GOVERNOR O'MALLEY: That's okay. We like quarterly.

MS. TIMMONS: Okay.

GOVERNOR O'MALLEY: Let's see --

MS. TIMMONS: Well, absolutely.

GOVERNOR O'MALLEY: -- with a friendly amendment to --

COMPTROLLER FRANCHOT: No, fabulous. No, that's better. It's four times better.

GOVERNOR O'MALLEY: So let's say quarterly.

COMPTROLLER FRANCHOT: Excellent.

GOVERNOR O'MALLEY: We want to see Appendix O, for outstanding performance, quarterly.

MS. TIMMONS: Okay.

GOVERNOR O'MALLEY: Right? I mean, the feedback loops will be there, right?

MS. TIMMONS: Yes. Yes --

GOVERNOR O'MALLEY: I mean, you may lag by a few weeks when you close. I understand. But if you report quarterly, it's my experience when people work against deadlines --

MS. TIMMONS: Right. And that would, how that would work from the way claims work is that it would be a quarter after that quarter, that we would provide that.

GOVERNOR O'MALLEY: That's fine. Well then it will eventually catch up and we'll be able to see the trend lines --

MS. TIMMONS: Yes.

MS. FOSTER: Yes.

GOVERNOR O'MALLEY: -- and whether we are on board or not.

MS. TIMMONS: Yes --

GOVERNOR O'MALLEY: -- good idea, don't you?

MS. FOSTER: We'll develop a template.

TREASURER KOPP: I think a regular report is a good idea.

COMPTROLLER FRANCHOT: Thank you. So moved.

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GOVERNOR O'MALLEY: -- second that motion.

TREASURER KOPP: Can I just say for the record we did receive copies of Aetna's brief. I appreciate that very much, and the department's response which I found very strong also. And for that reason, in addition to the reasons you have cited, I am supporting this motion.

MS. TIMMONS: Thank you.

GOVERNOR O'MALLEY: So there is a motion to, that the Comptroller makes, seconded by yours truly with the friendly amendment that it be quarterly on --

MS. FOSTER: Items 4, 5, and 6.

GOVERNOR O'MALLEY: Yes, but to receive that Appendix O, the performance measures --

MS. FOSTER: On Item 4.

GOVERNOR O'MALLEY: -- on this contract on a quarterly basis. You can lift it out, plain, obvious, put it on yellow paper if you'd like. Okay?

MS. FOSTER: Done.

GOVERNOR O'MALLEY: I think that's good idea. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

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(No response.)

GOVERNOR O'MALLEY: That motion, the Comptroller's motion carries. And now we are on Items 4, 5, and 6. The Governor moves approval. Is there a second?

TREASURER KOPP: Second.

GOVERNOR O'MALLEY: Seconded by the Treasurer. All in favor signal by saying, "Aye."

THE BOARD: Aye.

GOVERNOR O'MALLEY: All opposed?

(No response.)

GOVERNOR O'MALLEY: It's unanimous. Thank you. The ayes have it. And that concludes our meeting.

MS. FOSTER: Thank you.

(Whereupon, at 12:59 p.m., the meeting was concluded.)