

**State and Public School Life
And Health Insurance Board
Minutes
October 11, 2011**

The 119th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on October 11, 2011 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Renee Mallory
Dr. Joseph Thompson
Janis Harrison
Kelly Chaney
Shawn Cook
Bob Alexander
Mark White
Coby Logan
Carla Wooley

MEMBERS ABSENT

John Kirtley
Dr. Andrew Kumpuris
Lloyd Black

Jason Lee, Executive Director, Employee Benefits Division.

OTHERS PRESENT:

Dr. Matthew Hadley, UAMS College of Nursing ; George Platt, Marla Wallace, Michelle Hazelett, Marla Wallace, Amy Tustison, Lori Eden, Tracy Collins, Amy Redd, Sherry Bryant, Cathy Harris, EBD; Ron Deberry, David Bridges, Kathy Ryan, ABCBS/Health Advantage; Sarah Sanders, AR Highway & Transportation Dept, Shonda Rocke, Connie Bennett, Informed Rx; Bryan Meldrum, NovaSys; Mike Moratz, Ethicon Endo-Surgery; Richard Ponder, Johnson & Johnson; Steve Singleton, AR Retired Teacher Association; Karen Payton, American Health Holdings; Dwight Davis, Jill Johnson, Alan Hickman, UAMS, EBRx; Joyce Ivy, Carol McCauley, Department of Health Services, AR Department of Health; Kelly Jackson, Merck; Joe Chang, MN Life; Bridget Johnson, Pfizer; Karen Payton, American Health Holdings; BJ Himes, Qualchoice; David Williams,

CALL TO ORDER

Meeting was called to order by Renee Mallory, Chairman.

APPROVAL OF MINUTES

The request was made by Mallory to approve the July 19, 2011 minutes. Harrison made the motion to approve minutes. Chaney seconded. All were in favor. Minutes approved.

NEW BOARD MEMBER

The Board welcomed Mark White to the Board. White is a Staff Attorney with the Arkansas Department of Education.

FINANCIALS by Marla Wallace, Interim CFO

Wallace presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) and the penalties assessed by state agencies and school districts for June, thru October 2011.

SUBCOMMITTEE REPORTS

1. The Drug Utilization and Evaluation Committee (DUEC)

Dr. Matthew Hadley reported the following recommendations for the Board consideration resulted from a meeting of the DUEC on October 4, 2011.

- a) **Vyvanse** (currently excluded from coverage) is a central nervous system stimulant.

Recommendation: Cover Vyvanse at Tier 3 with quantity limit same as other ADHD medications - No Therapeutic duplication (*use of multiple agents from the same chemical family or therapeutic class*).

Harrison made the motion to adopt. Cook seconded. Motion carried.

- b) **Citalopram (Celexa®)**

Celexa (citalopram hydrobromide) is in a class of antidepressants called selective serotonin reuptake inhibitors (SSRIs). recommendations for healthcare professionals and patients

Recommendation: Place QL on Citalopram on all strengths for dose optimization. (40mg tabs max 31/31 days, 20mg tabs 31/31 days, 10mg tabs 31/31 days. Patients should move to the next higher strength rather than take multiple tabs to achieve the dose.

Dr. Thompson made the motion to adopt. Alexander seconded. Motion carried.

c) Statin Medication Chart for Reference Pricing

Recommendation: Move Lipitor 40mg and Crestor 10mg to Tier 2 copay with an approved prior authorization (same as Lipitor 80mg and Crestor 20mg and 40mg).

Lipitor 10mg and 20mg and Crestor 5mg will remain covered under the reference pricing arrangement

Harrison made the motion to adopt. Wooley seconded. Motion carried.

d) First Review Medications

Hadley provided an overview of the new drugs for April through August 2011. Hadley informed the Board the DUEC lost quorum during the medication review discussion.

Dr. Thompson made the motion to adopt recommendations for new drugs. Harrison seconded. Motion carried.

e) Formulary Management Rules

Lee talked about the current formulary management rules previously adopted by the Board.

- Formulary "changes" for existing covered medications that are not due to significant clinical, access or financial reasons will only be made at the beginning of a plan year
- "New" products currently not covered by the plan are added to the formulary immediately.

Lee asked the Board for clarification on what would be considered a "new" product indicated in the formulary management guidelines. Example: Board voted to add Vyvanse (previously reviewed drug) to the formulary, is it considered to be a change to the formulary or a new drug?

A discussion ensued.

Dr. Thompson made the motion to implement changes to the formulary as soon as operational feasible following Board approval.

2. Benefits Subcommittee Report

Lee explained that the Benefits committee did not meet in October because they had already previously met and reviewed the possibility of Medicare Advantage. The committee was briefed by Colberg and the Cheiron team after which the committee was concerned that members could not opt out of Medicare Advantage to enroll in another plan. Lee informed the Board they have found out

since that time that members will have the option to enroll in another plan because they are an employer sponsor plan.

Lee reported that based on exchange of e-mails, the Benefits Committee had the following recommendation:

Recommendation: That EBD start the procurement process for possible implementation of a Self-Insured Medicare Advantage option for state and school retirees as of January 1, 2013 with the inclusion of a prescription drug benefit option.

Harrison made the motion to adopt. Alexander seconded. Motion carried.

Dr. Thompson requested the Board be provided the financial implications to the plan for Medicare Advantage in the next meeting.

3. Quality of Care Report

Lee explained the Board instructed the Quality committee to re-review Screening for Breast Cancer (Mammography).

The USPSTF recommends screening mammography for women with or without clinical breast examination (CBE), every 1-2 years for women aged 40 and older.

Currently the Plan Covers - 1 mammogram per year with no age limit.

Lee reported that based on exchange of e-mails, the Quality of Care Committee had the following recommendation:

Recommendation: The committee has reviewed the coverage policy for screening mammogram regarding the implementation of an age limit; a majority of the respondents recommend implementation in the 2012 plan year, a recommendation consistent with their earlier discussion and the preventative care task force.

Alexander made the motion to adopt. Dr. Thompson seconded. Motion carried.

DIRECTOR'S REPORT *by Jason Lee*

Lee proposed that the Board reconsider the initial eligibility period for the plan. Currently a new employee becomes effective on the "first of month following 30 days of employment". Lee said this creates an unpredictable waiting period based on the actual hire date.

Recommendation: Convert to "first of month following date of application" effective January 1, 2012.

Lee said this would allow for a more consistent effective date for the new employees as it would be based on when the enrollment form (paper or online) was executed by the employee. Lee explained changing the effective date rule would have little impact on the employer entities because they would simply adjust the initial deduction amount to ensure that their premium is paid in accordance with the pre-payment rule or caught up if the member's coverage begins before payroll runs (which is a common event for new hires).

Lee said this is not something that is being driven by healthcare reform but rather a procedural issue that has been around for a very long time.

Alexander made the motion to adopt. Dr. Thompson seconded. Motion carried.

OTHER BUSINESS:

Joyce Ivy, Department of Human Services addressed the Board about the 2012 enrollment process changes.

Meeting adjourned.

AGENDA

State and Public School Life and Health Insurance Board

EBD Board Room - 501 Building - 5th Floor

October 11, 2011 1:00 p.m.

1. Call to Order*Renee Mallory, Chair*
2. Approval of Minutes*Renee Mallory, Chair*
3. Financials *Marla Wallace, Interim Chief Fiscal Officer*
4. Sub-Committee Report*Jason Lee Executive Director*
 - a. DUEC
 - b. Benefits
 - c. Quality
5. Director's Report*Jason Lee, Executive Director*

Upcoming Meetings

2012 Schedule to be announced

Arkansas State Employees (ASE) Financials - January 1, 2011 through June 30, 2011

	ARHealth	Health Adv	NovaSys	Total
Actives		25,790	906	26,696
Actives HD			1,069	1,069
Retirees	9,102			9,102
COBRA		117	7	124
Total	9,102	25,907	1,982	36,991

Operations as of 06/30/11

	Current Month	Year to Date (6 months)
Funding		
State Contribution	\$ 13,607,012	\$ 81,673,036
Employee Contribution, Rebates, Medicare Subsidy, and ERRP	\$ 12,976,743	\$ 51,699,471
Total Funding	\$ 26,583,755	\$ 133,372,507
Expenses		
Medical Expenses		
Claims Expense	\$ 19,618,235	\$ 86,470,417
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 1,030,611	\$ 5,662,707
Refunds	\$ 6,294	\$ 45,512
Behavioral Health	\$ 330,954	\$ 1,981,298
Life Insurance	\$ 102,359	\$ 612,326
Pharmacy Expenses		
RX Claims	\$ 8,654,862	\$ 35,981,667
RX IBNR	\$ -	\$ -
RX Admin	\$ 112,948	\$ 482,948
Plan Administration	\$ 362,849	\$ 1,418,739
Total Expenses	\$ 30,219,111	\$ 132,655,615
Net Income/(Loss)	\$ (3,635,356)	\$ 716,892

Balance Sheet as of 06/30/11

Assets	
Bank Account	\$ 10,688,901
State Treasury	\$ 101,645,065
Due from Cafeteria Plan	\$ 4,788,924
Due from PSE	\$ -
Receivable from Provider	\$ 1,005,703
Accounts Receivable	\$ 1,257,525
Total Assets	\$ 119,386,119
Liabilities	
Accounts Payable	\$ 6,166,987
Deferred Revenues	\$ 4,258,589
Due to Cafeteria	\$ -
Due to PSE	\$ 1,433
Health IBNR	\$ 21,570,000
RX IBNR	\$ 2,680,000
Total Liabilities	\$ 34,677,010
Net Assets	\$ 84,709,109
Less Reserves Allocated:	
Catastrophic Reserve	\$ (8,900,000)
Pharmacy Reward Program (2010-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 74,309,109

ASE Cafeteria Plan Financials 2011- January 1, 2011 through June 30, 2011

Cafeteria Plan Operations as of 06/30/11

<u>Funding</u>	<u>Current Month</u>	<u>Year to Date (6 months)</u>
FICA Savings	\$ 367,891	\$ 2,166,025
Interest, Penalties, Tax Set Off	\$ 17,996	\$ 35,076
Total Funding	\$ 385,887	\$ 2,201,101
<u>Expenses</u>		
Plan Administration	\$ 15,979	\$ 84,295
Forfeited Benefits (Annual Expense)	\$ 4,211,275	\$ 4,211,275
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
Total Expenses	\$ 4,227,254	\$ 4,295,570
Net Income/(Loss)	\$ (3,841,367)	\$ (2,094,469)

Balance Sheet as of 06/30/11

<u>Assets</u>	
State Cafeteria (Flexible Benefits)	\$ 613,663
Admin Acct (FICA Savings)	\$ 76,353
State Treasury	\$ 4,200,312
Due from Health Plan	\$ -
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 21,285
Total Assets	\$ 4,911,613
<u>Liabilities</u>	
Accounts Payable	\$ (11,980)
Due to Health Plan (FICA Savings Annual)	\$ -
Due to Health Plan (Forfeited Benefits Annual)	\$ 4,788,924
Total Liabilities	\$ 4,776,944
Net Assets	\$ 134,669

Arkansas State Employees (ASE) Financials - January 1, 2011 through July 31, 2011

	ARHealth	Health Adv	NovaSys	Total
Actives		25,770	903	26,673
Actives HD			1,083	1,083
Retirees	9,109			9,109
COBRA		123	7	130
Total	9,109	25,893	1,993	36,995

Operations as of 07/31/11

	Current Month	Year to Date (7 months)
Funding		
State Contribution	\$ 13,501,540	\$ 95,174,576
Employee Contribution, Rebates, Medicare Subsidy, and ERRP	\$ 7,286,719	\$ 58,986,190
Total Funding	\$ 20,788,259	\$ 154,160,766
Expenses		
Medical Expenses		
Claims Expense	\$ 9,359,557	\$ 95,829,974
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 1,195,768	\$ 6,858,475
Refunds	\$ 17,055	\$ 62,566
Behavioral Health	\$ 330,904	\$ 2,312,202
Life Insurance	\$ 102,264	\$ 714,589
Pharmacy Expenses		
RX Claims	\$ 2,817,366	\$ 38,799,033
RX IBNR	\$ -	\$ -
RX Admin	\$ 142,952	\$ 625,900
Plan Administration	\$ 96,617	\$ 1,515,356
Total Expenses	\$ 14,062,481	\$ 146,718,096
Net Income/(Loss)	\$ 6,725,777	\$ 7,442,670

Balance Sheet as of 07/31/11

Assets		
Bank Account		\$ 8,098,542
State Treasury		\$ 105,672,030
Due from Cafeteria Plan		\$ 4,788,933
Due from PSE		\$ -
Receivable from Provider		\$ 483,996
Accounts Receivable		\$ 883,782
Total Assets		\$ 119,927,282
Liabilities		
Accounts Payable		\$ 17,612
Deferred Revenues		\$ 4,224,784
Due to Cafeteria		\$ -
Due to PSE		\$ -
Health IBNR		\$ 21,570,000
RX IBNR		\$ 2,680,000
Total Liabilities		\$ 28,492,396
Net Assets		\$ 91,434,886
Less Reserves Allocated:		
Active/Retiree Premiums for Plan Year 1/1/12 - 12/31/12 (\$18,650,000)		\$ (18,650,000)
Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13 (\$11,190,000)		\$ (11,190,000)
Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14 (\$7,460,000)		\$ (7,460,000)
Catastrophic Reserve		\$ (8,900,000)
Pharmacy Reward Program (2010-\$1,500,000)		\$ (1,500,000)
Net Assets Available		\$ 43,734,886

ASE Cafeteria Plan Financials 2011- January 1, 2011 through July 31, 2011

Cafeteria Plan Operations as of 07/31/11

<u>Funding</u>	<u>Current Month</u>	<u>Year to Date (7 months)</u>
FICA Savings	\$ 359,940	\$ 2,525,965
Interest, Penalties, Tax Set Off	\$ 1,255	\$ 36,331
Total Funding	\$ 361,195	\$ 2,562,296
<u>Expenses</u>		
Plan Administration	\$ 13,483	\$ 97,778
Forfeited Benefits (Annual Expense)	\$ -	\$ 4,211,275
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
Total Expenses	\$ 13,483	\$ 4,309,053
Net Income/(Loss)	\$ 347,712	\$ (1,746,757)

Balance Sheet as of 07/31/11

<u>Assets</u>	
State Cafeteria (Flexible Benefits)	\$ 786,453
Admin Acct (FICA Savings)	\$ 207,611
State Treasury	\$ 4,417,347
Due from Health Plan	\$ -
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 21,285
Total Assets	\$ 5,432,697
<u>Liabilities</u>	
Accounts Payable	\$ 161,384
Due to Health Plan (FICA Savings Annual)	\$ 8
Due to Health Plan (Forfeited Benefits Annual)	\$ 4,788,924
Total Liabilities	\$ 4,950,316
Net Assets	\$ 482,380

Arkansas State Employees (ASE) Financials - January 1, 2011 through October 31, 2011

	ARHealth	Health Adv	NovaSys	Total
Actives		25,403	871	26,274
Actives HD			1,093	1,093
Retirees	9,329			9,329
COBRA		114	7	121
Total	9,329	25,517	1,971	36,817

Operations as of 10/31/11

	Current Month	Year to Date (10 months)
Funding		
State Contribution	\$ 13,508,730	\$ 135,681,372
Employee Contribution, Rebates, Medicare Subsidy, and ERRP	\$ 7,735,039	\$ 82,114,412
Total Funding	\$ 21,243,769	\$ 217,795,784
Expenses		
Medical Expenses		
Claims Expense	\$ 12,256,023	\$ 137,057,046
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 987,528	\$ 9,773,039
Refunds	\$ 3,515	\$ 68,532
Behavioral Health	\$ -	\$ 2,968,802
Life Insurance	\$ 101,112	\$ 1,018,011
Pharmacy Expenses		\$ -
RX Claims	\$ 5,677,119	\$ 56,109,744
RX IBNR	\$ -	\$ -
RX Admin	\$ 95,479	\$ 916,162
Plan Administration	\$ 154,094	\$ 1,947,693
Total Expenses	\$ 19,274,870	\$ 209,859,029
Net Income/(Loss)	\$ 1,968,900	\$ 7,936,755

Balance Sheet as of 10/31/11

Assets		
Bank Account		\$ 9,010,928
State Treasury		\$ 105,746,115
Due from Cafeteria Plan		\$ 4,788,933
Due from PSE		\$ -
Receivable from Provider		\$ 467,250
Accounts Receivable		\$ 838,539
Total Assets		\$ 120,851,765
Liabilities		
Accounts Payable		\$ 2,709
Deferred Revenues		\$ 4,192,298
Due to Cafeteria		\$ 189
Due to PSE		\$ 477,598
Health IBNR		\$ 21,570,000
RX IBNR		\$ 2,680,000
Total Liabilities		\$ 28,922,794
Net Assets		\$ 91,928,971
Less Reserves Allocated:		
Active/Retiree Premiums for Plan Year 1/1/12 - 12/31/12	(\$18,650,000)	\$ (18,650,000)
Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13	(\$11,190,000)	\$ (11,190,000)
Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14	(\$7,460,000)	\$ (7,460,000)
Catastrophic Reserve		\$ (8,900,000)
Pharmacy Reward Program (2010-\$1,500,000)		\$ (1,500,000)
Net Assets Available		\$ 44,228,971

ASE Cafeteria Plan Financials 2011- January 1, 2011 through October 31, 2011

Cafeteria Plan Operations as of 10/31/11

<u>Funding</u>	<u>Current Month</u>	<u>Year to Date (10 months)</u>
FICA Savings	\$ 366,575	\$ 3,605,162
Interest, Penalties, Tax Set Off	\$ 739	\$ 40,799
Total Funding	\$ 367,313	\$ 3,645,960
<u>Expenses</u>		
Plan Administration	\$ 13,261	\$ 137,707
Forfeited Benefits (Annual Expense)	\$ -	\$ 4,211,275
FICA Savings Transfer (Annual Expense)	\$ -	
Total Expenses	\$ 13,261	\$ 4,348,982
Net Income/(Loss)	\$ 354,053	\$ (703,022)

Balance Sheet as of 10/31/11

<u>Assets</u>		
State Cafeteria (Flexible Benefits)		\$ 925,490
Admin Acct (FICA Savings)		\$ 221,007
State Treasury		\$ 5,449,510
Due from Health Plan		\$ 189
Due from State Employee Fund		\$ -
Accounts Receivable		\$ 20,674
Total Assets		\$ 6,616,871
<u>Liabilities</u>		
Accounts Payable		\$ 301,823
Due to Health Plan (FICA Savings Annual)		\$ 8
Due to Health Plan (Forfeited Benefits Annual)		\$ 4,788,924
Total Liabilities		\$ 5,090,755
Net Assets		\$ 1,526,116

Public School Employees (PSE) Financials - October 1, 2010 through June 30, 2011

	ARHealth	Health Adv	NovaSys	Total
Actives		37,418	2,914	40,332
Actives HD			4,760	4,760
Retirees	8,038			8,038
COBRA		678	77	755
Total	8,038	38,096	7,751	53,885

Operations as of 06/30/11

Funding	Current Month	Year to Date (9 months)
District Contribution	\$ 5,908,755	\$ 53,200,279
Employee Contribution, Rebates, and ERRP	\$ 13,223,780	\$ 117,652,663
Dept of Ed \$35,000,000 & \$15,000,000	\$ -	\$ 36,704,545
Total Funding	\$ 19,132,535	\$ 207,557,488
Expenses		
Medical Expenses:		
Claims Expense	\$ 23,783,807	\$ 147,579,663
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 1,540,051	\$ 12,431,152
Refunds	\$ (2,523)	\$ (9,009)
Behavioral Health	\$ 340,221	\$ 3,376,474
Pharmacy Expenses:		
RX Claims	\$ 7,397,572	\$ 43,920,040
RX IBNR	\$ -	\$ -
RX Admin	\$ 101,482	\$ 631,547
Plan Administration	\$ 430,280	\$ 2,551,259
Total Expenses	\$ 33,590,889	\$ 210,481,126
Net Income/(Loss)	\$ (14,458,354)	\$ (2,923,638)
Reserve Activity:		
Allocation for Active Premiums for Plan Yr 10/01/10-12/31/11	\$ 789,333	\$ 7,104,000
Retiree Premiums for Plan Year 01/01/11-12/31/11	\$ 63,333	\$ 380,000
Net Income/(Loss) After Reserves	\$ (13,605,687)	\$ 4,560,362

Balance Sheet as of 06/30/11

Assets	
Bank Account	\$ 13,900,827
State Treasury	\$ 58,855,866
Receivable from Provider	\$ 913,856
Accounts Receivable	\$ 90,899
Due from ASE	\$ 1,433
Total Assets	\$ 73,762,881
Liabilities	
Accounts Payable	\$ 6,556,022
Due to ASE	\$ -
Deferred Revenues	\$ 1,367,609
Health IBNR	\$ 25,500,000
RX IBNR	\$ 2,340,000
Total Liabilities	\$ 35,763,631
Net Assets	\$ 37,999,250
Less Reserves Allocated:	
Active Premiums for Plan Year 10/01/10-12/31/11 (\$11,840,000)	\$ (4,736,000)
Retiree Premiums for Plan Year 01/01/11-12/31/11 (\$760,000)	\$ (380,000)
Active Premiums for Plan Years 1/01/12-12/31/13 (\$7,344,000 + \$3,296,000 = \$10,640,000)	\$ (10,640,000)
Retiree Premiums for Plan Years 01/01/12-12/31/13 (\$456,000 + \$304,000 = \$760,000)	\$ (760,000)
Catastrophic Reserve	\$ (10,000,000)
Pharmacy Reward Program (2010-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 9,983,250

Public School Employees (PSE) Financials - October 1, 2010 through July 31, 2011

	ARHealth	Health Adv	NovaSys	Total
Actives		37,036	2,876	39,912
Actives HD			4,707	4,707
Retirees	8,144			8,144
COBRA		730	83	813
Total	8,144	37,766	7,666	53,576

Operations as of 07/31/11

Funding	Current Month	Year to Date (10 months)
District Contribution	\$ 5,848,233	\$ 59,048,512
Employee Contribution, Rebates, and ERRP	\$ 12,733,210	\$ 130,385,873
Dept of Ed \$35,000,000 & \$15,000,000	\$ 6,931,818	\$ 43,636,364
Total Funding	\$ 25,513,261	\$ 233,070,748
Expenses		
Medical Expenses:		
Claims Expense	\$ 11,663,763	\$ 159,243,426
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 1,954,410	\$ 14,385,561
Refunds	\$ 10,307	\$ 1,298
Behavioral Health	\$ 337,599	\$ 3,714,073
Pharmacy Expenses:		
RX Claims	\$ 2,245,610	\$ 46,165,650
RX IBNR	\$ -	\$ -
RX Admin	\$ 182,375	\$ 813,922
Plan Administration	\$ (131,732)	\$ 2,419,527
Total Expenses	\$ 16,262,332	\$ 226,743,457
Net Income/(Loss)	\$ 9,250,929	\$ 6,327,291
Reserve Activity:		
Allocation for Active/Retiree Premiums for Plan Year 2011	\$ 852,667	\$ 8,336,667
Net Income/(Loss) After Reserves	\$ 10,103,596	\$ 14,663,958

Balance Sheet as of 07/31/11

Assets	
Bank Account	\$ 16,968,328
State Treasury	\$ 58,872,216
Receivable from Provider	\$ 445,466
Accounts Receivable	\$ 269,003
Due from ASE	\$ -
Total Assets	\$ 76,555,012
Liabilities	
Accounts Payable	\$ 4,092
Due to ASE	\$ -
Deferred Revenues	\$ 1,460,742
Health IBNR	\$ 25,500,000
RX IBNR	\$ 2,340,000
Total Liabilities	\$ 29,304,834
Net Assets	\$ 47,250,179
Less Reserves Allocated:	
Active/Retiree Premiums for Plan Year 2011 (\$12,600,000)	\$ (4,263,333)
Active/Retiree Premiums for Plan Year 01/01/12 - 12/31/12 (\$16,800,000)	\$ (16,800,000)
Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000)	\$ (9,000,000)
Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000)	\$ (3,600,000)
Catastrophic Reserve	\$ (10,000,000)
Pharmacy Reward Program (2010-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 2,086,845

Public School Employees (PSE) Financials - October 1, 2010 through October 31, 2011

	ARHealth	Health Adv	NovaSys	Total
Actives		36,650	2,799	39,449
Actives HD			5,199	5,199
Retirees	8,595			8,595
COBRA		1,040	122	1,162
Total	8,595	37,690	8,120	54,405

Operations as of 10/31/11

Funding	Current Month	Year to Date (13 months)
District Contribution	\$ 5,834,609	\$ 76,275,405
Employee Contribution, Rebates, and ERRP	\$ 13,272,545	\$ 168,968,529
Dept of Ed \$35,000,000 & \$15,000,000	\$ 6,931,818	\$ 56,931,818
Total Funding	\$ 26,038,973	\$ 302,175,752
Expenses		
Medical Expenses:		
Claims Expense	\$ 12,994,469	\$ 207,541,289
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 1,488,720	\$ 18,744,681
Refunds	\$ 23,211	\$ 36,550
Behavioral Health	\$ -	\$ 4,379,448
Pharmacy Expenses:		
RX Claims	\$ 4,790,646	\$ 60,567,600
RX IBNR	\$ -	\$ -
RX Admin	\$ 96,223	\$ 1,101,814
Plan Administration	\$ 185,189	\$ 2,975,084
Total Expenses	\$ 19,578,458	\$ 295,346,466
Net Income/(Loss)	\$ 6,460,515	\$ 6,829,286
Reserve Activity:		
Allocation for Active/Retiree Premiums for Plan Year 2011	\$ 852,667	\$ 12,044,872
Net Income/(Loss) After Reserves	\$ 7,313,181	\$ 18,874,158

Balance Sheet as of 10/31/11

Assets	
Bank Account	\$ 19,633,596
State Treasury	\$ 55,913,729
Receivable from Provider	\$ 431,528
Accounts Receivable	\$ 582,599
Due from ASE	\$ 477,598
Total Assets	\$ 77,039,051
Liabilities	
Accounts Payable	\$ (854)
Due to ASE	\$ -
Deferred Revenues	\$ 1,447,731
Health IBNR	\$ 25,500,000
RX IBNR	\$ 2,340,000
Total Liabilities	\$ 29,286,877
Net Assets	\$ 47,752,174
Less Reserves Allocated:	
Active/Retiree Premiums for Plan Year 2011 (\$13,750,205.76)	\$ (1,705,333)
Active/Retiree Premiums for Plan Year 01/01/12 - 12/31/12 (\$16,800,000)	\$ (16,800,000)
Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000)	\$ (9,000,000)
Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000)	\$ (3,600,000)
Catastrophic Reserve (2011 - \$10,000,000)	\$ (10,000,000)
Pharmacy Reward Program (2010-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 5,146,840

The Drug Utilization and Evaluation Committee (DUEC)

The following recommendations for the Board consideration resulted from a meeting of the DUEC on October 4, 2011.

1. Vyvanse

Vyvanse (currently excluded from coverage) is a central nervous system stimulant.

Vyvanse is used to treat attention deficit hyperactivity disorder (ADHD) in adults and in children who are at least 6 years old. It is used as a part of a total treatment program that may include psychological, educational, and social therapy.

The DUEC reviewed Adderall XR and generic Adderall XR and considered generic Adderall XR cost will decrease further due to competition in the market and QL would prevent exceeding the maximum recommended daily dose.

Recommendation: Cover Vyvanse at Tier 3 with quantity limit same as other ADHD medications - No Therapeutic duplication (*use of multiple agents from the same chemical family or therapeutic class*).

2. Citalopram (Celexa®)

Celexa (citalopram hydrobromide) is in a class of antidepressants called selective serotonin reuptake inhibitors (SSRIs). recommendations for healthcare professionals and patients

ISSUE: FDA notified healthcare professionals and patients that the antidepressant Celexa (citalopram hydrobromide) should no longer be used at doses greater than 40 mg per day because it can cause abnormal changes in the electrical activity of the heart. Changes in the electrical activity of the heart (prolongation of the QT interval of the electrocardiogram [ECG]) can lead to an abnormal heart rhythm (including Torsade de Pointes), which can be fatal. Patients at particular risk for developing prolongation of the QT interval include those with underlying heart conditions and those who are predisposed to low levels of potassium and magnesium in the blood.

Citalopram causes dose-dependent QT interval prolongation. Citalopram should no longer be prescribed at doses greater than 40 mg per day.

Citalopram should not be used in patients with congenital long QT syndrome. Patients with congestive heart failure, bradyarrhythmias, or predisposition to hypokalemia or hypomagnesemia because of concomitant illness or drugs, are at higher risk of developing Torsade de Pointes. See the FDA Drug Safety Communication for additional recommendations for healthcare professionals and patients

RECOMMENDATION: Place QL on Citalopram on all strengths for dose optimization. (40mg tabs max 31/31 days, 20mg tabs 31/31 days, 10mg tabs 31/31 days. Patients should move to the next higher strength rather than take multiple tabs to achieve the dose.

3 Statin Medication Chart for Reference Pricing

RECOMMENDATION: Move Lipitor 40mg and Crestor 10mg to Tier 2 copay with an approved prior authorization (same as Lipitor 80mg and Crestor 20mg and 40mg).

Lipitor 10mg and 20mg and Crestor 5mg will remain covered under the reference pricing arrangement

4. FIRST REVIEW MEDICATIONS

<u>Drug Name</u>	<u>Tier Status</u>
Creon 3000 units Digestive enzyme. New infant specific dose (3000U)	T3
Lastacaft Ocular pruritus. Dose is 1 drop per day.	T3
Tradjenta 5mg Type 2 diabetes (DPP-4 inhibitor class)	T3 with DM Step Therapy.
Xarelto Prevention of thrombosis after hip/knee replacement. (oral dosage form)	T3 with QL 35 tabs/year. PA anything over that limit
Zirgan Ophthalmic gel Acute herpes simplex keratitis	T3
Complera 200mg tab Antiretroviral combination for HIV infection - combo therapy targets different points in the life cycle of HIV	T3/W/ PA

<u>Drug Name</u>	<u>Tier Status</u>
Dificid 200mg tabs Tx of clostridium difficile - associated diarrhea in adults 18 and older. Sustained clinical response w/Dificid was greater at 25 days and at trial end for Dificid vs Vancocin 70% vs 57% in trial 1 and 72% vs 57% in trial 2	T3/w /PA, QL
Endurant HIV - in combo w/other antiretrovirals for the tx of HIV-1 infection in antiretroviral treatment naïve adult patients	T3/w /PA
Lupron Depot 45mg inj (6 mo formula) Advanced prostate cancer	Exclude
Nulojix First selective T-cell costimulation blocker for the prophylaxis in kidney transplants, in combo w/basiliximad induction, mofetil and corticosteroids	T3 /w/PA
Phoslyra Solution New 667mg oral solution formulation for reducing serum phosphorus in end stage renal disease	T3 /w/PA
Staxyn 10mg tabs Erectile dysfunction. Orally disintegrating form of Levitra but cost less. \$14/tab vs \$19/tab for Levitra	T3 /w/PA, QL
Incivek 375mg Chronic Hep C genotype 1 in combination w/ peginterferon alfa and ribavirin in adults 18 and older with compensated liver disease	Exclude
Victrelis 200mg caps Chronic Hep C genotype 1 in combination w/ peginterferon alfa and ribavirin in adults 18 and older with compensated liver disease	T3/w/PA
NOTE: DUEC had no quorum for the following drug discussions	
Zytiga 250mg tab Oral treatment of prostate cancer in combo with prednisone in patients who have received prior chemotherapy containing docetaxel	Exclude
Zelboraf 240mg tabs *Charge ½ of T3 copay for each 14 day supply. Oral treatment of malignant melanoma	T3 /w/PA, QL

<u>Drug Name</u>	<u>Tier Status</u>
Adcetris 50mg INJ Hodgkin's and non Hodgkin's lymphoma	Exclude
Arcapta Treatment of airflow obstruction in patients with COPD, including chronic bronchitis and/or emphysema. Once daily dosing	Exclude
Brilinta 90mg Antiplatelet therapy. More effective than Plavix for acute coronary syndrome	T3
Cenfol Volic acid combination	Exclude
Codar AR Narcotic antitussive-antihistamine	Exclude
Codar D Narcotic antitussivedecongestant	Exclude
Codar GF Narcotic antitussive/expectorant	Exclude
Daliresp 500mcg First in class PDE4 inhibitor for the prevention of COPD exacerbations in patients w/ COPD associated with chronic bronchitis and a history of exacerbations.	Exclude
Endal CD Syrup Narcotic cough-decongestant antihistamine	Exclude
Flo-pred Suspension Corticosteroids	Exclude
Generess FE chewable oral contraceptive	Exclude
Gralise Postherpetic neuralgia(PHN)	Exclude
Horizant 600 anticonvulsant/neuropathic pain	Exclude
Lamictal XR 300mg tab anticonvulsant, bipolar disorder	Exclude

<u>Drug Name</u>	<u>Tier Status</u>
Lunlaid Emulsion Respiratory medical food	Exclude
Makena injection Reduces the risk of preterm birth	Exclude
Naproderm Cream topical analgesic (NSAIS)	Exclude
OB Complete Cap 400 Prenatal vitamin	Exclude
Procort Anorectal inflammation	Exclude
Spirix Nasal Spray mild to moderate pain in nasal spray form	Exclude
Sumadan Wash Acne Product	Exclude
Sylatron Kit Melanoma	Exclude
Topicort LP oint 0.05% topical corticosteroid	Exclude
Tricode AR Narcotic antitussive/decongestant/antihistamine	Exclude
Tricode GF Narcotic antitussive/expectorant/decongestant	Exclude
Vandetanib 100 and 300mg tabs (Caprels) Oral tx of symptomatic or progressive medullar thyroid cancer in patients with unresectable locally advanced or metastatic disease	Exclude
Viibryd Major deprssive disoder	Exclude
Viramune XR 400mg tab HIV-1 infections in adults	Exclude the XR form

<u>Drug Name</u>	<u>Tier Status</u>
Vitafol-one caps Prenatal vitamin	Exclude
Ztuss Narcotic antitussive/expectorant/decongestant	Exclude
Solesta injection Tx of fecal incontinence who have failed conservative therapy. 4 injections per procedure administered by trained physician as an outpatient w/o anesthesia.	N/A Medical
Calcium folinate Due to a shortage of leucovorin calcium injection, the FDA has approved temporary importation and distribution of this European product, from TEVA UK	N/A Medical
Wilate Tx of spontaneous and traumatic induced bleeding episodes in patients with severe VWD or moderate VWD in whom the use of desmopressin is known/suspected to be ineffective or contraindicated. Not for the prevention of excessive bleeding during/after surgery in patient's w/VWD. Not indicated for Hemophilia A	N/A Medical
Xyntha Injection Congent factor VIII disorder/hemophilia a carrier/asympt hemophjlia A carrier/sympt hemophil a carrier. Not indicated for VWD	N/A Medical
Yervoy Unresectable or metastatic melanoma	N/A Medical

State and Public life and Health Insurance Board

Benefits Sub-Committee Report

Based on exchange of e-mails, the Benefits Committee had the following recommendation:

That the committee has reviewed the possibility of Medicare Advantage, been briefed by John and the Cheiron team, and recommend to the Board that EBD start the procurement process for possible implementation of a Self-Insured Medicare Advantage option for state and school retirees as of January 1, 2013 with the inclusion of a prescription drug benefit option.

State and Public Life and Health Insurance Board

Quality of Care Sub-Committee Report

Based on exchange of e-mails, the Quality of Care Committee had the following recommendation:

That the committee has reviewed the coverage policy for screening mammogram regarding the implementation of an age limit and a majority of the respondents recommend implementation in the 2012 plan year, a recommendation consistent with their earlier discussion and the preventative care task force.

Previous recommendation: provide an annual screening mammogram for women age 40 and older and for women under age 40 with a family history of early breast cancer.

Current coverage policy: provide an annual screening mammogram for women of any age.

Eligibility Period for the Plan

October 11, 2011

Presented to the State and Public School Life and Health Insurance Board; a recommendation from the Executive Director of Employee Benefits Division.

Recommendation: Convert to “first of month following date of application”. This would allow for a more consistent effective date for the new employees as it would be based on when the enrollment form (paper or online) was executed by the employee. If the employee was hired on January 25 and signed the form immediately, we would extend coverage on February 1 (one month faster than current rule) but if the employee waited a while to get their form in we would still apply the first of next month rule.

Details & Example

I would like for the Board to reconsider the initial eligibility period for the plan. Currently, a new employee becomes effective on the “first of month following 30 days of employment”. This creates an unpredictable waiting period based on the actual hire date. For instance, an employee hired on January 25 will be effective March 1 but an employee hired on January 31 will not be effective until April 1. Similar example could be July 1 compared to July 3 where the effective date would be August 1 in the first scenario and September 1 for the second. A simple matter of a few days for a new hire may impact that person by a full month of actual health plan coverage.

What many of you may not know is that we are starting to take a more active role in payroll deductions and will be feeding the deduction amount into many of the payroll systems used by our employer groups. By doing this, changing the effective date rule would have little impact on the employer entities because we would simply adjust the initial deduction amount to ensure that their premium is paid in accordance with the prepayment rule or caught up if the member’s coverage begins before payroll runs (which is a common event for new hires). This is not something that is being driven by healthcare reform but rather a procedural issue that has been around for a very long time.