

**State and Public School Life  
And Health Insurance Board  
Minutes  
November 14, 2012**

The 124<sup>th</sup> meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on November 14, 2012 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

**MEMBERS PRESENT**

Renee Mallory  
John Kirtley /Proxy  
Dr. Joseph Thompson  
Janis Harrison  
Kelly Chaney  
Shawn Cook  
Bob Alexander  
Mark White  
Carla Wooley  
Lloyd Black  
Katrina Burnett

**MEMBERS ABSENT**

Dr. Andrew Kumpuris

Jason Lee, Executive Director, Employee Benefits Division.

**OTHERS PRESENT:**

Brenda McGrady, State Board of Pharmacy; Dr. Matthew Hadley, UAMS; Dr. Connie Meeks; George Platt, Marla Wallace, Doug Shackelford, Michelle Hazelett, Lori Eden, Leslie Smith, Janna Keathley, Makesha Thompson, Kristi Jackson, Sherry Bryant, Latryce Long, Tracy Collins, Ethel Whittaker, Melida Vasquez, Valencia Darton, Laurie Fowler, Cathy Harris, EBD; Rhonda Hill, ACHI; Ron Deberry, David Bridges, Barbara Melugin, Alicia Hayden, Kathy Ryan, ABCBS/Health Advantage; Ronda Walthall, AR Highway & Transportation Dept, Shonda Rocke, Alicia Hayden, Informed Rx; Steve Singleton, AR Retired Teacher Association; Jill Johnson, Jordan Brazeal, UAMS, EBRx; Vicki Fleming, Doris Williams, AR Department of Health; Joe Chang, MN Life; Susan Walker, DataPath; Diann Shoptaw, USable; Peggy Nabors, AR Education Association; Andra Kaufman, Mark Johnson, QualChoice; David Williams, Forest Pharmaceuticals; John Greer, Humana; Mark Chambers, Compsych; Marc Watts, AR State Employee Association;

## **CALL TO ORDER**

Meeting was called to order by Renee Mallory, Chair

## **APPROVAL OF MINUTES**

The request was made by Mallory to approve the August 21, 2012 minutes. Harrison made the motion to approve minutes. Wooley seconded. All were in favor. Minutes approved.

## **FINANCIALS** *by Marla Wallace, CFO*

Wallace presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) for August, September and October 2012.

## **DUEC REPORT** *by Dr. Matthew Hadley*

Dr. Hadley reported the DUEC met on Monday, November 5, 2012. Hadley presented the following recommendations for Board consideration.

### **1. Second Generation Antipsychotic (SGAs) Prior Authorization (PA) criteria**

**Recommendation:** Implement PA criteria for SGAs for conditions other than Psychosis: Abilify for psychosis or Bipolar and risperidone for major depression or irritability for Autistic Disorder. Grandfather current user unless they have been off the drug for 6 months.

Harrison made the motion to adopt recommendation for Second Generation Antipsychotic (SGAs). Wooley seconded. Motion carried.

### **2. EBD coverage policy for Hepatitis C virus (HCV)**

Dr. Hadley reported the DUEC reviewed the coverage policy for Hepatitis C Virus based on the current American Association for the study of Liver Disease (AASLD) guidelines.

No action required by the Board.

### **3. First Medication Review**

Dr. Hadley provided an overview of the new and excluded drugs.

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

Dr. Thompson made the motion to adopt recommendation for excluded drugs. Harrison seconded. Motion carried.

**COMPREHENSIVE PRIMARY CARE INITIATIVE (CPCI)** *by Rhonda Hill, AR Center for Health Improvement & Dr. Connie Meeks, Arkansas Blue Cross Blue Shield*

The Board received general information about the CPCI Pilot Program. Dr. Meeks, talked about the patient centered medical home initiative. Arkansas Blue Cross is piloting seven patient-centered medical homes in existing primary care clinics located throughout Arkansas.

The Comprehensive Primary Care (CPC) initiative is a multi-payer initiative fostering collaboration between public and private health care payers to strengthen primary care. Medicare will work with commercial and State health insurance plans and offer bonus payments to primary care doctors who better coordinate care for their patients.

Hill provided an overview of the Arkansas Payment Improvement Initiative (APII). The payment initiative is part of a larger effort to improve the state's overall health care system by improving access to care, increasing the number of people who are insured and improving the quality of care patients receive.

A discussion ensued about ARHealth's participation in the program and funding.

Harrison requested the Board be provided with addition information before the next Board meeting.

**DIRECTOR'S REPORT** *by Jason Lee, Executive Director*

**1. Out of State Pharmacy Reimbursement**

Lee informed the Board the AWP-10% reimbursement rate was set specifically to help provide incentives to in-state pharmacist to work on the plan's behalf. It has now been recognized that there is no advantage to providing this level of reimbursement to out-of-state pharmacies because the plan has no direct partnership with them.

**Recommendation:** That out-of-state pharmacy reimbursement for pharmacists be set to 15-18% off. Average Wholesale Price (AWP) with a dispense fee of \$2.50. This would be combined with the removal of 10% bonus payment added to the Maximum Allowable Cost (MAC) for even more projected savings.

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

## **2. 2013 Subscriber Migration Report**

Shackelford reported the largest migration occurred on the PSE side, with a substantial shift to the Silver and Bronze plans. While there was a shift from Gold to the other plans, the majority of those who remained in Gold this year were a part of the Gold Plan last year. Gold remains the most popular plan among PSE members, retaining 60% of the total membership. More than 80% of the 2012 Gold population remained in the Gold Plan for 2013.

**Meeting adjourned.**



## **AGENDA**

**State and Public School Life and Health Insurance Board**

**EBD Board Room - 501 Building - 5<sup>th</sup> Floor**

**November 14, 2012**

**1:00 p.m.**

- 1. Call to Order** ..... *Renee Mallory, Chair*
- 2. Approval of Minutes** ..... *Renee Mallory, Chair*
- 3. DUEC Report** ..... *Dr. Matthew Hadley*
- 4. Financials (August, September & October 2012)** ..... *Marla Wallace, CFO*
- 5. Comprehensive Primary Care Initiative (CPCI)** ..... *Rhonda Hill, ACHI*
  - Patient Centered Medical Home (PCMH) ..... *Dr. Connie Meeks*
- 6. Director's Report** ..... *Jason Lee, Executive Director*
  - 2013 Migration Report

**Next Meeting**  
**2013 Calendar**



## The Drug Utilization and Evaluation Committee (DUEC)

The following recommendations for the Board consideration resulted from a meeting of the DUEC on November 5, 2012.

### 1. Second Generation Antipsychotic (SGAs) Prior Authorization (PA) criteria

Generic Name	Brand Name
aripiprazole	Abilify
olanzapine	Zyprexa
risperidone	Risperdal, Risperdal Consta

The DUEC reviewed SGAs for use as adjunctive therapy to antidepressant drugs in the treatment of Major Depressive Disorder (MDD) and irritability associated with Autistic Disorder.

**Recommendation:** Implement PA criteria for SGAs for conditions other than Psychosis: Abilify for psychosis or Bipolar and risperidone for major depression or irritability for Autistic Disorder. Grandfather current user unless they have been off the drug for 6 months.

### 2. EBD COVERAGE POLICY FOR HEPATITIS C VIRUS (HCV)

The DUEC reviewed the coverage policy for Hepatitis C Virus based on the current American Association for the study of Liver Disease (AASLD) guidelines

### 3. FIRST REVIEW MEDICATIONS

<u>Drug Name</u>	<u>Tier Status</u>
<b>VIOKACE</b> <b>Generic</b> – Pancrelipase (pancrelipase 10440-39150-39150 and 20880-78300-78300) <b>Dose/Indications</b> - Tx of cystic fibrosis, pancreatectomy and pancreatic insufficiency	<b>T2</b>
<b>PERTZYE</b> <b>Generic</b> – Pancrelipase (pancrelipase 10440-39150-39150 and 20880-78300-78300) <b>Dose/Indications</b> - Treatment of pancreatic insufficiency due to cystic fibrosis or other conditions	<b>T2</b>
<b>KYPROLIS SOLN</b> <b>Generic</b> - carfilzomib 60mg in a single use vial <b>Dose/Indications</b> - Treatment of multiple myelomas who have received at least two prior therapies including bortezomib and an immunomodulator and have demonstrated disease progression on or within 60 days of completion of the last therapy	<b>T3 w/PA</b>
<b>STRIBILD TABS</b> <b>Generic</b> - Elvitegravir, Cobicistat, Emtricitabine tenofovir <b>Dose/Indications</b> - Once daily, oral 4-in-1 combination antiretroviral for tx of HIV. Complete regimen and should not be administered with other antiretroviral for HIV  <b>Note:</b> If can be automated, preclude other highly active antiretroviral therapy (HAART) to be used simultaneously.	<b>T3 w/PA, QL of 31/31</b>
<b>TUDORZA PRESSAIR INHALER</b> <b>Generic</b> - Acclidinium <b>Dose/Indications</b> - Long-term maintenance treatment of bronchospasm associated with COPD, including chronic bronchitis and emphysema	<b>T2</b>
<b>XTANDI</b> <b>Generic</b> - Enzalutamide capsule 160mg once daily <b>Dose/Indications</b> - For treatment of prostate cancer	<b>T3w/PA, 31 day QL</b>
<b>ISENTRESS CHEW 25 and 100mg</b> <b>Generic</b> - raltegravir <b>Dose/Indications</b> - For treatment of HIV infection	<b>Tabled</b> for more info

❖ All anti HIV drugs will have a 31 days supply limit. No 90 day fills.

#### **4. Reviewed & Excluded Drugs**

##### **BUTRANS**

**Generic** – buprenorphine 5mcg/h, 10mcg/h, 20mcg/h transdermal patch

**Dose/Indications** - pain, mod-severe chronic

##### **CODEINE SULF SOLN (30mg/5ml)**

**Generic**- codeine sulfate

**Dose/Indications**- Mild to moderate pain solution

##### **NEUPRO DIS**

**Generic**- rotigotine TD patch

**Dose/Indications**- Transdermal system for tx of Parkinson's and restless leg syndrome

**Note:** Trial of rotigotine vs ropinirole in early PD showed rotigotine missed the non inferiority mark.

##### **MYRBETRIQ**

**Generic** – mirabegron 25 and 50mg

**Dose/Indications**- For treatment of overactive bladder

##### **ZYTIGA**

**Generic**- Abiraterone

**Dose/Indications**- prostate cancer

**Note:** Previously reviewed & excluded 10/4/11. Drug has limited medical benefit. As of 10/29/12 no new trials are out on Zytiga. Continue exclusion.

##### **LYRICA SOLUTION**

**Generic**- Pregabalin solution 20mg/ml

**Dose/Indications**- For diabetic neuropathy, fibromyalgia, neuropathic pain, partial seizures, post herpetic neuralgia, spinal cord injury

##### **BINOSTO-**

**Generic**- Alendronate effervescent tab 70mg

**Dose/Indications**- New formulation of alendronate (Fosamax) in effervescent tab for osteoporosis, osteoporosis prophylaxis, Paget's disease

**Note:** Exclude due to dosage form unnecessary.

##### **RAYOS**

**Generic**- delayed release prednisone 1mg - 5mg

**Dose/Indications**- Oral corticosteroid

**Note:** Exclude due to underappreciated need for delayed release prednisone



Arkansas State Employees (ASE) Financials - January 1, 2012 through August 31, 2012				
	Gold	Silver	Bronze	Total
Actives	46,324	1,251	2,812	50,387
Retirees	3,287	15	57	3,359
Medicare	9,874			9,874
Total	59,485	1,266	2,869	63,620
Revenues & Expenditures				
	Current Month		Year to Date (8 months)	
<b>Funding</b>				
State Contribution	\$	13,560,602	\$	108,051,918
Employee Contribution	\$	7,173,594	\$	57,302,578
Other	\$	863,649	\$	9,518,711
Allocation for Active/Retiree Plan Year 2012	\$	1,554,167	\$	12,433,333
<b>Total Funding</b>	\$	23,152,012	\$	187,306,541
<b>Expenses</b>				
Medical Expenses				
Claims Expense	\$	13,902,332	\$	119,212,452
Claims IBNR	\$	-	\$	(470,000)
Medical Admin Fees	\$	1,054,941	\$	8,607,442
Refunds	\$	7,450	\$	140,357
Employee Assistance Program (EAP)	\$	56,926	\$	457,521
Life Insurance	\$	101,702	\$	817,582
Pharmacy Expenses				
RX Claims	\$	6,789,164	\$	51,494,775
RX IBNR	\$	-	\$	520,000
RX Admin	\$	79,889	\$	789,775
Plan Administration	\$	215,317	\$	2,350,955
<b>Total Expenses</b>	\$	22,207,721	\$	183,920,859
<b>Net Income/(Loss)</b>	\$	944,291	\$	3,385,682
Balance Sheet				
<b>Assets</b>				
Bank Account			\$	10,201,766
State Treasury			\$	98,166,444
Due from Cafeteria Plan			\$	4,770,958
Due from PSE			\$	-
Receivable from Provider			\$	833,153
Accounts Receivable			\$	(568,088)
<b>Total Assets</b>			\$	113,404,232
<b>Liabilities</b>				
Accounts Payable			\$	3,727
Deferred Revenues			\$	4,003,385
Due to Cafeteria			\$	-
Due to PSE			\$	51,053
Health IBNR			\$	21,100,000
RX IBNR			\$	3,200,000
<b>Total Liabilities</b>			\$	28,358,165
<b>Net Assets</b>			\$	85,046,067
<b>Less Reserves Allocated:</b>				
Active/Retiree Premiums for Plan Year 1/1/12 - 12/31/12 (\$18,650,000)			\$	(6,216,667)
Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13 (\$11,190,000 + \$15,650,000)			\$	(26,840,000)
Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14 (\$7,460,000 + \$9,390,000)			\$	(16,850,000)
Active/Retiree Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000)			\$	(6,260,000)
Catastrophic Reserve			\$	(9,000,000)
<b>Net Assets Available</b>			\$	19,879,400

## ASE Cafeteria Plan Financials 2011- January 1, 2012 through August 31, 2012

### Revenues & Expenditures

<b>Funding</b>	<b>Current Month</b>	<b>Year to Date (8 months)</b>
FICA Savings	\$ 352,554	\$ 2,842,716
Interest, Penalties, Tax Set Off	\$ 4,018	\$ 21,991
<b>Total Funding</b>	<b>\$ 356,572</b>	<b>\$ 2,864,708</b>
<b>Expenses</b>		
Plan Administration	\$ 13,094	\$ 106,596
Forfeited Benefits (Annual Expense)	\$ -	\$ 4,195,021
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ 13,094</b>	<b>\$ 4,301,617</b>
<b>Net Income/(Loss)</b>	<b>\$ 343,478</b>	<b>\$ (1,436,909)</b>

### Balance Sheet

<b>Assets</b>	
State Cafeteria (Flexible Benefits)	\$ 652,837
Admin Acct (FICA Savings)	\$ 52,365
State Treasury	\$ 4,851,824
Due from Health Plan	\$ -
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 28,026
<b>Total Assets</b>	<b>\$ 5,585,052</b>
<b>Liabilities</b>	
Accounts Payable	\$ 29,911
Due to Health Plan (FICA Savings Annual)	\$ 13
Due to Health Plan (Forfeited Benefits Annual)	\$ 4,770,945
<b>Total Liabilities</b>	<b>\$ 4,800,869</b>
<b>Net Assets</b>	<b>\$ 784,182</b>

Arkansas State Employees (ASE) Financials - January 1, 2012 through September 30, 2012				
	Gold	Silver	Bronze	Total
Actives	46,215	1,341	2,871	50,427
Retirees	3,296	17	58	3,371
Medicare	9,913			9,913
Total	59,424	1,358	2,929	63,711
Revenues & Expenditures				
	Current Month		Year to Date (9 months)	
<b>Funding</b>				
State Contribution	\$	13,557,704	\$	121,609,622
Employee Contribution	\$	7,162,536	\$	64,465,114
Other	\$	455,158	\$	9,973,869
Allocation for Active/Retiree Plan Year 2012	\$	1,554,167	\$	13,987,500
<b>Total Funding</b>	\$	22,729,565	\$	210,036,105
<b>Expenses</b>				
Medical Expenses				
Claims Expense	\$	13,474,613	\$	132,687,065
Claims IBNR	\$	-	\$	(470,000)
Medical Admin Fees	\$	78,010	\$	8,685,452
Refunds	\$	5,908	\$	146,265
Employee Assistance Program (EAP)	\$	57,007	\$	514,528
Life Insurance	\$	101,560	\$	919,142
Pharmacy Expenses				
RX Claims	\$	5,876,537	\$	57,371,311
RX IBNR	\$	-	\$	520,000
RX Admin	\$	118,344	\$	908,119
Plan Administration	\$	323,185	\$	2,674,139
<b>Total Expenses</b>	\$	20,035,164	\$	203,956,022
<b>Net Income/(Loss)</b>	\$	2,694,401	\$	6,080,083
Balance Sheet				
<b>Assets</b>				
Bank Account			\$	10,771,266
State Treasury			\$	98,204,313
Due from Cafeteria Plan			\$	4,770,958
Due from PSE			\$	-
Receivable from Provider			\$	833,153
Accounts Receivable			\$	44,883
<b>Total Assets</b>			\$	114,624,574
<b>Liabilities</b>				
Accounts Payable			\$	3,398
Deferred Revenues			\$	4,083,822
Due to Cafeteria			\$	-
Due to PSE			\$	51,053
Health IBNR			\$	21,100,000
RX IBNR			\$	3,200,000
<b>Total Liabilities</b>			\$	28,438,272
<b>Net Assets</b>			\$	86,186,301
<b>Less Reserves Allocated:</b>				
Active/Retiree Premiums for Plan Year 1/1/12 - 12/31/12 (\$18,650,000)			\$	(4,662,500)
Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13 (\$11,190,000 + \$15,650,000)			\$	(26,840,000)
Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14 (\$7,460,000 + \$9,390,000)			\$	(16,850,000)
Active/Retiree Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000)			\$	(6,260,000)
Catastrophic Reserve			\$	(9,000,000)
<b>Net Assets Available</b>			\$	22,573,801

## ASE Cafeteria Plan Financials 2011- January 1, 2012 through September 30, 2012

### Revenues & Expenditures

<b>Funding</b>	<b>Current Month</b>	<b>Year to Date (9 months)</b>
FICA Savings	\$ 345,785	\$ 3,188,501
Interest, Penalties, Tax Set Off	\$ 1,908	\$ 23,899
<b>Total Funding</b>	<b>\$ 347,692</b>	<b>\$ 3,212,400</b>
<b>Expenses</b>		
Plan Administration	\$ 13,055	\$ 119,651
Forfeited Benefits (Annual Expense)	\$ -	\$ 4,195,021
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ 13,055</b>	<b>\$ 4,314,672</b>
<b>Net Income/(Loss)</b>	<b>\$ 334,637</b>	<b>\$ (1,102,272)</b>

### Balance Sheet

#### **Assets**

State Cafeteria (Flexible Benefits)	\$ 744,584
Admin Acct (FICA Savings)	\$ 385,831
State Treasury	\$ 4,853,533
Due from Health Plan	\$ -
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 28,026
<b>Total Assets</b>	<b>\$ 6,011,974</b>

#### **Liabilities**

Accounts Payable	\$ 122,196
Due to Health Plan (FICA Savings Annual)	\$ 13
Due to Health Plan (Forfeited Benefits Annual)	\$ 4,770,945
<b>Total Liabilities</b>	<b>\$ 4,893,154</b>

<b>Net Assets</b>	<b>\$ 1,118,820</b>
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**Public School Employees (PSE) Financials - January 1, 2012 through August 31, 2012**

	<b>Gold</b>	<b>Silver</b>	<b>Bronze</b>	<b>Total</b>
Actives	50,712	1,579	15,751	68,042
Retirees	2,712	10	531	3,253
Medicare	7,851			7,851
<b>Total</b>	<b>61,275</b>	<b>1,589</b>	<b>16,282</b>	<b>79,146</b>

**Revenues & Expenditures**

<b>Funding</b>	<b>Current Month</b>	<b>Year to Date (8 months)</b>
District Contribution	\$ 7,612,716	\$ 62,205,328
Employee Contribution	\$ 10,618,463	\$ 87,254,713
Dept of Ed \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 33,522,727
Other	\$ 599,338	\$ 1,858,392
Allocation for Active/Retiree Premiums for Plan Year 2012	\$ 1,400,000	\$ 11,200,000
<b>Total Funding</b>	<b>\$ 23,412,334</b>	<b>\$ 196,041,160</b>
<b>Expenses</b>		
Medical Expenses:		
Claims Expense	\$ 18,248,192	\$ 146,450,276
Claims IBNR	\$ -	\$ (800,000)
Medical Admin Fees	\$ 1,532,744	\$ 12,741,572
Refunds	\$ 15,136	\$ 104,858
Employee Assistance Program (EAP)	\$ 77,869	\$ 648,082
Pharmacy Expenses:		
RX Claims	\$ 5,421,240	\$ 41,965,382
RX IBNR	\$ -	\$ 260,000
RX Admin	\$ 65,628	\$ 778,933
Plan Administration	\$ 303,892	\$ 3,190,194
<b>Total Expenses</b>	<b>\$ 25,664,702</b>	<b>\$ 205,339,297</b>
<b>Net Income/(Loss)</b>	<b>\$ (2,252,367)</b>	<b>\$ (9,298,137)</b>

**Balance Sheet**

<b>Assets</b>	
Bank Account	\$ 7,716,567
State Treasury	\$ 42,018,476
Receivable from Provider	\$ 1,181,306
Accounts Receivable	\$ 1,235,033
Due from ASE	\$ 51,053
<b>Total Assets</b>	<b>\$ 52,202,436</b>
<b>Liabilities</b>	
Accounts Payable	\$ 236
Due to ASE	\$ -
Deferred Revenues	\$ 22,149
Health IBNR	\$ 24,700,000
RX IBNR	\$ 2,600,000
<b>Total Liabilities</b>	<b>\$ 27,322,386</b>
<b>Net Assets</b>	<b>\$ 24,880,050</b>
<b>Less Reserves Allocated:</b>	
Active/Retiree Premiums for Plan Year 01/01/12 - 12/31/12 (\$16,800,000)	\$ (5,600,000)
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 (2012 - \$9,900,000)	\$ (6,680,050)
<b>Net Assets Available</b>	<b>\$ (0)</b>

**Public School Employees (PSE) Financials - January 1, 2012 through September 30, 2012**

	<b>Gold</b>	<b>Silver</b>	<b>Bronze</b>	<b>Total</b>
Actives	50,847	1,986	16,941	69,774
Retirees	2,769	13	624	3,406
Medicare	8,004			8,004
<b>Total</b>	<b>61,620</b>	<b>1,999</b>	<b>17,565</b>	<b>81,184</b>

**Revenues & Expenditures**


<b>Funding</b>	<b>Current Month</b>	<b>Year to Date (9 months)</b>
District Contribution	\$ 7,816,547	\$ 70,021,875
Employee Contribution	\$ 10,750,206	\$ 98,004,919
Dept of Ed \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 36,704,545
Other	\$ 25,488	\$ 1,883,880
Allocation for Active/Retiree Premiums for Plan Year 2012	\$ 1,400,000	\$ 12,600,000
<b>Total Funding</b>	<b>\$ 23,174,059</b>	<b>\$ 219,215,220</b>
<b>Expenses</b>		
Medical Expenses:		
Claims Expense	\$ 16,587,535	\$ 163,037,811
Claims IBNR	\$ -	\$ (800,000)
Medical Admin Fees	\$ 110,273	\$ 12,851,844
Refunds	\$ 7,676	\$ 112,535
Employee Assistance Program (EAP)	\$ 79,414	\$ 727,496
Pharmacy Expenses:		
RX Claims	\$ 4,843,954	\$ 46,809,336
RX IBNR	\$ -	\$ 260,000
RX Admin	\$ 130,090	\$ 909,024
Plan Administration	\$ 425,666	\$ 3,615,859
<b>Total Expenses</b>	<b>\$ 22,184,608</b>	<b>\$ 227,523,904</b>
<b>Net Income/(Loss)</b>	<b>\$ 989,452</b>	<b>\$ (8,308,685)</b>

**Balance Sheet**

<b>Assets</b>	
Bank Account	\$ 5,933,678
State Treasury	\$ 42,035,678
Receivable from Provider	\$ 1,181,306
Accounts Receivable	\$ 4,260,715
Due from ASE	\$ 51,053
<b>Total Assets</b>	<b>\$ 53,462,430</b>
<b>Liabilities</b>	
Accounts Payable	\$ 251
Due to ASE	\$ -
Deferred Revenues	\$ 1,692,677
Health IBNR	\$ 24,700,000
RX IBNR	\$ 2,600,000
<b>Total Liabilities</b>	<b>\$ 28,992,928</b>
<b>Net Assets</b>	<b>\$ 24,469,501</b>
<b>Less Reserves Allocated:</b>	
Active/Retiree Premiums for Plan Year 01/01/12 - 12/31/12 (\$16,800,000)	\$ (4,200,000)
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 (2012 - \$9,900,000)	\$ (7,669,501)
<b>Net Assets Available</b>	<b>\$ 0</b>

Table  
Revised  
IN JAN  
2013

11/14/2012



## Health Care Payment Improvement Initiative


### Building a healthier future for all Arkansans

Patient Centered Medical Home / CPC Initiative

November 14<sup>th</sup>, 2012

Preliminary working draft, subject to change

### Overall State Vision

Objective	<ul style="list-style-type: none"> <li>•Improving the health of the population</li> <li>•Enhancing the patient experience of care</li> <li>•Reducing or controlling the cost of care</li> </ul>
Care delivery strategies	<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 45%;"> <p><b>Population-based care delivery</b></p> <ul style="list-style-type: none"> <li>•Medical Homes</li> <li>•Health Homes</li> </ul> </div> <div style="width: 10%; text-align: center;">  </div> <div style="width: 45%;"> <p><b>Episode-based care delivery</b></p> <ul style="list-style-type: none"> <li>•Acute conditions, defined procedures</li> </ul> </div> </div>
Enabling initiatives	<div style="background-color: #ccc; padding: 5px; margin-bottom: 2px;">Payment innovation</div> <div style="background-color: #ccc; padding: 5px; margin-bottom: 2px;">Health care workforce development</div> <div style="background-color: #ccc; padding: 5px; margin-bottom: 2px;">Consumer engagement and personal responsibility</div> <div style="background-color: #ccc; padding: 5px; margin-bottom: 2px;">Health information technology adoption</div> <div style="background-color: #ccc; padding: 5px;">Expanded coverage for health care services</div>

2

## Arkansas Payment Improvement Initiative (APII)

### ▪ Episode-based care delivery

- Multi-payer: Medicaid, BCBS, QualChoice
- Wave 1: URI, Perinatal, CHF, Hip/Knee, ADHD
- Provider feedback: receiving quarterly performance reports
- Wave 2: begins 2013

### ▪ Population health strategies

- Pilots, CPC, expansion anticipated mid-2013
- Medical home and health home
- Comprehensive Primary Care Initiative (CPC) began in early October, 2012

3

## Comprehensive Primary Care initiative (CPC)

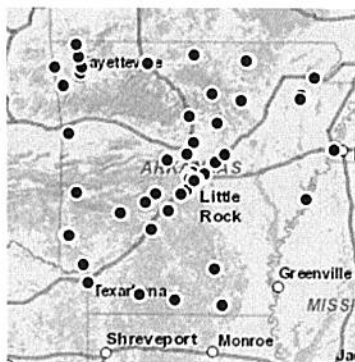
### ▪ 69 primary care practices

- FFS + PMPM
- Improving patient experience
- Patients attributed/assigned to practice
- Quality, cost and transformation milestones will be evaluated

### ▪ PMPM began October '12

- Medicare \$8-40; risk-adjusted
- Medicaid +\$3 kids; +\$7 adults
- Private ~\$5 (AR BCBS, QualChoice, Humana)

### ▪ Shared savings model year 2-4



<http://innovations.cms.gov/initiatives/Comprehensive-Primary-Care-Initiative/index.html>



**CPC Transformation Milestones\* – Year 1**

Preliminary working draft, subject to change

- Methodology to assign a risk status to every empanelled patient
- 24/7 access to a clinician who has real-time access to medical records
- Active care coordination
  - Notification of ER visits within 48 hours
  - Notification of admission within 24 hours (information exchange)
  - Medication reconciliation within 72 hours of hospital discharge
- Participate in practice learning collaboratives

\*Described is a sample of the milestones for year 1; additional milestones are required

5

**Members should expect:**

- To seek care as they do today
- Enhanced engagement between providers and patients
- Shared decision-making that is patient-centered
- Improved quality of services provided
- Improved coordination of care
- Ability to more easily engage in managing their own health
- Increased assistance to better follow care plans
- Opportunities for consumer engagement with the Arkansas Health Care Payment Improvement initiative

## PCMH strategy to support the State's vision

Preliminary working draft, subject to change

### APII Population Strategy Goal

- Within 3–5 years, nearly every Arkansan will have access to a medical home that offers a local point of access to care and proactively looks after his or her health with a focus on preventive services and chronic disease management

### Rollout

- Rollout through three waves
  - Wave 1: 69 practices for CPC (October 2012)
  - Wave 2: target ~30% of practices (mid-2013)
  - Wave 3: remaining practices (mid-2014)
- Enrollment ~3-6 months prior to each wave

7

## Why PCMH?

Preliminary working draft, subject to change

- *Group Health Puget Sound*: 29% reduction in ER visits, 11% reduction in ASC admissions
- *Community of Care North Carolina*: 40% decrease in hospitalizations for asthma and 16% lower ER visit rate
- *HealthPartners Medical Group*: 39% decrease in ER visits, 24% decrease in admissions
- *Geisinger Health System*: 14% reduction in total hospital admissions relative to controls, trend of 9% reduction in total medical costs at 24 months
- *Genesee Health Plan*: 50% decrease in ER visits and 15 % lower inpatient hospitalizations
- *Colorado Medicaid & SCHIP*: Median costs of \$785 for PCMH children compared to \$1000 for controls, due to reduced ER visits and admissions
- *Intermountain Healthcare*: 10% relative reduction in total hospitalizations; net reduction in total costs \$640 p/patient per year (\$1,650 saving per year among high risk patients)
- *Johns Hopkins Guided Care*: 24% reduction in total hospital days, 15% fewer ER visits, 37% decrease in SNF days

Summary from Patient-Centered Primary Care Collaborative (PCPCC), *Proof in Practice*.

8

### Self-insured participation

Preliminary working draft, subject to change

- Public, private, self-insured payers recognize that payment transformation is part of changing the delivery of care
- Fully insured are participating in APII, in both:
  - Population health strategies (CPC and expanded PCMH)
  - Episode-delivery strategies
- Self-insured are invited to participate in APII, in both:
  - Episode participation in Wave 1 and 2
  - Population health through CPC and enhanced PMPM for broader PCMH

9

### EBD Projected Member Attribution

Preliminary working draft, subject to change

- HealthAdvantage
  - Projecting ~14,000 EBD members in the 69 practices (Plan Yr 2013)
- QualChoice
  - Projecting ~1,000 EBD members in the 69 practices (Plan Yr 2013)
- 10% of all EBD covered lives are included in the CPC practices

10

## EBD Projected Investment Scenarios

*Preliminary working draft, subject to change*

Comprehensive Primary Care Initiative (CPCI)					
<b>PSE</b>					
Number of members	PMPM	Monthly Investment	Months	Annual Investment	
10,000	\$ 3.00	\$ 30,000	12	\$	360,000
10,000	\$ 5.00	\$ 50,000	12	\$	600,000
10,000	\$ 7.00	\$ 70,000	12	\$	840,000
<b>ASE</b>					
Number of members	PMPM	Monthly Investment	Months	Annual Investment	
5,000	\$ 3.00	\$ 15,000	12	\$	180,000
5,000	\$ 5.00	\$ 25,000	12	\$	300,000
5,000	\$ 7.00	\$ 35,000	12	\$	420,000

<sup>1</sup> These are projections for potential investment totals for EBD member participation in CPCI; all projections are estimates based on EBD member populations in CPCI practices.

11

## www.PaymentInitiative.org

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Building a Healthier Future for all Arkansans

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## Employee Benefits Division

### Recommendations

November 14, 2012

HARRISON  
DR. THOMPSON

#### 1) Out of State Pharmacy Reimbursement

**Recommendation:** That out-of-state pharmacy reimbursement for pharmacists be set to 15-18% off Average Wholesale Price (AWP) with a dispense fee of \$2.50. This would be combined with the removal of the 10% bonus payment added to the Maximum Allowable Cost (MAC) for even more projected saving.

In-state pharmacy reimbursement would remain at 10% of AWP with the current generics and brands dispense fee incentives. The MAC+10% would still be applied to in-state pharmacy.

**Justification:** The Plan recognizes the importance of our continued partnership with in-state pharmacists in ensuring appropriate and cost-effective pharmacy services for our members. The generous AWP-10% reimbursement rate was set specifically to help provide incentives to these in-state pharmacists to work on our behalf. It has now been recognized that there is no advantage to providing this level of reimbursement to out-of-state pharmacies as we have no direct partnership with them.

**Estimated Cost Savings:** \$250,000 to \$500,000 annually

**Effective Date:** January 1, 2013 or earlier if administratively possible given system configuration

## 2013 Subscriptor Migration Report

	2012 Actual	2013 Projected	2013 Actual	# Change from Projected
ASE Gold Active	25,345	25,514	25,269	-245
ASE Silver Active	754	954	970	16
ASE Bronze Active	1564	1,769	1,740	-29
	27,663	28,238	27,979	-259

	2012 Gold	2012 Silver	2012 Bronze	2012 No Health
	24,722	56	112	379
	109	721	32	108
	162	18	1,464	96

	2012 Actual	2013 Projected	2013 Actual	# Change from Projected
PSE Gold Active	35,096	31,637	28,585	-3,052
PSE Silver Active	1,137	1,858	4,209	2,351
PSE Bronze Active	9,723	13,383	14,310	927
	45,956	46,878	47,104	226

	2012 Gold	2012 Silver	2012 Bronze	2012 No Health
	28,247	20	114	204
	2,743	1,076	131	259
	3,612	108	9,593	997

2013 Actual is based on the most recent report, run on November 14, 2012. These numbers could change as forms are still being entered into the system. 2012 Actual is the membership count on October 1, 2012.

As expected, the largest migration occurred on the PSE side, with a substantial shift to the Silver and Bronze plans. While there was a shift from Gold to the other plans, the majority of those who remained in Gold this year were a part of the Gold Plan last year. Gold remains the most popular plan among PSE members, retaining 60% of the total membership. More than 80% of the 2012 Gold population remained in the Gold Plan for 2013.

AVE