



AGENDA

State and Public School Life and Health Insurance Board

January 19, 2016

1:00 p.m.

EBD Board Room – 501 Building, Suite 500

- I. *Call to OrderCarla Haugen, Chairman*
- II. *Approval of November 17, 2015 Minutes.....Carla Haugen, Chairman*
- III. *Approval of 2016 StipendCarla Haugen, Chairman*
- IV. *SEBCO Vendor Payroll Ded. Request..... John Bridges, ASEA Asst. Ex. Director*
- V. *ASE-PSE Financials Nov & Dec, 2015.....Marla Wallace, EBD Chief Fiscal Officer*
- VI. *Benefits Subcommittee Report Shelby McCook, PSE Retiree Member*
- VII. *DUEC Report – Targeted Modulators.Dr. Hank Simmons, Dr. Geri Bemberg, UAMS*
- VIII. *HIR Report Janis Harrison, EBD Interim Director*
- IX. *New Laws for Prior Authorization..... Janis Harrison, EBD Interim Director*
- X. *Director’s Report..... Janis Harrison, EBD Interim Director*

Upcoming Meetings

February 16, 2016

**NOTE: All material for this meeting will be available by electronic means only
ethel.whittaker@dfa.arkansas.gov**

**Notice: Silence your cell phones. Keep your personal conversations to a minimum.
Observe restrictions designating areas as “Members and Staff only”**

State and Public School Life And Health Insurance Board Meeting Board Meeting Minutes January 19, 2016

The 155th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on January 19, 2016 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Dr. Andrew Kumpuris
Katrina Burnett
Shelby McCook
Carla Haugen- Chairman
Angela Avery
Renee Mallory
Lori Freno-Engman
Dr. Joseph Thompson
Dan Honey – Vice Chairman
Robert Boyd
Dr. John Kirtley

MEMBERS ABSENT

Dr. Tony Thurman

Janis Harrison, Interim Director, Employee Benefits Division

OTHERS PRESENT:

David Keisner, Dwight Davis, Geri Bemberg, Jill Johnson, Rachael McCaleb, UAMS; Ethel Whittaker, Marla Wallace, Stella Green, Sherry Bryant, Gretchen Baggett, Lori Eden, Janna Keathley, EBD; Kristi Jackson, Jennifer Vaughn, ComPsych; Pam Lawrence, AHH; Sylvia Landers, Eileen Wider, Minnesota Life; Dr. Hank Simmons, EBRX; Arlene Chan-Mouton, ACH; John Bridges, ASEA; Andy Davis, Arkansas Democrat Gazette; Wayne Whitley, Ronda Walthall, AR Highway & Transportation Dept; Jessica Akins, Health Advantage; Susan Walker, DataPath; Robyn Keene, AAEA; Steve Althoff, MTI; Raina Porchay, Optum Rx; Martha Hill, Mitchell Williams; Bill Clary, H&H; Harmony Daniels, Jackie Baker, ASP; Allison Drennon, Insurance Advantage; Dr. Creshelle Nash, BCBS; Marvin Parks, BPS; Drew Crawford, SEBCO; Erica Gee, Robyn Keene, Mike Mertens, AAEA; Karen Langley, Qual Choice; Sam Smothers, Astra Zeneca; Jim Chapman, Abbvie; B.J. Himes, Qualchoice; Donna Morg, ARTD; Scott McRae, APSRC; Leah Raminez, Mike Mathey, ACHI; Sean Seage, Merck

CALL TO ORDER:

Meeting was called to order by Carla Haugen, Chairman

APPROVAL OF MINUTES: *by Carla Haugen, Chairman*

The request was made by Haugen to approve the November 17, 2015 minutes.

Mallory made the motion to approve the minutes, Honey seconded; all were in favor.

Minutes approved.

APPROVAL 2016 STIPEND: *by Carla Haugen, Board Chairman*

McCook motioned to approve the 2016 stipend amount of \$60.00 and the mileage rate at .42 mile as allowable under statute § 25-16-901. Kirtley seconded. All were in favor.

Motion approved.

SEBCO VENDOR PAYROLL DEDUCTION REQUEST: *By: John Bridges, ASEA Assistant Director, Erica Gee, Attorney*

Harrison introduced a letter of request from SEBCO seeking formal approval from the Board for payroll deductions for SEBCO products. In 2015, Senator Bart Hester sought an opinion from the Attorney General regarding the regulation and oversight of the products offered through SEBCO, and the supervisory authority of the DFA EBD Executive Director:

The three questions addressed by the AG's Opinion 2015-090 were:

(1) ACA § 21-5-406(e)(3)(C) specifies that SEBCO benefits plan in effect on July 1, 1995, is excluded from supervision from the DFA EBD Executive Director. Under ACA § 21-5-406(e)(3)(C), would a revised benefit offered by SEBCO after July 1, 1995, be supervised by the DFA EBD Executive Director?

(2) Under ACA § 21-5-406, what entity or person is responsible for the supervision of a benefit plan and products offered by SEBCO to eligible state and public school employees but are not included in the benefit plan in effect on July 1, 1995?

(3) If SEBCO's benefits plan in effect on July 1, 1995 is the benefit plan that is excluded from supervision by the DFA EBD Executive Director under ACA § 21-5-406, would a revised benefit plan offered by SEBCO after July 1, 1995, be supervised by the DFA EBD Executive Director?

The Attorney General's responses were:

(1) Those products and services offered on July 1, 1995 are not subject to the DFA EBD Executive Director's supervision.

(2) EBD and the Executive Director will make decisions regarding payroll deductions for products offered by SEBCO.

(3) All other products offered after July 1, 1995 must come before the DFA EBD Director for approval prior to offering.

SEBCO is requesting permission to occupy a state payroll slot in order to include such products for active state employees in AASIS.

Gee reported SEBCO occupies a payroll slot established by statute in 1995, and requests to continue using the slot.

McCook motioned to approve SEBCO's request for a payroll slot and topic (3). Honey seconded.

Discussion: Dr. Thompson has concerns that there may not be a demand for the products. Honey reported the products listed in item 3 of the MOU are supplemental and have value in the market. Gee reported that the items in 3 of the MOU are not being sold by SEBCO and will not be sold without prior approval from the DFA EBD Director. In addition, Dr. Kumpuris inquired if there are several vendors within one payroll slot? McCook reported there could be several vendors within one payroll slot. SEBCO acts as a liaison for the payroll deduction. The Board's responsibility is to approve or deny the use of a payroll slot, not the voluntary products.

After discussion McCook amended the motion to approve the payroll slot for SEBCO. Kirtley seconded. All were in favor except Dr. Thompson abstains.

Motion approved.

FINANCIALS: *by Marla Wallace, EBD Fiscal Officer*

Wallace reported financials for November and December 2015. For November PSE four (4) weeks of medical and pharmacy claims were paid. The FICA savings for the month is \$463,000. There was a net loss of \$821,000 for the month. The year-to-date gain is \$43.5 million. In addition, there was \$20 million received from the Department of Education. This money is earmarked for Plan Year 2016. The Transition Reinsurance Fee for July – December is \$1.2 million. The year-to-date is \$2.8 million. The net assets are \$34 million.

For PSE the month of December five (5) weeks of medical and pharmacy claims were paid. The fifth week of claims was \$4.5 million. Due to the fifth week of claims the net loss for the month was \$4.9 million. The year-to-date gain is \$38.6 million. The FICA savings for the month was \$464,000. PSE received the facilities funding money from the Department of Education (A.C.A. § 6-20-2503) in the amount of \$18.1 million. This money is earmarked for Plan Year 2016. The net assets are \$28.9 million.

For ASE the month of November four (4) weeks of medical and pharmacy claims were paid. The net gain for the month is \$490,000. The year-to-date gain is \$29.8 million. The Transition Reinsurance

Fee for July – December was \$885,000, making the total paid for 2015 \$2,005,433. The net assets are \$30 million.

For ASE the month of December five (5) weeks of medical and pharmacy claims were paid. Due to the fifth week of claims the net loss for the month was \$2.3 million. The year-to-date gain is \$27.4 million. The net assets are \$28 million.

The financial report as presented is attached to the minutes.

DUEC REPORT: *by Dr. Hank Simmons, Dr. Geri Bemberg, UAMS*

The attached report resulted from a special meeting of the DUEC on December 14, 2015 with Dr. Hank Simmons presiding.

Dr. Thompson inquired as to who would be leading the rebate program. Dr. Simmons reported that Dr. David Keisner would supervise the program and was “a very able gentleman.” Dr. Keisner reported that a small committee would provide input and review of rebate submissions would be part of the contracting process.

McCook motioned to approve the DUEC recommendations regarding rebates. Dr. Thompson seconded. All were in favor.

Motion approved.

NEW BENEFITS SUB-COMMITTEE MEMBER: *By: Shelby McCook, Benefits Committee Member*

McCook reported the Benefits Sub-committee has an open state employee position. McCook would like to recommend Susan Gardner at the Arkansas Development Finance Authority. Ms. Gardner is the Compliance Manager with twenty years as a state employee. Dr. Thompson and Honey seconded. All were in favor.

Motion approved.

QUALITY OF CARE COMMITTEE REPORT: *By: Dr. Joseph Thompson, Director ACHI*

Dr. Thompson reported the committee met on January 12, 2016. The topics of discussion were; anesthesia for colonoscopies and the wellness program for 2017. There was a request for additional information regarding the colonoscopies. Ranges and options for the Board for the calendar year 2017 Wellness Program will be a continuing discussion.

HIR REPORT: *by Eric Gallo, EBD Communications Manager*

Gallo reported on the HIR meetings. In 2015, a total of forty two Health Insurance Representative Meetings were held over the state. Thirty nine meetings were geared for the Public Schools. At the

close of 2015 there were 54 Districts or Charter Schools who have not yet attended any meetings. The first meeting for 2016 will be held Friday, January 22, 2016 at the Arkansas Highway Department (meeting was rescheduled due to a snow day declaration). Topics of discussion will include; the Wellness Program for 2017 and HSA transfer; questions and concerns.

NEW LAWS FOR PRIOR AUTHORIZATION: *by Janis Harrison, EBD Interim Director*

Harrison reported on Act 1106 of 2015. The Attorney General was contacted regarding the Act's applicability to EBD and whether the EBD health plan is subject to the Prior Authorization Transparency Act. Since there is no specific language in the legislation that applies to EBD, EBD and American Health Holding, the vendor providing prior authorization review and approval, are in agreement to continue the current process for prior authorizations with no changes.

McCook motioned to continue with the process as suggested by the Attorney General's Office. Honey seconded. All were in favor.

Motioned approved.

DIRECTOR'S REPORT: *by Janis Harrison, EBD Interim Director*

Harrison discussed the IRS requirements of tax forms 1094C and 1095C. The 1094C is a four part form that will transmit electronically through the AIR portal. Forms must be delivered to members by March 31, 2016. The requirement filing deadline is June 30, 2016. EBD is responsible for printing and delivery of 1095C forms to ASE AASIS actives, ASE/PSE retirees and COBRA members.

The EBD Executive Director retired January 2, 2016; Harrison is serving as the Interim Director. Haugen reported the Board will select the Executive Director of EBD with the approval of the Director of DFA. The position will be advertised for two weeks in the Arkansas Democrat Gazette, and on the AR State Jobs website. A committee will be formed for the interview process, and their recommendations will be forwarded to the Director of DFA. Haugen requested volunteers for the committee; McCook, Dr. Kirtley, Dr. Kumpuris, and Dr. Thompson volunteered. Haugen reported the Affordable Care Act will be added to the posting.

Harrison reported in October 20, 2015 EBD announced the contract award for the Health Savings Account (HSA) vendor to Wage Works. EBD has a 3 month contract with DataPath to complete the 2015 claims. The pharmacy benefits management contract was awarded to MedImpact; EBD has a 6 month contract with Catamaran to complete the 2015 claims processing. EBD obtained approval to extend the contract with American Health Holding through December 31, 2016.

Haugen opened the floor for additional business. There was no additional business.

Meeting adjourned.

Arkansas State Employees (ASE) Financials - January 1, 2014 through December 31, 2014								
	GOLD		SILVER		BRONZE		GRAND TOTALS	
	Employee Only	Plus Dependents						
Actives	23392	42736	1668	3012	2426	4589	27486	50337
Retirees	2331	3240	28	55	63	111	2422	3406
Medicare	8579	11357					8579	11357
TOTAL	34302	57333	1696	3067	2489	4700	38487	65100

REVENUES & EXPENDITURES		
	Current Month	Year to Date (12 months)
Funding		
State Contribution	\$ 14,346,946	\$ 171,974,828
Employee Contribution	\$ 7,480,580	\$ 90,921,623
Other	\$ 664,400	\$ 11,491,617
Allocation for Actives - Plan Year 2014	\$ 2,154,167	\$ 25,850,000
Total Funding	\$ 24,646,092	\$ 300,238,068
Expenses		
Medical Expenses		
Claims Expense	\$ 16,722,517	\$ 181,099,682
Claims IBNR	\$ -	\$ 1,500,000
Medical Administration Fees	\$ 1,185,563	\$ 13,549,174
Refunds	\$ -	\$ (14,653)
Employee Assistance Program (EAP)	\$ 56,438	\$ 674,608
Life Insurance	\$ 55,000	\$ 656,950
Pharmacy Expenses		
RX Claims	\$ 6,916,936	\$ 69,885,532
RX IBNR	\$ -	\$ (600,000)
RX Administration	\$ 218,097	\$ 2,888,705
Plan Administration	\$ 219,854	\$ 7,161,597
Total Expenses	\$ 25,374,404	\$ 276,801,595
Net Income/(Loss)	\$ (728,312)	\$ 23,436,472
BALANCE SHEET		
Assets		
Bank Account		\$ 6,409,862
State Treasury		\$ 71,130,322
Due from Cafeteria Plan		\$ 709,521
Due from PSE		\$ -
Receivable from Provider		\$ -
Accounts Receivable		\$ 183,755
Total Assets		\$ 78,433,459
Liabilities		
Accounts Payable		\$ 3,758
Deferred Revenues		\$ 17,630
Due to Cafeteria		\$ -
Due to PSE		\$ 307,636
Due to Federal Government (\$63 fee)		\$ -
Health IBNR		\$ 24,700,000
RX IBNR		\$ 1,800,000
Total Liabilities		\$ 26,829,024
Net Assets		\$ 51,604,435
Less Reserves Allocated:		
Premiums for Plan Year 1/1/14 - 12/31/14	(\$7,460,000 + \$9,390,000 + \$9,000,000)	\$ 0
Premiums for Plan Year 1/1/15 - 12/31/15	(\$6,260,000 + \$5,400,000)	\$ (11,660,000)
Premiums for Plan Year 1/1/16 - 12/31/16	(\$3,600,000)	\$ (3,600,000)
Catastrophic Reserve		\$ (10,600,000)
Net Assets Available		\$ 25,744,435

Fifth Week of claims totaled: \$4,265,225.48

Arkansas State Employees (ASE) Financials - January 1, 2015 through December 31, 2015

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	1207	26		1233	2032	42		2074
CLASSIC	1679	64		1743	2839	90		2929
PREMIUM	23741	2183		25924	41406	2821		44227
PRIMARY		209	9041	9250		428	11843	12271
TOTAL	26627	2482	9041	38150	46277	3381	11843	61501

REVENUES & EXPENDITURES

	Current Month	Year to Date (12 Months)
Funding		
1 State Contribution	\$ 14,694,568	\$ 174,319,824
2 Employee Contribution	\$ 7,831,375	\$ 95,297,662
3 Other	\$ 730,081	\$ 12,228,949
4 Allocation for Actives - Plan Year 2015	\$ 971,667	\$ 11,660,000
Total Funding	\$ 24,227,691	\$ 293,506,436
Expenses		
Medical Expenses		
5 Claims Expense	\$ 17,464,371	\$ 168,366,261
6 Claims IBNR	\$ -	\$ -
7 Medical Administration Fees	\$ 1,148,247	\$ 13,182,703
8 Refunds	\$ -	\$ (89,076)
9 Employee Assistance Program (EAP)	\$ 55,467	\$ 671,441
10 Life Insurance	\$ 54,118	\$ 654,940
Pharmacy Expenses		
11 RX Claims	\$ 7,300,147	\$ 74,030,721
12 RX IBNR	\$ -	\$ -
13 RX Administration	\$ 208,469	\$ 2,527,398
14 Plan Administration	\$ 355,504	\$ 6,707,010
Total Expenses	\$ 26,586,323	\$ 266,051,398
15 Net Income/(Loss)	\$ (2,358,632)	\$ 27,455,038

BALANCE SHEET

Assets		
16 Bank Account		\$ 2,358,152
17 State Treasury		\$ 86,333,482
18 Due from Cafeteria Plan		\$ 5,195,886
19 Due from PSE		\$ 101
20 Receivable from Provider		\$ -
21 Accounts Receivable		\$ 18,058
Total Assets		\$ 93,905,678
Liabilities		
22 Accounts Payable		\$ 654
23 Deferred Revenues		\$ 5,040
24 Due to Cafeteria		\$ 512
25 Due to PSE		\$ -
26 Due to Federal Government (\$44 fee)		\$ -
27 Health IBNR		\$ 24,700,000
28 RX IBNR		\$ 1,800,000
Total Liabilities		\$ 26,506,206
Net Assets		\$ 67,399,473
Less Reserves Allocated		
29 Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000 + \$5,400,000)		\$ 0
30 Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000 + \$12,600,000)		\$ (16,200,000)
31 Premiums for Plan Year 1/1/17 - 12/31/17 (\$7,560,000))		\$ (7,560,000)
32 Premiums for Plan Year 1/1/18 - 12/31/18 (\$5,040,000)		\$ (5,040,000)
33 Catastrophic Reserve (2015 \$10,400,000)		\$ (10,400,000)
34 Net Assets Available		\$ 28,199,473

Public School Employees (PSE) Financials - January 1, 2014 through December 31, 2014

	GOLD		SILVER		BRONZE		GRAND TOTALS	
	Employee Only	Plus Dependents						
Actives	16998	20736	5258	8185	23139	42098	45395	71019
Retirees	1644	1899	156	171	1488	1855	3288	3925
Medicare	9695	10624					9695	10624
TOTAL	28337	33259	5414	8356	24627	43953	58378	85568

REVENUES & EXPENDITURES

	Current Month	Year to Date (12 months)
Funding		
Per Participating Employee Funding (PPE Funding)	\$ 8,270,338	\$ 100,107,352
Employee Contribution	\$ 9,828,062	\$ 119,936,980
Department of Education \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 50,000,000
Other	\$ 415,975	\$ 22,087,440
Allocation for Actives - Plan Year 2014	\$ 3,583,333	\$ 43,000,000
Total Funding	\$ 25,279,526	\$ 335,131,772
Expenses		
Medical Expenses		
Claims Expense	\$ 20,447,807	\$ 204,284,742
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,644,479	\$ 19,466,790
Refunds	\$ (115,795)	\$ (112,836)
Employee Assistance Program (EAP)	\$ 78,513	\$ 949,801
Pharmacy Expenses		
RX Claims	\$ 5,409,917	\$ 49,666,683
RX IBNR	\$ -	\$ (400,000)
RX Administration	\$ 293,563	\$ 3,793,996
Plan Administration	\$ 413,638	\$ 9,021,972
Total Expenses	\$ 28,172,121	\$ 286,671,149
Less Allocation for Plan Year 2015		\$ 20,000,000
Net Income/(Loss)	\$ (2,892,595)	\$ 28,460,623

BALANCE SHEET

Assets	
Bank Account	\$ 11,710,394
State Treasury	\$ 62,225,451
Receivable from Provider	\$ -
Accounts Receivable	\$ 1,150,520
Due from ASE	\$ 307,636
Total Assets	\$ 75,394,002
Liabilities	
Accounts Payable	\$ 875
Due to ASE	\$ -
Deferred Revenues	\$ -
Due to Federal Government (\$63 fee)	\$ -
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,400,000
Total Liabilities	\$ 29,400,875
Net Assets	\$ 45,993,127
Less Reserves Allocated:	
Premiums for Plan Year 1/1/14 - 12/31/14 (\$43,000,000)	\$ (0)
Catastrophic Reserve (2014 - \$11,100,000)	\$ (11,100,000)
Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 received from Dept of Education)	\$ (20,000,000)
Net Assets Available	\$ 14,893,127

Fifth Week of claims totaled: \$4,520,879.96

Public School Employees (PSE) Financials - January 1, 2015 through December 31, 2015

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
	BASIC	3161	235		3396	4730	296	
CLASSIC	21972	1918		23890	40739	2328		43067
PREMIUM	19713	1067		20780	25396	1144		26540
PRIMARY		93	10566	10659		186	11536	11722
TOTAL	44846	3313	10566	58725	70865	3954	11536	86355

REVENUES & EXPENDITURES

	Current Month	Year to Date (12 Months)
Funding		
1 Per Participating Employee Funding (PPE Funding)	\$ 8,146,981	\$ 97,728,019
2 Employee Contribution	\$ 9,080,993	\$ 109,327,117
3 Department of Education \$35,000,000 & \$15,000,000 & Other Funding	\$ 21,281,818	\$ 104,393,953
4 Other	\$ 840,697	\$ 7,502,529
5 Allocation for Actives	\$ 1,666,667	\$ 20,000,000
Total Funding	<u>\$ 41,017,156</u>	<u>\$ 338,951,617</u>
Expenses		
Medical Expenses		
6 Claims Expense	\$ 20,156,318	\$ 181,131,521
7 Claims IBNR	\$ -	\$ -
8 Medical Administration Fees	\$ 1,736,344	\$ 19,209,570
9 Refunds	\$ -	\$ (66,503)
10 Employee Assistance Program (EAP)	\$ 76,727	\$ 917,383
Pharmacy Expenses		
11 RX Claims	\$ 5,135,757	\$ 48,766,572
12 RX IBNR	\$ -	\$ -
13 RX Administration	\$ 296,988	\$ 3,510,511
14 Plan Administration	\$ 424,038	\$ 8,769,064
Total Expenses	<u>\$ 27,826,172</u>	<u>\$ 262,238,119</u>
15 Less Allocation for Plan Year 2016	\$ 18,100,000	\$ 38,100,000
16 Net Income/(Loss)	\$ (4,909,016)	\$ 38,613,498

BALANCE SHEET

Assets		
17 Bank Account		\$ 25,099,669
18 State Treasury		\$ 101,731,072
19 Receivable from Provider		\$ -
20 Accounts Receivable		\$ 5,276,374
21 Due from ASE		\$ -
Total Assets		<u>\$ 132,107,115</u>
Liabilities		
22 Accounts Payable		\$ 389
23 Due to ASE		\$ 101
24 Deferred Revenues		\$ -
25 Due to Federal Government (\$44 fee)		\$ -
26 Health IBNR		\$ 28,000,000
27 RX IBNR		\$ 1,400,000
Total Liabilities		<u>\$ 29,400,489</u>
28 Net Assets		\$ 102,706,626
Less Reserves Allocated		
29 Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 rec'd from Dept. of Education)		\$ 0
30 Premiums for Plan Year 1/1/16 - 12/31/16 (\$9,600,000 + \$20,000,000 DOE + 18,100,000 DOE)		\$ (47,700,000)
31 Premiums for Plan Year 1/1/17 - 12/31/17 (\$5,760,000)		\$ (5,760,000)
32 Premiums for Plan Year 1/1/18 - 12/31/18 (\$3,840,000)		\$ (3,840,000)
33 Premium Assistance (FICA Savings)		\$ (5,598,646)
34 Catastrophic Reserve (2015 \$10,900,000)		\$ (10,900,000)
35 Net Assets Available		<u>\$ 28,907,980</u>

36 Fifth Week of Claims \$4,523,813.78

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding, made effective at the signing of both authorized parties, is between the Arkansas State Employee Benefits Division of the Department of Finance and Administration ("EBD"), and the State Employees Benefit Corporation ("SEBCO").

ARTICLE 1. RECITALS

WHEREAS, since the 1980s, SEBCO has sold voluntary insurance products to Arkansas state employees who are members of the Arkansas State Employees Association ("ASEA"); and

WHEREAS, throughout that time, SEBCO has used the payroll slot authorized in Ark. Code Ann. § 19-4-1602(a)(10) to make payroll deductions for the products purchased by state employees;

WHEREAS, Ark. Code Ann. § 21-5-406(e)(3)(C) provides that SEBCO's benefit plan, as it existed on July 1, 1995, is exempt from the "supervision" of the Director of EBD ("the EBD Director"). Therefore, the EBD Director has not historically supervised products offered by SEBCO; and

WHEREAS, a recent opinion from the Arkansas Attorney General, No. 2015-090, interpreted the authority of the EBD Director set forth in Ark. Code Ann. §21-5-406(e)(3)(A) to extend to SEBCO products that are new or "materially different" from those offered in 1995; and

WHEREAS, in order to clarify the relationship and foster cooperation for the benefit of state employees, the parties wish to: (1) document the products offered by SEBCO during the relevant time periods; (2) define the products that are subject to the supervision of the EBD Director; and (3) establish procedures for the supervision of the non-exempt products.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, IT IS HEREBY AGREED BETWEEN THE PARTIES AS FOLLOWS:

ARTICLE 2. SEBCO PRODUCTS

2.1 The parties agree that only insurance products are relevant to the analysis described in Attorney General Opinion No. 2015-090.

2.2 The parties further agree that Attachment 1 accurately lists the products offered by SEBCO in 1995 and the products offered by SEBCO as of the effective date of this Agreement.

ARTICLE 3. SEBCO PRODUCTS SUBJECT TO SUPERVISION

3.1 After analyzing all available information, the EBD Director has determined that the SEBCO products listed on Attachment 2 have not materially changed from those that were offered in 1995. The products listed on Attachment 2 are therefore exempt from EBD supervision.

3.2 After analyzing all available information, the EBD Director has determined that the SEBCO products listed on Attachment 3 are either new products that were not offered in 1995 or they have materially changed from those that were offered in 1995. The products listed on Attachment 3 are therefore subject to EBD supervision.

3.3 The parties agree that Purchasing Power is a new product offered since 1995. However, because it is not an insurance product, Purchasing Power is not subject to EBD supervision.

ARTICLE 4. SUPERVISION

4.1 SEBCO must apply for approval for a payroll deduction by the State and Public School Life and Health Insurance Board ("the Board"), in accordance with Ark. Code Ann. § 19-4-1602, before it may use its statutory payroll slot deduction for any new policies for the products in Attachment 3. If the Board does not approve a payroll deduction, SEBCO shall immediately cease use of its statutory payroll slot deduction to pay for any new policies written for the products on Attachment 3.

4.2 The EBD Director has no objection to SEBCO continuing to use its payroll slot deduction for the payment of all policies and products for its members sold prior to the effective date of this agreement and will recommend to the Board that such deductions be approved.

4.3 EBD agrees that SEBCO may immediately resume marketing and sales of all products listed on Attachment 2.

4.4 EBD further agrees that SEBCO shall continue to have reasonable access for in-person marketing to state employees. SEBCO agrees that it shall notify EBD via email at *bob.alexander@dfa.arkansas.gov* at least one (1) week before conducting any in-person marketing and sales in buildings owned or leased by state agencies.

ARTICLE 5. OTHER TERMS

5.1 **Notices.** All communications shall be in writing and shall be considered to have been served if deposited in the United States mail, registered, certified, postage prepaid, return receipt requested, or to such other address as such party may hereafter designate by notice to the other parties. Email may be used for communications not requiring service.

5.2 **Governing Law and Jurisdiction.** This Agreement shall be interpreted and construed in accordance with and governed by the laws of the State of Arkansas. Any dispute arising out of this Agreement shall be adjudicated in Pulaski County, Arkansas.

5.3 **Authority and Successors.** The individuals signing this Agreement hereby represent that they are authorized, on behalf of their respective organizations, to execute this Agreement and to bind future EBD Directors and administrations to its provisions. Further, this Agreement contains the entire understanding between the parties concerning the subject matter.

5.4 **Severability.** In the event that any of the terms of this Agreement are in conflict with any rule, law, statutory provision or are otherwise unenforceable under the laws or regulations of any government or subdivision, such terms shall be deemed stricken from this Agreement, but such invalidity or unenforceability shall not invalidate any of the other terms of this Agreement. This Agreement shall continue in force, unless the invalidity or unenforceability of any such provisions hereof does substantial harm to, or where the invalid or unenforceable provisions compromise an integral part of, or are otherwise inseparable from the remainder of this Agreement.

5.5 **Waiver.** Failure by either party to take action or assert any right shall not be deemed a waiver of such right in the event of the continuation or repetition of the circumstances giving rise to such right.

5.6 **Amendments.** This Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, other than by written amendment signed by both parties.

5.7 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement effective the day and year executed below.

Employee Benefit Division

By 
Authorized Signature-Signed

By ROBERT ALEXANDER
Name-Printed

Title DIRECTOR, EBD

Date 12-16-15

State Employee Benefit Corporation

By 
Authorized Signature-Signed

By DANNY JAMES
Name-Printed

Title Exec. Director/Sebco

Date 12/17/15

Attachment 1

SEBCO Product Comparison

1995 Products /Policies	2015 Products/Policies
Dental	Dental
Vision	Vision
Cancer	Cancer
Burial	Burial
Whole Life	Whole Life
Term Life	Term Life
Universal Life	Universal Life
Guaranteed Life	Guaranteed Life
Accidental Death	Accidental Death
Disability Income Short Term	Disability Income Short Term
	Disability Income Long Term
Hospital Cash (cancer rider)	Hospital Cash
First Occurrence (cancer rider)	First Diagnosis Lump Sum Payment
Intensive Care (cancer rider)	Intensive Care
	Accident Insurance
Heart Attack (cancer rider)	Heart Attack/Stroke
Critical Illness (cancer rider)	Critical Illness
Homeowners (all types of dwellings)	Homeowners (all types of dwellings)
Auto Insurance (all types of vehicles)	Auto Insurance (all types of vehicles)
Van Pool (non insurance benefit)	Van Pool (non insurance benefit)
Legal Services (non insurance benefit)	Legal Services (non insurance benefit)
	Purchasing Power (non insurance benefit)

Attachment 2

SEBCO Products 2015 With No Material Change from 1995

1. Dental
2. Vision
3. Burial Insurance
4. Term Life
5. Whole Life
6. Universal Life
7. Guaranteed Life
8. Accidental Death
9. Disability Income Short Term
10. Homeowners (includes all types of dwellings)
11. Auto (includes all types of vehicles)
12. Legal Services
13. Van Pool

Attachment 3

SEBCO Products Not Excluded From Director's Authority

SEBCO products that are new since 1995

1. Disability Income Long Term
2. Accident Insurance

SEBCO products that have materially changed since 1995

1. Cancer
2. Hospital Cash
3. First Diagnosis (lump sum policy)
4. Intensive Care
5. Heart Attack/Stroke
6. Critical Illness



**State and Public School Life and Health Insurance Board
Drug Utilization and Evaluation Committee Report**

The following report resulted from a special meeting of the DUEC on December 14, 2015 with Dr. Hank Simmons presiding.

**1. Targeted Immune Modulator Review for Rebate Contracting with Drug Manufacturers
Dr. Rachael McCaleb, UAMS**

Background:

Targeted immune modulators (TIMs), also referred to as biologics, form a class of drugs for diseases with inappropriate immune response and chronic inflammation. These agents are used to treat diseases including; rheumatoid arthritis, juvenile idiopathic arthritis, ankylosing spondylitis, psoriatic arthritis, inflammatory bowel diseases, and plaque psoriasis. These agents selectively block the inflammatory and immune cascades through different mechanisms of action.

The following table summarizes currently available TIMs in the United States including route of administration, mechanism of action, and FDA approved (labeled) indication.

Drug	Route	MOA	RA	JIA	AS	PsA	Crohn's	UC	PP	Other
Abatacept ² Orencia [®]	IV then SC	CD80/86-CD28 T-cell co stimulator		≥6y/o						
Adalimumab ³ Humira [®]	SC	TNF Inhibitor		≥2y/o			≥6y/o			
Anakinra ⁴ Kineret [®]	SC	IL-1 antagonist								NOMID
Certolizumab ⁵ pegol Cimzia [®]	SC	TNF Inhibitor								
Etanercept ⁶ Enbrel [®]	SC	TNF Inhibitor		≥2y/o						
Golimumab ⁷ Simponi [®]	IV and SC	TNF Inhibitor								
Infliximab ⁸ Remicade [®]	IV	TNF Inhibitor					≥6y/o			
Natalizumab ⁹ Tysabri [®]	IV	Anti-alpha-4 integrin subunit								MS
Vedolizumab ¹⁰ Entyvio [®]	IV	Anti-alpha-4-beta- 7 integrin subunit					*	*		
Rituximab ¹¹ Rituxan [®]	IV	Anti-CD 20a								
Tocilizumab ¹² Actemra [®]	IV	IL-6 receptor inhibitor		≥2y/o						

Drug	Route	MOA	RA	JIA	AS	PsA	Crohn's	UC	PP	Other
Tofacitinib ¹³ Xeljanz®	PO	JAK inhibitor								
Ustekinumab ¹⁴ Stelara®	SC	IL-12/23 p40 inhibitor								
Secukinumab ¹⁵ Cosentyx®	SC	IL-17A receptor antagonist								
Abbreviations: AS, ankylosing spondylitis; IL, interleukin; IV, intravenous; JIA, juvenile arthritis; JAK, Janus kinase; MS, multiple sclerosis; NOMID, neonatal-onset multisystem inflammatory disease; PC, plaque psoriasis; PsA, psoriatic arthritis; RA, rheumatoid arthritis; SC, subcutaneous; UC, ulcerative colitis; TNF, tumor necrosis factor * = For moderate to severe disease in patients who have had an inadequate response with, lost response to, or were intolerant to inhibitors of TNF inhibitors or corticosteroids ¹⁰ <div style="display: flex; align-items: center; margin-top: 5px;"> <div style="width: 15px; height: 15px; background-color: #cccccc; margin-right: 5px;"></div> = FDA approved indication </div>										

Proposal for Contracting with Drug Manufacturers

As outlined in the newly awarded PBM contract, EBRx will be starting the process of rebate contracting. With Targeted Immune Modulators costing the plan over \$3.5 million per quarter on the pharmacy side alone, this category was the DUEC's 1st choice for contract negotiations. The rebate contracting process will save money not only for the plan in terms of rebates on preferred drugs, but for the member as well through reduced copays on the same preferred medications.

Currently all TIMs medications are covered at Tier 4, with a \$100 copay. The DUEC recommends that EBRx contract for at least 2 TIMS as preferred agents, while allowing for the other TIMs to remain on the formulary as non-preferred. Preferred agents will be placed at Tier 2 and have the Tier 2 copay of \$40. Non-preferred agents will remain in their current tier placement, Tier 4, with a \$100 copayment. NO current utilizers will be REQUIRED to switch their current drug regimen. However, in the event they choose to try a preferred agent in order to save themselves money in the form of copays, the plan will allow them to receive the medication for 4 months at a \$0 copay. After 4 calendar months from the date of the first fill, the member will pay the Tier 2 copay of \$40, a savings of \$60 per month from the current tier placement. Should the member choose to stay with their current drug regimen, they will continue to pay their normal copay of \$100 without penalty. The member will have 6 months from the time the rebate starts to take advantage of the copay waiver. No copay waivers or reduced copays will be allowed for non-preferred agents, and waivers on preferred agents will only be approved for members switching from a nonpreferred agent. New TIMs utilizers will begin treatment on a preferred agent, and will be required to try a preferred agent(s) prior to gaining access to a non-preferred agent.

Prior authorization criteria will not be allowed to be a negotiating tool in the rebate contracting process, and will remain as it currently stands.

The committee also recommends price protection for the life of the contract, and that contracts be obtained that cover more than 1 year.

In summary:

- Include at least 2 preferred agents
 - Preferred agents will be moved to Tier 2, with a \$40 copay.
 - Non-preferred agents will remain at Tier 4, with a \$100 copay
 - Members choosing to switch from a Tier 4 non-preferred agent to a Tier 2 preferred agent, will be allowed to receive the preferred drug at a \$0 copay for 4 calendar months starting the date of the 1st fill. After 4 months, the member will pay the Tier 2 copay, \$40.
 - Members wishing to take advantage of the copay waiver will have 6 months from the start date of the rebate to do so.
- No members will be required to switch their current drug regimen.
- No copay waivers will be allowed for non-preferred drugs.
- Prior authorization criteria will continue to all TIMs, and is not negotiable in the contracting process.
- Require price protection for the duration of the contract.

2. EBD Report

Dr. Geri Bemberg, UAMS

Dr. Bemberg asked the committee for recommendations on the next category to be reviewed. The committee asked that insulins be looked at next. Also, the committee wished to have a report on the top drugs, drug categories, and disease states at the next meeting.

Respectfully submitted,

**Dr. Hank Simmons,
Chair, DUEC**

State and Public School Life and Health Insurance Board

January 19, 2016

Director's Report.....Janis Harrison, Interim EBD Director

1. 1094C and 1095C Forms and Reporting:

The Internal Revenue Service (IRS) requires 2 new tax forms be prepared and distributed each year, starting in 2016; provided to the IRS are the 1094C and the 1095C forms, with a copy of the 1095C to the member. These are required as part of the Patient Protection and Affordable Care Act (PPACA), or ACA. The 1094C is titled Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns and the 1095C is titled Employer-Provided Health Insurance Offer and Coverage.

The 1094C form is the transmittal form that will be provided to the IRS, in EBD's case electronically, through the AIR portal. The 1094C is a four part form which contains only employer information.

The filing deadline was originally set for March 31, 2016, but the date has been extended by the IRS to June 30, 2016.

The 1095C form is used by the IRS to assess an employer's compliance with the requirements of the ACA. This form must be provided to the IRS electronically behind the 1094C transmittal form and will be mailed to the employee by EBD. The 1095C form shows that minimum value coverage was offered to the employee and the cost of that coverage; it also shows whether or not the employee elected coverage, and if coverage was elected, the type of coverage (employee only, employee/spouse, family, etc.)

The delivery to members deadline was originally set for February 1, 2016, but the date has been extended by the IRS to March 31, 2016.

EBD is responsible for printing and delivery of 1095C forms to ASE/PSE actives and retirees and COBRA members; the expected delivery date is February 1, 2016.

2. EBD Executive Director Position:

Bob Alexander retired January 2, 2016; I was asked to serve as Interim until a new person is identified and brought to the Board for consideration. A hiring freeze approval has been obtained, but the position is not required to be advertised. Carla Haugen can provide additional information related to the vacancy.

3. Old/New Vendor Information:

EBD announced in the October 20, 2015 meeting the contract award for the Health Savings Account (HAS) vendor to Wage Works; EBD has obtained a 3 month contract with DataPath to complete the 2015 claims processing and transfer of assets from DataPath's trustee to Wage Works' trustee. Staff is working diligently with both vendors to complete one contract and begin the new contract.

The pharmacy benefits management contract was recently awarded to MedImpact; EBD has obtained a 6 month contract with Catamaran to complete the 2015 claims processing and ensure a smooth transition to the new vendor. Staff has begun working with MedImpact to have them in place by June 1, 2016.

EBD obtained approval to extend the case management contract with American Health Holding, Inc. (AHH) through December 31, 2016.

Upcoming Meetings:

DUEC is Monday, February 1, 2016

Benefits is Friday, February 5, 2016

Quality of Care is Tuesday, February 9, 2016

Board is Tuesday, February 16, 2016