

State and Public School Life and Health Insurance Board
Minutes
April 21, 2009

The 99th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met Tuesday, April 21, 2009 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

Members Present

Shelby McCook
Lloyd Black
Joe Musgrove
Vance Strange
Dr. Joseph Thompson
Janis Harrison
Anita Woodall
William Goff
Charlie Campbell
Renee Mallory

Members Absent

Robert Watson

Jason Lee, Executive Director, Employee Benefits Division.

Others Present:

Liz Myers, Milliman, George Platt, Leigh Ann Chrouch, Doug Shackelford, Amy Tustison, Tammy McGill, Kristie Cox, Undrea Ellis, Kim Wilmot, Sherri Saxby, Amy Redd, Gina Grable, Pamela Lawrence; Chrystal Tyiska, Cathy Harris, Paige Harrington, EBD; Rhonda Hill, ACHI/EBD; Barbara Melugin, Kathy Ryan, David Bridges, Ron Deberry; ABCBS/HA; Bryan Meldrum, Novasys; Mona Neal , Public Service Commission; Ronda Walthall, Wayne Whitley, AHTD, Joseph Chang, MN Life; Jeff Britt, Pfizer; Karen Hensen, AGFC; Kim Henderson, ADFA; Susan Walker, Data Path; Mary Kay Braden, Workers Comp; Richard Brittain; DHS; Patricia Brown; PDB; Barry Fielder, Informed Rx; Jill Johnson, UAMS EBRx; John Herzog, EDS; Roy Lamm, Qualchoice; Sharon Marcum, LifeSync; Marc Watts, ASEA; John Greer, Humana; Judy Prewitt, Highway Retirees; Steve Singleton, ARTA; Shannon Perna, AEA; Trisha Fahey, SXC/IRX; Richard Hutchinson

Call to Order

Meeting was called to order by Shelby McCook

Approval of Minutes

The request was made by McCook to approve the February 24, 2009 minutes. Strange made the motion to approve. Harrison seconded. Minutes approved.

Subcommittee Reports

The Drug Utilization and Evaluation Committee (DUEC) by Dr. William Golden

Dr. Golden informed the Board the DUEC met on March 30, 2009, and then reported the following recommendations:

ADHD Agents

Several once-daily doses of select ADHD agents are parity or near parity priced in the various strengths available. This presents opportunities for dose optimization and cost savings to the plan if multiple daily doses are combined into a single daily dose of the higher strength product. Opportunities exist for certain strengths of Concerta (18mg, 27mg), Focalin XR (5mg, 10mg), Metadate CD (10mg, 20mg, 30mg), Ritalin LA 10mg, 20mg), and Adderall XR (5mg, 10mg, 15mg).

The committee viewed the utilization data for ADHD agents for Dec 2008 through Feb 2009.

Recommendation: Implement quantity limits of 1 per day on the drugs/strengths above to impose dose optimization and resulting cost savings to the plan. The pharmacist would receive a point-of-sale message explaining the rejection and what action to take

Campbell made the motion to approve recommendation for ADHA Agents. Strange seconded. All were in favor. Motion carried.

ZYVOX

The committee viewed the utilization data. In the 12 month time period from January 2008 through December 2008, a total of 63 members received at least one prescription for Zyvox. A total of 14 members received greater than one prescription. Total plan cost for Zyvox in this time period equaled \$133,675. In evaluating medical claims data, 14 members received therapy after hospitalization with surgery, 14 after hospitalization without surgery, 28 could not be directly linked to a hospitalization, and 7 were missing medical claims information. This may be due to the inherent lag time in medical claims data compared to pharmacy claims data.

The Board reviewed the PA criteria for Zyvox

Recommendation: Implement a prior authorization (PA) criteria for Zyvox® (linezolid)

A discussion ensued.

Campbell made the motion to accept the PA criteria for Zyvox® (linezolid). Strange seconded. All were in favor. Motion carried.

NEW DRUGS

<u>Drug</u>	<u>Tier</u>
Prodrin	T3
Aplenzin	EXCLUDE
Finacea plus Kit	EXCLUDE
Rapaflo	T3
Toviaz	EXCLUDE – review next Qtr.
Uloric	EXCLUDE
Acanya Gel	T3
Banzel	T3 w/PA
Epiduo Gel	EXCLUDE
Prandimet	EXCLUDE
Trilipix	EXCLUDE
Moxatag	EXCLUDE
Vanoxide HC Kit	EXCLUDE
Apriso Cap	TABLED
Orapred ODT	EXCLUDE
Kapidex	Reference price w/ other PPIs.
Cinryze	TABLED

Dr. Thompson made the motion to accept the recommendation for new drugs. Musgrove seconded. All were in favor. Motion carried.

Coverage Policy for New Drugs

The current policy is to automatically provide coverage for new drugs entering the market; subject to a tier 3 co-pay of \$60. This coverage occurs without any direct review by EBD, the DUEC committee, or the Board. Subsequently, this committee reviews the medications and makes a recommendation for coverage or exclusion. When a drug is excluded, any member with an active prescription is informed that the drug will no longer be covered and time is given for an alternative drug to be prescribed by their physician.

This is not a widespread problem but has the potential to impact multiple members each time we exclude a new medication. One recent example is the medication Treximet in which 88 members were prescribed the medication before the decision was made to exclude it from coverage. This temporary coverage has the potential to create a disruption in the member's compliance and can certainly contribute to an unpleasant experience with the plan.

Recommendation: Exclude from coverage any new drug pending an evaluation by the Committee and recommendation for coverage to the Board; but allow coverage for the generic, if available of a new drug until evaluation by the Committee. The DUEC will review Speciality Drugs upon request. The Chairman may choose to call an emergency meeting.

A discussion ensued.

Musgrove made the motion to accept recommendation for new drug coverage as amended and requested that the DUEC look into the possibility of making some financial adjustments when the drug has not been allowed but then allowed and report back to the board on whether it is feasibility for them to do. Dr. Thompson seconded.

Dr. Golden said they will discuss the possibilities at the next DUEC meeting. Musgrove clarified he is still in favor of the new drug coverage process even if they cannot make a financial adjustment for the new drug coverage.

Dr. Thompson commended Dr. Golden and the DUEC committee work. Thompson said this is a gatekeeper process for new and marginal; if at all beneficial drugs the pharmaceutical companies would like the plan to adopt that are harder to exclude. Thompson said by reviewing them first before they allow coverage is an explicit fiduciary obligation of the Board to protect the interest of the beneficiaries. Thompson said it has the potential to draw the attention of PHRMA and the pharmaceutical companies as a major difference from a traditional path.

Dr. Golden informed the Board they are currently receiving a lot of designer high priced drugs that are being actively promoted for cancer as well as for other conditions. Dr. Golden said the DUEC plans to have some discussions on that in the future and then suggested the Board think about how they want to probatively manage genetic testing.

The Benefits Subcommittee by Joe Musgrove

Musgrove reported the Benefits Subcommittee meet on April 17, 2009. The Benefits Strategic Planning Work group had no action items for the Benefits Subcommittee. Musgrove said the work group reported on a new vendor policy process and the status of the Request for proposal (RFP) for:

- Plan Actuary
- Cafeteria Plan
- Health Savings Account
- Case Management

Musgrove said Milliman presented the preliminary 2010 PSE Active Rates and then the committee requested the actuaries provide the costs of adding hearing and vision examinations and eye sight devices to the basic health plan. The Director will also work with the actuaries to set a premium up grade for those who wish to have hearing devices.

Lee explained as result of the benefits meeting there are two additional components built into rates structure for the Board to review.

Dr. Thompson referenced the RFP process. Dr. Thompson said they want the ability to actually report quality of care information to constituents but there are

restrictions in the provider contracts that don't allow the plan to report individual provider quality. Dr. Thompson requested they don't continue to include this restriction in future RFP's.

Lee said they would hate to exclude any type of provider level reporting and accepted the request as an action item.

Musgrove reported they also viewed a presentation for Long Term Care Partnership and then informed the Board that at some point the state employee's insurance program may play a role in encouraging and facilitating the long-term care partnership. Musgrove said the partnership plan has been recommended by the Governor, DHS and the Insurance Department and there has been an emphasis on the federal level.

Quality of Care by Shelby McCook

McCook reported the Quality of Care committee met on April 8, 2009. McCook said the committee has made a commitment to meet every two months and also make an effort to encourage committee member attendance

McCook said the committee review a section from the Arkansas Code § 21-5-404 that explained the powers, functions and duties of State and Public School Life and Health Insurance Board.

McCook reported the committee discussed several HEDIS Measures, Individual Preventive Care Annual Exams and Visits E-Prescribing. McCook reviewed the committee's action plan.

1. ACHI will provide the following measures in next meeting Quality of Care meeting:
 - Beta-Blocker use - Persistent Beta-Blocker Use after Heart Attack
 - Antidepressant Medication Management
 - ACHI will also provide the Committee with a list of measures from previous Quality meetings
2. Consider ways to financially incentivize the member or the provider in efforts to get them to participate in the preventative care examinations and screening tests offered by the plan. Educate consumers on the preventative care services.
3. Utilize the EBD Internal Analytic Team and the Benefits Strategic Planning Committee
4. EBD will provide the Benefit Plan Design to Quality members
5. Continue to followup on E-Prescribing in future meetings.

Musgrove made the motion that the Quality of Care committees follow the action plan. Dr. Thompson seconded. All were in favor. Motion carried.

Financials by Leigh Ann Chrouch

Chrouch presented detailed financial statements for the Arkansas State Employees (ASE) January 1, 2009 through January 31, 2009 and the Public School Employees (PSE) October 1, 2008 through February 28, 2009. In Addition; the ASE Cafeteria Plan Financial 2008 for January 1, 2009 through January 31, 2009.

Chrouch reported \$20 M net assets available for February for the PSE group. Chrouch said claims were a little high for both January and February because this was during the catch up period because of the holiday season and bad weather.

Lee said they have also looked at the March financial for PSE but it is not in the packet. Lee said March claims did go in the right directions and March looks better.

Lee said they will see an increase in the PSE catastrophic reserve; the increase discussed in the January meeting.

The Board discussed net assets available and proforma. Lee said they will look at some past historical reporting and present to the Board at the next meeting.

Chrouch reported ASE claims are a slight higher in February than December because it is a catch up period.

Chrouch provided a report of the penalties assessed for state and school agencies for December 2008 through March 2009. Chrouch reported there were no penalties in March 2009 for state or school agencies.

Chairman McCook requested Chrouch correct the terminology for the description of violation from matching payment to state contribution.

Musgrove made the motion to accept the financial. Strange seconded. All were in favor. Motion carried.

Legislative Update by Jason Lee, EBD

ACT 1179 – requires insurance companies in the state of Arkansas to offer insurance for hearing aid coverage of \$1,400 per ear, per 3 years of coverage. Lee said it is mandated for insurers to offer coverage but after consulting the insurance department it was determined that they do not fall into that category. Lee said he believe it was the intent that they be subject to this bill. Lee said they do have some flexibility for how they treat copays coinsurance or deductible requirements because the law does not apply to them.

Musgrove said there was a question raised at the Insurance Department where some parties felt that the law did apply to the plan. Musgrove referenced section "B" of the Bill.

Chairman McCook suggested they consult with the Attorney General's office to determine if the plan is subject to the law to provide hearing aid coverage so they can act accordingly.

Musgrove made the motion for the EBD Director to get the Attorney General's opinion on ACT 1179; the applicability of that law towards the plan.. Harrison seconded. All were in favor. Motion carried

Act 1172- Retiree parity introduces a requirement to achieve parity between the ASE and PSE Retirees if appropriations are made available and to the extent that appropriations make it possible. Lee said the followup to that is that no money was made to achieve that, but at least now there is a mandate for parity for ASE & PSE pre-65 for non Medicare primary retirees.

Act 1193- Mental Health parity was amended to now specifically include the plan. Lee said they have been striving for federal mental health parity so this will have a no cost impact to them. It's just a clarification of the state mental health parity law, but we are already subject to the federal mental health parity so there should not be a cost impact.

Act 950 – requires that we provide Orthotic and Prosthetic devices or services not covered under the cap. Currently the Plan has a \$15,000 dollar annual benefit limit on the Orthotic and Prosthetic devices but this would require that we eliminate that cap. Lee said the cost to eliminate the cap was rated somewhere around a nickel and it's included in the rates that the Board will review in the meeting today. Lee asked the Board if they would like for him to also inquire about ACT 950 and its requirement because that language that incorporated them into the law is quite different for ACT 1179.

Musgrove suggested Lee reference ACT 769 & ACT 702 in his discussion about ACT 950 with the Attorney General's office for clarification purposes because ACT 702 was intended and very carefully crafted to include them and it has language that specifically does so.

Act 769- PBM transaction transparency requires that state funded plan now have transparency in their PBM transactions so that the employee plan sponsor can get a detail list of what actually paid to the pharmacist. Lee said they already have that level of transparency built into our current contracts and all of their contracts from this point forward will have this level of transparency so there is no net impact on the plan.

Act 702- clarifies the state Any Willing Provider law to make the state's employee benefits division plan subject to the state AWP law. Lee said they were specifically brought into that section by statute and they are working with Novasys because they were excluded under the AWP because they were a third party payer and AWP didn't apply. Lee said they are working with them to make sure everything is moving forward so that they and their subcontractors are AWP compliant.

Act 1421 - provided up to \$15 M funding towards the PSE Actives and through special language allow the \$11.20 Active employee subsidy to be applied towards Retirees. Lee said they now have legislative authority to continue the practice they've been doing since the 90's. Lee said the \$15 M is paid in quarterly installments and is included in today's rates.

Chairman McCook said he appreciates the way Lee has stayed on top of everything and participated and testify at the legislative session.

Plan Design 2010 Plan Year by Jason Lee, EBD

Lee informed the Board it was mentioned during the Benefits meeting to suggest to the Board that they include hearing & vision exams into the core package of the wellness and preventative care measures of the plan. Lee said they also discussed eliminating the 15,000 cap for orthotics and adding the hearing aid coverage as part of the standard package as part of the traditional AR Health plan.

Lee said the Board will see the scope of the propose benefit changes in the rates. Lee said during the last Board meeting there was also a discussion about the HDPPO plan and it will also be in the packet so you they can see the costs impact to the member if it were the only plan. Lee said there was also a discussion about taking certain elements out of the AR Health plan and positioning them into a buy up option but they do not have the costs of that hypothetical buy up optional choice available as of yet.

Preliminary PSE Active Rates by Liz Myers, Milliman

Myers presented the 2009-2010 Plan Year Preliminary PSE Rates Active Employees. Myers reported the rate increases have gone from the double digits in 2008-2009 to single digits for the 2009-2010 plan year.

Myers reported this year they are proposing a 1.7% increase for Health Advantage, 7.2% increase for Novasys ARHealth, -10% decrease for NovaSys HDPPO, 0.5% increase for Rx and no rate increase for Corphealth.

Milliman presented two scenarios. Scenario #1 has no reserve allocation and scenario #2 has an allocation of \$6M dollars, allocated to be spread over three years (50% / 30% / 20% allocation rule) beginning in plan year 2009-2010 – so it

would be \$3M in the first year. Both scenarios include \$15M additional funding from the legislature.

Myers explained the basis for underwriting. Myers noted the total monthly premium no longer includes \$20 Health Risk Assessment load per adult. Included in the underwriting is a 1.2% rate adjustment for impact of proposed benefit changes of hearing aid coverage, removal of \$15,000 max on orthotics/prosthetics and addition of hearing & vision exams.

Myers reported there is about a \$1 dollar increase in administrative fees per employees for Health Advantage and slight decrease of .2 cents for Novasys. Myers said EBD administrative fees decreased primarily because of the pharmacy reward program.

Myers said they are seeing some pretty favorable experiences and the claims are running a little lower so they felt comfortable lowering the trends this year.

The Board viewed the 2009-2010 proposed rates with and without reserve allocation. Both exhibits included the 1.2% adjustment for proposed benefit changes and the \$15 M purposed funding.

Myers showed the Board an exhibit for a single option HD PPO Plan.

Musgrove said he understands the appeal of the single option HD PPO plan but it is important to point out that it is not feasible option for a majority of the PSE group because they don't have the money to pay the deductible.

Lee clarified the primary reason for presenting the single option HD PPO Plan was simply to examine the total costs impact because there have been a lot of conversations over the last couple of years about offering a single option HD PPO Plan

Chairman McCook said it will be interesting test to see how many people enroll in the plan that are not currently enrolled. McCook said it is much more attractive than it use to be.

Musgrove said there should be some counseling to those members who might enroll in the HD PPO Plan.

Lee said they have always tried to provide a good amount of education to the PSE and ASE groups through materials and open enrollment meetings. Lee said they have maintained the message that the HD PPO option is there but that it is not for everybody.

Lee introduced the new EBD Communications Manager, Doug Shackelford.

Myers continued to answered questions from the Board.

Goff said his original concern was that the folks that are taking the high risk would be rewarded for the claims experience resulting from the high deductible plan. Goff referenced the premiums then commented that there seems to be a pretty good differential between the rates but that he is still somewhat concern that they are not getting the full benefit of the claims experience.

An in depth discussion ensued between Goff and Lee.

Myers referenced the proposed benefit changes that have been included in the rates, and also the possible buy up option with only hearing aids and vision hardware. Myers explained the costs for the buy up benefits are going to be the full cost because they are uninsurable type benefits.

Lee said they had hoped to finalize the PSE rates in today's meeting but instead would like to request they finalize the rates at the next meeting because that will give them time for clarification on the buy up options availability and pricing. Lee said they will be sharing the information with Board members as it becomes available. Lee said he wanted to also make sure they are comfortable with the frequency; timing and process of how they will receive the \$15 M.

Lee reported the plan's current actuary contract with Milliman will expire on June 30, 2009 so they plan to present the Preliminary ASE Actives and ASE & PSE retiree rates in the next meeting so they can set the rates under the current actuary contract.

Goff and Lee discussed the \$6M reserve allocation. Lee said the Milliman team was somewhat uncomfortable about a larger amount than \$6 M out of the trust fund plus the -10% reductions and credit toward the HD PPO Plan. Lee said the more money they are able to maintain in the reserve the more aggressive they feel that the -10% is a comfortable number. Lee said they do encourage the Board to maintain the 50, 20, 30 split.

Musgrove moved to commit \$6 M in reserve allocation and apply to the 50% / 30% / 20% rule beginning in 2009-2010 plan year. Black seconded. All were in favor. Motion carried.

Director's Report by Jason Lee

Lee provided the Board with a memo regarding the expense reimbursement and Stipend to be made effective January 1, 2009 in accordance with ACA §25-16-902 and ACA § 25-16-903.

Strange made the motion to adopt expense reimbursement and stipend amount of \$60 dollars. Woodall seconded. All were in favor. Motion carried.

Lee informed the Board that Tom Emerick's term on the Board expired on April 8, 2009 and he will not be seeking reappointment. Lee explained he has been in contact with the Governor's office regarding appointment procedures but also welcomes any suggestions from the Board members.

Lee informed the Board that EBD received the 2009 Rx Benefit Innovation Award from the Pharmacy Benefit Management Institute.

Meeting adjourned.