

STATE AND PUBLIC SCHOOL
LIFE AND HEALTH INSURANCE BOARD
MINUTES
April 16, 2003

The 43rd meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board) met on Wednesday, April 16, 2003, at 1:30 p.m., in the First Floor Conference Room of the Arkansas Insurance Department, Little Rock, Arkansas.

Members Present

John Hartnedy, Chairman
Preston Means
Dr. Bobbie Davis
Darrell Montgomery
Dr. Joseph Thompson
Vance Strange

Members Absent

Janie D. White

Others Present

Sharon Dickerson, Executive Director, EBD

Peggy D'Agostino, Jackie Holloway, Employee Benefits Division, DF&A; Roy Lamm and Rob Thorpe, QC/QCA; Chris Risher, Advance PCS; Rose K. Gartner, Corphealth; Diann Gwatney, AHTD; Don Barnes, Attorney General Office; Alice Tucker, APERS; Barbara Melugin, BC/HA; Larry Carnes, FBMC; Melanie Kennedy, Kendra Lofgren and Joe Golden, AELRx, John Bauerlein, Milliman; Kathy Hanlon, Rogers Schools; Kathy Lavender, AGFC; Ron DeBerry, ABCBS; David Bridges, HA; Daryl Coker, ASP.

1. CALL TO ORDER

The meeting was called to order by Hartnedy.

2. Approval of Minutes

Means made motion to approve the minutes.

Motion was seconded.

Motion approved.

3. Law Suit

Barnes told the Board that a motion to dismiss had been filed and the other side filed an extension of their reply time.

4. PBM Audit Results

Dickerson introduced Susan Hayes and Kevin Johnson of Pharmacy Outcome Specialists. She said that there were no significant material findings, there are some things that still have to be researched

with Advance PCS and get resolved.

Hartnedy told the Board that Pharmacy Outcome Specialists were going to give a high level briefing so the Board could read over the entire audit and come back next month with questions.

Johnson presented Pharmacy Outcome Specialists audit findings. POS performed a repricing audit of 2001 claims data. Audit scope included plan design, eligibility, financial terms and rebates. Audit began in June 2002. A draft report was given to APCS and EBD in December 2002. APCS and EBD responded and report findings were revised. The final report was issued in March 2003.

Johnson reported the findings were as follows:

- APCS' AWP did not match Medispan's AWP accounting for approximately \$32,000 in variance.
- Eligibility variances are still being researched by EBD.
- Additional onsite pharmacy auditing should be performed.
- Excluded drugs were being paid, accounting for \$53,000 in variance.
- Miscellaneous prior authorization, drugs with limits and non-covered drugs were paid.
- Some high volume products were not subject to rebate contracts with APCS.

Dickerson said that the eligibility issue had been addressed by EBD's staff and had been narrowed down to about \$188,000.00 on claims paid past term on 1,800 or 1,900 members. She said that Holloway had identified part of these and was collecting the money back. She said that about \$90,000.00 had been collected back on pharmacy. She said that she applauded POS since they had been given bad eligibility information to try to do an audit with.

5. PBM Audit Response

See told the Board that Advance would go through the discrepancy with EBD and resolve the issues.

6. AELRx Monthly Report.

Golden gave the monthly report to the Board. He said that the rebates had actually increased over the last two-three years.

7. Financials

Holloway presented the financial report to the Board.

For January 1 through February 28, 2003 the State revenues were \$26.0 million and expenses were \$24.7 million for a net income of \$1.2 million. The state's total assets were \$52.8 million and total liabilities were \$23.3 million for a surplus of \$29.4 million.

For October 1, 2001 through February 28, 2003 the School had revenues of \$76.5 million and expenses of \$76.2 million for a net income of \$.3 million.

Cash on hand February 28, 2003 for the state was \$49.1 million. Cash on hand February 28, 2003 for the school was \$6.3 million.

8. Committee Reports

- **Benefits**

Davis reported on the activities of the Benefits Subcommittee. She said that the committees had discussed a design change to the benefits that would allow open access to specialists in the HMO/ POS plan. That would mean the members would not have to go through their primary care physician. It would be funded by a slight rate increase, .25% to .5% increase.

Dickerson said that she had discussed with the carriers when this design change would take place.

After discussion over when this design change would take place it was decided at the beginning of the plan year.

There was discussion of whether this would increase the usage of specialists or if the usage would remain approximately the same and how much the rates would increase.

Davis said that the committee's recommendation was to allow limited direct access to specialists with a slight increase in the rate it would be effective 10-1-03 for PSE and 1-1-04 for ASE.

Davis made the motion to allow limited direct access to specialists with a slight increase in the rate it would be effective 10-1-03 for PSE and 1-1-04 for ASE .

Strange seconded.

Means opposed the motion because he did not think there was enough financial information on the long term financial impact is on this issue. He said he was interested in what the utilization shift looked like in the long term.

Dickerson asked if Bauerlein could research other plans that he is affiliated with on what the financial impact would be and bring back more information to the Board.

After discussion the motion was withdrawn and Bauerlein was asked to bring more information.

Davis said that the committee has discussed the issued of the PPO rates for PSE and ASE since the rate was higher for the State PPO group than the School PPO. They had looked at adjusting the ASE PPO co-pays to be equal to the PSE PPO co-pays. The Committee did not recommend this.

The next item from the Committee was to move the PSE group to self-insured.

After discussion concerning taking PSE to self-insured Hartnedey asked the members of the Boards recommendations.

Davis said that the school group should be taken to self-insured with watching how things develop carefully.

Dickerson said that she recommends taking PSE self-insured. A group that size need to be self funded. She thought that is would open up more opportunities from other carriers.

Means recommends going self-insured but he has concerns over the money and benefit changes that will occur. Eventually the plan will have cost avoidance.

Hartnedy said that the committee will bring back any recommendations on benefits changes.

Strange has concern about taxes but likes the idea of taking the group to self-insured. He wants to keep a watch on what happens but he thinks this is the time to do this.

Thompson thinks the organization should already be self-insured, but the Board should be aggressive in managing the risks.

Davis made motion to move the PSE to self-insured.

Means seconded.

Motion Approved.

Hartnedy ask for the Benefits to look at the Self-insured and he asked that the rates be emailed to the Board before the next meeting.

Davis told the Board about Tresseltree's presentation to the Subcommittee.

- ***Drug Utilization Evaluation Committee***

Dickerson said that the Committee recommended the drug Forteo be moved to second tier with prior authorization and Serazone be moved to 3rd tier with grandfathering of the members presently on Serazone.

Means made the motion to move Forteo to 2nd tier with prior authorization and to move Serazone to 3rd tier with grandfathering the members presently on the drug.

Davis seconded.

Motion approved with Thompson abstaining.

Dickerson said that she had been asked to look at the Mac used by the plan versus the HCFA MAC. HCFA MAC would have lost the plan \$2.7 million.

Dickerson said that the Committee had looked at co-insurance but there was no vote until more information was obtained.

Dickerson explained about the program Iscript.

There was an introduction of the new Board members; Dr. Joseph Thompson, Vance Strange and Darrell Montgomery.

Dickerson asked if the Board would like to meet and 1 p.m. or 1:30 p.m.

The Board moved the meeting time to 1 p.m..

9. Director's Report

Dickerson reported on the Bills in the Legislature that would affect the Board. HB2538 (Wellness Program) did not pass. SB 716 (to restructure the Board) may pass. SB 313 (PBM Bill) has failed. There was a meeting about HIPAA set up for May 1, 2003. She told the Board there would be a PBM report next month.

Dickerson said that she would send out an article from Merrill Lynch concerning what some states are doing about prescription drug costs..

Meeting Adjourned.