AGENDA

State and Public School Life and Health Insurance Board

March 18, 2014

1:00 p.m.

EBD Board Room – 501 Building, Suite 500

I.	*Call to Order*	*Carla Wooley-Haugen, Vice-Chairman*
II.	*Approval of February 18, 2014 Minutes*	*Carla Wooley-Haugen, Vice-Chairman*
III.	*ASE-PSE Financials February, 2014*	*Marla Wallace, EBD Chief Fiscal Officer*
IV.	*2015 Pharmacy Formulary*	*David Keisner, Dwight Davis, UAMS*
V.	*Possible Pharmacy Changes*	*Bob Alexander, EBD Executive Director*
VI.	*Director's Report*	*Bob Alexander, EBD Executive Director*

Upcoming Meetings

April 22nd

NOTE: All material for this meeting will be available by electronic means only asepse-board@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 Minutes
March 18, 2014

The 135th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on March 18, 2014 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT	MEMBERS ABSENT
Renee Mallory	John Kirtley, Chairman
Robert Boyd	Katrina Burnett
Lori Freno-Engman	Dr. Joseph Thompson
Carla Wooley-Haugen, Vice-Chair	
Dr. Andrew Kumpuris	
Angela Avery	
Shelby McCook	
Dr. Tony Thurman	
Janis Harrison	
Dan Honey	

Bob Alexander, Executive Director, Employee Benefits Division

OTHERS PRESENT:

Dwight Davis, Jill Johnson, David Keisner, UAMS; Doug Shackelford, Michele Hazlett, Lori Eden, Janna Keathley, Marla Wallace, Kristi Jackson, Leslie Smith, Stella Greene, Makesha Thompson, Ethel Whittaker, Pam Lawrence, AHH; Sylvia Landers, Eileen Wider, Sherry Bryant, Minnesota Life; Richard Ponder, J & J; Antrice Kay, Pfizer; Marc Watts, ASEA; Mike Meadors, BYSI; Bill, H & H; Wayne Whitley, Ronda Walthall, AR Highway & Transportation Dept; Diann Shoptaw, USAble; Peggy Nabors, AEA; Andy Davis, Arkansas Democrat; David Williams, Forest; Kathy Ryan, Takisha Sanders, David Bridges, Health Advantage; Ro Summers, Rhonda Hill, ACHI; Andra Kaufman, B.J Himes, QualChoice; Susan Walker, Datapath; Bill Clary, H & H; Bruce Valentine, Acorda; Sheri Zaps, Sarah Bujak, Catamaran; Warren Tayes, Merck; Bridget Johnson, Pfizer; Mark Chambers, Guidance Resources; Jennifer Smith, ASU; Rep. John K. Hutchinson; Lisa Carson, Charlene Kaiser; Amgen

CALL TO ORDER:

Meeting was called to order by John Kirtley, Chair

APPROVAL OF MINUTES: *by John Kirtley, Chair*

The request was made by Kirtley to approve the February 18, 2014 minutes.

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

Minutes approved

FINANCIALS: *by Marla Wallace, CFO EBD*

Wallace reported for February, 2014 for PSE & ASE. For PSE there were four (4) weeks of claims. There was an increase of $4.6 million for the month and $7million year-to-date. There was $4.6 million added to the catastrophic reserve. There should be $11 million in the catastrophic reserve.

Alexander reported due to migration of members to the Bronze plan at the beginning of the yea,r there will be lower claims as the members are meeting their deductible.

For ASE, there is net income of $3.1 million for the month and $3.19 million year-to-date. After the allocated reserve there is $5.5 million in assets.

2015 PHARMACY FORMULARY: *by, Dr. David Keisner, Dwight Davis, UAMS*

Davis reported on the prescription drug trend Analysis from 2004 -2014. There are approximately 150,000 members in the plan. There are three (3) main components that contribute to per member per month.

- The average claim cost for prescriptions before the co-pay. What the plan pays for the prescription.
- How many prescriptions are filled per month.
- Average co-pay the member pays for the prescription.

The average co-pay has declined over the years due to meds migrating to the generic brand. The generic brand has a 88% rate. Therefore, 88 prescriptions out of 100 are generic. There has not been a significant decrease in the price of generic meds.

There were many changes at the beginning of 2014 that contributed to the decrease. The primary components are:

- Overall Plan changed the co-pay structure.
- There were 17,000 members migrated to the Bronze Plan. They are in the process of meeting their deductible.
- The initiation of clinical changes.

There has been $15.7 million in clinical savings and $7.2 million in administrative savings. The DUEC evaluates all new meds that enter the market.

Reference pricing contributed to the clinical savings. What is reference pricing? It's an evidence based priced index. When applied to a class of six drugs the DUEC will review the meds and determine if there is not much evidence to show there is a difference. Reference pricing only applies to classes where evidence shows there is not a lot of difference in the meds.

Kumpuris inquired if the reference priced meds are always the lowest price in the class? Davis reported in a lot of cases it is the lowest price. However, there are cases where the reference priced med was greater.

Davis reported that there is a concern with the specialty meds. The fourth (4) quarter of 2013 average plan paid $26 million in specialty meds; $16 million was for only four (4) meds. Specialty meds is 3% of total claims.

In 2015, prescription drug co-pays will be applied to the out-of-pocket max. The use of prescription drug coupons is a challenge. The member could have no cost on prescriptions. The coupons affect the entire benefits design. Davis recommended to adopting a closed formulary in cases where the drug is not covered. Therefore, the cost would not go to the out-of-pocket.

Boyd inquired is the closed formulary similar to the brand exclusion concept? Davis reported the brand exclusion is when the meds is available generically then the brand is excluded. If the patient requires the brand name when the generic is available, then the patient pays the generic co-pay and the difference.

Alexander reported that the reference price appeal process is to show the medical need for the name brand. Seventy one percent of the appeals by physicians are approved. However, with a closed formulary, there is no appeal process the meds are excluded.

Kumpuris inquired if 71% appeals are approved. How many members do not appeal? Alexander reports that will be researched how many appealed or how many chose a less expensive med or chose to pay out-of-pocket.

POSSIBLE PHARMACY CHANGES: *by, Bob Alexander, EBD Executive Director*

Alexander reported one of the factors for review whether the Board wants Catamaran, DUEC, and EBD to continue researching the closed formulary.

Keisner reported with reference pricing the member is paying the majority of the cost. Moving to a closed formulary and excluding the meds will protect the out-of-pocket cost.

Alexander reported there may be an impact on the rates depending if there is a closed formulary or if reference pricing remains in place. Therefore, the Board will have knowledge of how much of a rate increase will be necessary.

Alexander reported coupons will need to be reviewed also. There are many different forms of coupons. The drug company will pay part or all of a member's deductible or co-pay. Drug companies have developed an avenue for members to get name brand meds at a lesser price or at no cost. Coupons cannot be used in federal programs like Medicare and Medicaid. EBD is researching the impact of coupons

Boyd recommended acquiring an analysis of the closed formulary of brand name meds and coupons. Harrison seconded. All were in favor.

Motion Approved.

EBD REPORT: *by, Doug Shackelford, EBD Deputy Director*

Shackelford reported on EBD updates. The call center is housed at EBD. The abandonment rate was increasing; this is amount of calls that are not answered. On February 10, 2014 the eligibility function was moved to another department and the abandonment rate decreased. The abandonment rate was 50% since the change the rate decrease to 19%.

The most recent agency meeting was held at the highway department. The meetings are a good opportunity to get input from the representative's to better assist the members. There will be monthly meetings. There will be a selection of five (5) representatives as a taskforce. The meetings will be held at Farmington, Jonesboro,

Hope, & Helena. Next month will begin a health risk assessment program. This will be an opportunity to receive data from the members.

Shackelford introduced Janna Keathley as the Chief Quality Assurance Officer and Tammy McGill the new Communications Manager. Quality Assurance will be responsible for the internal audit and the appeals process.

Harrison inquired, “What is the biggest issue or complaint from the School representatives?” Alexander reported retiree’s.

Shackelford reported there was a concern regarding the amount of time once a member retires until they receive their first annuity. It can result in the retiree paying their first month of health insurance premium. Shackelford reported there will be a meeting with AASIS to access ways to resolve those issues.

Wooley-Haugen inquired if the new update has been completed to research the meds on the website.

Alexander reported it has been updated to get information on the meds.

DIRECTOR’S REPORT: *by, Bob Alexander, EBD Executive Director*

Alexander reported on the taskforce update. The taskforce was concerned with segregation and how it works. There was a presentation prepared for case management. However, it was not presented. There was also a presentation on bariatric surgery. It’s recommended that the taskforce stop the program or at the very least decrease it. The next taskforce meeting will be held April 16, 2014. It will be open to the public. The consultants will be present to make their recommendations to the taskforce.

Alexander reported there will be a meeting in Memphis on April 9, 2014 to meet with the taskforce consultants. They are investigating the claims data for recommendations.

Boyd inquired about the difference in the taskforce and the Board and their recommendations. Alexander reported the Board has the final decisions in all benefits and rates. The taskforce consult and makes recommendations upon their research.

Alexander reported to keep the rates the same there is $71 million needed for the plan year 2015.

McCook inquired, “What is the statutory requirement for recommendations?” Alexander reported the taskforce will have to make recommendations on June15, 2014. However, that date will interfere with completing benefits and setting rates.

Alexander reported there is $21 million in the general revenue that we should receive in June. On July 1, 2014, the participant funding will increase from $150.00 to $153.00. Some districts contribute more.

Alexander reported at the next board meeting there will be several task presented to the Board to consider.

McCook inquired, “Is the $11.20 in the statue?” Alexander reported the Board may allocate up to $11.20 per eligible PSE retirees to offset premiums.

Wooley-Haugen inquired, “How would the Board like to proceed with allowing member complaints at the Board meetings?”

McCook reported the Arkansas Code states the Board is a policy making committee.

Alexander reported EBD has two appeal processes, and those guidelines will continue to be implemented.

Alexander stated if the Board would like to respond to complaints and appeals from members the information should be directed to the Board Secretary (Ethel Whittaker).

Wooley-Haugen reported complaints and appeals from members will not be addressed at the Board Meetings.

Honey motioned to adjourn. Harrison seconded. All were in favor.

Meeting Adjourned

Arkansas State Employees (ASE) Financials - January 1, 2014 through February 28, 2014								
	GOLD		SILVER		BRONZE		GRAND TOTALS	
	Employee Only	Plus Dependents	Employee Only	Plus Dependents	Employee Only	Plus Dependents	Employee Only	Plus Dependents
Actives	24369	44747	1491	2762	2281	4450	28141	51959
Retirees	2473	3426	25	37	53	101	2551	3564
Medicare	8127	10783					8127	10783
TOTAL	**34969**	**58956**	**1516**	**2799**	**2334**	**4551**	**38819**	**66306**

REVENUES & EXPENDITURES				
Funding		**Current Month**		**Year to Date (2 months)**
State Contribution		$ 14,317,578	$	28,635,622
Employee Contribution		$ 7,621,866	$	15,271,997
Other		$ 727,421	$	740,361
Allocation for Actives - Plan Year 2014		$ 2,154,167	$	4,308,333
Total Funding		**$ 24,821,031**	**$**	**48,956,313**
Expenses				
Medical Expenses				
Claims Expense		$ 14,715,323	$	30,783,535
Claims IBNR		$ -	$	-
Medical Administration Fees		$ 1,072,879	$	2,189,599
Refunds		$ 17,417	$	31,687
Employee Assistance Program (EAP)		$ 56,222	$	112,469
Life Insurance		$ 54,694	$	109,390
Pharmacy Expenses				
RX Claims		$ 5,162,386	$	11,351,830
RX IBNR		$ -	$	-
RX Administration		$ 252,505	$	508,360
Plan Administration		$ 363,043	$	677,934
Total Expenses		**$ 21,694,469**	**$**	**45,764,804**
Net Income/(Loss)		**$ 3,126,562**	**$**	**3,191,509**
BALANCE SHEET				
Assets				
Bank Account			$	5,772,220
State Treasury			$	71,462,133
Due from Cafeteria Plan			$	668,305
Due from PSE			$	-
Receivable from Provider			$	-
Accounts Receivable			$	601,021
Total Assets			**$**	**78,503,680**
Liabilities				
Accounts Payable			$	2,541
Deferred Revenues			$	-
Due to Cafeteria			$	-
Due to PSE			$	-
Health IBNR			$	23,200,000
RX IBNR			$	2,400,000
Total Liabilities			**$**	**25,602,541**
Net Assets			**$**	**52,901,139**
Less Reserves Allocated:				
Premiums for Plan Year 1/1/14 - 12/31/14	($7,460,000 + $9,390,000 + $9,000,000)		$	(21,541,667)
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			**$**	**5,499,472**

Public School Employees (PSE) Financials - January 1, 2014 through February 28, 2014								
	GOLD		SILVER		BRONZE		GRAND TOTALS	
	Employee Only	Plus Dependents	Employee Only	Plus Dependents	Employee Only	Plus Dependents	Employee Only	Plus Dependents
Actives	18563	22513	5010	7847	23209	42013	46782	72373
Retirees	1912	2223	106	109	1218	1531	3236	3863
Medicare	8888	9735					8888	9735
TOTAL	**29363**	**34471**	**5116**	**7956**	**24427**	**43544**	**58906**	**85971**

REVENUES & EXPENDITURES				
Funding		Current Month		Year to Date (2 months)
Per Participating Employee Funding (PPE Funding)	$	8,483,760	$	16,991,097
Employee Contribution	$	10,190,125	$	20,459,384
Department of Education $35,000.000 & $15,000,000	$	3,181,818	$	10,113,636
Other	$	7,525	$	11,291
Allocation for Actives - Plan Year 2014	$	3,583,333	$	7,166,667
Total Funding	**$**	**25,446,561**	**$**	**54,742,075**
Expenses				
Medical Expenses				
Claims Expense	$	15,176,853	$	34,896,651
Claims IBNR	$	-	$	-
Medical Administration Fees	$	1,573,218	$	3,177,159
Refunds	$	20,187	$	26,307
Employee Assistance Program (EAP)	$	80,985	$	162,123
Pharmacy Expenses				
RX Claims	$	3,345,180	$	8,198,510
RX IBNR	$	-	$	-
RX Administration	$	333,545	$	667,423
Plan Administration	$	251,255	$	532,720
Total Expenses	**$**	**20,781,223**	**$**	**47,660,894**
Net Income/(Loss)	**$**	**4,665,339**	**$**	**7,081,180**

BALANCE SHEET		
Assets		
Bank Account	$	13,310,223
State Treasury	$	49,103,610
Receivable from Provider	$	-
Accounts Receivable	$	7,833,827
Due from ASE	$	-
Total Assets	**$**	**70,247,660**
Liabilities		
Accounts Payable	$	642
Due to ASE	$	-
Deferred Revenues	$	-
Health IBNR	$	28,000,000
RX IBNR	$	1,800,000
Total Liabilities	**$**	**29,800,642**
Net Assets	**$**	**40,447,018**
Less Reserves Allocated:		
Premiums for Plan Year 1/1/14 - 12/31/14 ($43,000,000)	$	(35,833,333)
Catastrophic Reserve (2014 - $11,100,000)	$	(4,613,684)
Net Assets Available	**$**	**0**

Employee Benefits Division
Prescription Drug Program Overview

March 18, 2014

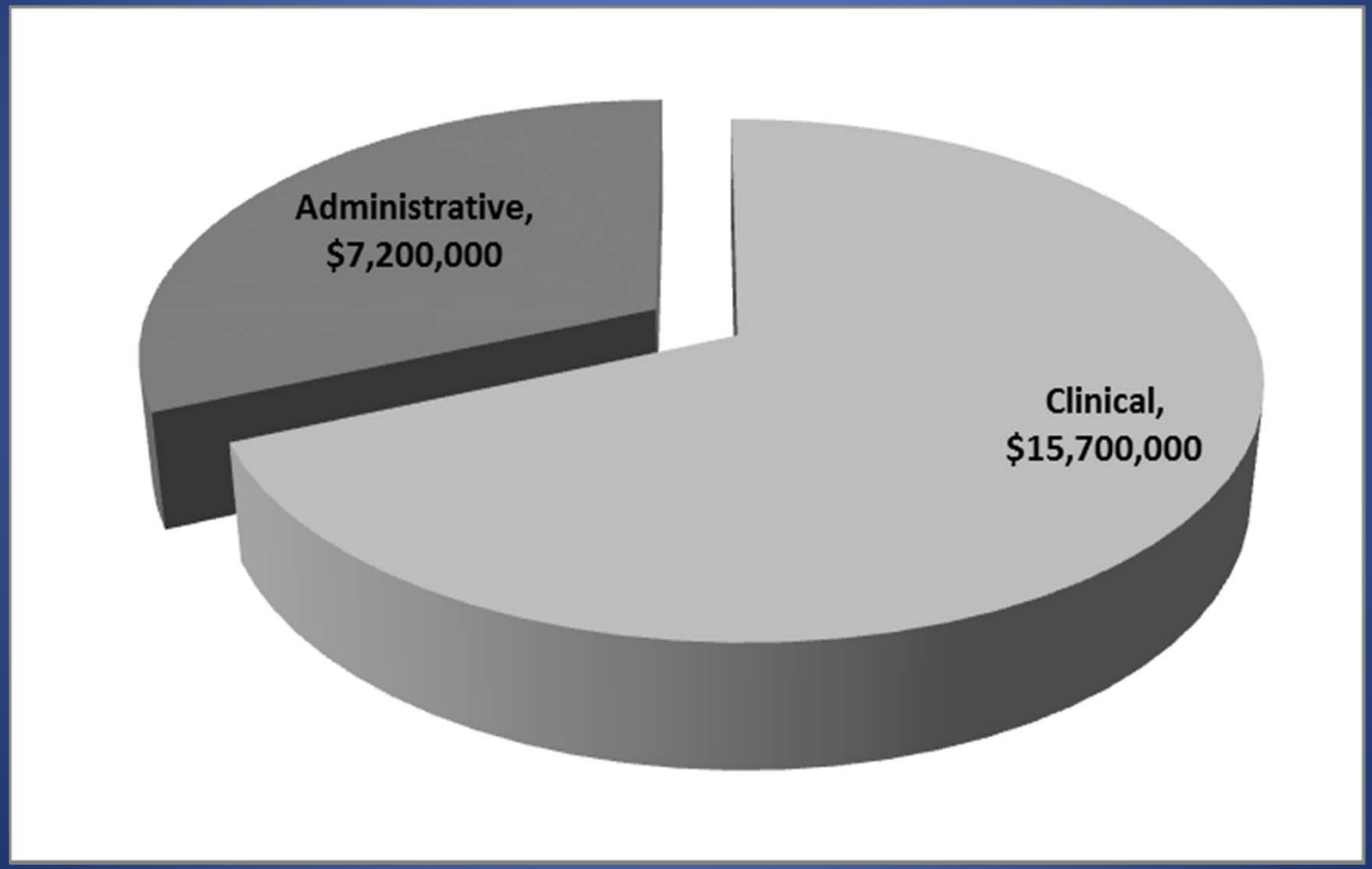
Employee Benefits Division (EBD)
Prescription Drug Program Trend Analysis (2004 - YTD2014*)

*YTD 2014 = February 2014

EBD Performance by Plan
January 2013 vs. January 2014

January 2013							
Plan	**Eligibility**	**% of Lives**	**% of Claims**	**% of Plan Paid**	**Rxs / Mbr/ Month**	**Avg. Rx Cost**	**Cost PMPM**
Silver	9,485	6.3%	4.4%	4.2%	1.11	63.28	$54.95
Gold Med w/Rx	10,117	6.7%	18.1%	19.1%	4.26	70.04	$236.90
Gold Med No Rx	8,296	5.5%	0.2%	0.4%	0.07	108.33	$6.54
Gold Act, Ret, & COB	90,158	60.0%	69.5%	75.5%	1.84	71.04	$104.99
Bronze	32,206	21.4%	7.8%	0.8%	0.58	44.32	$2.96
Totals	**150,262**	**100.0%**	**100.0%**	**100.0%**	**1.59**	**68.56**	**$83.44**
January 2014							
Plan	**Eligibility**	**% of Lives**	**% of Claims**	**% of Plan Paid**	**Rxs / Mbr/ Month**	**Avg. Rx Cost**	**Cost PMPM**
Silver	10,761	7.0%	5.9%	7.7%	1.23	70.55	$65.94
Gold Med w/Rx	10,782	7.0%	19.6%	23.7%	4.09	64.86	$201.17
Gold Med No Rx	9,690	6.3%	0.3%	0.6%	0.06	111.78	$5.67
Gold Act, Ret, & COB	73,401	47.6%	59.1%	65.9%	1.82	63.62	$82.16
Bronze	49,611	32.2%	15.1%	2.1%	0.69	42.67	$3.90
Totals	**154,245**	**100.0%**	**100.0%**	**100.0%**	**1.46**	**61.22**	**$59.36**

Pharmacy-Related Cost Containment Initiatives Implemented since mid-2013



Clinical Cost Containment Initiatives Implemented since mid-2013

Initiatives / Categories	Example Drugs	Projected Annual Savings
Prior Authorization		**$2,400,000**
- Testosterone	Androgel, Androderm	$1,100,000
- Compounded Rxs (>$200)	N/A	$1,300,000
Exclusion from Coverage		**$1,200,000**
- misc. lipid-lowering drugs, misc. brand-name drugs, medical foods	Misc.	
Reference Pricing		**$12,100,000**
- Antidepressants	Cymbalta	$4,860,000
- Fibromyalgia Agents	Lyrica	$1,180,000
- Nasal Steroids	Nasonex	$472,000
- High Blood Pressure Agents	Diovan	$3,400,000
- Anti-Ulcer Agents	Nexium	$1,000,000
- Cholesterol-Reducing Agents	Crestor	$500,000
- Over-Active Bladder Agents	Detrol LA	$699,000
Totals		**$15,700,000**

How Reference Pricing Works

Key Initiatives

- Specialty Drugs
  - 0.3% of Rxs (steady since 2004)
  - 18% of Total Plan Paid (~$26 million in CY 2013)
  - Uncontrolled Inflation (Manufacturer's price increases)
- Oncology/Specialty sub-committee
- Closed Formulary
- Prescription Coupons

Specialty Drug Pricing History[1] Since 1/1/2011

Drug	Therapeutic Use	Total Plan Paid	Avg. Plan Paid/Rx	Since 1/1/2011	
		CY 2013	4Q2013	Number of Price Increases	Annualized % Change in Avg. Wholesale Price
Humira	Rheumatoid Diseases	$4,368,943	$2,956	6	13.20%
Enbrel	Rheumatoid Diseases	$3,629,861	$2,871	5	10.20%
Copaxone	Multiple Sclerosis	$2,916,004	$5,292	4	10.80%
Rebif	Multiple Sclerosis	$841,728	$5,242	7	23.30%
Avonex	Multiple Sclerosis	$764,043	$4,910	7	16.10%
Betaseron	Multiple Sclerosis	$523,659	$4,554	7	15.10%
Gleevec	Oncology	$1,795,311	$7,487	5	14.90%
Victrelis	Hepatitis C	$398,448	$6,289	6	17.30%
Pegasys	Hepatitis C	$388,875	$2,957	6	10.40%
Xyrem	Narcolepsy	$70,578	$7,058	6	41.00%
Subtotal		**$15,697,450**			
All Specialty		**$25,904,644**			

[1] – Pricing Source: Medispan Master Drug Database – Wolters Kluwer Health 2014