State and Public School Employees Life and Health Insurance
Board Meeting
Minutes
February 19, 2008 1:00 p.m.

The 91st meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met Tuesday, February 19, 2008 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

Members Present	Members Absent
Janis Harrison	Robert Watson
Shelby McCook	
Renee Mallory	
Joe Musgrove	
Lloyd Black	
Tom Emerick	
Dr. Joseph Thompson/Debbie Veach	
Dr. Bobbie Davis	
Anita Woodall	
Charlie Campbell	
Vance Strange	

Sharon Dickerson, Executive Director, Employee Benefits Division.

Others Present
Kevin Geurtsen, John Bauerlein Milliman; William Golden, MD, UAMS, George Platt, Leigh Ann Chrouch, Jason Lee, Sherry Bryant, Kim Wilmot, Kristie Cox, Cathy Harris, Jane Young, EBD; Rhonda Jaster, ACHI/EBD; Debbie Veach; ACHI; Barry Fielder, Shonda Rocke, NMHC; Barbara Melugin, ABCBS/HA; Eddie Freyer, USAble; Mark Helm, Jill Johnson, UAMS College of Pharmacy, EBRx; Ronda Walthall, AHTD; John Erickson, MN Life;

Call to Order
Meeting was called to order by Shelby McCook

Approval of Minutes
The request was made by McCook to approve the January 15, 2008 minutes Strange made the motion and Emerick seconded. Minutes approved.

Financials *by Leigh Ann Chrouch, CFO*
Chrouch presented detailed financial statements for Arkansas State Employees (ASE) and Public School Employees (PSE) January 1, 2007 through December 31, 2007.

Chrouch informed the Board of the additional lines in the ASE financials that indicate the less reserve allocated of $6 million dollars which is the 2007 state match for 2008

premiums. Chrouch explained that in July 2007 the Plan started receiving $350 dollars per budgeted position and the money has already been factored into 2008 rates.

Dickerson commented the net assets available will be significantly lower than what is presented in the financials after the expenditures for the pharmacy savings share reward program and the National Medical Health Card (NMHC).

Chrouch explained the HA withholding. The Plan has accrued about $5 million dollar and will pay about $1.5 million to HA probably in the next two months. Chrouch said the remaining amount will be put back in to the Plan's account.

Chrouch also reported the penalties for school district and state agencies for January 2008 -Act 1009 of 2007(§21-5-415) states the division shall impose a penalty.

Committee Reports:

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

Dr. Golden reported the Drug Utilization and Evaluation Committee (DUEC) met on January 4, 2008 and had the following recommendations for the Board's consideration.

- **Antiasthmatic Agents**
  Dr. Golden informed the Board there was much discussion about managing the formulary for asthma medications. Some of the discussion focused on the proposal that has been adopted elsewhere that would disallow leukotriene inhibitors to be used alone for asthma. The DUEC spoke with Stacie M. Jones, M.D. Associate Professor of Pediatrics Chief, Allergy and Immunology. Dr. Jones referenced the new National Heart Lung and Blood Institute (NHLBI) guidelines.

  RECOMMEDATION: EBRx –Leukotriene Receptor Antagonists PA Criteria
  The purpose of this PA is to deny coverage for rhinitis as the DUEC voted in 2004 to deny coverage of this indication since the current best evidence indicated nasal steroids were superior. For asthma, the intent is to follow the 2007 NHLBI Asthma Expert Panel Guidelines and to prevent LTRA monotherapy except in a select patient population.

  At the point of sale for patients 13 and over, the computer will check to detect an inhaled oral corticosteroid and a beta agonist; if present, the LTRA claim will pay. If not, the claim will deny.

  For patients 12 and under, the following manual PA criteria will have to be met:

  <u>All of the following must be met to allow coverage of any LTRA:</u>
  1. The patient must be 12 years of age or younger.
  2. The patient must have on the pharmacy profile at least one SABA but not more than 2 filled in the past 12 months.
  3. No systemic oral steroids on the profile in the previous 12 months.
  4. No ER visits for Asthma dx in the previous 12 months.
  5. No Hospitalizations for Asthma dx in the previous 12 months.

  Dr. Thompson made the motion to approve the PA Criteria. Harrison seconded. Motion carried.

- **ACE Inhibitors Class Review**

Generic Altace (ramipril) just became available at the beginning of 2008, although there remain some supply issues. Aceon is the only remaining brand product for which a generic equivalent is not yet available. Lisinopril and enalapril account for over 64% of the utilization of ACE Inhibitors during the above time period. Lisinopril/hctz accounts for over 75% of utilization. Only ramipril, trandolapril, and perindopril have no thiazide combination product available

- **Angiotensin II Receptor Antagonists Class Review**
  Angiotensin-II receptor antagonists (or blockers) are a newer class of antihypertensive agents. The current tier 2 products include; Diovan, Benicar, and Avapro.

  RECOMMENDATION: Move Atacand to tier 2 and Benicar to tier 3.

- **New Drugs**

  RECOMMENDATION: New drugs for October – December 2007**.**

Drug	TIER
Somatuline Inj	T2 w/ PA
Isentress tab 400mg	T2 w/ PA
Tasigna cap 200mg	T2 w/ PA
Renvela tab 800mg	T2
Veregen oint 15%	exclude

  Strange made the motion to approve the recommendation for Angiotensin II Receptor Antagonists and New Drugs. Emerick seconded. Motion carried.

- **Zetia**
  Dr. Golden explained Zetia reduces the amount of cholesterol your body absorbs from your diet. It is sometimes given with other cholesterol-lowering medications. Vytorin is a combination medicine that is commonly used to treat high cholesterol and high triglycerides in the blood. Dr. Golden shared the results from a study conducted by Vytorin makers. The results were that Vytorin, which combines Zocor and Zetia, was no more effective and perhaps a bit worse than Zocor alone. Dr. Golden stated they do not want to exclude Zetia from the prescription drug program, reserving them for patients who don't respond to or can't tolerate statins.

  RECOMMENDATON: Move Zetia to tier 3.

- **Lamisil**
  Lamisil (Terbinafine): Currently terbinafine requires a prior authorization (PA). Generic terbinafine is available and is very cheap but the brand is still quite pricey. In the 4th Q07 there were 17 paid claims for brand Lamisil at an average plan paid amount of $308.54/Rx. There were 423 generic terbinafine claims at an average plan paid amount of $2.74/Rx.

  RECOMMENDATON: Cover the generic and disallow coverage of the brand product.

Campbell moved to accept the recommendations made for Zetia and Lamisil. Dr. Thompson seconded. Motion carried

The Board discussed Lipitor. Emerick suggested they review the overall health impact when statins are prescribed for primary prevention.

Dickerson explained the "grandfather" process for the Preferred Drug List (PDL).

MOTION: Dr. Thompson made the motion to allow a standard three month grandfather period unless the Board makes an alternative determination. Strange seconded the motion. All was in favor.

2. Benefits Subcommittee Reports *by Joe Musgrove*

Musgrove informed the Board the Benefits Subcommittee met on February 15, 2008 and Milliman provided the committee with the approach for calculation and distribution of reserves and the Preliminary 2009 PSE Rates.

Musgrove reported the Committee is focusing on preventive and cost saving methods that will have immediate or near immediate results rather than those that do not. Musgrove talked about preventive tests.

Dr. Thompson explained the difference between a preventive and a diagnosis test. Dr. Thompson stated there are some preventive tests that have really good evidence, but an annual physical exam has less evidence.

Chairman McCook stated they need to provide information to primary care physicians so they will know what the Plan considers is an annual physical. McCook said the information should include coding instructions and categories for gender and age groups.

Emerick suggested they review U.S. Preventive Services Task Force (USPSTF). The (USPSTF) conducts assessments of the scientific evidence for the effectiveness of a broad range of clinical preventive services, including screening, counseling, and preventive medications.

Dickerson said she has been asked if they can make a change to the CVC guidelines then talked about a member's health experience.

Dickerson informed the Board the Benefits Committee cannot suggest any new ideas for promoting wellness considering the Plan's current financial situation. Dickerson asked the Board if they wanted to continue with the health risk assessment (HRA).

Dr. Thompson stated they should offer some kind of an incentive to members that are helping to manage their risks, however an incentive should be offered to those that are not.

Chairman McCook said he doubts they can measure the success of the HRA. McCook suggested they require that all members who have health insurance take the HRA and only reward those that have had an annual physical.

Dickerson commented it's not that they can't measure the success of the HRA, but that the finding may not be true.

Dr. Thompson suggested they review 250 medical charts then talked about penalties.

Musgrove commented they have learned a lot about the membership from the HRA and would be hesitant to discontinue it. Musgrove stated there are other ways to encourage behavioral changes and the Benefits committee will continue to work with EBD to address some of those issues.

Health Risk Assessment *(HRA)* *by Rhonda Jasper, EBD –ACHI*

Jasper informed the Board they are finalizing the fourth year of the HRA. Jasper presented data that indicated some potentially healthy behavior; in addition, behaviors that will not produce a savings for several years. Jasper said all of the requirements for the discount are based on national standards.

Jasper said they are providing the internal results to NMHC Intergrail claims warehouse to get more information for the development of the disease management program. Jasper reported they are also working on creating an agency level report that will provide the health cost for a specific agency.

Jasper said she has been working with EBD Health Services on two new survey options. Both surveys will have more intense questions about health, family history and screening. Jasper said they will provide the Benefits subcommittee with a grid of the Pros and Cons of both survey.

Preliminary 2009 Public School Employees (PSE) Rates *by John Bauerlein, Milliman*

Bauerlein presented the 2008-2009 preliminary highlights:

- Active employee rating tiers and relativities remain unchanged.

- Rate Increase

	2007 - 2008	2008 - 2009
Health Advantage	6%	15%
NovaSys	13%	20%
Rx	13%	7%

- Funding

	2007 - 2008	2008 - 2009
Base (per employee)	$131.00	$131.00
Act 1842	$36 M	$35 M
Reserve	$14 M	$0 M
Other Income	$0 M	$0 M

Bauerlein reported there is other investment income coming into the program that has not been built into the funding to offset employee premiums. Bauerlein explained the basis for underwriting and the underwriting calculations for the carriers.

Bauerlein stated the pharmacy trend is down partly because more drugs have become generically available. The 20% increase NovaSys is experiencing is due to their enrollment growth which is not as favorable as the enrollment they once had.

Bauerlein talked about the PSE rate development. Bauerlein said they are relying on the supplemental district contributions to help with the cost.

Dr. Davis stated she is concern that this will continue to happen and asked if there was anything that can be done to keep this from happening every year. An in depth discussion ensued.

Emerick suggested they review the Plan design and compare it with the average companies.

Bauerlein said they have some of options; investment income and reserve funds.

Chairman McCook commented PSE officials will have to have more funding to contribute to the insurance program. McCook stated the school and state has equal benefits, however there may have to be some changes in the benefit structure for PSE.

Musgrove stated they should look first at those things that can cut the cost of healthcare or sickness care.

Campbell asked a carrier if they can provide a book of business for every client they have in Arkansas. Campbell said the information should include PMPM, monthly premiums and a breakdown of the benefits.

Bauerlein said they will bring back the following information for increase deductibles, copays, co-insurance, stop loss and 90/10.

Chairman McCook suggested they also review the benefit structure of other states for comparison then referenced Health Advantages Admin fees.

Approach for Calculation and Distribution of Reserves ***by Kevin Geurtsen***
The Board requested Milliman suggest an approach to identify and allocate Plan reserves. Milliman provided a letter that outlined their suggested approach and additional detail regarding the identification and allocation of these reserves.

In prior years, the Board has applied reserve funds based on the specific circumstances of each year's update of rates and employee/retiree contributions, considering key issues such as rate increases and State funding. Milliman recommended the following approach for identifying and allocating reserves based on review of the financial reports prepared by Employee Benefits Division:

1. Gains for the plan year, identified as Net Income / Loss on the financials, will be eligible for redistribution back to employees in the form of reduced future Plan contributions. This calculation will recognize any existing reserve allocation already approved by the Board. IBNR changes, if any, will also be reflected in these calculations.

2. As claims may fluctuate from year to year, an additional provision for adverse deviations (or "PAD") reserve should be established at 3% of the prior year's total costs. Any gains will first be used to fully fund the PAD. Should the PAD exceed offset any loss). Adverse claims experience (e.g., losses), will be paid with funds provided by the PAD.

3. Any remaining amount will be distributed to employees and retirees during the following three years. The pattern for this distribution will be:

Year of Distribution	% Distribution

1	3/6 or 50%
2	2/6 or 33%
3	1/6 or 17%

4. These allocations should be reflected on the financials as a liability (consistent with current practice).

Geurtsen provided an illustration for calculation of distributable reserves.

State of Arkansas
PSE Financials
Summary for Plan Year Ending September 30, 2007

Funding	$237,864,467
Reserves Allocated for Funding	$16,650,000
Funding + Reserves	$254,514,467
Paid Claims & Expenses	$242,247,318
Change in Reserves	0
Incurred Claims and Expenses	$242,247,318
Net Gain / (Loss)	$12,267,148

Distributable to Funding

Net Gain/ (Loss)	$12,267,148
Provision for Adverse Deviation ("PAD")	
Required Level (1/2 for 1st year) 1.5%	$3,633,710
Current Level	0
Funding allocated to PAD	($3,633,710)
Available for Distribution	$8,633,439
From BoY Net Assets	0
Total	$8,633,439

Plan Year	Year	Amount	%
2009 Plan Year	2	$4,316,719	1/2
2010 Plan Year	3	2,877,813	1/3
2011 Plan Year	4	1,438,906	1/6
		$8,633,439	

The Board will continue to review the approach for calculation and distribution of reserves in the next Board meeting.

Meeting Adjourned.