

**State and Public School Employees Life and Health Insurance  
Board Meeting**

Minutes

January 15, 2008 1:00 p.m.

The 90<sup>th</sup> meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met Friday, January 15, 2008 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

**Members Present**

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

**Members Absent**

Anita Woodall  
John Mattox

Sharon Dickerson, Executive Director, Employee Benefits Division.

**Others Present**

Kevin Geurtsen, Milliman; William Golden, MD, UAMS, George Platt, Leigh Ann Chrouch, Jason Lee, Sherry Bryant, Kim Wilmot, Stella Greene, Cathy Harris, Jane Young, Kate Nurmohamed, EBD; Rhonda Jaster, ACHI/EBD; Kim Suggs, NovaSys; Barry Fielder, Shonda Rocke, NMHC; Barbara Melugin, ABCBS/HA; Marc Watts, ASEA; Ken C. Hopper, MD; Sharon Marcum, Suzanne Hill, Corp Health; Eddie Freyer, USABLE; Roy Lamm, QualChoice; Peggy Nabors, AEA Legal Services; Mark Helm, Jill Johnson, UAMS College of Pharmacy, EBRx; Wayne Whitley, AHTD; Jeff Britt, Vicki Eddlemon, Pfizer; Mary Cathey, Jan Reed, NH/AHH; John Erickson, MN Life; Clay Patrick, UAMS; Susan Walker; Scott Pace

**Call To Order**

Meeting was called to order by Shelby McCook

**Approval of Minutes**

The request was made by McCook to approve the October 16, 2007 minutes. Strange made the motion and Harrison seconded. Minutes approved.

**Financials** by Leigh Ann Chrouch, EBD-CFO

Chrouch presented detailed Financial Statements for Arkansas State Employees (ASE) January 1, 2007 through November 30, 2007 and Public School Employees (PSE) October 1, 2006 through November 30, 2007.

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

**Committee Reports** by *Shelby McCook & Dr. William Golden*

**1. Benefits Subcommittee**

Dickerson explained EBD could not solicit and obtain funding for the PSE group; however EBD can work with others to help educate and assist the superintendent and other people to obtain more money through the legislative process.

Chairman McCook explained they have not been consistent with the excess trust funds and recommended to the Board that they direct Milliman to continue to pursue a formula which will state the criteria to be used in setting premiums by providing a criteria and a formula whereby if they take excess reserve to buy down premiums it will not exceed a certain percentage of the reserve therefore spread the usage of excess funding over a four and five year period.

Davis advised it would also be easier for the legislators to understand if they are provided with a policy or decision model that the Plan uses to make decisions regarding reserves and funding.

**Recommendation:**

1. EBD to develop a strategy and include legislation to increase the state contributions, and educate ASE and PSE participants on their choices.
2. Milliman to develop a funding formula to apply trust funds in the future and establish what reserve is required in our business plan.

Harrison made the motion to approve. Vance seconded. Motion carried.

**2. Drug Utilization and Committee (DUEC) Evaluation**

Dr. Golden reported the Drug Utilization and Evaluation Committee (DUEC) met on December 11, 2007 and had the following recommendations for the Board's consideration.

The DUEC reviewed Antiasthmatic Agents and discussed a study conducted by Medicaid which found that people on long-acting beta agonist utilize Advair for first line treatment although the guideline calls for a trial of inhaled steroids.

**Recommendation: Proposal for Asthma meds:**

Advair, Serevent, Foradil, Symbicort, and Brovana (R-formoterol):

**Long-acting beta-agonists Criteria for Kids and adults:**

1. 4 month lookback for 3 of 4 months of any oral or inhaled steroid; if so, allow.
2. MUST CALL: if want to start any of the 5 drugs as initial therapy, then the prescriber must justify the patient is a Step 4 patient with supporting documentation: either PFT's or symptom scores.
3. Serevent or Foradil or Brovana or Perforomist-must have ICS past 60 days.
4. Mail order would be dealt with on a case-by-case basis.

5. Does not apply to COPD
  - Rules apply to patient 40 years of age and under.

**Recommendation:** Consider excluding the Antihistamines and Antihistamine/Decongestant combination products from the prescription drug benefit program because both Loratadine (Claritin) and Cetirizine (Zyrtec) are available over-the-counter. Change effective during the 1<sup>st</sup> quarter of 2008. National Medical Health Card System (NMHC) will send letters to all of the members advising them of the change.

**Recommendation:** Endorse zero co-pay as an incentive, in concert with the disease management program. The purpose of this initiative is to remove a barrier (financial in this case) to members taking their medication on a regular basis. It is projected that the adoption of a zero dollar copayment option for all metformin products would result in an incremental annual plan cost of approximately \$343K to \$429K.

### RECOMMENDATIONS for NEW DRUGS

<u>Drug</u>	<u>Tier</u>
Exforge tablets 5-320mg, 10-160mg, 10-320mg users	T3-W/PA for new users
Neupro 24 hr patch 2mg, 4mg, 6mg	T3
Seroquel XR 200mg, 300mg, 400mg	T2, QL 31/31, no therapeutic (Seroquel) duplication
Torisel Sol 25mg/ml	N/A
Auralgan Otic Drops 15ml	Exclude w/message: "Alternative is A/B otic"
Xyzal tab 5mg	Exclude entire class
Retisert Implant	N/A
Lipofen cap 50mg/150mg	T3
Selzentry tab 150mg, 300mg	T2 w/ PA: for initial fill: 1 tropism results must indicate HIV-1 viral resistance. QL of 62/31 days
Perforomist Soln for neb	T3
Soma 250mg	Exclude
Azor tabs 10/20, 10/40, 5/20, 5/40	T3/PA

Vance made the motion to approve the DUEC recommendations. Emerick seconded. One opposed. Motion carried

Dr. Golden reported the DUEC plan to speak with a Pediatrics Allergy and Immunology Specialist in their next meeting to discuss the role of drugs like Singular as a first line agent for kids. The DUEC also reviewed information for control substances for members that received at least 10 Rx for a controlled substance and used 1 or more pharmacies and 2 or more physicians during this 3 month time period.

Dickerson shared the results of the NMHC Pharmacy Trend Report and thanked everyone involved for their good work.

Dr. Golden commented he has been converting his patients in consistence with the policies that are endorsed by the EBD Board. Dr. Golden said his patients have been ecstatic to have a lower co-pay for certain class of drugs.

### **3. Quality of Care**

McCook reported the Quality of Care met on January 9, 2008. The Committee viewed a PowerPoint by Dr. Thompson on the HEDIS Provider Level Measures Analysis Update and Dr. Golden reported on the Regional Quality Initiative. McCook commented they are very fortunate to have Dr. Golden and Dr. Thompson on Committee.

#### **Wellness** *by Sharon Marcum, Corphealth*

As health care costs continue to rise, wellness and preventive care initiatives have become a viable option to help mitigate these costs. Sharon Marcum and Ken C. Hopper, MD presented a PowerPoint presentation entitled "Unlocking Potential" Wellness Services for the under 18 EBD Members Pediatric Obesity and Tobacco Cessation.

Marcum recommended Corphealth be allowed to move forward with the development of a pilot family wellness counseling program. Marcum said it will take several months to develop and proposed they run the pilot for at least 18 to 24 months.

#### **Pharmacy Recommendations** *by Walt J Morrison, Ph.D, College of Pharmacy*

Morrison presented the EBD Prescription Drug Program Reimbursement Revision Recommendations.

**Recommendation:** Immediate implementation of a Favored Nation approach to the pricing of "Brand" products.

**a)** Reimbursement is determined by the provider's decisions in the market place, rather than some arbitrary approach otherwise developed, and **b)** reimbursement will be consistent with market place pricing in the respective areas of the State and enable EBD to secure the pricing currently enjoyed not only by larger but also much smaller plans in the State.

Dickerson commented the Plan is no different than Medicaid and it would be a political issue for the Plan as well.

Campbell described a situation that happened with small town pharmacies regarding favored Nations. Campbell commented if pharmacies had adopted the approach years ago the reimbursement level would be dramatically different than they are now.

Emerick said it seemed unfair to him if they are not providing considerations for the pharmacist then gave an example. Emerick requested EBD provide a report of the savings through the program which indicates how much would be associated with favored nations and higher copays and how much is associated with the different designs and new drugs.

McCook said he would like to know what other states use the most Favored Nations clause.

Dickerson said she would provide the information

Morrison recommended the Plan evaluate the current market place pricing and reconsider the issue based on the results.

#### **Provider Generic Incentives**

Because significant savings are available when generic rather than brands are dispensed, this program is designed to encourage the dispensing of generics when

clinically appropriate. There is reason to continue to maintain this reimbursement approach because this incentive focuses on and rewards individual pharmacy productivity, unlike the Pharmacists Reward Program which encourages pharmacists to collectively engage in a variety of activities designed to reduce the Plan PMPM. However adjustments are indicated because a number of products have lost patent protection and the market baseline for the average generic prescription rate under plans without comparable incentives has increased.

**Recommendation:**

<b>Current</b>		<b>Proposed*</b>	
<b>Additional Fee</b>	<b>Generic Rate</b>	<b>Additional Fee</b>	<b>Generic Rate</b>
\$ 0.50	40.0% - 44.9%	\$ 0.50	60.0% - 64.9%
\$ 2.00	45.0% - 49.9%	\$ 1.00	65.0% -69.9%
\$ 4.00	50.0% & higher	\$ 2.00	70.0% - 74.9%
		\$ 4.00	75.0 & higher

\*This incentive should be evaluated every six months.

The Board conducted an in-depth discussion and also heard suggestions from Mark Riley, Vice president of the Arkansas Pharmacists Association.

Campbell made the motion to adjust the numbers that are related to Generic Incentive to reflect the following threshold percentage and the Board will review the issue in six months.

<b>Additional Fee</b>	<b>Generic Rate</b>
\$ 1.00	55.0% - 59.9%
\$ 2.00	60.0% - 64.9%
\$ 3.00	65.0% - 69.9%
\$ 4.00	70.0 & higher

Emerick seconded. All was in favor. Motion approved.

**Proton Pump Inhibitors (Ppi) Reimbursement – Patient Cap Incentive**

Morrison explained a decision was made to facilitate a reduction in plan expense. by a) providing a patient incentive (by reducing the patient co-pay to \$5.00) and b) encouraging pharmacists to provide support for the change to the OTC product by making sure there was no related reimbursement disincentive (by implementing a provider incentive that made available a dispensing fee comparable to the “gross margin” they received for those prescriptions continuing to require a prescription – a payable fee of \$13.00. The preceding generated tremendous savings. Subsequently, and because Prilosec was both significantly less expensive and determined to be as clinically effective as other PPIs, a decision was made to impose a cap on all PPI prescriptions, with the cap being the amount the Plan would pay for Prilosec. At the time, the availability of the 42-count package was sporadic and the cap was based upon a “worse case scenario” of three 14-count packages (\$0.90 per unit). The availability of the 42-count package is no longer a problem.

**Recommendation:** Change the cap and base it on the current per unit cost of the 42-count package (\$0.60 per unit) since the availability of the 42-count package is no longer a problem.

### **PPI Reimbursement Provider Incentive**

When the patient cap incentive was implemented, the provider fee incentive was neither deleted nor revised.

#### **Recommendation:**

- a. Providers were paid for their assistance and there is no reason to continue the incentive.
- b. Without their assistance, a patient cap incentive would not have been politically practical, continuing provider assistance is needed (new prescriptions) and this merits continuing the current incentive.
- c. Continuing assistance is merited but the incentive should be reduce from the currently available fee (\$13.00) to a fee more nearly approximating the average fee paid for all CY 2007 PPI prescriptions (\$5.00).

Morrison informed the Board the recommendations are not only rational and reasonable from any objective perspective but also would result in additional, significant savings in which pharmacists would share 50% during CY 2008 under the continuing Pharmacist Reward Program. Also, there is absolutely no reason to believe the adoption of any one of the provided recommendations could result in an adverse impact on the Plan.

Harrison made the motion to not make any changes to the current PPI reimbursement fee schedule for Patient Cap or Provider Fee Incentives. Vance seconded. Motion carried.

### **Director's Report** *by Sharon Dickerson*

#### **Previous Motion**

Musgrove made the motion not to make any changes to the current travel expense until they can review it in January 2008, and pay travel expenses to Committee members in the same way as the Board members. Dr. Thompson seconded. Motion approved.

#### **Amendment to Motion**

Harrison made the motion to cover all expenses such as mileage, meals, travel and lodging for a Board member and Subcommittee member of the Board, or any designated member the Executive Director deemed to be in an official capacity and is requested by the Executive Director or the Board to attend or participate in official related Board business. Davis seconded. Motion carried.

#### **Stipend**

Vance made the motion to pay \$60/day stipend and expenses to Board member and Subcommittee member of the Board or any designated member requested by the Executive Director or the Board to attend or participate in official Board business. Davis seconded. Motion carried.

#### **Financial Statement**

ACA 21-8-701 requires certain State employees to file a Statement of Financial Interest before January 31 of each year. The Code designates "(a) (4) any agency head, department director, or division director of state government" shall file. The previous law required that all persons serving by appointment on any state, county or local board, agency, commission or department or similar entity who are authorized through rule

making adjudication or are authorized to receive or disburse State or federal funds shall file.

**Other Business:**

Dickerson explained the Board has inquired about other alternatives for rewarding members for taking the Health Risk Assessment. Dickerson recommended they present the Benefit Subcommittee with some alternatives.

Dickerson informed the Board that one of school district has requested to pull out of the insurance program. Dickerson said she has been requested to meet with school officials regarding this issue.

Dickerson shared some information from a new study conducted by the University of Utah. Dickerson recommended she take the information to the Benefit subcommittee so they can study and address the needs of some of the most catastrophically ill patients.

Vance made the motion to approve the requests made by Dickerson. Harrison seconded. Motion carried.

Dickerson informed the Board Walt Morrison has resigned from the College of Pharmacy as their PBM consultant but is interested in continuing to be the consultant on an independent basis. Dickerson explained the College of Pharmacy contract includes a consultant and if they contract separately with Walt they still would have to bid for another consultant.

McCook requested a copy of the College of Pharmacy contract. Dickerson said she would provide McCook with a copy of the contract.

**Preliminary 2009 Public School Employees (PSE) Rates** *by Kevin Geurtsen, Milliman*

Milliman presented the preliminary 2009 Public School Employees (PSE) rates for ARHealth, built upon the current 2008 PSE ARHealth rates and typical rate increases.

Geurtsen explained they assumed 2008 rates will increase 8% for medical and 10% for pharmacy, while Corphealth will remain equal to 2008 rates; however, the actual rate increases will be known after the underwriting process is complete. The Basic School and Act 1842 Contributions are not scheduled to increase for 2009. Thus, any increase in plan cost is passed directly through higher employee contributions.

State funding for the PSE program is provided by three sources:

- The Basic School Contribution of \$131 per participating employee per month
- Act 1842 contribution of \$35 M per year, allocated to employees and dependents of employees
- Funding provided by an allocation of PSE reserves

Geurtsen explained the Board authorized a reserve allocation of \$14 M for the 2008 plan year to help mitigate the increase in the cost of coverage for active and retired members

of the PSE program. In addition, there was an additional \$1 M of Act 1842 funding available for 2008 from the prior year.

The increasing cost, combined with level funding, results in an estimated \$21 M increase in plan cost that is passed directly to employees. In addition, the \$14 M reserve allocation and \$1 M Act 1842 contributions for 2008 are assumed to be unavailable for 2009. The increase in plan costs, combined with the decrease in additional funding, creates an estimated \$36 M (or about 25% for all participants) increase in employee costs for 2009.

Geurtsen said Milliman will suggest an approach to identify and allocate Plan reserves.

**Adjournment:**

McCook moved to adjourn the meeting, all members were in favor. The meeting adjourned at 3:20 p.m.