

## **Meeting Agenda | Health Care Policy Committee**

Thursday, July 21, 2016 | 10:00 a.m.

200 Arbor Lake Dr., Columbia, SC 29223 | Second Floor Conference Room

- I. Call to Order
- II. Adoption of Proposed Agenda
- III. Approval of Meeting Minutes- June 23, 2016
- IV. Strategic Planning Update
- V. 2017 State Health Plan Approval of Benefits and Contributions
- VI. MUSC Health Plan Update
- VII. Old Business/Director's Report
- VIII. Adjournment

### **Notice of Public Meeting**

This notice is given to meet the requirements of the S.C. Freedom of Information Act and the Americans with Disabilities Act. Furthermore, this facility is accessible to individuals with disabilities, and special accommodations will be provided if requested in advance.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM  
HEALTH CARE POLICY COMMITTEE**

**Meeting Date:** July 21, 2016

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**1. Subject:** Strategic Planning

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**2. Summary:** Mrs. Sarah Corbett, Chief Operating Officer, will review a revised revision of the 2016-2018 Strategic Plan following suggestions from the June Committee meeting.

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**3. What is Committee asked to do?** Review the revised PEBA Strategic Plan

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**4. Supporting Documents:**

(a) Attached: 1. Business Plan 2016-2018

# Business Plan

2016-2018



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## Mission

PEBA's mission is to provide competitive retirement and insurance benefit programs for South Carolina public employers, employees and retirees.

## Vision

Serving those who serve South Carolina

## Core values

### Solutions oriented

We anticipate the needs of our members, colleagues and supervisors, and work daily to improve processes and increase customer satisfaction.

### Communication

We encourage and facilitate the flow of information, listen effectively and are receptive to constructive feedback.

### Credibility

We accept responsibility for our individual jobs and achieving the goals of PEBA. We are accountable, thorough and accurate.

### Collaboration

We foster cooperative relationships, and appreciate and respect the contributions of others.

### Responsive

We strive to achieve our goals and objectives. We adapt to change. We follow through.

### Emotional intelligence

We maintain self-awareness and modify behavior appropriately. We work to build rapport with others and effectively manage and resolve conflict.

### Ethical behavior

We value honesty, trust, fairness and consistency.

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## Strategic goals

At the broadest level, PEBA's goals are to:

### Goal one

Promote financially sound PEBA programs

### Goal two

Improve health outcomes and promote retirement awareness

### Goal three

Enhance the customer experience for members and employers

### Goal four

Responsibly manage risk to the organization

### Goal five

Maintain a workforce and work environment conducive to achievement of agency goals and objectives

### Goal six

Improve internal efficiencies through new system implementation

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## Goal one

### Promote financially sound PEBA programs

PEBA has a responsibility to its stakeholders to control public employee benefit costs while providing maximum benefits. The cost to members and taxpayers is impacted by investment performance, member behavior, competitive developments in relevant labor markets, policy determinations regarding cost-allocations and the willingness to pay of participants and taxpayers.

#### Key measures

##### Insurance

- State Health Plan expenditure growth per subscriber is at least two percentage points below the five-year average national benchmark (See key measure 1 in the appendix on Page 16 for actual measure)
- State Health Plan net expenditure per member per month (See key measure 2 in the appendix on Page 16 for actual measure)
- State Health Plan actuarial value ratio (AVR) is equal to or higher than the benchmark of the average of bordering peer plans (Florida, Georgia, North Carolina and Tennessee) and the southeast regional states (See key measure 3 in the appendix on Page 16 for actual measure)
- State Health Plan net expenditure to revenue loss ratio is less than or equal to 1.0 (See key measure 4 in the appendix on Page 16 for actual measure)
- Cumulative cash balance of self-funded health plan reserves is at least 140 percent of current estimated outstanding liability (See key measure 5 in the appendix on Page 16 for actual measure)
- State Health Plan average monthly composite premium is at or below the southeast regional state employee plan average for the employer, enrollee and total premium (See key measure 6 in the appendix on Page 16 for actual measure)

##### Retirement

- Ensure employer and employee contribution rates are sufficient to maintain a funding period for the Retirement Systems that does not exceed 30 years

#### Strategy 1.1

Provide the legislature with information to properly determine contributions and funding to ensure long-term viability of benefit programs.

##### Staff actions

- July 1, 2016  
Communicate results of experience study and required contribution rate increases for retirement systems

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- November 15, 2016  
Communicate the proposed budget requirements for both the State Health Plan and Basic Dental Plan for the 2018 plan year
  - July 1, 2017  
Conduct an independent actuarial audit one year after the next scheduled experience study

### **Strategy 1.2**

Research best practices, and recommend and implement health plan design changes.

#### **Staff actions**

- July 1, 2016  
Develop strategies to address specialty pharmacy spend and to better manage specialty pharmacy sector; work collaboratively with pharmacy and medical contractors
- July 31, 2016  
Continue financial analysis of MUSC Health Plan pilot performance and work collaboratively with MUSC on plan management
- December 31, 2016  
Complete a review of the major cost drivers of the State Health Plan and develop methods for improvement
- December 31, 2017  
Evaluate Patient-Centered Medical Home initiative's effectiveness, provider accessibility and member participation; continue to evaluate PCMH cost effectiveness
- December 31, 2017  
Continue to evaluate new opportunities for reference based pricing strategies and continue a phased-in approach to implement current reference-based pricing

#### **Completed staff actions**

- Completed pharmacy benefits manager contracting process in a timely manner; complete implementation process in a manner which serves the best interest of the SHP and its membership
- Implemented referenced based pricing strategy for certain imaging, pathology and endoscopy services commonly performed in non-hospital settings to make pricing more comparable with those other settings and evaluated plan impact related to new strategy
- Implemented State Health Plan benefit design incentivizing members to receive care at a network Patient-Centered Medical Home by waiving the \$12 office visit copay and reducing the member coinsurance to 10 percent

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## Goal two

### Improve health outcomes and promote retirement awareness

PEBA understands the importance of making appropriate changes to health plan design to improve health outcomes and reduce costs, including changes to reduce member behaviors that negatively affect health outcomes. In addition, the agency has a new focus on retirement awareness to ensure that members are aware of the benefits available to them through PEBA-administered plans, as well as options to supplement their benefits.

#### Key measures

- Maintain overall patient health risk score for non-Medicare primary adult State Health Plan members that is adjusted for demographics (See key measure 1 under “improve member health” in the appendix on Page 17 for actual measure)

#### Strategy 2.1

Promote member engagement with both retirement and insurance programs to ensure members understand benefit options and can make educated decisions and take personal responsibility regarding health and retirement.

#### Staff actions

- December 31, 2016  
Reach 40 percent of State Health Plan active employees through employer participation in PEBA Health Hub
- December 31, 2016  
Increase unique count of members participating in tobacco cessation program or utilizing tobacco cessation prescription drugs by 5 percent
- December 31, 2016  
Increase rate of State Health Plan members current with colorectal cancer screening by 1.5 percentage points
- December 31, 2016  
Achieve 10,000 interactions with members and employers to promote retirement awareness through the following channels:
  - Online resources (retirement awareness webpage)
  - Attendance at early- and mid-career seminars
  - Conversations with members who call the Customer Contact Center
  - Increase active accounts for deferred compensation

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- January 1, 2017  
Require worksite screening providers to electronically provide biometric data to the plan
  - March 1, 2017  
Implement Rally, a new digital platform to help members get and stay healthy through personalized challenges, rewards and content
  - March 31, 2017  
Develop and execute marketing plans and goals for MoneyPlus/cafeteria plan
  - December 31, 2017  
Engage employers to host worksite or regional preventive screenings using participating PEBA screening providers and collaborate with employers using their own screening provider to potentially share biometric data
  - December 31, 2017  
Develop a “navigating your benefits” series to provide members with easy-to-use information about their insurance and retirement benefits
  - December 31, 2017  
Target and engage executive management of our employers in managing the health of their employees and provide ready-to-use resources to promote benefits available to State Health Plan members

### **Completed staff actions**

- Identified best practices among other insurance plans regarding improving health outcomes and reducing costs
- Defined and measured appropriate benchmarks against both public and private sector insurance plans
- Reviewed marketing plans for State Health Plan administrative services, behavioral health, life insurance, long term and supplemental long term disability, vision plan, pharmacy benefits and dental plan
- Implemented value-based insurance design at no member cost for routine and diagnostic colonoscopies, adult vaccinations recommended by the Centers for Disease Control, tobacco cessation prescription drugs (Chantix and generic Zyban) and diabetes education
- Included retirement awareness presentations on the agency website and incorporated into Field Services’ seminars
- Developed and communicated a wellness scorecard to employers to engage them in managing the health of their employees

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## Goal three

### Enhance the customer service experience for members and employers

PEBA aims to provide the best quality service to its stakeholders, including members, dependents and beneficiaries. As such, PEBA strives for continuous improvement of the level of service we provide, as well as those services provided by our third-party administrators.

#### Key measures

- PEBA's customer satisfaction survey score should be greater than or equal to a 95 percent satisfaction rate for both the Visitor Center and Customer Contact Center (See key measure 4 under "provide positive member experience" in the appendix on Page 17 for actual measure)
- Trust: members feel the State Health Plan is a plan they can trust. Score at least an 8 out of 10 on the BlueCross BlueShield of South Carolina *Consumer Brand Index Survey* where "1" means strongly disagree and "10" means strongly agree (See key measure 1 under "provide positive member experience" in the appendix on Page 17 for actual measure)
- Likelihood to recommend: how likely members are to recommend the State Health Plan to family and friends; score at least an 8 out of 10 on the BlueCross BlueShield of South Carolina *Consumer Brand Index Survey* where "1" means very unlikely to recommend and "10" means likely to recommend (See key measure 2 under "provide positive member experience" in the appendix on Page 17 for actual measure)
- State Health Plan medical third party administrator customer satisfaction after-call survey average total score is greater than or equal to 4.5 where "1" means very dissatisfied and "5" means very satisfied (See key measure 3 under "provide positive member experience" in the appendix on Page 17 for actual measure)
- Deferred Compensation third party administrator customer satisfaction after-call survey average total score is greater than or equal to 4.5 where "1" means very dissatisfied and "5" means very satisfied

#### Strategy 3.1

Implement cost effective integrated systems and processes that are intuitive, practical and provide value for members and employers.

#### Staff actions

- September 30, 2016  
Implement an updated call management system

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- December 31, 2016  
Evaluate demand for additional regional services and/or offices
  - January 1, 2017  
Implement the Business Transformation Project for the South Carolina Deferred Compensation Program
  - June 30, 2017  
Complete requirements for new Governmental Accounting Standards Board other post-employment benefits (OPEB) standards (GASB 74)
  - July 1, 2017  
Implement data sharing between PEBA and the third-party record keepers for the State Optional Retirement Program and Deferred Compensation Program in order to simplify enrollment and claims processes for members and employers
  - June 30, 2018  
Complete requirements for new Governmental Accounting Standards Board other post-employment benefits (OPEB) standards (GASB 75)

### **Completed staff actions**

- Launched a new agency identity to include logo, tagline, colors, templates and identity guidelines for staff and vendors
- Launched a consolidated agency website and implemented a survey feature on the website to solicit feedback from members regarding use and content
- Developed a comprehensive communications plan
- Created an employer advisory group which provides employers a forum to give feedback on processes and improvements related to customer satisfaction
- Implemented elimination of revenue sharing to State Optional Retirement Program third party administrators
- Implemented Governmental Accounting Standards Board 67 and 68 by communicating with stakeholders, employers and policy makers on new pension reporting requirements

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## Goal four

### Responsibly manage risk to the organization

It is incumbent upon our individual employees and organization to continually assess and mitigate the threats and risks to which we are exposed. Through enterprise risk management, we will plan, organize, lead and control the activities of our organization in order to minimize the effects of risk. This will include financial, strategic and operational risks.

#### Key measures

- Compliance with state-issued Information Technology Security mandates
- Third-party relationships identified as high risk have a risk action plan developed
- Internal process changes rated as high risk have a risk action plan developed prior to implementation
- Routine/existing high-risk processes by functional area have a risk action plan developed

#### Strategy 4.1

Implement enterprise risk management to ensure compliance with internal and external policies, procedures and reporting requirements.

#### Staff actions

- December 31, 2016  
Develop a risk management framework
- January 31, 2017  
Incorporate risk identification and measures into the change management program for the agency
- March 31, 2017  
Develop a plan to communicate high-risk changes and the associated plan for controls, transfer or acceptance of risk
- April 30, 2017  
Complete an agency risk assessment
- May 31, 2017  
Document agency compliance requirements and responsibilities
- December 31, 2017  
Develop a risk action plan with associated controls, risk acceptance or risk transfer in association with business leaders for existing high-risk processes

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## Strategy 4.2

Create a culture of risk awareness through the development, implementation and maintenance of an Enterprise Risk Management (ERM) program.

### Staff actions

- August 31, 2016  
Develop a strategy to assess risks associated with third-party vendors
- January 31, 2017  
Document the identified risks associated with third-party vendors, including financial impacts associated with risks
- March 31, 2017  
Develop a risk plan that documents the mitigating controls, transfer or acceptance of identified risks for third-party vendors
- March 31, 2017  
Document a strategy for ongoing evaluations

## Strategy 4.3

Ensure information technology resources are utilized to implement continuing security initiatives.

### Staff actions

- June 30, 2016  
Comply with state-issued information security policies
- August 31, 2016  
Develop an ongoing program to review policies and compliance with the policies
- December 31, 2016  
Evaluate the need for cyber insurance

## Complete staff actions

- Completed a business continuity plan
- Created a security review and practice calendar for internal review
- Hired an Enterprise Risk Management and Compliance Director
- Engaged external firm to review cyber security risks to the organization

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## Goal five

### Maintain a workforce and work environment conducive to achievement of agency goals and objectives

Like many organizations, PEBA is faced with staffing challenges brought on by loss of staff due to retirement and new skills requirements due to advances in technology. We utilize our Characteristics of High Performance throughout the agency to develop a positive agency culture.

#### Key measures

- Maintain employee satisfaction and engagement
- Monitor turnover rate by functional area
- Reduce absenteeism

#### Strategy 5.1

Ensure a consistent, viable talent pool that adapts effectively and fulfills business needs for the present and future.

##### Staff actions

- August 31, 2016  
Conduct bi-annual employee satisfaction and engagement survey
- December 31, 2016  
Map succession needs and actions (positions, retirement eligibility)
- December 31, 2016  
Benchmark and assess turnover rate and absenteeism

#### Strategy 5.2

Develop and maintain effective training and development programming.

##### Staff actions

- July 31, 2016  
Ensure each operational area has up-to-date written policies and procedures, as well as specific training to be used in cross-training and on-the-job training
- September 30, 2016  
Implement Phase I of onboarding process (includes new employee education of immediate compliance and awareness issues)
- September 30, 2016  
Assess, identify and deliver employee and organizational training and development opportunities

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- December 31, 2016  
Implement Phase II of onboarding process (includes expansion of education on agency functions and operations)
  - December 31, 2016  
Develop and deliver “The PEBA Way” training for all employees

### **Strategy 5.3**

Foster an agency culture driven by high performance.

#### **Staff actions**

- August 31, 2016  
Develop and deliver monthly high performance characteristics training
- December 31, 2016  
Research the utilization of bonuses

### **Strategy 5.4**

Ensure a safe, secure and functional physical working environment.

#### **Staff actions**

- December 31, 2016  
Execute a long-term facilities plan to include updates to the physical property

### **Completed staff actions**

- Created an Employer Services unit
- Hired a Director of Employer Services
- Hired an Insurance Policy Director
- Hired a Training and Development Director
- Developed characteristics of high performance
- Integrated characteristics of high performance into performance management process and performance compensation policy
- Updated signage in building and on Highway 277 to better identify PEBA for visitors
- Retained services of the Bureau of Protective Services to provide full-time security for the PEBA campus
- Received required approval to replace HVAC system and carpeting for building 202

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## Goal six

### Improve internal efficiencies through new system implementation

PEBA is challenged with aging information systems. Operational systems and business processes are being assessed with assistance from benefits administration experts to create a roadmap for securing internal efficiencies through new technology. This system implementation project will be a multi-year endeavor requiring intensive capital and human resources.

#### Key measures

- Successfully transition all custom software programs written in Natural to a new technology with an expected life of at least 15 years
- Accomplish implementation with minimal service disruption to members and employers; meet project implementation milestone deliverables
- Complete transition on-budget

#### Strategy 6.1

Conduct and maintain multi-phase initiatives to generate system and operational changes to improve internal efficiencies.

#### Staff actions

- June 30, 2016  
Complete phase three of the operational assessment to include a high-level roadmap, cost benefit analysis, recommendations for implementation projects, budget requirements and a final assessment report
- September 1, 2016  
Define, develop, release RFP and award contract for client support services
- December 31, 2016  
Define, develop, release RFP to procure new benefits administration system
- April 1, 2017  
Define, develop, release RFP and award contract to data migration vendor
- June 30, 2017  
Award contract to vendor for new system implementation
- June 30, 2017  
Identify and collaborate with business units to implement process improvements specific to data integrity and operational efficiencies prior to new system implementation

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### **Completed staff actions**

- Completed phase one of the operational assessment
- Completed phase two of the operational assessment to include a future business flow document, high-level design of future systems and alternative proposal solution

# Goal: Financially sustainable

## Key measures:

1. State Health Plan expenditure growth per member is at least two percentage points below the five year average national benchmark. (annual)

|                    | 2011 | 2012 | 2013 | 2014  | 2015 (12/16) | 5 year avg. (2011-2015) |
|--------------------|------|------|------|-------|--------------|-------------------------|
| State Health Plan  | 2.3% | 6.4% | 4.0% | -1.4% | 9.0%         | 4.1%                    |
| National benchmark | 6.7% | 6.5% | 5.6% | 8.0%  | 8.1%         | 7.0%                    |

This measures year over year SHP expenditure growth compared to national benchmark.

Source: Most recent Segal Health Plan Cost Survey.

2. State Health Plan net expenditure per member per month (PMPM). (annual)

|              | PMPM     |
|--------------|----------|
| 2014 (12-15) | \$328.68 |
| 2015 (12-15) | \$356.99 |

This measures, on an incurred basis, the SHP net expenditure per member per month. This PMPM amount takes into account all expenditures (claims and administrative) offset by pharmacy rebates and subsidies.

Source: PEBA

3. State Health Plan Actuarial Value Ratio (AVR) is equal to or higher than the benchmark of the average of bordering peer plans (North Carolina, Georgia, Florida and Tennessee) and the southeast regional states. (annual)

|  | 2016 Actuarial Value Ratio |
|--|----------------------------|
| State Health Plan-Standard Plan option | 80.2                       |
| Average of bordering peer plans        | 79.02                      |
| All southern states MEP                | 73.758                     |

This measure illustrates the portion the Plan pays of the total allowable amount taking into account patient cost-sharing elements such as deductibles, coinsurance, and copayments.

Source: Benefit design for each plan applied to the Centers for Medicare and Medicaid Service's 2015 Actuarial Calculator.

4. State Health Plan net expenditure to revenue loss ratio is less than or equal to 1.0. (annual)

|                        | 2015 incurred claims paid through 03.31.16 |
|------------------------|--|
| 2015 State Health Plan | 0.965                                      |

This measure provides a method of monitoring Plan expenses as compared to Plan revenue.

Source: PEBA

5. Cumulative cash balance of self-funded health plan reserves is at least 140 percent of current estimated outstanding liability. (annual)

|                       | As of 12.31.15 | Cash balance compared to estimated outstanding liability |
|-----------------------|----------------|--|
| SHP cash balance      | \$272,990,827  | 186%   |
| Outstanding liability | \$146,695,978  |  |

This measure illustrates the amount of cash reserves available for claims payment and for any unexpected claims fluctuation.

Source: PEBA, quarterly GRS IBNR report

6. State Health Plan monthly composite premium at or below the southeast state plan average for employer, enrollee and total premium. (annual)

| 2016                     | Employer composite premium | % of southern regional | Enrollee composite premium | % of southern regional | Total composite premium | % of southern regional |
|--------------------------|----------------------------|------------------------|----------------------------|------------------------|-------------------------|------------------------|
| State Health Plan        | \$510.60                   | 77.2%                  | \$159.51                   | 91.3%                  | \$670.11                | 80.2%                  |
| Southern regional states | \$661.20                   |                        | \$174.80                   |                        | \$830.00                |                        |

Source: PEBA 2016 50-State Survey

This measure illustrates contribution efficiency of the employer, enrollee and total premium compared to peers in the southern regional states.

## Goal: Improve member health

### Key measure:

- Maintain overall patient health risk score for non-Medicare primary adult State Health Plan members that is adjusted for demographics. (annual)

|      | Low risk (00-01) | Medium risk (02-03) | High risk (04-05) | Overall Risk |
|------|------------------|---------------------|-------------------|--------------|
| 2011 | 0.4757           | 1.4429              | 4.7305            | 1.5651       |
| 2013 | 0.4172           | 1.3942              | 4.5589            | 1.5148       |
| 2015 | 0.4160           | 1.4047              | 4.4710            | 1.4665       |

*This measure quantifies the prospective (in the next year) risk for adult, non-Medicare State Health Plan members compared to the overall non-elderly (age less than sixty-five) United States population.*

Source: SHP eligibility and claims data evaluated using Johns Hopkins Adjusted Clinical Grouper 10.0.

## Goal: Provide positive member experience:

### Key measures:

- Trust: members understand the plan and perceive that the benefits are delivered in accordance with that understanding relative to access to care and member cost share: score at least an 8 out of 10 where “1” means strongly disagree and “10” means strongly agree. (annual)

|                   | 2014         |              | 2015         |              |
|-------------------|--------------|--------------|--------------|--------------|
|                   | Survey score | Participants | Survey score | Participants |
| State Health Plan | 8.1          | 322          | 8.3          | 277          |
| System average    | 8.2          | N/A          | 8.1          | N/A          |

- Likelihood to recommend: how likely members are to recommend the State Health Plan to family and friends; score at least an 8 out of 10 where “1” means very unlikely to recommend and “10” means very likely to recommend. (annual)

|                   | 2014         |              | 2015         |              |
|-------------------|--------------|--------------|--------------|--------------|
|                   | Survey score | Participants | Survey score | Participants |
| State Health Plan | 8.1          | 322          | 8.3          | 277          |
| System average    | 8.2          | N/A          | 8.1          | N/A          |

Source: 2015 BCBS Consumer Brand Index Survey- this survey is an index of measures developed by the BlueCross Association in collaboration with the American Customer Satisfaction Index (ACSI). This survey is designed to measure business outcomes of customer experience such as loyalty and retention. The survey is conducted by the BlueCross Association and members from each BlueCross Plan are surveyed twice a year. State Health Plan survey participation numbers statistically valid with a 95% confidence level.

- State Health Plan Medical Third Party Administrator Customer Satisfaction After-Call Survey average total score is greater than or equal to 4.5 where “1” means very dissatisfied and “5” means very satisfied. (annual)

|        | 2015 survey score |
|--------|-------------------|
| BCBSSC | 4.5               |

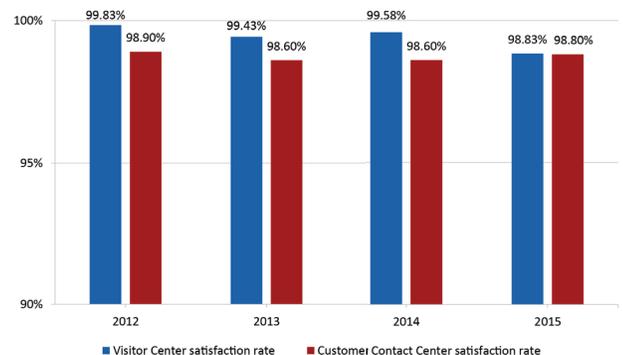
Source: 2015 BCBSSC State Health Plan After-Call survey- this brief six question survey is offered after each customer service call to a BCBSSC Customer Service representative.

- PEBA Customer Satisfaction survey score should be greater than or equal to a 95 percent satisfaction rate for both the Visitor and Customer Contact Center. (annual)

## Customer Satisfaction

Visitor Center survey results procedure changed in November 2013 to begin using automated email surveys.

Source: 2015 PEBA Customer Satisfaction survey.



**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM  
HEALTH CARE POLICY COMMITTEE**

**Meeting Date:** July 21, 2016

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**1. Subject:** 2017 State Health Plan Approval of Benefits and Contributions

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**2. Summary:** Mr. Rob Tester, Health Care Policy Director, will review the 2017 changes to the State Health Plan.

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**3. What is Committee asked to do?** Approve the 2017 State Health Plan Benefits and Contributions

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**4. Supporting Documents:**

- (a) Attached:
1. State Health Plan Program Changes
  2. SHP Standard Plan
  3. SHP Contribution Rates

## Proposed State Health Plan program changes effective January 1, 2017

### All health plans

- Employer contribution increase of 0.8 percent
  - Amount funded by General Assembly in fiscal year 2017 Appropriations Act and memorialized in Proviso 108.6 of the Act
  - Funding is provided for the 0.8 percent employer increase for state agencies and school districts to the extent that their positions are funded by state general fund appropriations
- No enrollee contribution increase
- Composite contribution increase of 0.6 percent

### State Health Plan

Proposals below are not applicable to Medicare-primary retirees with the exception of items processed through the pharmacy contractor for persons who have opted out of the Medicare Group Part D plan. However, the hospice services item is applicable to Medicare-primary retirees.

### Pharmacy

- Adopt and transition to the Express Scripts National Preferred Formulary to maximize the State Health Plan's ability to obtain the lowest net cost for covered prescriptions, whether through reduction in ingredient cost or increase in pharmaceutical rebates, which are enhanced through adoption of the National Preferred Formulary. The National Preferred Formulary has exclusions from coverage for certain branded products in highly interchangeable categories, as determined by Express Scripts' Pharmacy and Therapeutics Committee. However, there is an exception process in place for situations in which there are clinical reasons to use the excluded product. Estimated annual savings from a reduction in pharmacy costs equal \$6.4 million with additional rebates earned in 2017 estimated at \$16.2 million.
- Adopt the Express Scripts Hepatitis C Cure Value Program to help ensure adherence and assistance with this high-cost medication and provide cost savings to the State Health Plan. This program will require all Hepatitis C medications to be dispensed through Accredo, Express Scripts' specialty pharmacy, and new users of Hepatitis C therapy who are genotype 1 will be required to use Viekira Pak, the preferred drug in this category. This program is estimated to save \$2.5 million annually. The State Health Plan spent \$16 million in 2015 for Hepatitis C medication.
- Adopt the Express Scripts Cholesterol Care Value Program to actively manage high-cost specialty cholesterol medications known as PCSK9s. PCSK9s are a new form of cholesterol therapy, currently available as an injection only, which went to market in 2015. The cost of PCSK9

medications far exceeds that of traditional cholesterol medication, at \$14,560 per year compared to \$604 per year for traditional therapy. All PCSK9 medications must be dispensed through Accredo, Express Scripts' specialty pharmacy. There is a rigorous clinical review process associated with this program with the intent of maintaining as many patients as possible on traditional, low-cost cholesterol medication.

## Medical

- Add telehealth, clinically-appropriate virtual doctor's visits, through Blue CareonDemand<sup>SM</sup> as a regular, covered service with patient liability calculated in the same manner as other regular services. The cost impact of adding telehealth as a covered service is considered breakeven.
- Add coverage at no cost to the member for manual or electric breast pumps obtained from BlueCross BlueShield of South Carolina-contracted providers. Estimated additional expense to the Plan is approximately \$420,000 a year.
- Increase the lifetime limit for hospice services to \$7,500. The lifetime limit for hospice services is currently \$6,000 and has been since 1997.

## State Dental Plan

- Employer contribution increase of 15 percent
  - Amount funded by General Assembly in fiscal year 2017 Appropriations Act
  - Funding is provided for the 15 percent employer increase for state agencies and school districts to the extent that their positions are funded by state general fund appropriations
- No enrollee contribution increase
- Composite contribution increase of 10.1 percent

## MUSC Health Plan

- Add telehealth services from the MUSC panel of doctors as a Tier 1 benefit with a \$25 per virtual visit patient copayment.

## State Health Plan

### Benefit cost | All health plans

|                      | General fund    | Premium increase – employer (PEPM) | Premium increase – employee (PEPM) |
|----------------------|-----------------|------------------------------------|------------------------------------|
| <b>Employer only</b> | \$25.73 million | \$3.98                             | \$0.00                             |

### Benefit structure | Standard Plan

|                                      | 2017            | 2016            |
|--------------------------------------|-----------------|-----------------|
| <b>Deductible</b>                    | \$445/\$890     | \$445/\$890     |
| <b>Coinsurance maximum</b>           | \$2,540/\$5,080 | \$2,540/\$5,080 |
| <b>Physician copayment</b>           | \$12            | \$12            |
| <b>Emergency room copayment</b>      | \$159           | \$159           |
| <b>Outpatient hospital copayment</b> | \$95            | \$95            |
| <b>Pharmacy copayment</b>            | \$9/\$38/\$63   | \$9/\$38/\$63   |

## State Health Plan monthly contribution rates by level of coverage | Effective January 1, 2017

0.8 percent increase for employers/no increase for enrollees

### 2017 employer rates for all health plans

|                 | 2017     | 2016     |
|-----------------|----------|----------|
| Enrollee only   | \$362.98 | \$360.10 |
| Enrollee/spouse | \$718.98 | \$713.26 |
| Enrollee/child  | \$557.10 | \$552.68 |
| Full family     | \$900.18 | \$893.04 |

### 2017 employee rates (no change from 2016)

#### Savings Plan

|                 |         |
|-----------------|---------|
| Enrollee only   | \$9.70  |
| Enrollee/spouse | \$77.40 |
| Enrollee/child  | \$20.48 |
| Full family     | \$113   |

#### Standard Plan/Medicare Supplement

|                 |          |
|-----------------|----------|
| Enrollee only   | \$97.68  |
| Enrollee/spouse | \$253.36 |
| Enrollee/child  | \$143.86 |
| Full family     | \$306.56 |

Tobacco users will pay a \$40 (enrollee only) or \$60 (enrollee plus coverage) per month premium in addition to health premiums.

**PUBLIC EMPLOYEE BENEFIT AUTHORITY AGENDA ITEM  
HEALTH CARE POLICY COMMITTEE**

**Meeting Date:** July 21, 2016

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**1. Subject:** MUSC Health Plan Update

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**2. Summary:** Staff will provide current information as to results and status of the MUSC Health Plan.

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**3. What is Committee asked to do?** Receive as information

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**4. Supporting Documents:**

(a) Attached: 1. MUSC Loss Ratio Analysis 2011-2015

Claims Expenditure PSPY for Active Subscribers only

|      | SHP less MUSC | MUSC within SHP | Δ      |
|------|---------------|-----------------|--------|
| 2011 | \$6,044       | \$6,963         | 115.2% |
| 2012 | \$6,567       | \$7,555         | 115.0% |
| 2013 | \$6,769       | \$7,615         | 112.5% |
|      | SHP           | MUSC Plan       |        |
| 2014 | \$6,718       | \$7,848         | 116.8% |
| 2015 | \$7,366       | \$7,997         | 108.6% |

\* MUSC refers to both MUSC and MUHA employees

Total Loss Ratio for Active Subscribers only

|      | SHP less MUSC | MUSC within SHP | Δ    |
|------|---------------|-----------------|------|
| 2011 | 85.4%         | 101.8%          | 16.4 |
| 2012 | 89.6%         | 105.7%          | 16.1 |
| 2013 | 88.4%         | 103.7%          | 15.3 |
|      | SHP           | MUSC Plan       |      |
| 2014 | 88.0%         | 103.5%          | 15.5 |
| 2015 | 93.3%         | 99.0%           | 5.6  |

\* MUSC refers to both MUSC and MUHA employees

Risk Adjusted Claims Expenditure PSPY for Active Subscribers only

|      | SHP less MUSC | MUSC within SHP | Δ      |
|------|---------------|-----------------|--------|
| 2011 | \$6,044       | \$6,781         | 112.2% |
| 2012 | \$6,567       | \$7,211         | 109.8% |
| 2013 | \$6,769       | \$7,396         | 109.3% |
|      | SHP           | MUSC Plan       |        |
| 2014 | \$6,718       | \$7,587         | 112.9% |
| 2015 | \$7,366       | \$7,942         | 107.8% |

\* MUSC refers to both MUSC and MUHA employees

Risk Adjusted Total Loss Ratio for Active Subscribers only

|      | SHP less MUSC | MUSC within SHP | Δ    |
|------|---------------|-----------------|------|
| 2011 | 85.4%         | 99.2%           | 13.8 |
| 2012 | 89.6%         | 101.0%          | 11.4 |
| 2013 | 88.4%         | 100.8%          | 12.4 |
|      | SHP           | MUSC Plan       |      |
| 2014 | 88.0%         | 100.3%          | 12.2 |
| 2015 | 93.3%         | 98.3%           | 5.0  |

\* MUSC refers to both MUSC and MUHA employees

# MUSC Quality/Utilization Measures

## SECTION 1: Quality Measures

**Measure:** The Healthcare Effectiveness Data and Information Set (HEDIS) is the most widely used health care quality measurement tool in the United States. The National Committee of Quality Assurance (NCQA) committee oversees the development of the measurement set which has very specific definitions and measure specifications that must be met in order for the measure to be acceptable. Once the membership is defined it is matched with the claims data to calculate the HEDIS rate from the assigned and compliant members. The rate is then compared to the National NCQA benchmarks, defined by NCQA, for the 1, 2 and 3 Star ratings. The table below shows the current Star ratings (2015) and the target rate for 2016 with the assigned potential points.

**Target:** The expectation is that the percentage for each measure will increase by one Star rating, or that a Star rating of 3 will be maintained.

| Measure                                     | Assigned | Compliant | Rate | National NCQA Benchmarks |        |        | Stars 2015 | Stars 2016 Target | Potential Points |
|---|----------|-----------|------|--------------------------|--------|--------|------------|-------------------|------------------|
|   |          |           |      | 1 Star                   | 2 Star | 3 Star |            |                   |                  |
| A1c Testing for Diabetics                   |          |           |      | 87%                      | 90%    | 92%    |            | 1                 | 10               |
| Diabetes Eye Exam                           |          |           |      | 45%                      | 51%    | 61%    |            | 1                 | 10               |
| Breast Cancer Screening                     |          |           |      | 68%                      | 71%    | 76%    |            | 3                 | 10               |
| Cervical Cancer Screening                   |          |           |      | 72%                      | 76%    | 79%    |            | 2                 | 10               |
| Colorectal Cancer Screening                 |          |           |      | 53%                      | 58%    | 66%    |            | 1                 | 10               |
| Asthma Medication Management                |          |           |      | 40%                      | 45%    | 52%    |            | -                 | -                |
| Chicken Pox (VZV) Vaccine                   |          |           |      | 88%                      | 91%    | 93%    |            | 3                 | 1                |
| Diphtheria Tetanus Pertussis (DTAP) Vaccine |          |           |      | 82%                      | 86%    | 89%    |            | 3                 | 1                |
| Hepatitis B Vaccine                         |          |           |      | 83%                      | 89%    | 92%    |            | 3                 | 1                |
| Measles Mumps Rubella (MMR) Vaccine         |          |           |      | 88%                      | 91%    | 94%    |            | 3                 | 1                |
| Pneumococcal Conjugate Vaccine              |          |           |      | 82%                      | 87%    | 90%    |            | 3                 | 1                |
| Polio (IPV) Vaccine                         |          |           |      | 88%                      | 92%    | 94%    |            | 3                 | 1                |
|   |          |           |      |                          |        |        |            |                   | 56               |

## SECTION 2: ER Utilization

**Measure:** Emergency Room Utilization for Asthma, Chronic Conditions (i.e. diabetes), Non-urgent visits, and other by visits and total amount paid.

**Target:** Reduce utilization for each category by 10%.

|                                  | Total Visits 2015      | Total Paid 2015         | Target Visits          | Potential Points               |                  |
|----------------------------------|------------------------|-------------------------|------------------------|--------------------------------|------------------|
| ER Utilization for Asthma        |                        |                         | 21.6                   | 4                              |                  |
|                                  |                        |                         |                        |                                |                  |
|                                  | Total Paid Amount 2015 | Days (Visits)/1000 2015 | Total Members SVC Type | Target Days (Visits)/1000 2016 | Potential Points |
| ER Utilization Rate – Chronic    |                        |                         |                        | 6.12                           | 5                |
| ER Utilization Rate – Non-Urgent |                        |                         |                        | 14.22                          | 5                |
| ER Utilization Rate - Other      |                        |                         |                        | 126.9                          | 5                |

## SECTION 3: Readmission Rate

**Measure:** Readmission Rate for all members in the MUSC Health Plan compared to the expected readmission rate for South Carolina.

**Target:** The expected readmission rate is targeted at less than 80%.

### Readmission Rate 2015

| TOTAL NUMBER OF ADMITS | TOTAL NUMBER OF READMITS | TOTAL READMIT RATE | TOTAL NUMBER OF EXPECTED READMITS FOR SC | TOTAL RATIO OF ACTUAL TO EXPECTED FOR SC | TOTAL READMIT RATE 2016 TARGET    | Potential Points |
|------------------------|--------------------------|--------------------|--|--|-----------------------------------|------------------|
|                        |                          |                    |  |  | <.80 of expected readmission rate | 15               |

**Total Quality/Utilization performance for 2016 will be based on Sections 1 – 3, with a total potential point value of 100.**

**SECTION 4: Compliance**

|  |                     |
|--|---------------------|
| Track the plan member's risk levels that participate in the health assessments for the 2015 benefit year. Establish a target decrease of high to low risk for benefit year 2016. | 2015 Baseline Year: |
| Track the plan member's participation in health assessments for the benefit year. Establish a 10% increase target over the baseline for 2016.                                    | 2015 Baseline Year: |
| Overall hospital satisfaction  | 2015 Baseline Year  |

**Scoring Outcome (January 1, 2016 – December 31, 2016):**

| Section          | Points Earned |
|------------------|---------------|
| Quality Measures |               |
| ER Utilization   |               |
| Readmission Rate |               |