

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

Health Care Policy Committee-Minutes Approved 10.16.14

200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Wednesday, September 10, 2014 – 10:00 a.m.

Health Care Committee Members Present:

Mr. Joe "Rocky" Pearce, Chairman
Mr. Art Bjontegard
Mr. Steve Heisler
Mr. Frank Fusco
Mr. Audie Penn

Others present for all or a portion of the meeting:

Melissa Alexander, Peggy Boykin, Phyllis Buie, Dayle Delong, Denise Hunter; Megan Lightle, Heather Muller, Justice Purkins, Laura Smoak, and Stephen Van Camp from the South Carolina Public Employee Benefit Authority (PEBA); Rob Tester, PEBA Consultant; Amanda Murphy from the South Carolina Revenue and Fiscal Affairs Office; Brooks Goodman from Blue Cross Blue Shield of South Carolina; Amy Cohen, Kevin DeStefino, Bill Hickman, and Mike Madalena from Gabriel, Roeder, Smith and Company; Donald Tudor from the State Retirees Association of South Carolina; Mary Elizabeth Van Horn from Mulliken Law Firm; and Jennifer Hooks from Takeda Pharmaceuticals.

1. CALL TO ORDER

Chairman "Rocky" Pearce called the PEBA Health Care Policy Committee (Committee) meeting to order at 10:00 a.m.

2. ADOPTION OF PROPOSED AGENDA

Mr. Steve Heisler made a motion, which was seconded by Mr. Frank Fusco, and approved unanimously, to adopt the proposed Committee meeting agenda.

3. APPROVAL OF MINUTES: AUGUST 20, 2014

Mr. Fusco made a motion, which was seconded by Mr. Audie Penn, and approved unanimously, to approve the August 20, 2014, Committee meeting minutes.

4. HEALTH LEGISLATIVE AGENDA

Ms. Peggy Boykin, PEBA's Executive Director, stated that she did not have any legislative information to report at this time, but the health legislative update would be a standing agenda item for future meetings.

5. WELLNESS RESEARCH STRATEGIC TEAM (WeReST) UPDATE

Ms. Dayle Delong, Manager of Health Initiatives, provided the Wellness Research Strategy Team Update, and stated that the Incentive Pilot Program has been narrowed down to 64 employer pilot groups. Ms. Delong expressed concerns about the scope of the project, and advised of three different options that could be explored including: the current incentive pilot program; developing an outreach program; or contracting with a marketing or public relations firm to further promote current initiatives. Ms. Delong reported that the Incentive Pilot Program will cost \$2 million in 2015, \$4.5 million in 2016, and an additional \$310,000 in operational cost. Ms. Delong stated that there are incentive challenges including: not having research on employers to determine the interest in participating in the pilot project; not having the necessary infrastructure in place; not having the cost for program built into the current health Administrative Services Only (ASO) contract; and not having a marketing plan for health initiatives. Ms. Delong advised that there are also incentive concerns including: no immediate cost savings to the plan; some of the data for

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

Health Care Policy Committee-Minutes Approved 10.16.14

200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Wednesday, September 10, 2014 – 10:00 a.m.

control groups will not be available to compare to pilot groups; and the Request for Proposal (RFP) for the ASO contract will be up for renewal in 2016.

Ms. Delong stated that after reviewing the aforementioned concerns, the Wellness Team proposes to develop an outreach program that would initiate a proactive marketing campaign for worksite screenings; waive the \$15 fee for worksite screenings for employees of the 64 pilot groups in 2015 and 2016; hire two experienced employees to proactively market screenings to employers; and build a wellness initiative in the ASO RFP in 2016, or explore other vendor options for wellness programs.

Ms. Delong advised that the Wellness Team is requesting direction from the Committee on the different health initiatives, and stated that an alternative would be to select a small sample of employers to test the pilot in 2015. Ms. Delong reported that pilot members would qualify for a premium reduction in 2016; employers will serve as test subjects for the pilot; and enhancements will be made to the program design to address issues and offer alternatives before the pilot is rolled out to the full pilot of 64 employers.

Following additional discussion, Mr. Heisler made a motion, which was seconded by Mr. Fusco, and approved unanimously, to direct the PEBA staff to begin implementation of the wellness pilot program, with a limited test group, effective April 1, 2015. The implementation would include the addition of staff and procurement of contracts, etc.

6. 2015 & 2016 STATE HEALTH PLAN

Mr. Mike Madalena, from Gabriel, Roeder, Smith and Company (GRS), discussed the 2015 State Health Plan budget, and reviewed the range of copayments and deductible amounts required to remain in grandfathered status.

Following further discussion, Mr. Heisler made a motion, which was seconded by Mr. Penn, and approved unanimously, that the schedule of increases in copayments and deductibles for the 2015 State Health Plan may be amended, but shall not exceed the schedule of copayment and deductible increases previously approved by the PEBA Board and the Budget and Control Board with budget proviso 105.7.

Mr. Madalena also reviewed the preliminary State Health Plan budget requirements for 2016, and discussed inflation rates, growth rates, and trend assumptions to determine the copayments and deductible amounts for 2016.

Ms. Laura Smoak, PEBA, Manager of Research and Statistics, stated that in 2016, if there are no Plan design changes, premiums will need to be increased by 4.25 percent, shared by the employer and employee, and the state cost would be \$45.2 million. Ms. Smoak added that if grandfathered status is not maintained, and the Affordable Care Act (ACA) benefits are added, premiums will need to increase by 7.8 percent, and the state cost would be \$63.1 million.

7. PHARMACY STRATEGIES AND SPECIALITY PHARMACY MANAGEMENT

Mr. Kevin DeStefino, from GRS, reviewed the Pharmacy Benefit Strategy presentation. Mr. DeStefino defined three discussion topics of the pharmacy benefits strategy including:

SC PUBLIC EMPLOYEE BENEFIT AUTHORITY- BOARD OF DIRECTORS

Health Care Policy Committee-Minutes Approved 10.16.14

200 Arbor Lake Drive, Columbia SC, Main Conference Room 2nd Floor

Wednesday, September 10, 2014 – 10:00 a.m.

1. Can PEBA reduce Pharmacy Benefit Manager (PBM) administration costs by becoming its own administrator?
2. Can PEBA reduce PBM administration costs by becoming more profitable for a PBM?
3. Can PEBA reduce PBM administration costs and provide a better business opportunity for other organizations by creating a Group Purchase Organization (GPO)?

Mr. DeStefino reviewed the advantages and disadvantages of PEBA administering the prescription drug benefits, as well as other alternative strategies including contracting with a Pharmacy Benefit Administrator (PBA).

Mr. DeStefino also reviewed the advantages and disadvantages of the two retail network contracting strategies PEBA is considering for the next PBM RFP including: PBM network pricing (the strategy that is in place today), and PEBA defined network pricing.

Mr. DeStefino turned the discussion to specialty drugs, and stated that specialty drugs are medications that are approved by the Food and Drug Administration (FDA); however, they are defined by the PBM industry, not the FDA. Mr. DeStefino stated that specialty drugs are so expensive for several reasons including the high cost of research and development, and that they treat a very small population segment with diseases that have limited treatment options. Mr. DeStefino reported that specialty drug spending is expected to jump by more than 40 percent by the end of 2015.

8. BIRTH OUTCOMES INITIATIVES

Mr. Brooks Goodman, from Blue Cross Blue Shield of South Carolina, presented the Birth Outcomes Initiatives (BOI), and stated that BOI is a public health effort that was launched in July of 2011, with the goal of reducing South Carolina's high preterm birth and neonatal intensive care unit (NICU) utilization rates. Mr. Brooks advised that the next focus of the BOI is the implementation of two provider incentive programs, including Centering Pregnancy and SBIRT. Mr. Brooks stated that Centering Pregnancy is a nationally recognized model of group prenatal care, and SBIRT is a public health approach for early intervention and treatment services for pregnant women with substance abuse.

After reviewing the cost associated with the Birth Outcomes Initiatives, Mr. Heisler made a motion, which was seconded by Mr. Penn, and approved unanimously, to approve the Birth Outcomes Initiatives recommendations as presented.

9. OLD BUSINESS/DIRECTOR'S REPORT

Chairman Pearce stated that due to time constraints, Ms. Boykin will present the Director's Report during the PEBA Board of Director's meeting later in the afternoon.

10. ADJOURNMENT

There being no further business, and upon motion by Mr. Fusco, which was seconded by Mr. Heisler, and approved unanimously, the Committee meeting adjourned at 12:45 p.m.