

MINUTES

**STATE AND PUBLIC SCHOOL
LIFE AND HEALTH INSURANCE PROGRAM
LEGISLATIVE TASK FORCE**

Tuesday, April 21, 2015

10:00 A.M.

**Room 171, State Capitol
Little Rock, Arkansas**

Senator Jim Hendren, the Chair of the State and Public School Life and Health Insurance Program Legislative Task Force, called the meeting to order at 10:00 a.m.

MEMBERS OF THE STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM

LEGISLATIVE TASK FORCE IN ATTENDANCE: Senator Jim Hendren, Chair; Representative Bill Gossage, Vice Chair; Senator Cecile Bledsoe; Senator Eddie Cheatham; Senator Linda Chesterfield; Senator Jason Rapert; Senator David Sanders; Representative Charlie Collins; Representative Bruce Cozart; Representative Charlene Fite; Representative George McGill; and Representative Laurie Rushing.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Alan Clark; Senator Jonathan Dismang; Senator Joyce Elliott; Senator Jimmy Hickey; Representative Nate Bell; Representative Charlotte Vining Douglas; Representative Jon Eubanks; Representative Jeremy Gillam; Representative Kim Hammer; Representative David Hillman; Representative Joe Jett; Representative Jack Ladyman; Representative Mark McElroy; Representative James Ratliff; and Representative Nelda Speaks.

Minutes:

Without objection, the minutes of March 16, 2015 and March 23, 2015, were approved as written.

Exhibits:

Exhibit C1 – 03/16/15 Minutes

Exhibit C2 – 03/23/15 Minutes

Remarks by the Chair

Senator Hendren referenced the handout, *Legislation Enacted by the 90th General Assembly Impacting the State and Public School Life and Health Insurance Program*, included in members' packets. He noted the document provides a summary of legislative changes in bills which were either heard by the Task Force or were recommended as Task Force bills to the General Assembly during the General Session.

Handout:

Legislation Enacted by the 90th General Assembly Impacting the State and Public School Life and Health Insurance Program

Update on the Fiscal Status of the Employee Benefits Division (EBD)

Presenter:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander commented that many legislative changes enacted by the 90th General Assembly will affect EBD's plans. He said he would prepare a handout to show any possible impact for the next meeting. Mr. Alexander went on to review financials for both the Arkansas State Employee (ASE) and the Public School Employee (PSE) plans, comparing numbers from January 1, 2015 through March 31, 2015 with those from January 1, 2014 through March 31, 2014. He said the PSE plan numbers show a large net increase of \$24 million which affects the year-to-date in the net assets. He explained this was the result of the receipt of a one-time payment of \$16 million from the Arkansas Department of Education (ADE) into EBD to go into the PSE fund. He noted that this payment distorts the month. Mr. Alexander commented that even without considering the \$16 million one-time payment, there was an \$8.2 million increase for the month, and the fund has a \$19.8 million balance so far this year. He said the net assets available are \$33.5 million and are unallocated reserves not dedicated to any possible liability. He said as this number goes up, so will available funds to offset any premium increases. He stated the ASE plan also had a very good month. It has a \$7.3 million balance for the month, and a \$16.8 million balance for the first three months. He said a deductible was added to the Premium plan, and, since about 90% of state employees are on the Premium plan, a large buildup is expected. He stated that as the deductible is met, accordingly, premiums will start being paid. He stated the unallocated reserves are \$42 million, of which 50% will be used to offset any premium increases. Mr. Alexander also discussed any impact the cap on bariatric surgery that went into effect this year might have had on the plan to date.

Handouts:

ASE and PSE Financials, January 1, 2015 through March 31, 2015 and January 1, 2014 through March 31, 2014

Review of Calculation Methodology Used in the Development of the Employee Benefits Division (EBD)'s Employee Premium Estimates and Discussion of Preliminary Estimates for 2016 Premiums

Presenter:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander said the actuary will present a preliminary "snapshot" look at rates to the State and Public School Life and Health Insurance Board (Board) and the Benefits Subcommittee next month. He said this will give the Board and the Benefits Subcommittee time to ascertain whether any adjustments are needed. Mr. Alexander continued his discussion with an explanation of how calculations are determined.

Issues Included in the Discussion:

- impact of legislative changes with regard to prescription drugs,
- time frame for projecting rates for 2016,
- impact of the transfer of fund balances from unallocated reserves on rate increases,
- ability to negotiate prices in the Request for Proposal (RFP) process,
- negotiating prices for the prescription plan,
- thinking "outside the box" about premiums,
- cost of plan administration on an annual basis, ability to negotiate cost reductions, and length of vendor service contracts, and
- other opportunities for cost reductions.

Discussion of Coverage Policy Developed by the Employee Benefits Division (EBD) Regarding Hepatitis-C Drugs

Presenter:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander gave a background for the relationship between EBD's Drug Utilization and Evaluation Committee (DUEC) and the Evidence-Based Prescription Drug Program (EBRx) at the UAMS College of Pharmacy. He said DUEC evaluated the data on new Hepatitis-C drugs on the market and made a recommendation to the EBD Board, which subsequently adopted a coverage policy. Mr. Alexander noted costs for new drugs run about \$1,000 a pill in a 3-month treatment plan, or about \$90,000 per person. He said the EBD policy is in line with those in other states and in other plans.

Contributor to the Discussion:

Mr. Dwight Davis, PharmD, Director, Evidence-Based Prescription Drug Program (EBRx), UAMS College of Pharmacy, was recognized. In a PowerPoint presentation, Mr. Davis explained the long-term effects of Hepatitis-C and the goal of therapy. He discussed the 5-point scoring mechanism designed to track the degree of the long-term effects of scarring of the liver or fibrosis. He said the scoring mechanism helps determine which patients are suitable for treatment. He noted the limitations in clinical trials which raised questions about the clinical data. He described EBD's coverage policy for new drugs available since the first of the year. He said EBD's Board will vote on final approval on EBD's coverage policy on April 21, 2015. He described the criteria for local/regional plans. He expressed concern that approximately 1.8% of adult Arkansans, or nearly 38,000 persons, have been infected with the Hepatitis-C Virus (HCV); and said that the Centers of Disease Control and Prevention (CDC) estimates that 45% to 85% of persons with HCV are unaware of their infection. He discussed the comparative costs of agents used to treat Hepatitis-C. Mr. Davis commented that there have been about fifteen (15) appeals to use these drugs; but, to date, only one (1) appeal has been approved because the patient met the criteria that the Board has approved. Mr. Davis stated this conversation goes way beyond Hepatitis-C. He said in Arkansas, we have a unique opportunity at this time to negotiate better prices with pharmaceutical manufacturers on drugs. He said EBD is taking steps in that direction through the pharmacy program, and there is a lot of opportunity on the horizon.

Issues Included in the Discussion:

- requiring those undergoing HCV drug treatment to comply with case management,
- costs and complications of not treating patients,
- using new drugs for patients eligible for liver transplants,
- expectations of the protocol for those infected with HCV,
- concerns about rationing of care,
- contracting HCV from the use of dirty needles in high-stress areas such as emergency and operating rooms,
- form letters sent by drug manufacturers,
- new drugs selling for less overseas,
- balancing innovation, patent laws, and regulation laws,
- drug manufacturers procuring lists of names of those with HCV, and
- access to clinical data.

Handout:

Discussion of Coverage Policy Developed by the Employee Benefits Division (EBD) Regarding Hepatitis-C Drugs, April 21, 2015

Discussion of the Process Used by the Employee Benefits Division (EBD) to Determine What Supplemental Products will be Offered by EBD

Senator Hendren commented on his reason for having the item that follows on the agenda. He said that during the 90th General Session, the issue of how supplemental products (*i.e.*, cancer insurance, term life insurance, hospital indemnity, cafeteria plans, etc.) are sold to local school districts had drawn attention and caused some controversy. He said his number one priority at that time had been to make sure nothing was done to imperial health insurance programs, with which the Task Force was charged. He noted supplemental products are not encompassed in the duties of the Task Force. He stated, however, that since the programs are all somewhat interrelated and all come through EBD, he felt it would be beneficial to have an explanation of how the process works and how products are sold to school districts at the local district level and through EBD.

Presenter:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander explained that, basically, EBD does not intervene at all in the sale of voluntary products to school districts. He said each school district is able to buy its own suite of supplemental products. He stated EBD has only two voluntary products made available to school districts to offer to their employees: term life insurance through Minnesota Life, and a Health Savings Account (HSA) through DataPath, Inc. He said school districts can utilize these products from EBD's vendors or from other vendors; they choose their own vendors for all other products.

Issues Included in the Discussion:

- time frames for contracts going out for bid,
- how school districts go about deciding which supplemental products will be offered,
- understanding who controls supplemental products, EBD or local school districts,
- number of supplemental programs offered to school districts,
- protocols put in place to make sure nothing is untoward in the bidding process at the local level,
- Request for Quotation (RFQ) issued by EBD for an agent to help select voluntary products and vendors on the ASE side,
- request for a list of vendors, locations, and size of contracts for supplemental products on the ASE side,
- impact of legislation passed to market to local school districts on EBD's products, and
- request for information on who has contracts with which school districts.

Senator Hendren stated that if anyone is unhappy with supplemental products at the local level, legislators need to clarify which entity runs the program and to furnish a name to contact.

Response of the Employee Benefits Division (EBD) to the Population Health Management Report by Human Factor Analytics, Inc.

Presenter:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander referenced a handout, *Review of Human Factor Analysis Population Health Management Report*, a summary of key findings in eight (8) areas covered in the 75-page *Population Health Management Report*. He discussed the following four areas:

- 1: Reductions in Spending from 2013 to 2014
- 2: Diabetes Complications and Co-Morbidities
- 3: Preventive Screenings and
- 7: Avoidable Emergency Room Visits.

Issues Included in the Discussion:

- * moving aggressively in the direction of a reward and consequences approach,
- * communicating the benefits of a Wellness program to employees at the local level,
- * EBD as a provider of information to health insurance representatives of state agencies and school districts, who, in turn, inform employees, and
- * conducting health analyses at agencies or school districts.

Handout:

Review of Human Factor Analysis Population Health Management Report

Update on the Development of a Member Satisfaction Survey by the Employee Benefits Division (EBD)

Presenter:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration, was recognized. Mr. Alexander said he has reached out to other states to learn how they handle surveys. He said it is critical that the questions are right and the right vendor is selected to track responses and enter data. He noted that both state and public school employees will participate in the survey. He commented that even a simple approach carries a \$30,000 price tag. He said he was pretty certain that to keep the costs down, it will have to be an online survey. He would like to have an initial roll-out in the summer with a postcard announcing the survey to participants.

Senator Hendren said he would like to see two or three formats and presented to the Task Force at the next meeting. He said he will request **Mr. Johnny Key**, Commissioner, Arkansas Department of Education, to attend the next meeting and talk about getting participation from school employees.

Next Scheduled Meeting:

Wednesday, May 27, 2015, at 10:00 a.m. in Room 171 of the State Capitol in Little Rock

Adjournment:

The meeting adjourned at 11:52 a.m.

Approved: 07/17/15