

**State and Public School Life  
And Health Insurance Board  
Minutes  
July 19, 2011**

The 118th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on July 19, 2011 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

**MEMBERS PRESENT**

Renee Mallory  
John Kirtley  
William Goff  
Lloyd Black  
Janis Harrison  
Kelly Chaney  
Bob Alexander  
Dr. Andrew Kumpuris  
Coby Logan  
Carla Wooley

**MEMBERS ABSENT**

Dr. Joseph Thompson

Jason Lee, Executive Director, Employee Benefits Division.

**OTHERS PRESENT:**

George Platt, Marla Wallace, Doug Shackelford, Stella Greene, Paige Harrington, Lori Eden, Pamela Lawrence, Tracy Collins, Kathy Johnson, Latryce Taylor, Kristie Cox, Ellen Justus, Cathy Harris, EBD; Rhonda Hill, ACHI/EBD, Kathy Ryan, Ron Deberry, David Bridges, ABCBS/Health Advantage; Ronda Walthall, AR Highway & Transportation Dept, Mike Moratz, Ethicon Endo-Surgery; Susan Walker, Data Path Administrative Services; George Burks, USABLE Life; Steve Singleton, AR Retired Teacher Association; Dwight Davis, UAMS; Doris Williams, Vicki Fleming, AR Department of Health; Kim Henderson, AR Development Finance Authority; Marc Watts, AR State Employee Association; Mona Neal, AR Public Service Commission; Jill Johnson, UAMS, College of Pharmacy; Joe Chang, MN Life/Securian; AR Game & Fish Commission; Frances Bauman, Novo Nordisk; BJ Himes, Mike Stock, QualChoice; Steve Stewart, AR Employee Association; Sharon Marcum, Life Synch

**CALL TO ORDER**

Meeting was called to order by Renee Mallory, Chair.

## **APPROVAL OF MINUTES**

The request was made by Mallory to approve the June 14, 2011 minutes. Harrison made the motion to approve minutes. Alexander seconded. All were in favor. Minutes approved.

## **WELCOME NEW BOARD MEMBERS** *by Renee Mallory*

Mallory welcomed Carla Wooley to the Board. Wooley is employed with the Department of Finance, Office of Administrative Services. Wooley fills the seat vacated by Janis Harrison. Harrison fills the seat vacated by Shelby McCook for state retiree.

## **FINANCIALS** *by Marla Wallace, Interim CFO*

Wallace presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) and the penalties assessed by state agencies and school districts for May 2011.

## **BENEFITS SUBCOMMITTEE REPORT** *by Jason Lee*

Lee informed the Board the Benefits Committee met on July 15, 2011.

### **1. Weight Loss Program & Bariatric Surgery Pilot Program**

Lee informed the Board the Patient Protection and Affordable Care Act (PPACA) requires them to change some of the elements of the current weight management program that include intensive dietary counseling.

**Recommendation:** Recommend coverage for general weight management services according to The Patient Protection and Affordable Care Act (PPACA) and the US Preventative Task Force (USPSTF) recommendations.

Black seconded motion to adopt. All were in favor. Motion carried.

Lee explained that in April 2011 the Board adopted the Medicare guidelines for Bariatric surgery. Lee provided an overview of the requirements for participation in the Bariatric Pilot Program.

**Recommendation:** Cover bariatric surgery as outlined by the requirements for participation in Bariatric Pilot Program.

**Note:** May make recommendations in the future to pass on cost sharing to the members and spouses if allowed for under the law.

Lee informed the Board that some of the requirements for participation in the program are not Medicare guidelines for Bariatric surgery.

A discussion ensued about Center of Excellence.

Lee said the Board received a request for the Board to consider Bariatric surgery procedures in provisional institutions. Lee explained the Medicare guidelines require that surgical procedure be performed in a fully approved bariatric surgery center of excellence.

Dr. Kumpuris talked about surgeon qualifications. Kumpuris suggested they consult with Dr. John Baker with the Baptist Health Weight Loss Center about credentialing of the surgeons.

Harrison seconded the motion to adopt the motion from the Benefits subcommittee for the Bariatric Surgery Pilot Program. Motion carried.

Kirtley requested a list of the subcommittees and their duties.

## **2. Long-Term Acute Care**

LTAC is focused on patients with serious medical problems that require intense, special treatment for a long time. These patients often transfer from Intensive Care units in traditional hospitals.

**Recommendation:** LTAC admissions to be covered for members.

All admissions to LTAC must be pre-authorized by AHH following the guidelines as established by the policy, and must be to in-network facilities

- AHH will re-review each admission every seven days to ensure that progress is being made to independence or discharge to a lower level of care
- All members seeking admission to LTAC will be required to participate in case management (the case managers will be required to attempt to negotiate favorable rates at in-network facilities)

Harrison seconded the motion to adopt. Motion carried.

## **3. Life Insurance Rate Increase for Public School Employee**

Lee said US Able Life reported: claims have been 101.3% of premium from 1/1/2007 through 4/30/2011, Loss ratio (claims/premium) has increased over the experience period, total loss ratio should be at 89.5% to cover admin expenses and premium tax. The projected required increase is 13.2%.

**Recommendation:** Adopt a 10% increase on all life coverage.

Harrison seconded the motion to adopt. Motion carried.

#### 4. 2012 plan year rates – Gold/ Silver / Bronze

Lee provided an overview of option A and B regarding the plan design for the Silver plan.

**Recommendations:** Adopt Option B (Silver \$25 PCP Copay / \$750 Deductible) for PSE & ASE Actives & Non Medicare Eligible Retirees.

Lee said there are no further recommendations regarding the rates from the Benefits committee.

Colberg provided an overview of the ASE & PSE Actives and Retires preliminary rates for Plan Year 2012.

Black made the motion to adopt Option B (Silver \$25 PCP Copay / \$750 Deductible) for PSE Actives & Non Medicare Eligible Retirees. Harrison seconded. Motion carried.

Alexander made the motion to adopt Option B (Silver \$25 PCP Copay / \$750 Deductible) for ASE Actives & Non Medicare Eligible Retirees. Wooley seconded. Motion carried.

#### **FORMULARY MANAGEMENT RULES** *by Jason Lee*

Lee explained two generic medications are currently placed on the Reference Price program for the Statin medication category with a plan payment per-pill of \$0.30. The cost of these two medications is so low (approximately \$0.23 average per pill) that the plan's payment of \$0.30 per pill leaves the member in some cases paying \$0.00. By moving the medication to Tier I, the member would have a co-pay of \$10 and the plan would have little to no liability. Plan savings for these two medications alone is projected to be in excess of \$250,000 per year. Utilization is approximately 5,000 members. Effective date for this formulary rule change would be January 1, 2012 unless otherwise directed.

**Recommendation:** Medications priced under a "Reference Pricing" strategy may be added to Tier I when the plan cost is inverted to the member's responsibility and a plan savings can be achieved.

A discussion ensued.

Alexander made a motion to adopt. Black seconded. Motion carried.

A motion by Logan for the formulary change to be effective October 1, 2011 died for lack of a second.

**Meeting adjourned.**

# AGENDA

## State and Public School Life and Health Insurance Board

EBD Board Room - 501 Building - 5<sup>th</sup> Floor

July 19, 2011 1:00 p.m.

1. Call to Order ..... *Renee Mallory, Chair*
2. Approval of Minutes ..... *Renee Mallory, Chair*
3. Financials (May 2011)..... *Marla Wallace, Interim Chief Fiscal Officer*
4. Benefits Sub-Committee Report ..... *Jason Lee Executive Director*
  - a. Weight Loss Program
  - b. Bariatric Surgery Pilot Program
  - c. Long Term Acute Care (LTAC) Facility Coverage
  - d. Public School Life Insurance Rates 2012
  - e. 2012 Plan Year Rates – Gold / Silver / Bronze
5. Pharmacy Formulary Rule Amendment.... *Jason Lee, Executive Director*
6. Director's Report ..... *Jason Lee, Executive Director*

### Upcoming Meetings

*To Be Announced*

Arkansas State Employees (ASE) Financials - January 1, 2011 through June 30, 2011				
	ARHealth	Health Adv	NovaSys	Total
Actives		25,790	906	26,696
Actives HD			1,069	1,069
Retirees	9,102			9,102
COBRA		117	7	124
Total	9,102	25,907	1,982	36,991
<b>Operations as of 06/30/11</b>				
<b>Funding</b>			<b>Current Month</b>	<b>Year to Date (6 months)</b>
State Contribution			\$ 13,607,012	\$ 81,673,036
Employee Contribution, Rebates, Medicare Subsidy, and ERRP			\$ 12,976,743	\$ 51,699,471
<b>Total Funding</b>			<b>\$ 26,583,755</b>	<b>\$ 133,372,507</b>
<b>Expenses</b>				
Medical Expenses				
Claims Expense			\$ 19,618,235	\$ 86,470,417
Claims IBNR			\$ -	\$ -
Medical Admin Fees			\$ 1,030,611	\$ 5,662,707
Refunds			\$ 6,294	\$ 45,512
Behavioral Health			\$ 330,954	\$ 1,981,298
Life Insurance			\$ 102,359	\$ 612,326
Pharmacy Expenses				
RX Claims			\$ 8,654,862	\$ 35,981,667
RX IBNR			\$ -	\$ -
RX Admin			\$ 112,948	\$ 482,948
Plan Administration			\$ 362,849	\$ 1,418,739
<b>Total Expenses</b>			<b>\$ 30,219,111</b>	<b>\$ 132,655,615</b>
<b>Net Income/(Loss)</b>			<b>\$ (3,635,356)</b>	<b>\$ 716,892</b>
<b>Balance Sheet as of 06/30/11</b>				
<b>Assets</b>				
Bank Account			\$	10,688,901
State Treasury			\$	101,645,065
Due from Cafeteria Plan			\$	4,788,924
Due from PSE			\$	-
Receivable from Provider			\$	1,005,703
Accounts Receivable			\$	1,257,525
<b>Total Assets</b>				<b>\$ 119,386,119</b>
<b>Liabilities</b>				
Accounts Payable			\$	6,166,987
Deferred Revenues			\$	4,258,589
Due to Cafeteria			\$	-
Due to PSE			\$	1,433
Health IBNR			\$	21,570,000
RX IBNR			\$	2,680,000
<b>Total Liabilities</b>				<b>\$ 34,677,010</b>
<b>Net Assets</b>				<b>\$ 84,709,109</b>
<b>Less Reserves Allocated:</b>				
Catastrophic Reserve			\$	(8,900,000)
Pharmacy Reward Program (2010-\$1,500,000)			\$	(1,500,000)
<b>Net Assets Available</b>				<b>\$ 74,309,109</b>

# ASE Cafeteria Plan Financials 2011- January 1, 2011 through June 30, 2011

## Cafeteria Plan Operations as of 06/30/11

<b>Funding</b>	<b>Current Month</b>	<b>Year to Date (6 months)</b>
FICA Savings	\$ 367,891	\$ 2,166,025
Interest, Penalties, Tax Set Off	\$ 17,996	\$ 35,076
<b>Total Funding</b>	<b>\$ 385,887</b>	<b>\$ 2,201,101</b>
<b>Expenses</b>		
Plan Administration	\$ 15,979	\$ 84,295
Forfeited Benefits (Annual Expense)	\$ 4,211,275	\$ 4,211,275
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ 4,227,254</b>	<b>\$ 4,295,570</b>
<b>Net Income/(Loss)</b>	<b>\$ (3,841,367)</b>	<b>\$ (2,094,469)</b>

## Balance Sheet as of 06/30/11

<b>Assets</b>		
State Cafeteria (Flexible Benefits)		\$ 613,663
Admin Acct (FICA Savings)		\$ 76,353
State Treasury		\$ 4,200,312
Due from Health Plan		\$ -
Due from State Employee Fund		\$ -
Accounts Receivable		\$ 21,285
<b>Total Assets</b>		<b>\$ 4,911,613</b>
<b>Liabilities</b>		
Accounts Payable		\$ (11,980)
Due to Health Plan (FICA Savings Annual)		\$ -
Due to Health Plan (Forfeited Benefits Annual)		\$ 4,788,924
<b>Total Liabilities</b>		<b>\$ 4,776,944</b>
<b>Net Assets</b>		<b>\$ 134,669</b>

Arkansas State Employees (ASE) Financials - January 1, 2011 through July 31, 2011				
	ARHealth	Health Adv	NovaSys	Total
Actives		25,770	903	26,673
Actives HD			1,083	1,083
Retirees	9,109			9,109
COBRA		123	7	130
Total	9,109	25,893	1,993	36,995
<b>Operations as of 07/31/11</b>				
<b>Funding</b>			<b>Current Month</b>	<b>Year to Date (7 months)</b>
State Contribution			\$ 13,501,540	\$ 95,174,576
Employee Contribution, Rebates, Medicare Subsidy, and ERRP			\$ 7,286,719	\$ 58,986,190
<b>Total Funding</b>			<b>\$ 20,788,259</b>	<b>\$ 154,160,766</b>
<b>Expenses</b>				
Medical Expenses				
Claims Expense			\$ 9,359,557	\$ 95,829,974
Claims IBNR			\$ -	\$ -
Medical Admin Fees			\$ 1,195,768	\$ 6,858,475
Refunds			\$ 17,055	\$ 62,566
Behavioral Health			\$ 330,904	\$ 2,312,202
Life Insurance			\$ 102,264	\$ 714,589
Pharmacy Expenses				
RX Claims			\$ 2,817,366	\$ 38,799,033
RX IBNR			\$ -	\$ -
RX Admin			\$ 142,952	\$ 625,900
Plan Administration			\$ 96,617	\$ 1,515,356
<b>Total Expenses</b>			<b>\$ 14,062,481</b>	<b>\$ 146,718,096</b>
<b>Net Income/(Loss)</b>			<b>\$ 6,725,777</b>	<b>\$ 7,442,670</b>
<b>Balance Sheet as of 07/31/11</b>				
<b>Assets</b>				
Bank Account			\$	8,098,542
State Treasury			\$	105,672,030
Due from Cafeteria Plan			\$	4,788,933
Due from PSE			\$	-
Receivable from Provider			\$	483,996
Accounts Receivable			\$	883,782
<b>Total Assets</b>			<b>\$</b>	<b>119,927,282</b>
<b>Liabilities</b>				
Accounts Payable			\$	17,612
Deferred Revenues			\$	4,224,784
Due to Cafeteria			\$	-
Due to PSE			\$	-
Health IBNR			\$	21,570,000
RX IBNR			\$	2,680,000
<b>Total Liabilities</b>			<b>\$</b>	<b>28,492,396</b>
<b>Net Assets</b>			<b>\$</b>	<b>91,434,886</b>
<b>Less Reserves Allocated:</b>				
Active/Retiree Premiums for Plan Year 1/1/12 - 12/31/12 (\$18,650,000)			\$	(18,650,000)
Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13 (\$11,190,000)			\$	(11,190,000)
Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14 (\$7,460,000)			\$	(7,460,000)
Catastrophic Reserve			\$	(8,900,000)
Pharmacy Reward Program (2010-\$1,500,000)			\$	(1,500,000)
<b>Net Assets Available</b>			<b>\$</b>	<b>43,734,886</b>



## ASE Cafeteria Plan Financials 2011- January 1, 2011 through July 31, 2011

### Cafeteria Plan Operations as of 07/31/11

<b><u>Funding</u></b>	<b>Current Month</b>	<b>Year to Date (7 months)</b>
FICA Savings	\$ 359,940	\$ 2,525,965
Interest, Penalties, Tax Set Off	\$ 1,255	\$ 36,331
<b>Total Funding</b>	<b>\$ 361,195</b>	<b>\$ 2,562,296</b>
<b><u>Expenses</u></b>		
Plan Administration	\$ 13,483	\$ 97,778
Forfeited Benefits (Annual Expense)	\$ -	\$ 4,211,275
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ 13,483</b>	<b>\$ 4,309,053</b>
<b>Net Income/(Loss)</b>	<b>\$ 347,712</b>	<b>\$ (1,746,757)</b>

### Balance Sheet as of 07/31/11

<b><u>Assets</u></b>	
State Cafeteria (Flexible Benefits)	\$ 786,453
Admin Acct (FICA Savings)	\$ 207,611
State Treasury	\$ 4,417,347
Due from Health Plan	\$ -
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 21,285
<b>Total Assets</b>	<b>\$ 5,432,697</b>
<b><u>Liabilities</u></b>	
Accounts Payable	\$ 161,384
Due to Health Plan (FICA Savings Annual)	\$ 8
Due to Health Plan (Forfeited Benefits Annual)	\$ 4,788,924
<b>Total Liabilities</b>	<b>\$ 4,950,316</b>
<b>Net Assets</b>	<b>\$ 482,380</b>

Public School Employees (PSE) Financials - October 1, 2010 through June 30, 2011				
	ARHealth	Health Adv	NovaSys	Total
Actives		37,418	2,914	40,332
Actives HD			4,760	4,760
Retirees	8,038			8,038
COBRA		678	77	755
Total	8,038	38,096	7,751	53,885
<b>Operations as of 06/30/11</b>				
<b>Funding</b>			<b>Current Month</b>	<b>Year to Date (9 months)</b>
District Contribution			\$ 5,908,755	\$ 53,200,279
Employee Contribution, Rebates, and ERRP			\$ 13,223,780	\$ 117,652,663
Dept of Ed \$35,000,000 & \$15,000,000			\$ -	\$ 36,704,545
<b>Total Funding</b>			<b>\$ 19,132,535</b>	<b>\$ 207,557,488</b>
<b>Expenses</b>				
Medical Expenses:				
Claims Expense			\$ 23,783,807	\$ 147,579,663
Claims IBNR			\$ -	\$ -
Medical Admin Fees			\$ 1,540,051	\$ 12,431,152
Refunds			\$ (2,523)	\$ (9,009)
Behavioral Health			\$ 340,221	\$ 3,376,474
Pharmacy Expenses:				
RX Claims			\$ 7,397,572	\$ 43,920,040
RX IBNR			\$ -	\$ -
RX Admin			\$ 101,482	\$ 631,547
Plan Administration			\$ 430,280	\$ 2,551,259
<b>Total Expenses</b>			<b>\$ 33,590,889</b>	<b>\$ 210,481,126</b>
<b>Net Income/(Loss)</b>			<b>\$ (14,458,354)</b>	<b>\$ (2,923,638)</b>
<b>Reserve Activity:</b>				
Allocation for Active Premiums for Plan Yr 10/01/10-12/31/11			\$ 789,333	\$ 7,104,000
Retiree Premiums for Plan Year 01/01/11-12/31/11			\$ 63,333	\$ 380,000
<b>Net Income/(Loss) After Reserves</b>			<b>\$ (13,605,687)</b>	<b>\$ 4,560,362</b>
<b>Balance Sheet as of 06/30/11</b>				
<b>Assets</b>				
Bank Account			\$	13,900,827
State Treasury			\$	58,855,866
Receivable from Provider			\$	913,856
Accounts Receivable			\$	90,899
Due from ASE			\$	1,433
<b>Total Assets</b>			<b>\$</b>	<b>73,762,881</b>
<b>Liabilities</b>				
Accounts Payable			\$	6,556,022
Due to ASE			\$	-
Deferred Revenues			\$	1,367,609
Health IBNR			\$	25,500,000
RX IBNR			\$	2,340,000
<b>Total Liabilities</b>			<b>\$</b>	<b>35,763,631</b>
<b>Net Assets</b>			<b>\$</b>	<b>37,999,250</b>
<b>Less Reserves Allocated:</b>				
Active Premiums for Plan Year 10/01/10-12/31/11 (\$11,840,000)			\$	(4,736,000)
Retiree Premiums for Plan Year 01/01/11-12/31/11 (\$760,000)			\$	(380,000)
Active Premiums for Plan Years 1/01/12-12/31/13 (\$7,344,000 + \$3,296,000 = \$10,640,000)			\$	(10,640,000)
Retiree Premiums for Plan Years 01/01/12-12/31/13 (\$456,000 + \$304,000 = \$760,000)			\$	(760,000)
Catastrophic Reserve			\$	(10,000,000)
Pharmacy Reward Program (2010-\$1,500,000)			\$	(1,500,000)
<b>Net Assets Available</b>			<b>\$</b>	<b>9,983,250</b>

Public School Employees (PSE) Financials - October 1, 2010 through July 31, 2011				
	ARHealth	Health Adv	NovaSys	Total
Actives		37,036	2,876	39,912
Actives HD			4,707	4,707
Retirees	8,144			8,144
COBRA		730	83	813
Total	8,144	37,766	7,666	53,576
Operations as of 07/31/11				
		Current Month	Year to Date (10 months)	
<b>Funding</b>				
District Contribution		\$ 5,848,233	\$	59,048,512
Employee Contribution, Rebates, and ERRP		\$ 12,733,210	\$	130,385,873
Dept of Ed \$35,000,000 & \$15,000,000		\$ 6,931,818	\$	43,636,364
<b>Total Funding</b>		\$ 25,513,261	\$	233,070,748
<b>Expenses</b>				
Medical Expenses:				
Claims Expense		\$ 11,663,763	\$	159,243,426
Claims IBNR		\$ -	\$	-
Medical Admin Fees		\$ 1,954,410	\$	14,385,561
Refunds		\$ 10,307	\$	1,298
Behavioral Health		\$ 337,599	\$	3,714,073
Pharmacy Expenses:				
RX Claims		\$ 2,245,610	\$	46,165,650
RX IBNR		\$ -	\$	-
RX Admin		\$ 182,375	\$	813,922
Plan Administration		\$ (131,732)	\$	2,419,527
<b>Total Expenses</b>		\$ 16,262,332	\$	226,743,457
<b>Net Income/(Loss)</b>		\$ 9,250,929	\$	6,327,291
<b>Reserve Activity:</b>				
Allocation for Active/Retiree Premiums for Plan Year 2011		\$ 852,667	\$	8,336,667
<b>Net Income/(Loss) After Reserves</b>		\$ 10,103,596	\$	14,663,958
Balance Sheet as of 07/31/11				
<b>Assets</b>				
Bank Account			\$	16,968,328
State Treasury			\$	58,872,216
Receivable from Provider			\$	445,466
Accounts Receivable			\$	269,003
Due from ASE			\$	-
<b>Total Assets</b>			\$	76,555,012
<b>Liabilities</b>				
Accounts Payable			\$	4,092
Due to ASE			\$	-
Deferred Revenues			\$	1,460,742
Health IBNR			\$	25,500,000
RX IBNR			\$	2,340,000
<b>Total Liabilities</b>			\$	29,304,834
<b>Net Assets</b>			\$	47,250,179
<b>Less Reserves Allocated:</b>				
Active/Retiree Premiums for Plan Year 2011 (\$12,600,000)			\$	(4,263,333)
Active/Retiree Premiums for Plan Year 01/01/12 - 12/31/12 (\$16,800,000)			\$	(16,800,000)
Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000)			\$	(9,000,000)
Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000)			\$	(3,600,000)
Catastrophic Reserve			\$	(10,000,000)
Pharmacy Reward Program (2010-\$1,500,000)			\$	(1,500,000)
<b>Net Assets Available</b>			\$	2,086,845

# **State and Public School Life and Health Insurance Board Benefits Sub-Committee Report**

**Meeting Date: July 15, 2011**

## **1. Weight Loss Program & Bariatric Surgery Pilot Program**

- a. Recommendation:** Recommend coverage for general weight management services (attached) according to The Patient Protection and Affordable Care Act (PPACA) and the US Preventative Task Force (USPSTF) recommendations.
- b. Recommendation:** Cover bariatric surgery as outlined by the requirements for participation in Bariatric Pilot Program (attached) *[May make recommendations in the future to pass on cost sharing to the members and spouses if allowed for under the law].*

## **2. Long Term Acute Care (LTAC) Facility Coverage**

- c. Recommendation:** LTAC admissions to be covered for members as outlined by the policy for LTAC coverage (attached)

## **3. Life Insurance Rate Increase – Public School Employee**

USABLE Life reported to the Benefits committee:

- Life claims have been 101.3% of premium from 1/1/2007 through 4/30/2011
- Loss ratio (claims/premium) has increased over the experience period
- Loss ratio should be at 89.5% to cover admin expenses and premium tax
- Projected required increase is 13.2%

**d. Recommendation:** 10% increase on all life coverage.

	<u>Current rate per \$1000</u>	<u>New rates per \$1000</u>
Basic Life	0.080	0.088
Basic AD&D	0.030	0.030
Supplemental Life	0.200	0.220
Supplemental AD&D	0.030	0.030
Dependent Life	0.192	0.211
Retiree Life	2.580	2.838

**4. 2012 Plan Year Rates – Gold / Silver / Bronze**

**Recommendations:**

PSE Actives & Non Medicare Eligible Retirees – Option B (Silver \$25 PCP Copay / \$750 Deductible).

ASE Actives & Non Medicare Eligible Retirees - Option B (Silver \$25 PCP Copay / \$750 Deductible).

## Recommendations from Benefits Committee to Board:

1. Recommend coverage for general weight management services according to PPACA and USPSTF recommendations.

Some Details included in PPACA are:

- Preventive services provision applies to people enrolled in job-related health plans or individual health insurance policies created after March 23, 2010.
- If your health plan uses a network of providers, be aware that health plans are only required to provide these preventive services through an in-network provider. Your health plan may allow you to receive these services from an out-of-network provider, but may charge you a fee.
- Your doctor may provide a preventive service, such as a cholesterol screening test, as part of an office visit. Be aware that your plan can require you to pay the co-pay for the office visit if the preventive service is not the primary purpose of the visit, or if your doctor bills you for the preventive services separately from the office visit.

### USPSTF adult obesity-related recommendations

<b>Screening and counseling for obesity: adults</b>	The USPSTF recommends that clinicians screen all adult patients for obesity and offer intensive counseling and behavioral interventions to promote sustained weight loss for obese adults.	B	Dec 31, 2003
<b>Counseling for a healthy diet</b>	The USPSTF recommends intensive behavioral dietary counseling for adult patients with hyperlipidemia and other known risk factors for cardiovascular and diet-related chronic disease. Intensive counseling can be delivered by primary care clinicians or by referral to other specialists, such as nutritionists or dietitians.	B	Jan 30, 2003

### USPSTF child obesity-related recommendations:

<b>Screening and counseling for obesity: children*</b>	The USPSTF recommends that clinicians screen children aged <u>6 years and older</u> for obesity and offer them or refer them to comprehensive, intensive behavioral interventions to promote improvement in weight status.	B	Jan 31, 2010
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*\*Note: The recommendation on screening and counseling for obesity in children went into effect on January 31, 2010. For this service, plans and issuers are required to provide coverage without cost-sharing in the first plan year (in the individual market, policy year) that begins on or after January 31, 2011.*

- EBD covers clinician screening of all patients for obesity (6 years and older).
- EBD covers intensive counseling\* as prescribed by the clinician (6 years and older).

*Recommendation #1 – additional notes*

*\*Intensive Counseling Notes*

- Intensive counseling can be delivered by primary care clinicians or by referral to other specialists, such as nutritionists or dietitians.
- A high-intensity intervention is more than 1 person-to-person (individual or group) session per month for at least the first 3 months of the intervention. A medium-intensity intervention is a monthly intervention, and anything less frequent is a low-intensity intervention.
- There are limited data on the best place for these interventions to occur and on the composition of the multidisciplinary team that should deliver high-intensity interventions.
- Evidence only for obese > 30 BMI, not overweight.

National Guidelines for children are being sent to us from ACH children's program ~ 25 hours contact with child and/or family for a 6 month period.

The definitions below (of USPSTF grades and quality of evidence ratings) were in use prior to the update and apply to recommendations voted on by the USPSTF prior to May 2007.

**A—Strongly Recommended:** The USPSTF strongly recommends that clinicians provide [the service] to eligible patients. *The USPSTF found good evidence that [the service] improves important health outcomes and concludes that benefits substantially outweigh harms.*

**B—Recommended:** The USPSTF recommends that clinicians provide [the service] to eligible patients. *The USPSTF found at least fair evidence that [the service] improves important health outcomes and concludes that benefits outweigh harms.*

**2. Recommendation to Benefits:** Cover bariatric surgery as outlined by the requirements for participation in Bariatric Pilot Program (attached) *[May make recommendations in the future to pass on cost sharing to the members and spouses if allowed for under the law].*

- Covers the procedures as noted in the Law
- Only subscribers and spouses will be eligible for bariatric surgery
- There are BMI minimums which must be adhered to for qualification
- Members with co-morbidities, will be required to participate in ARBenefitsPlus and be followed in Case Management
- Member must meet certain pre-surgery requirements and the surgery will need to be pre-authorized by AHH. Documentation of required elements must be provided to AHH at the time pre-authorization is requested for the Bariatric Surgery.
- Bariatric Surgery will only be covered when performed by an in-network bariatric surgery center of excellence (no provisional centers may be utilized under this pilot)

- 3. Recommendation to Benefits: LTAC admissions to be covered for members as outlined by the policy for LTAC coverage (attached)**
- All admissions to LTAC must be pre-authorized by AHH following the guidelines as established by the policy, and must be to in-network facilities
  - AHH will re-review each admission every seven days to ensure that progress is being made to independence or discharge to a lower level of care
  - All members seeking admission to LTAC will be required to participate in case management (the case managers will be required to attempt to negotiate favorable rates at in-network facilities)



**REQUIREMENTS FOR PARTICIPATION IN BARIATRIC PILOT PROGRAM**  
**(January 1, 2012 – December 31, 2017)**

ARBenefits will provide coverage for bariatric surgery to include:

- A.) Gastric bypass surgery
- B.) Adjustable gastric banding surgery
- C.) Sleeve gastrectomy surgery
- D.) Duodenal switch biliopancreatic diversion

Additional procedures must be approved by the Arkansas State and Public School Life and Health Insurance Board.

The surgical procedure must be pre-certified by your surgeon for medical necessity prior to surgery. Contact American Health Holding (AHH) at 800-592-0358.

**Criteria**

1. Subscribers and spouses only are eligible for bariatric surgery.
2. Members requesting bariatric surgery must be on ARBenefits plan for at least one year prior to request.
2. Member must have a BMI equal to or greater than 35 (35-40) with comorbidity or coexisting medical conditions such as hypertension, cardiopulmonary conditions, sleep apnea, or diabetes **OR** a BMI of greater than 40.
3. Member must participate in a physician-supervised weight loss program for a period of at least 6 months within the previous year prior to request for surgery.
4. Member with coexisting medical conditions must be enrolled in an ARBenefits Plus program appropriate for their medical condition for at least 6 months prior to surgery.
5. Member must have a psychological evaluation performed by a psychiatrist or psychologist related to weight loss and surgical preparedness.
6. The procedure must be performed at a fully approved (not provisional) in-network bariatric surgery center of excellence.
7. The member must agree in writing to comply with at least a one-year post surgery, physician-supervised treatment plan, and to be followed by an ARBenefits case manager.

**AHH will not be able to provide pre-certification until all necessary documentation has been obtained.**

8. Documentation required for pre-certification:

- A. Letter from PCP to include:
  1. Recommendation of member for bariatric surgery
  2. Ruling out of medically related causes of obesity (such as thyroid or endocrine disorders)
  3. Weight history over the past 5 years
- B. Records of at least 6 months of participation in a physician supervised weight loss program that includes nutrition, exercise, and behavior modification components. (In-network providers only will be covered by ARBenefits.) Summary letter is not acceptable.
- C. Records of all studies/procedures such as, but not limited to, sleep study, cardiac studies (stress test, echocardiogram, cardiac catheterization), operations on the stomach or intestines, hernia repair.
- D. Documentation of psychological evaluation.
- E. Post-Op follow-up treatment documentation form signed from surgeon's office.



## Formulary Management Rules Amendment

July 19, 2011

Presented to the State and Public School Life and Health Insurance Board; a recommendation from the Executive Director of Employee Benefits Division.

Recommendation: add the following rule to the ARBenefits Health Plan Formulary Management Rules:

7. Medications priced under a "Reference Pricing" strategy may be added to Tier I when the plan cost is inverted to the member's responsibility and a plan savings can be achieved.

### Details & Example

Two generic medications are currently placed on the Reference Price program for the Statin medication category with a plan payment per-pill of \$0.30. The cost of these two medications is so low (approximately \$0.23 average per pill) that the plan's payment of \$0.30 per pill leaves the member in some cases paying \$0.00. By moving the medication to Tier I, the member would have a co-pay of \$10 and the plan would have little to no liability. Plan savings for these two medications alone is projected to be in excess of \$250,000 per year. Utilization is approximately 5,000 members

Effective date for this formulary rule change would be January 1, 2012 unless otherwise directed.

# Formulary Management Rules (Proposed)

As Amended July 19, 2011

1. Formulary changes for existing covered medications that are not due to significant clinical, access or financial reasons will only be made at the beginning of a plan year. New Medications are added to the formulary upon approval by the Board
2. New products not currently covered by the plan in some other form will not be added to the formulary until a clinical review is completed by the DUEC. The college of pharmacy will bring new products to the DUEC for review in regards to any of the following conditions:
  - a. When newly available on the market
  - b. When requested by EBD, a member, a provider or the Board
  - c. As part of a class review
  - d. During a mid-quarter emergency review
  - e. When medical literature shows a significant change in outcome or new clinical data
3. Brand products on tier 2 will automatically move to tier 3 when a generic equivalent is released with the generic version added to tier 1; if a generic is removed from the market or has significant shortages in supply, the equivalent brand product on tier 3 will automatically move to tier 2.
4. Excluded drugs will be reviewed in regards to any of the following conditions:
  - a. When requested by EBD or the Board
  - b. As part of a class review
  - c. When medical literature shows a significant change in outcome or new clinical data
5. Financial appeals of formulary rules are not allowed; evidence of a medical reason to change a formulary rule will be considered by DUEC as part of a class review. This rule encompasses traditional tiered drugs, reference price drugs, and certain excluded drugs.
6. Applicable state and federal laws will be followed for the utilization of covered medications.
7. Medications priced under a "Reference Pricing" strategy may be added to Tier I when the plan cost is inverted to the member's responsibility and a plan savings can be achieved.