LMBC Meeting Minutes

January 12, 2016
Bull Run Room, 5th Floor Portland Building
Attendance

LMBC Members present
Stephanie Babb
Amy Bowles
Betsy Ames
Suzanne Kahn
David Rhys
Deborah Sievert-Morris
Jamie Burrows
Jon Uto
Alan Ferschweiler
Jay Guo
Dawn Martin
Amy Archer

LMBC members absent
Mark Gipson
Wendi Steinbronn

Staff
Cathy Bless
Vicki Arch
Larry Nelson
Kourosh Maghami

Other attendees
Anne Thompson (Aon)
Stephen Caulk (Aon)
Kim Jacoby (Aon)
Kevin DeStefino (Aon)
Elliott Levin (PTE 17)
Paul Cone (PTE 17)
John Scott (Op Eng, Local 701)

1. Call to Order: Alan Ferschweiler called the meeting to order at 12:45 p.m.

2. Minutes for the December 8th meeting were reviewed and approved with no changes.

3. **Self-Insured Plan Experience Reporting** — Cathy Bless summarized the financials. The self-insured plan is running a loss ratio of about 97%. There were no surprises this past month concerning claims for medical and dental. Prescription drug costs continue to run high.

4. **PBM (Pharmacy Benefit Manager) Finalist Interview Update and Discussion** – Kevin DeStefino (Aon) and Cathy Bless

   The RFP evaluators (Cathy Bless, Larry Nelson, Suzanne Kahn and Amy Bowles) met yesterday and interviewed finalists for the City's PBM provider. Moda, Optum Rx, CVS Health and ExpressScripts (ESI) made presentations which outlined their customer service, online access and cost management capabilities. Cathy asked for guidance from the LMBC concerning whether they are supportive of a restricted (or select) formulary that could save the plan as much as $1.5 million over the initial three year contract period. The alternative to a restricted formulary would be to continue the current open formulary model and make plan design changes geared towards transferring more of the costs to employees. The second alternative would save the plan some money, but likely not as much as the formulary restrictions. Kevin DeStefino provided some background about formularies as follows:

   - Currently the City has an "open" formulary with Kroger. The RFP bidders provided bids for both an open formulary and their restricted formularies.
   - With a restricted formulary, the PBM looks at classes of drugs having the same clinical outcomes in the treatment of a specific disease and selects one or two of those drugs to offer on the formulary based on price/rebate negotiations with the pharmaceutical companies. The other medications in that class are excluded from the plan and would not be covered.

- The reason PBMs have moved to restricted formularies is because they can achieve much higher rebates for a drug with an exclusive contract with the pharmaceutical company. It can also be used to combat some pharmaceutical companies with nefarious pricing schemes.
- The PBMs go to outside clinicians (not employed by the PBM) for pharmacy and therapeutic (P&T) evaluation/review of the drugs offered on the formulary.
- Some examples of impacted classes of drugs include human growth hormone (HGH) and insulin (and diabetic supplies). There may be six different brands of HGH or insulin. When the PBM offers exclusive coverage for just one of those brands, the pharmaceutical company will provide much higher rebates. There is minimal impact to our covered members, since HGH is HGH and insulin is insulin. But there is a great impact to the City's costs (and member cost as well since premiums are impacted by the cost to the plan.)
- Depending on the vendor, a restricted formulary can improve the plan pricing anywhere from 2 to 6%. There is a low impact on the member population (around 2 to 3%). On the other hand, if plan design changes are made, the impact would be felt by 100% of members who use prescription drugs.
- When the City moves to a new PBM, members may be affected by a formulary change even if the City has an open formulary. Each PBM has its own set of "preferred" vs. "non-preferred" drugs. Some members may have a positive change; that is, their current Rx may be non-preferred with Kroger, but it might be preferred with the new vendor, so their copay will be lower. Others may have a higher copay because their Rx may now be preferred but it will be on the new vendor's non-preferred listing.
- If the City moves to a restricted formulary there will be some of the same issues as above. In addition, some drugs will be excluded, or not covered by the new PBM. In these cases, impacted participants will be notified in advance and provided with alternatives. Appeals can be made to the exclusions, however there will need to be clinical evidence that they cannot use the alternative drug.
- In most cases generic drugs will not be impacted, however there may be some generics on different tier and some brand name medications will appear within the first tier.
- Communication will be important in addressing changes. Finalists had excellent websites providing information concerning formulary and costs. Once the City moves forward, the finalists will take a deeper dive into the City's data, with more specific information about the impact to members.
- Those items most impacted by a restricted formulary include insulin & supplies, antibiotics, most maintenance drugs, cardiovascular and antidepressants (but mostly generic in this category). Each vendor has an exception review process or they may have a prior authorization process.
- In the area of specialty drugs, a good example is the treatment of hepatitis C. There are two Hep-C drugs on the market. Each PBM will cover only one on the restricted plan. Because of the extremely high cost of these drugs, those exclusivity agreements will provide enormous cost savings for the plan.
- It was also noted that with drugs losing their patents and going generic, some drug manufacturers are combining two generic drugs to form a "new drug" at a much higher price. The PBMs will likely exclude the combo drug and continue to cover the two generics. As discussed previously, an appeals process for medical need would be important to ensure the plan is fair in its analysis.

- The finalist PBMs also have adherence monitoring and can provide services to help members comply with their medication schedules.

Cathy then asked the committee to provide their feedback concerning interest in pursuing the restricted formulary. Cathy encouraged members to refer to the values the committee had set in order to make these types of decisions. Looking forward 5 years, where will we be in terms of cost? Restricted formularies are becoming "best practice" within the industry. Each year prescription drug costs go up and a program will be required to manage those costs. Alternatives such as higher co-insurance, maximums, prior authorization requirements and step therapy programs can be implemented, but a restricted formulary is much cleaner. There is a cost saving of more than $1 million available by changing to a this strategy.

The group said they needed more time to decide. It was determined that they will get back to one of the RFP evaluators (Cathy, Amy or Suzanne) to let them know where they stand by end of day Tuesday, January 19th.

5. **Employee Survey –** Kim Jacoby (Aon)

Kim reviewed the survey results, which included trend data in the form of comparison to last year's survey and comparison to national norms. There was a 25% participation rate in the survey. Kim noted the following:

- There was a very positive jump in employee's perception of the competitiveness of the City's benefits;
- Concerning prescription drugs, if changes are made to plan benefits, employees would prefer a lower copay for maintenance drugs and higher copay for specialty drugs; (no questions were asked about restricted formularies)
- Overall, employees find the benefit communication to be effective;
- A higher percentage of employees in last year's survey said benefits were an important factor in their decision to come to work for the City. In both years, a very large percentage (83-85%) of employees indicated the benefits were an important part of their reason to stay with the City;
- In terms of benefit ranking, medical remains #1, but pension and deferred comp have moved up in importance;
- There's a very high awareness of the benefits, but employee's understanding of benefits has dropped in some cases (e.g., Rx benefits)
- Adequacy of benefits is higher than the norm for medical and dental coverage, while vision coverage has dropped off somewhat;
- In terms of factors for choosing a health plan, choice of providers was the #1 factor for employees overall. For those enrolled in the Kaiser plan, copayments was #1;
- When asked if the medical plan met employee/family needs, the results were slightly lower (3 percentage points) than last year;
- Regarding the question of whether employees would prefer plan design changes vs. a change in cost, 48% wanted plan design to remain the same, 31% said premium share was most important and 21% said cost of the doctor's office was most important. A suggestion was made to break this down in future surveys to a "cost or coverage" question, then have follow-up questions under cost to break down the premium share vs. cost at the doctor's office.

- Of the 128 write-in comments about medical/rx, a large number focused on alternative care and the medical flexible spending account (MERP)
- About 50% of the survey responders are potentially interested in a short term disability plan, should the City decide to offer one;
- Concerning mental health, many agreed they would be more likely to access mental health services through the medical plan if the copay was reduced;
- Finally, most employees are reporting that they do a good job of practicing healthy employees, there was an increase from last year.

6. **Plan Renewal:** Anne Thompson, Aon

   Anne briefly reviewed the renewal percentages for the plans in addition to stop loss. It was also noted that Standard had changed the terms for retirees porting their supplemental life plans, which the City is responding to. Because of time constraints it was decided a separate meeting may need to be held to review the renewal information.

7. Meeting was adjourned at 3:00 p.m.