ST. LOUIS COUNTY
HEALTH INSURANCE COMMITTEE

The St. Louis County Health Insurance Committee met on Wednesday, July 19, 2017 at 9:00 a.m. in the County Board Conference Room. The meeting was called to order by Don Dicklich, Committee Co-Chair.

Members Present:	Angie Mattsen	Jolene Jamnick
	Don Dicklich	Gordy Halverson
	Heather Ninefeldt	Tom Stanley
	Connie Westlund	Jim Gottschald

Others Present:	Jeff Coenen	Tiffany Kari
	Beth Menor	Sheri Vetscher
	Dave Kuschel	Kay Lokken

The February minutes were tabled due to the lack of a management quorum. No changes were requested.

PRESENTATIONS

1. The first item from the agenda was the 2016 year-end pharmacy update/review which compares pharmacy spend in 2016 to 2015. Ms. Vetscher of Prime Therapeutics provided the written report and highlighted the following:

    - Overall pharmacy (Rx) trend continues to decrease. Ms. Vetscher attributed this to a migration of the plan's older population to Medicare products.
    - Inflation continued to increase but the 2016 plan changes to the Rx benefit design helped to mitigate the impact.
    - Rx trend overall was a negative 04.7%
    - Rx inflation was 3.8% which was consistent with the rest of the market.
    - Rx Utilization decreased by 2.5%.
    - Non-specialty Rx trend decreased by 8%, Ms. Vetscher credited the 2016 benefit design changes that drive members to the lowest cost option.
    - Specialty Rx trend was a positive 3.2%, Ms. Vetscher cautioned that this will likely rise in the future as two new drugs hit the market to treat ALS and Muscular Dystrophy that cost more than a Hepatitis C treatment and unlike Hepatitis, require lifelong treatment.
    - To combat rising cost, in 2016, Prime implemented several new prior authorizations, excluded Roche & flu mist products, and added more than 14 new quantity limits.
    - Prior authorizations, quantity limits and step therapy in 2016 saved the plan $6.21 per member per month (PMPM), these savings can fluctuate a great deal over time depending on the plan's Rx mix.
    - The plan's high utilization from its older demographic impacts total PMPM by about $13.28.

- Ingredient cost per script was down 2.1%, the result of an 8.5% decrease in generic ingredient costs and an 11% increase in brand name ingredient costs.
- Member contributions were 8.8% and $9.93 PMPM of spend which had been cut in half since 2007 when they were over 16% and $14.42 PMPM; Ms. Vetscher attributed this to unchanged copays while Rx experienced significant inflation.
- Increasing copays can affect adherence rates negatively; adherence continued to be an across-the-board initiative at Blue Cross and Blue Shield of Minnesota (BCBSM).
- Had the plan maintained a 16% Rx member share since 2007, it would have paid out $2.5 million less.
- Today's copays would need to be at $15/$40/$80 (as compared to current $10/$20/$40) and 90 day Rx fills would need 2.5 copays (as compared to current 2 copays) to get back to a 16% member share.
- Currently the plan is giving up more in copay revenue than it is saving in discounts and dispensing fees under the 90 day Rx program.
- Over the last five years 77% of plan cost-share loss had been in Rx.
- High deductibles/copays on non-preferred brand drugs don't generally have any negative impact on medical spend but preferred copays should be kept under $50 for good adherence.
- E-prescribe software, if a clinic subscribes, allows physicians to see a patients' formulary and if the patient is opiate shopping.
- The pipeline in specialty Rx was robust and FDA approvals were happening faster so increases in specialty Rx spend were to be expected.
- Eventually, every plan's specialty Rx spend will be over 50% of total spend, not a matter of if, but a matter of when.
- Non-specialty spend had been flat except for Diabetes where a perfect storm of higher utilization (up 8.1%), new mix and inflation all spiked simultaneously.
- Cancer Rx was impacting the plan by $4.43 PMPM, not including cancer Rx embedded into medical claims (administered in doctor's office).
- BCBSM added 12 new Rx prior authorizations in 2016.
- BCBSM recently implemented a pilot program designed to drive members to the lowest-cost site of care (i.e infusion clinic, home infusion, hospital).
- The new BCBSM IT platform, Bluecore, added transparency to the former billing of *J-codes* which allowed clinics to pad profits. Under Bluecore, BCBSM requires an NDC code instead of J-code. The NDC code reveals dosage amount and other previously unknown details. Next in development will be a medical-side fee schedule that is comparable to the fee schedule on the Rx side as well as strategized plan designs.
- Brand name Epipens (cost of up to $5,400) were added to the Rx exclusion list once the generic came to market.
- A prior authorization was implemented on the opioid overdose medication which spiked in price upon it becoming mandatory for first responders to carry it.

- The plan's specialty Rx spend was about half on the Rx side and half on the medical side which is the target benchmark.
- Adopting a different pharmacy network would produce savings. The current pharmacy network is called the Select Network:

Select Network	Classic Network	Essential Network
66,000 30 day pharmacies	58,000 30 day pharmacies	41,000 30 day pharmacies
55,000 90 day pharmacies	45,000 90 day pharmacies	41,000 90 day pharmacies
No savings	2.2% or $3.11 PMPM in savings	2.8% or $3.68 PMPM in savings
Major chains and most other pharmacies are in this network	Same as Select network but with CVS/Target and a few independents removed	Walgreens, Kmart, Medicine Shoppe, Shopko, Thrifty White, Walmart, SamsClub & some others not found in this area
No disruption: This is the current network	Little disruption: No member loses a nearby* in-network pharmacy option In rural areas member may have to travel an additional 0.1 - 0.8 miles on average In suburban areas member may have to travel an additional 0.3 miles on average No additional travel for members in urban areas	Some disruption: 342 members would need to change pharmacies. In rural areas, 60 additional members would not have in-network pharmacy within 10 miles Some rural members would need to drive an additional 1.4 miles on average to reach in-network pharmacy Some suburban members would need to drive an additional 0.3 miles on average to reach in-network pharmacy No additional travel for members in urban areas
*nearby for rural residents = 10 miles, suburban residents = 5 miles, and urban residents = 1 mile		

- Prime Therapeutics sends two member communications prior to implementation of any network change.

- Prime Therapeutics would need notification of a change in Rx networks no later than October 1, 2017 for a January 1, 2018 implementation
- BCBSM offers the KeyRx formulary where projected savings were $4.09 PMPM due to this formulary's aggressive approach to drive to lower cost products.
- Non-specialty manufacturer coupons were beneficial for the manufacturer and the member but result in financial detriment to the plan.
- Prime's specialty pharmacy staff will suggest specialty Rx coupons to members as these coupons were beneficial to the manufacturer, the member and the plan. They save the plan and the member potential medical spend due to a member's non-adherence.
- Rx coupons were growing in use due to aggressive marketing as they increase utilization and are a tax write-off for the manufacturer.
- The Over the Counter (OTC) drug program will end on 1/1/18 across all of BCBSM's book of business as there were generics available at the same cost as over the counter products.

Mr. Gottschald asked that labor representatives vet a possible change in pharmacy networks with their memberships prior to the September meeting in order to allow time for a 1/1/2018 change if so desired by the Committee.

Ms. Menor inquired about the stability and duration of the Walgreens/Prime Therapeutics contract since the alternate Rx networks carved out Target/CVS. She expressed concern over a future contract reverting back to CVS as the low cost and Walgreens as the high cost pharmacy. Ms. Vetscher maintained that the Walgreens/Prime affiliation was more than a contract, it was a new long-term (10+ years) relationship and a new company called the Alliance Rx Walgreens Prime.

2. The next item from the agenda was the preliminary renewal presented by Mr. Kuschel with BlueCross and BlueShield of Minnesota (BCBSM). Mr. Kuschel provided a renewal based on the 2018 benefit design that included the most recent 24 months of data broken into two 12 month periods. Medical trend was 7.4% in the more recent time period one and 7.6% in time period two. The proposed administrative fee increased by 5% to $37.39 per contract per month and the proposed stop loss rate increased by 13.7% to $10.05 per contract per month. The expected claims for 2018 were $34,945,948. The recommended change in rates was +3.5%. Mr. Kuschel noted the following from the renewal:

   - The preliminary renewal included 2016 claims paid through April of 2017
   - The proposed administrative fee rate of $37.39 was well below the market rate of $52.93 per contract per month.
   - In 2017, there was a 6% increase in the administrative fee rate that included $1 PMPM to build a custom network and this fee did not cover the costs incurred by BCBSM.

- St. Louis County keeps pharmacy rebates but could forgo them and instead get a decreased administrative fee.
- St. Louis County had no stop loss violations in time periods 1 or 2 but others in the pool did.
- Projected claims account for 3.4% of the 3.5% recommended change in rates.
- The renewal is based on a 24 month time period in which only 4 months and one week (although they are weighted) were under the tiered benefit design.

Mr. Kuschel included three stop loss insurance alternatives:

- Same $750,000 threshold and per contract to per member: 16.4% increased stop loss rate and 0.3% reduction in expected claims rate (ECR)
- From $750,000 to $500,000 and per contract to per member: 73.3% increase in stop loss rate and 0.3% reduction in ECR
- From $750,000 to $450,000 and per contract to per member: 111% increase in stop loss rate and 0.4% reduction in ECR

Mr. Coenen added that the average increase to stop loss rates he had recently seen in the market was around 16%.

Mr. Stanley requested that the unfunded portion of the premium (brought about by labor negotiations) be brought to the September meeting when the medical rate recommendation would be on the agenda.

OLD BUSINESS

3. The next item from the agenda was an update on high case diagnoses. Ms. Menor followed up with answers to questions posed at the prior meeting regarding high cases. She reported that the high case under the primary diagnosis of "Fracture" was indeed a new case and not the same case from the prior year. Mr. Kuschel reported that a member who received an organ transplant also had a fracture. Ms. Menor reported that the primary diagnosis of "diseases of the heart" was comprised of three separate cases and hence, not at risk of reaching the stop loss threshold. The current highest case was at $264,000 and the diagnosis was heart disease. Mr. Kuschel noted that where there used to be a lot of joint replacements on the high cases report there was now numerous cancer cases.

4. The next item from the agenda was an update on Emergency Room utilization. Ms. Vetscher addressed the Committee's concern from the prior meeting that members' high emergency room (ER) utilization may be driven by opioid abusers. She reported that she did not find any evidence of opioid shopping in the ER among St. Louis County health plan members. She found that 60% of those prescribed an opioid had only one or two fills per year and the handful who had more didn't have a correlation with ER visits. She reported that one member had 45 opioid fills but was able to confirm that the member was being treated for Fibromyalgia and had recently been stepped up to Lyrica. A few members did have high ER utilization (as high as 18 visits in a year) but there were no follow-up medications prescribed.

NEW BUSINESS

5. The next item from the agenda was the Auditor's financial report. Mr. Dicklich reported that the projected year-end fund balance increased by $2 million between May and July. Mr. Gottschald noted that the tiered benefit design, the increased employee premium contribution and the 12.5% increase in 2017 all seemed to be working. He also cautioned that it is possible that not all improperly processed claims from January have been cleared up yet.

OTHER BUSINESS

6. The first item brought up under Other Business was the pharmacy updates included in the 2018 renewal. Ms. Vetscher expected that there would be a mailing to affected members regarding the phasing out of the Over-the-Counter Rx program. She encouraged staff to include this change in open enrollment materials as well. She indicated that members would still be able to get coverage for a prescription acid reducer or antihistamine but that the non-preferred copay of $40/month would be higher than the over the counter cost. She expected these classes would eventually be closed out. She also added that Iron was being removed from minimum required benefits under the Affordable Care Act and that the United States Preventative Services Task Force would be adding preventive coverage for several generic statins.

7. The next item under Other Business was a reminder and flyers from Ms. Kari about the St. Louis County 5k Walk/Run coming up on August 26th.

With no further business the meeting was adjourned.

Respectfully submitted,

Beth J. Menor

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Senior Benefits Advisor