State Employee Advisory Commission and Public-School Advisory Commission Minutes

January 9, 2024

The Arkansas State Employee Advisory Commission and Public-School Employee Advisory Commission met on Tuesday, January 9, 2024, at 10:00 a.m.

ASE Commission Members Present:	PSE Commission Members Present:
Ronda Walthall	**Greg Rogers**
Jerry Jones	**Billy Jackson**
Cynthia Dunlap	**Julie Bates**
Marty Casteel	**Kurt Knickrehm**
	Jim Tucker

Others Present: Grant Wallace, Director of EBD; Amanda Land, Deputy Director of EBD; Jay Bir, EBD; Janella Deville, EBD; Sylvia Landers, Colonial Life; Denise Flake, EBD; Cindy Monterroza, EBD; Skochu Fields, EBD; Sherry Bryant, EBRx; Trey Gardner, EBRx; LeeAnna Graham, EBRx; Paul Sakhrani, Milliman; Gregory Collins, Milliman; Jake Goll, Navitus; Erika Gee, LeAnn Perkins, Frances Bauman, Ashley Boes, Cassandra Mendenhall, Nicholas Poole, ASEA; Takisha Sanders, ABCBS; Donna Morey, Emilie Monk, Jill Johnson, PharmD/UAMS; Brent Parker, Clay Patrick, Jennifer Davis, Debbie Rogers, John Bridges, ASEA; Nima Nabavi, Alix Stephens, BLR; Roberto Pedraza, Jessica Akins, ABCBS; Bob Atkins, Marc Bagby, Lilly; Debra Wolfe, APA; Stephen Carroll, AllCare Specialty, and 3 others.

1. Call to Order

Meeting was called to order by Chairman Cynthia Dunlap and announced there was a quorum for the PSE and ASE Commissions.

2. Approval of December 13, 2023, ASE & PSE Minutes: Cynthia Dunlap

Kurt Knickrehm moved to approve the minutes, seconded by Julie Bates. **Motion Passed.**

3. Budget Review, Milliman

Paul Sakhrani presented the Arkansas State Employee (ASE) actuarial projections as they currently stand. Sakhrani said they are prepared in accordance with generally accepted principles and practices. They rely on data from various sources including data from the state of Arkansas and the projections presented are sensitive to the underlying assumptions being used and if the actual experience deviates from those assumptions, the predictions will change also.

Data being presented is being used through November of 2023. Currently Milliman is projecting a surplus of about $35 million. The trends used for medical costs is 5% and 8% for pharmacy

costs. For calendar year 2023 there was a $550 per budgeted position funding implementation, the non-wellness rate was removed, and contribution rates began undergoing change with the goal of it being roughly an 80/20 cost share between the plan and the employee. 2024 will be the second year of that transition to get to a more competitive position. Plan design changes to the Classic plan were made to ensure it stayed in compliance with IRS guidelines and the MAPD Group plan was introduced for post-65 retirees. In 2024, the budgeted position funding is increased from $550 to $605 and the employee contribution strategy continues. For 2025, Milliman is projecting approval for $660 per budgeted position. Other than that number there are no other assumptions built in to the 2025 projections.

Sakhrani said in the projections if you focus on the net income after the reserve allocation it will show $35 million in 2024, $43 million in 2025, $28 million in 2026, $12 million in 2027, and $4 million deficit in 2028. These figures are absent any potential changes beyond what is being assumed.

Sakhrani said Milliman is analyzing the effects of the Navitus contract on the numbers and those have not been built into the projections as of yet. He did say in their next update they should have the impact of the contract and will update their figures and projections going forward. Sakhrani did say the ASE side is I an overall positive state at this point. He said they are projecting a little over $100 million in assets or about 34% of expenses. With the cash flow being positive over the next few years the assets will build up. In 2024, it should increase to $144 million or 45% of expenses. Year-to-year that should increase until 2027, which shows $372 million or 64% of expenses.

Julie Bates asked if 2021-23 are now factual and not being used as projections. Sakhrani said they have 2023 data up until November but the numbers being presented are close.

Greg Collins with Milliman presented the Public-School Employee (PSE) numbers to the Commission. The PSE plan is projecting a $55.5 million surplus and baseline trends of 6% for medical and 8% for pharmacy. The 2023 approved initiatives considered are the increase of $300 per active employee per month in district funding with an increase in medical CPI for 2024 and beyond. Collins said in June 2023 there was a decrease in the $300 funding to $234.50 and projections going forward reflect that number but if that funding does change, then projections will be updated. Non-wellness was removed and like the ASE plan, the PSE began a 5-year transition to target a 75/25 split with the Plan and members, and the MAPD Group offering to post-65 retirees is offered. 2024 is the second year of the 5-year transition to attain a roughly 75/25 split. The projections beyond 2024 show the district funding at current levels and if it changes, then the projections will also.

Collins presented the numbers and the focus was on net income after the allocation. In 2023, it is a strong, positive position at about $55 million but projections then shift to more of a deficit. This is something Milliman will continue to monitor and with EBD and ADE to make sure a positive position is maintained. 2024 projections have a slight deficit at around $5 million, $34

million in 2025, $66 million in 2026, over $100 in 2027 and over $140 million in 2028. The Navitus contract impact is also still being analyzed so Collins said to expect those to evolve in future months.

Collins said the plan has a healthy asset position currently. But it will need to continue to be monitored during the 5-year transition period. 2023 shows $477 million in revenue, which is roughly 54% of expenses, in 2024 $445 million and 49% of expenses, in 2025 $453 million and 39% of expenses, in 2026 $461 million and 23% of expenses, in 2027 $468 million and 3% of expenses and 2028 $475 million and -20% of expenses.

Kurt Knickrehm asked if the baseline trends was the same for the PSE plan. Collins answered saying the only difference is a 6% trend for medical.

Knickrehm also asked when will the 2024 recommendations be discussed. Director Grant Wallace said EBD will start working on those in February 2024, which follows the same timeline as last year. He hopes to have something for the Commission in April 2024, which is when the Session begins this year. Director Wallace said there won't be as much time to review and educate this year so maybe the process can be done a little quicker.

Director Wallace noted how quickly the reserves are spent down on the PSE side and that next year looks good. Greg Rogers said this position is exactly how the scenario played out last time the PSE plan was in this position. PSE started digging into the reserves and why they had to put millions into it. Director Wallace said that is the danger of doing such drastic cuts mid-year is that it's felt fast. Rogers said the Arkansas Department of Education (ADE) is looking at how much the Foundation is able to fund with the understanding that in the Fiscal Session starts, but legislators have started looking at Adequacy and they may not have $200 million to help that. Bates mentioned the Pharmacy Benefit Manager (PBM) has not had enough experience to really monitor what is going on and why she asked how often the projections are adjusted and how often Milliman keeps up with the actuals. Sakhrani said they adjust those monthly and they should have December 2023 numbers by the middle of January 2024. Sakhrani hopes to have the pharmacy impact soon. They knew the reserve was high on PSE and wanted to draw that down slightly, but they don't want the deficit to grow significantly either. Part of it is by design but they also don't want to have to ask for another $50 million in funding again. Billy Jackson asked what the reason was for funding being decreased from $300 to $234.50. Rogers said the calculation for the Foundation is difficult because you're looking at six months because Foundation funding is given over the fiscal year whereas EBD payments are done over the calendar year. ADE is trying to balance that into where it will eventually be the $300 but the issue currently is trying to roll a calendar year into a fiscal year.

Cynthia Dunlap asked if it were possible for the Commission to have the financials presented monthly. Director Wallace said they could include it as an additional document and not necessarily have Milliman present them each month.

4. Formulary Review

a. January Review, Jake Goll

Jake Goll presented the December Formulary Action Committee (FAC) recommendations.

Suflave Solution is a colonoscopy prep solution and the recommendation is to keep it Not Covered. There are other cheaper generic options available and Navitus wants to direct members to those products instead.

Trulance and Motegrity Tablets are both constipation agents and Navitus wants to be financially responsible and safe with them, so the recommendation is to add a Quantity Limit (QL). The QL is consistent with FDA labeling. Looking back at all claims, all members were within the QL already, so no impact is expected.

Erlotinib, erlotinib 25mg, and gefitinib are all used to treat lung cancer. Same as with Trulance and Motegrity, the recommendation is to add QLs to go along with FDA labeling to make sure they are being used responsibly both financially and clinically. No members were over the QL currently, so no impact is expected. Knickrehm asked if quantity limits were recommended by the FDA previously. Goll said there were not limits on them previously. He said when their formulary team did an internal review of medications, they flagged these as not having a QL. Goll mentioned they do not put a limit on everything based off FDA labeling. Navitus did determine with these drugs, since they are cost more and are cancer medications, it would be appropriate to add those QLs to them.

Lampit tablets are used for Chagas disease and the recommendation is to leave it at Tier 2 with a Prior Authorization (PA) required. The PA is to ensure proper prescribing and that the member has been diagnosed appropriately for this condition.

Brixadi Solution is used for opioid use disorder to help treat withdrawals while the patient is discontinuing the use of opioids. It is a fairly new product and the recommendation is to leave it Not Covered. It has a high price and there are a handful of generics that are much cheaper and still effective. This will direct members to the lower cost products available.

Xalkori Capsules are used for different types of cancers. The recommendation is to keep this as Not Covered since there are lower cost equivalents and want to keep directing members to those products.

The Rozlytrek Pak is a new formulation launch to support pediatric dosing due to an age expansion on the FDA indication. There are already Rozlytrek products covered on formulary. Due to those expanded indications for children the recommendation is to add this product to match all the other Rozlytrek capsules on formulary. It will be a Specialty Tier with a PA and a QL that follow FDA labeling.

Octreotide injections, carglumic acid tablets, tadalafil tablets, ambrisentan tablets, bosentan tablets, pirfenidone capsules, pirfenidone 267mg tablets, pirfenidone 801mg tablets, tiopronin

tablets, tetrabenazine tablets, vigabatrin tablets, vigabatrin powder pack, miglustat capsules, deferasirox tablets 90/360mg, deferasiorx tab 180mg, deferasirox granules packet, deferasirox tablets, deferiprone tablets, and trientine caplets are all being moved from the Specialty Tier to Tier 1. The idea with this is Navitus wants to encourage members to use the specialty generics instead of the brand products, which are far more expensive and by moving them to Tier 1 it will hopefully incentivize members to go with those generics. The vigadrone power pack will not be moved to Not Covered because there are lower cost alternatives already available on formulary. With all the drugs being moved to Tier 1, there will be no change to PAs or QLs if they have them.

The Miscellaneous Formulary Maintenance begins with Linzess Caplets and just adding a PA to match up with other constipation agents on formulary to be consistent for contracting and formulary purposes.

Clobazam suspension is used for seizures and recommending adding a PA for members seven years and older. For anyone of seven who is requesting this product they will need a PA to show they are unable to swallow the tablet formulation.

Descovy Tablets are used mostly for preexposure to HIV. Just the addition of a PA but it will remain at $0 for the member. Navitus wants to direct members to the lower cost drug but there are certain reasons why members may not be able to use the generic and that is built into the PA criteria. Navitus wants to make sure there is a good reason the member is unable to use the lower cost product before they approve the more expensive brand.

Lokelma is used to treat Hyperkalemia, which is high potassium in the blood. By adding the PA, it just ensures non-pharmacy alternatives have been tried essentially making sure the diet has been updated appropriately because this is a fairly expensive medication.

The dronabinol capsules is used for loss of appetite specifically associated with AIDS or chemotherapy. With most appetite suppressing drugs this sometimes in inappropriately utilized where the loss of appetite is not associated with AIDS or chemo. Want to stick with FDA labeling since it was just approved for this use and adding a PA to ensure appropriate use.

The sildenafil tablet is used to treat pulmonary arterial hypertension. The recommendation is to add a QL to ensure members are using within FDA guidelines. All members using this drug are currently within the QL so there are no concerns with current member utilization.

Dunlap asked if drugs are adding a PA are members who are currently utilizing those drugs required to go back and get a PA. Goll said there is usually there is a 3-month buffer before requiring the PA if someone is using the drug prior to adding a PA. He said that is the Navitus standard process but if EBD wishes to deviate from that, they can be flexible. Director Wallace said EBD sends out notification they will need it starting with their next prescription fill and that is the process EBD will use unless the Commission directs them to do otherwise. Dunlap asked if there have ever been any issues. Director Wallace said it is the same process from top to

bottom, so EBD does not single out any particular population. Dunlap said she wanted to ensure no members are surprised by changes being made and they may not know. Director Wallace said EBD is diligently notifying and will continue to do so.

Rhonda Walthall motioned to accept the recommendations, Knickrehm seconded. **Motion Passed.**

b. Six-Month Medical Review, Kristen Belew

Kristen Belew said EBRx does a review of medical drugs every six months. Medical drugs are typically administered in a doctor's office, usually infusions or injections and typically require more involvement with the provider. For that reason, it is why they are a medical benefit as opposed to a pharmacy benefit. EBD follows the recommendations from Health Advantage, but EBD does overview. This review there were seven medications the EBRx team had a strong enough opinion about to bring forward and 10 others we wanted to change our authorization.

Adstiladrin is recommended to be excluded from the benefits. It is a gene therapy for bladder cancer and there are generics available which are more cost effective.

Columvi treats large B-Cell lymphoma and it is recommended to be excluded. When looking at cancer data, EBRx wants to make sure any drug improves length of life and quality of life and that was not seen with this drug and there are other more effective drugs on the market.

Polivy is also used for large B-Cell lymphoma for the same reason as Columvi, it just lacks meaningful clinical data.

Pombiliti treats late onset Pompe disease and it lacks meaningful clinical data currently. EBRx will continue to monitor this drug when more data comes out, but it is currently not worth the price tag.

Qalsody is used to treat ALS specifically with a mutation of SOD1. This currently lacks meaningful clinical data and will continue to monitor other studies and trials.

Roctavian is a gene therapy for severe Hemophilia A and the price tag is $2.9 million. Many times EBRx will use ISER evaluations, which is an organization that looks at the cost effectiveness of drugs and they do not believe it is worth $2.9 million but valued it at $1.9 million, so the gap in value caused EBRx to recommend for exclusion.

Vyjuvek gel is a gel to put on wounds to treat dystrophic epidermolysis and it is recommended to be excluded. No strong data to support and right now it only shows to treat the current wound and not prevent other wounds on the body.

It is recommended to add a PA to Botox for the treatment of urinary incontinence. The current preferred drug for this Xeomin and there is currently a rebate on Xeomin but Xeomin does not have FDA approval for urinary incontinence treatments. For this reason it is recommended to add Botox. Knickrehm asked if EBRx is consistent with Health Advantage. Belew said rare is

there any large deviation and for the drugs brought up they did agree but they had a strong enough opinion on them to bring them forward. Bates asked how often these are reconsidered. Belew said they do review them frequently and there is a specific timetable followed, specifically with cancer medication since there is an oncologist pharmacist on staff with them and she does a good job keeping up with the latest data, so when that data does present, they can always come back and review any decision or new drug. Director Wallace added because we do have Navitus to look over pharmacy medications, EBRx is stepping in for those medical benefits. We are just trying a six-month cadence, but if that seems inadequate the Commission can move that up to quarterly or whatever they desire. The volume is not as high for these so that is why six months was chosen to start with or if there is an emergency situation that comes up, EBD will bring it to the Commission's attention.

Rhonda Walthall asked if there are any current members utilizing any of these drugs. Belew said all the medications brought up are new to market. She added the way the plan is designed no one can get on new medication unless it is approved to be added to the formulary. Director Wallace added that if there is ever any impact to members, it will be brought to the Commission.

Bates moved to accept the Medical Recommendations, seconded by Jackson. **Motion Passed**.

5. Director's Update, Grant Wallace

Director Wallace said his update is light mainly due to the Holidays. He did remind the Commission they get W-2s and there is a press to get those delivered electronically. He said he would follow up with the Commission on how to log in and get those sent electronically. For the Commissioners who are current state employees that is already taken care of and they will get it through EASE.

Walthall asked about an update on Baptist and St. Bernard's. Director Wallace said there are no updates to report and that we should all be sticking to message and reassuring members there should be no impact to them. If a member does run into a situation with a provider, they can call EBD or UnitedHealthcare and we can help navigate through that situation. Baptist and St. Bernard's continue to reassure EBD they will continue to see our members and there will not be a negative financial impact to the member getting services through them. People are getting concerned with St. Bernard's. The deadline for them is still in April but it is getting closer.

Knickrehm asked for an update on the chart for the procurement process. Director Wallace said he will find it and get it out to the Commission. He also asked about the procurement and RFP/RFQ process for the voluntary benefits. Director Wallace said EBD is working with OSP and finalizing those documents and hope to have it done in the next couple of weeks and he will get it to the Commission once it is finalized.

6. Other Business

No other business. Bates moved to adjourn until February 9, 2024 and Knickrehm seconded. **Motion Passed.**