

State Employee Advisory Commission and Public-School Advisory Commission Minutes

May 9, 2023

The Arkansas State Employee Advisory Commission and Public-School Employee Advisory Commissions met on Tuesday, May 9th, 2023, at 10:00 a.m.

ASE Commission Members Present

Marty Casteel
Ronda Walthall
Jerry Jones
Cynthia Dunlap
Bruce Maloch

PSE Commission Members Present

Greg Rogers
Billy Jackson
Julie Bates
Kurt Knuckrehm
Jim Tucker

ASE Members Absent:

PSE Members Absent:

Others Present: Grant Wallace, Director of EBD; Amanda Land, Deputy Director of EBD; Jay Bir, EBD; Sylvia Landers, Colonial Life; Oktawia DeYoung, EBD; Laura Thompson, EBD; Dakini Fields, EBD; Dr. Jill Johnson, UAMS; Marc Bagby, Eli Lilly USA; Bill Clary, ARSEBA; Stephen Carroll, Allcare Specialty; Phil cummings, Aisisvie; Sherry Bryant, EBRx; Lori Bowen, BLR; Trey Gardner, EBRx; Marissa Keith, BI; Frances Bauman, Novo Nordisk; Nima Nabavi, AMGEN; Amanda Story, Donna Morey, Mike Mertens, LeAnn Perkins, Maggie Irwin, Emilie Monk, Clay Patrick, Autumn Sanson, Treasurer's Office; Judy Paslaski, Debbie Rogers, DFA; Erika Gee, Janella Deville, EBD; Takisha Sanders, BCBS; China Daulton, TSS; Derrick Smith, Leslie Oden, Nicholas Poole, Skcohu Fields, EBD; Suzanne Woodall, Austin Grinder, Jessica Akins,

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 April 11th, 2023 ASE & PSE Minutes: Cynthia Dunlap

Billy Jackson motioned and Kurt Knuckrehm seconded. **Motion Approved**

3. Director's Update: Grant Wallace

Director Grant Wallace announced after the Best and Final Offer process EBD intends to award the PBM contract to Navitus. Director Wallace pointed out members have the contract and said EBD should meet the July 1st deadline to execute the contract.

Courtney White with Milliman presented the financials for both the ASE and PSE plans.

The updated projections have two more months of data going through March 2023. White said there is not too much change from what was presented two months ago. There was a projected surplus of \$25 million in the ASE plan for 2022, it is projected to be \$34.8 million in 2023. The current trends are 5% for medical, 8% for pharmacy. The approved financial initiatives included \$550 per month in state funding beginning in January 2023, no wellness contributions, started the 5-year employee contributions to be more competitive, and made minor changes to the Classic Plan deductible to remain compliant with Federal Law, and included the MAPD Plan. Milliman will begin looking at the premium rate setting process and the employee contribution rate process. White said they would provide Director Wallace some tool to help set those targets. They will continue to monitor the effects on costs with the MAPD plan.

Bruce Maloch asked about removing the wellness rate. White said there was a lot of discussion on it and if it was creating the savings originally intended. There was a \$50/month reduction in rates and many did comply, it was not offsetting what the plan was paying out doctors and PCPs and vendors to perform those wellness checks. There were many times members would get wellness checks at one of the fairs but also a follow-up with their PCP and decided to put the discount on pause.

White said the ASE amounts have improved slightly in the past couple months. \$217 million has come from state contributions, almost \$92 million from employee contributions, and over \$32 million from things like pharmacy rebates, interest, the RDS subsidy the Federal Government pays to those not in the MAPD plan, along with several other streams. Claims are being shown at \$307 million, which includes medical and pharmacy claims, admin costs, and the MAPD plan costs. Currently shows \$34 million surplus in 2023, shrinks to \$10 million in 2024 and starts to go negative in 2025. These numbers are assuming the status quo as it currently stands. White showed a graph showing those numbers side by side. For the end of 2023 there should be a total surplus of \$100 million. The percentages shown reflect the surplus as a percent of expenses. The goal is to have a surplus position of two months' worth of expenses.

Cynthia Dunlap asked about the expense percentage increase used year to year. White said they generally use 3% each year.

Director Wallace asked about the medical and pharmaceutical trends were running. White said the medical trend is 5% and pharmacy is 8% but will adjust once they get the details on the new PBM contract.

The PSE plan saw an \$86 million in surplus in 2022 and is projecting a \$74 million in 2023. Trends for PSE are 6% for medical and 8% for pharmacy. Some of the gains the plan is seeing is the trends are coming in lower than what they expected, partially due to Covid and things becoming more normal. The approved initiative for 2023 were \$300 per employee, removing

the wellness discount, trying to make the employee contributions more competitive relative to other states, and the Classic Plan adjustments, and the MAPD plan offering.

White said there were not many changes from the past couple months. He did point out there are some different funding sources than the ASE plan. The PPE funding, which is the \$300 per active employee, is showing \$144 million, ADE is putting in \$142 million per year, there is a FICA subsidy, which is not in the ASE. Total revenue is \$493 million. Expenses are like ASE and driven by claims, admin costs, internal EBD costs and the MAPD plan. The net income is \$74 million which does not decrease as quickly as the ASE plan because there is a built-in trend on the PPE funding that increases slightly over time. The head counts are increasing so contributions go up and claims go up but there is a bigger surplus there. The same graph was presented and the PSE has a strong surplus position. Part of it was driven by the Restricted funding in 2022 and the ARPA funding that was not expected when they set those budgets back then, so the PSE plan is a strong position through 2027. The rate setting process will begin over the next couple months and hope to have it finished by early summer so EBD can get that information out.

Marty Casteel asked how future employee numbers are projected. White said they look at historical patterns at EBD to see if they think there will be any significant deviation from it and they will project those things separately. They look at active, pre-65 retirees, and post-65 retirees.

Kirk Knuckrehm asked about the interest income and who manages the reserve and what are the assumptions based on those returns. Director Wallace said the reserve funds are invested with the Treasurer's Office in the State Money Management Trust Program and he said they are in a good place right now. White said the assumption is 2-2.5% return on the fund and have bumped it up in the past year. Director Wallace said it is a liquid pool and a lot of their funds are in commercial paper in more short-term and the way the markets have behaved there has been a significant bump in those returns. The last time he checked with the Treasurer's Office they were seeing over 4% returns in the Money Management Trust Program.

Jackson asked if retirees, who are turning 65 this year, will have an option to pick their plan. Director Wallace said they will have the option to choose their plan.

Director Wallace said the Commissions have a contract to review and approve. The EBRx contract has been amended the statement of work said it will become more of a consulting role and some of the roles EBRx did have will shift to Navitus. There is some built-in transition within the statement of work so there is little to no member disruption. The overall contract for the base services went down to \$0.88 per member per month for a total of \$1.3 million. The roll-off period for 4 months was \$0.34 per member per month and there were some audit services offered at \$0.09 per member per month that can be activated. The overall contract is \$1.6 million for the coming year.

Knuckrehm asked about the term on the contract and if it went through a procurement process. Director Wallace stated this is for a new time. It is a one-year contract that comes up annually for review and since it is with UAMS there is a governmental agreement with them, and this has governed the relationship for this. They can extend this contract annually for 7 years before a significant rewrite. Knuckrehm also asked if the arrangement has been looked at to see if anything else is out there in the Marketplace, Director Wallace answered it has not.

Dunlap asked how many renewals are left in the current time period. Director Wallace said this would begin a new 7-year window with annual renewals and reviews.

Marty Casteel moved to approve the contract; Julie Bates seconded. **Motion Passed**

4. Formulary Review: Dr. Jill Johnson, UAMS

Dr. Jill Johnson presented the formulary drugs for consideration. Brexafemme is an antifungal and there is already an alternative for this drug. It has gained FDA approval and Dr. Johnson recommends keeping the prior authorization for it, so people have to take the less expensive option first.

Cyramza is a cancer drug and can be used in gastro and liver cancers. It has seen improvements in quantity of life and studies have shown a 2-month improvement on average. The drug has gained more data but those only show the slowing of cancers and there were no quality-of-life improvements. It was discussed at length and the recommendation is to remove the exclusion from the master medical list. It cost about \$10,000 per dose and it's administered bi-weekly. Dr. Johnson said while reevaluating the drug they were not sure about how they thought but just wanted to present it with a little more information on it. Dr. Johnson said there was only one member she was aware of using this drug.

Rytary is used for treatments in Parkinson's Disease patients. It is an immediate release drug and must be taken three times per day. There are some extended-release generics on the market and this one cost \$5400 per year and those generics normally cost a third of the price. Dr. Johnson said it does not offer a great value since there are alternatives.

Dr. Johnson recommends front-line treatment exclusion for three different breast cancer treatment drugs.

Altuviiiio is used for Hemophilia A. Dr. Johnson said people will use a lot of units when stopping bleeding and many take a prophylaxis with hemophilia A. It costs \$1.3 million per year. There is another drug out there that is more efficient and cheaper, but it is still new. Dr. Johnson said they recommended to exclude it.

Skyclarys is used for Friedreich ataxia but there is not a lot of data to back up covering it, so she recommended excluding it.

Daybue is used for Rett syndrome and there is not a lot of data showing improvements outside a clinical setting and cost \$1.2 million per year.

Rezyoglar is used for insulin and Dr. Johnson said the cost on this should go down in the coming years. She said it's inexpensive and the lowest net-cost should be considered. Classic Plan patients would not have to worry about waiting on rebates as they would be paying a lower price on this.

Director Wallace wished to remove Cyramza from consideration and Kirk Knuckrehm moved to accept the recommendation, Billy Jackson seconded. **Motion Approved.**

5. Other Business

The second Tuesday of June is the target for the next meeting.

Julie Bates moved motioned to adjourn, Greg Rogers seconded. **Motion Passed.**