

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
JUNE 2, 2011

[In these minutes: Farmer's Market Update, Prime Therapeutics First Quarter 2011 Review, 2010 UPlan Medical Financial Summary]

[These minutes reflect discussion and debate at a meeting of a committee of the University Senate; none of the comments, conclusions, or actions reported in these minutes represent the view of, nor are they binding on the Senate, the Administration, or the Board of Regents.]

PRESENT: Gavin Watt (chair), Pam Enrici, Tina Falkner, Dale Swanson, Jody Ebert, Sara Parcells, Jennifer Schultz, Sandi Sherman, Nancy Fulton, Michael Marotteck, Carl Anderson, Theodor Litman, Dann Chapman

REGRETS: William Roberts, Joseph Jameson, Karen Lovro, Amos Deinard, George Green, Richard McGehee, Fred Morrison

ABSENT: Carol Carrier, Aaron Friedman, Judith Garrard, Michael O'Reilly, Rodney Loper, Keith Dunder

OTHERS ATTENDING: Linda Blake, Karen Chapin, Kurt Errickson, Roger Feldman, Betty Gilchrist, Ryan Gourde, Shirley Kuehn, Kathy Pouliot, Kelly Schrotberger, Sheri Stone, Jill Thielen, Curt Swenson, Laurie Warner

GUESTS: Prime Therapeutics representatives: Cory Super, client engagement principal; Sheri Vetscher, account director; Kamie Kueneman, senior director, Clinical Program Management

I). Gavin Watt called the meeting to order and welcomed all those present.

II). Employee Benefits' announcements:

a). Mr. Chapman reported that while the State of Minnesota faces a possible government shutdown if legislators and Governor Dayton cannot reach a budget agreement, the University will remain open.

In response to a question about the possibility of another furlough this year, Mr. Chapman stated that based on what he has heard, a furlough for FY12 is not likely; however, nothing is for sure at this point.

b). Ms. Thielen reported that this year's Farmer's Market will open on Wednesday, July 13, 2011 and run through Wednesday, October 5, 2011. The market will held on Wednesdays from 11:00 a.m. – 2:00 p.m. on Church Street. She also noted that the Farmer's Market website has been updated and encouraged members to visit the site -

<http://www1.umn.edu/ohr/wellness/nutrition/farmersmarket/index.html>. New to the market this year will be:

- A new berry vendor.
- A sunscreen giveaways to promote skin cancer prevention.
- A joint Farmer's Market and blood drive on July 27th.
- The sale of Campus Club cookbooks.

III). Mr. Watt welcomed today's guests from Prime Therapeutics. Copies of their PowerPoint presentation were distributed to members. To begin, each of the Prime Therapeutics' representatives introduced themselves:

- Kamie Kueneman, senior director, Clinical Program Management
- Sheri Vetscher, account director
- Cory Super, client engagement principal

Mr. Super began by taking a couple minutes to review what would be covered in the presentation. He then went on to share information about the Prime Therapeutics' implementation. Overall, the implementation went well, noted Mr. Super. All the performance metrics and guarantees related to the implementation were met. However, a few problems did arise during the implementation. One problem had to do with the fact that approximately 8,500 of the roughly 16,000 prior authorizations that transferred from the previous vendors (RxAmerica and CVS Caremark) did not have a reason code to explain why the co-pay should be reduced. Mr. Super noted that as soon as Prime Therapeutics became aware of the problem and determined a solution process, the solution was put in place within 24 hours.

Sandi Sherman asked for a more in depth explanation for why this problem occurred in the first place because the University specifically advised Prime Therapeutics prior to the implementation that this is one area where problems would not be tolerated. Ms. Vetscher explained that while Prime Therapeutics asked the previous vendors for all the University's PAs and supporting documentation to make the PAs process work correctly, there was a communication breakdown between the vendors and only partial information was received from the prior vendor. The previous vendors had a two-step process for entering PA information, step one was entering the actual PA and then step two involved entering the reason code and reduced member pay information. Because Prime Therapeutics only has a one step process for entering PAs, it thought it had received all the PA information it needed. Ms. Chapin added that during the time the PA data was being transferred, the CVS Caremark person the University and Prime Therapeutics was relying on to transfer the data changed three times, which likely also had an impact on the transfer of data. She also noted that the University is fairly unique as compared to other employers because it lowers its prescription co-pays for PAs and most other employers do not. In most companies, a PA simply gives employees access to a medication, but not a lower co-pay. While ideally the problem should never have happened, noted Ms. Chapin, the problem was corrected and impacted members were reimbursed.

Moving on, Mr. Super stated that the other question Prime Therapeutics has received since the implementation is why some participants' co-pays have gone up. Mr. Super explained that not all pharmacy benefit managers (PBM) negotiate the maximum allowable cost (MAC) rate the same for generic drugs. While some PBMs use multiple MAC lists that contain different drugs and discount levels, Prime Therapeutics uses a single MAC list. With that said, Prime Therapeutics has some MAC prices that are lower than CVS Caremark and some prices that are higher. The generic program that Prime Therapeutics has set up for the University is saving the UPlan significant dollars.

A couple of members asked member-specific questions about prescription pricing. Mr. Chapman stated that plan participants who have questions about how their medication is priced should call Employee Benefits, and they will look into it on the member's behalf. Ms. Sherman stated that the problem is that a number of participants simply think the price is different because there is a new vendor and don't call with their concerns. Mr. Chapman suggested that Prime Therapeutics conduct a mini self-audit to check and verify that pharmacy claims are processing correctly, particularly the kinds of benefits that are unique to the University, e.g., birth control pills. He agreed with Ms. Sherman that participants often attribute the price change to a new vendor, and, therefore, will not call to check on it.

Next, Mr. Super provided the committee with information on how the plan is performing from a financial perspective. Comparison metric data was shared with the committee and the following information was highlighted:

- The generic utilization rate increased 3.23% from the first quarter of 2010 to the first quarter of 2011, which has contributed significantly to a lower per member per month total pay.
- Despite inflation trends and brand costs increasing, the total plan cost per member per month went down.
- The total cost per script, which also drives the total per member per month cost, declined by almost 4%, and this decline was aided by the rise in the generic fill rate.
- The overall discount increased for the plan to just over 7% from first quarter 2010 to first quarter 2011.
- Specialty prescriptions made up 21.8% of the UPlan's total spend on pharmacy.
- Regarding ingredient costs per script (including specialty drugs), brand drugs are roughly ten times more expensive than generic drugs.

Mr. Super then shared comparison data on other universities in Prime Therapeutics' book of business. The University of Minnesota is one of the leaders in the group in terms of cost metrics. For example, the UPlan's generic utilization rate is among the highest compared to other universities with similar plan designs. In addition, the University has one of the lowest total cost per member per month as well as a low ingredient cost per script. High generic utilization drives the ingredient cost per script.

In response to a question about a high mail order utilization rate, Mr. Super explained that some of the other universities that Prime Therapeutics works with have more

incentives around mail order use and some even mandate use of mail order. Mr. Chapman stated that the University is not interested in promoting mail order for a variety of reasons such as giving plan participants a choice when it comes to how they want to fill their prescriptions, and also cost. It actually costs the plan money when people use mail order due to the reduced co-pay of three months supply for two co-pays.

With respect to the UPlan's top 20 drugs by total cost, Mr. Super pointed out the following:

- Specialty drug usage is increasing.
- The UPlan is actively managing its top 20 drugs. There is not a drug on the top 20 list that is not either a specialty drug, which requires a PA, or is part of some utilization management program, e.g., step therapy, PA.

Mr. Swanson asked about the status of Lipitor going off patent. Mr. Super stated that there are some issues that have arisen that may delay Lipitor going off patent. If it does go off patent, it will go off sometime in November 2011. Mr. Watt stated that understanding when generics are not generics is not as easy to understand as one might think. Mr. Chapman stated that it would be a good idea to have a presentation to the BAC on this topic at some point in the future.

Moving on, Kamie Kueneman, senior director, Clinical Program Management, shared information on expected generic drug launches. Ms. Kueneman shared examples of some of the expected generic drug launches for 2011 and 2012 that will benefit the UPlan:

- 2011 – Nasacort AQ (June) and Lipitor (November).
- 2012 – Lexapro (February), Seroquel (March), Viagra (March), Clarinex (July), Plavix (May) Singulair (August) Actos (August).

Based on the UPlan's utilization of the drugs that are expected to be launched as generic drugs in 2011 and 2012, it is estimated that the University will realize a cost savings of \$97,000 in 2011 and \$549,000 in 2012.

With respect to Lipitor, noted Ms. Kueneman, while Prime Therapeutics is still anticipating that Lipitor will go off brand in 2011, the FDA is looking into the generic manufacturer's manufacturing practices. It is unclear at this time whether the FDA will allow the generic manufacturer to release the generic Lipitor into the U.S. market as anticipated in November 2011. When Lipitor comes out as a generic, it will still only have one generic manufacturer so the cost will be close to the brand cost for the first six months during the exclusivity period.

Mr. Swanson asked about new brand drugs that are expected to be launched. Ms. Kueneman stated Prime Therapeutics is anticipating some new oral hepatitis C agents to come to market, but beyond that no big blockbuster drugs are anticipated. Mr. Super stated that Prime Therapeutics is seeing an increase in the reformulation of old products, and these new formulations of old products are very expensive. Any new drugs coming to market, noted Ms. Kueneman, are being reviewed by the University/Prime Therapeutics clinical committee, and, at the time of their launch, clinical programs will be set up to manage these drugs, e.g., right patient, right dose.

Regarding Prime Therapeutics' Contact Center statistics, Prime Therapeutics met its contract performance guarantees in three out of four areas. In terms of the percentage of calls answered within an average of 30 seconds category, Mr. Super explained that in February all three of Prime Therapeutic's contact centers (Albuquerque, Dallas, and Omaha) were hit with some sort of weather event, e.g., snow storm, ice storm, which meant employees had a hard time getting into work for a few days. He added that Prime Therapeutics successfully averted a second staffing problem resulting from another weather event by having some of its employees stay in nearby hotels the night before the next big storm. Additional Contact Center statistics were briefly shared with the committee by Ms. Vetscher.

Mr. Watt asked where the University's primary call center is located. Mr. Super stated that the University's call center is located in Omaha, and is staffed with representatives who are specifically trained on the nuances of the UPlan. Calls are directed to this call center first and if all these lines are busy, the calls are triaged to the Albuquerque and Dallas call centers.

Mr. Super then briefly provided PrimeMail statistics and highlighted the following:

- Almost 2,000 mail orders were processed in the first quarter of 2011. Of the 1,996 orders that were processed during this time, 1,949 or 97.6% were processed in five business days and this includes 'clean' orders as well as orders requiring physician clarification, etc.
- 'Clean' orders are being processed within two days.

Next, Ms. Vetscher shared information about prior authorizations, which are broken down into two categories, urgent and non-urgent PAs. The goal is to process urgent claims within 48 hours, but for first quarter 2011 the processing time was actually less than 24 hours. The goal for non-urgent PAs is to process them within 3 business days, but, for first quarter 2011, the actual processing time was 1.41 business days.

Another contractual provision, noted Mr. Super, is that Prime Therapeutics will work with a woman or minority-owned business based on its RFP commitment to the University's Business and Community Economic Development initiative. Prime Therapeutics is working with Visions, Inc. for printing and mailing services. Visions, Inc. is a Native American owned marketing service provider and they are based in Brooklyn Park.

Lastly, Mr. Super spoke to the feedback the BAC solicited from UPlan members about their experience with Prime Therapeutics. Of the 212 comments that were received, Employee Benefits followed up on 47 of the comments. While there were a few problems early on, as previously mentioned, overall Prime Therapeutics believes the program is working well.

Ms. Sherman voiced frustration with trying to refill a prescription online and encouraged Prime Therapeutics to look into this website problem. Prime Therapeutics'

representatives agreed to bring Ms. Sherman's specific issue back to their web team. She also raised the PA problem again, and stated that a number of UPlan members believe the PA process is designed to be purposefully difficult. Because most UPlan members do not understand the PA process, she encouraged Prime Therapeutics to help UPlan members understand the process and walk them through the steps they need to take to get a PA. Mr. Super stated that PAs are a tactic that is used for managing pharmacy costs, and that some member disruption occurs in an effort to make sure the therapy is appropriate. PA drugs are expensive and, therefore, require clinical rigor to make sure these medications are being appropriately used.

Because the UPlan formulary is unique, noted Mr. Watt, would it be possible for Prime Therapeutics to visit the various clinics to talk about the UPlan formulary like previous PBMs have done. The representatives from Prime Therapeutics stated that they would be open to exploring this possibility and providing on-going education about the UPlan formulary. Ms. Vetscher stated that Prime Therapeutics also has electronic prescribing (e-prescribing) capabilities, which makes it possible for physicians to look online to see if a medication is part of the UPlan formulary or not. Ms. Chapin added that e-prescribing is a new feature, which the UPlan did not have with CVS Caremark. Currently, noted Ms. Vetscher, while it is not a state law that physicians have access to e-prescribing, it will be law within a year or so.

In closing, Mr. Super shared some of the ways Prime Therapeutics is doing to manage the UPlan's pharmacy costs. Prime Therapeutics meets quarterly with the University to review new products that are coming to market, and makes recommendations about these new products. The formulary also, as a whole, is evaluated annually. In addition, Prime Therapeutics is regularly looking at clinical programs that would appropriately manage utilization of certain products. Program reviews are also regularly conducted to monitor how the plan is performing financially and operationally.

Ms. Chapin distributed and walked members through the Fairview Specialty Pharmacy (FSP) member summary rolling report for the UPlan. In first quarter 2011, FSP served 284 members and filled a total of 699 scripts at a total cost of \$1.4 million. The average member cost for a specialty drug is \$21.30, which means that a number of specialty medications are at an \$8 co-pay level. Besides filling specialty drug prescriptions, members are able to also get their non-specialty prescriptions filled through FSP if they so choose.

Ms. Chapin stated that she has heard concerns about the transition to FSP, and these were anticipated when the University decided to set up a specialty drug program. FSP is focused on a high level of customer service, and hopefully this will translate into greater member satisfaction over time.

Mr. Watt thanked the representatives from Prime Therapeutics for their presentation. He turned to Nancy Fulton and asked for any additional comments about the Prime Therapeutics feedback she summarized. Ms. Fulton stated that Prime Therapeutics adequately addressed the comments that were received. She noted, however, that the

University's open enrollment website had a drop down menu giving UPlan members the impression they had a choice of PBMs to choose from when in fact they don't. Employee Benefits, noted Mr. Chapman, will look into this.

Ms. Sherman stated that the multiple PBM changes over the past few years have created disruption for members. She added that she did not get the sense that Prime Therapeutics was very responsive to criticism about the implementation problems that arose, and seemed reluctant to take responsibility for their mistakes.

Mr. Watt asked Carl Anderson from Boynton Health Services about BHS's experience with Prime Therapeutics. According to Mr. Anderson, BHS has had a very positive experience dealing with Prime Therapeutics. Mr. Watt then turned to Kathy Pouliot in Employee Benefits to get her feedback on Prime Therapeutics. Ms. Pouliot stated that in her opinion the transition to Prime Therapeutics overall has gone well. She added that the Prime Therapeutics staff are good to work with and very responsive. Next year, when the BAC solicits feedback from employees about the plans, Ms. Pouliot suggested having employees who want follow-up on their problem to check a box and provide contact information. Ms. Fulton added that it is clear from the comments that were collected that some people do not understand how the plan works, and if they had a place where they could leave contact information, someone from Employee Benefits could follow-up with them. Ms. Chapin noted that she asked today's representatives from Prime Therapeutics to be sure to pass on the plan comments to the Prime Therapeutics' customer service, web, and mail order departments so they know about the service issues that arose.

IV). Mr. Watt called on Ryan Gourde, health programs financial manager, to briefly walk members through the 2010 UPlan Medical Financial Summary report. Salient information from the report included:

- Three sets of metrics are used for reporting on the UPlan medical program – overall financial metrics, medical utilization metrics and pharmacy program metrics.
- Medical claims increased by 6% from 2009 to 2010, pharmacy claims increased by 3.6%, and other expenses went down by 1.3%, which means the total trend was 5.1%. The national trend is between 7% - 8%.
- Actual 2010 UPlan costs were just over \$207 million and budgeted costs were approximately \$210.5 million, which translates into a loss ratio of 98.4%. On a per employee per year basis, actual costs were \$11,279 and budgeted costs were \$11,465.
- The UPlan medical inception to date cash position (since 2002) is a negative \$23.7 million. The reason for the negative cash position has to do with the fact that the fringe recoveries are not keeping up with the increase in UPlan expenses. The Department of Health and Human Services has a rule that the fringe rate needs to be calculated with a two-year lag, and so the negative cash position is to be expected. The University regularly scrutinizes these numbers so they are mindful of how much cash is coming in and going out.
- UPlan medical and pharmacy expenses continue to rise.

- The Medica Choice plans (regional and national) cost the UPlan the most followed by Insights by Medica, U Classic Plus by HealthPartners, Medica Elect & Essential Twin Cities, and Medica Direct.
- Medical discounts from the plans are about 40%.
- The UPlan averages around 109 outpatient office visits per 100 lives per quarter.
- Emergency room visits are at about 10 visits per 100 lives per year.
- In the fourth quarter 2010, the plan paid \$94.44 per script and employees paid \$10.36. Or, put differently, the plan paid 88.2% and members paid 11.8% per script (full year 2010).
- Most UPlan participants choose to pick up their prescriptions at retail locations. Only about 3.5% of UPlan total scripts are filled by mail order. Specialty drug use continues to increase. In 2010, less than 1% of UPlan scripts were for specialty drugs, but 15% of the UPlan's total expenditures were from specialty drugs.
- 81.1% of UPlan prescriptions are filled at an \$8 co-pay or less.
- Approximately 75% of the UPlan's total scripts are generic and 25% are brand drugs. In terms of expenditures by patent status, approximately 75% of UPlan expenditures are for brand drugs and 25% are for generic drugs.

Mr. Watt requested that this financial report include a slide showing the full cost of the UPlan in the future, which would include UPlan costs, employee contributions to premiums and employee out-of-pocket expenses. Mr. Gourde stated that this information is presented to the Board of Regents (BOR), and can be included in this report in the future. Professor Feldman stated that the total cost of the plan should always include both the plan paid and employee paid amounts. Not including the employee paid amounts means that the total cost of the plan is being underestimated. He added that it will be important to have this information, particularly if the University envisions making significant cost sharing changes.

Professor Feldman also requested to see data on per member per year in addition to the per employee per year data. It would be interesting to have this data in light of the Affordable Care Act legislation that requires plans cover dependents up to age 26. Because of this legislation there will likely be more young adult dependents enrolled in the plan, which will drive up the total costs. It would be useful to see the change in the number of dependents that are covered by the plan. Mr. Gourde stated that there has been an increase in the dependent population enrolled in the UPlan because the University decided to implement this part of the legislation early, before it was legally required to do so.

Mr. Chapman spent the last few minutes talking about when a generic drug is really not a generic drug. When the UPlan Generic Plus category was first conceived, drugs were either generics or brands. However, changes have taken place so that while a drug may have a generic look in terms of how it is named and presented, it has a brand price as a result of manipulations by the pharmaceutical companies. He proposed renaming the Generic Plus category because a generic isn't always a generic. Ms. Chapin explained that what happens is that the brand drug manufacturer authorizes the manufacturer of a

comparable medication, but calls it an authorized generic, which confuses people because they are under the impression they are getting a generic drug when in fact the drug is more like a brand drug.

V). Mr. Watt announced that the next BAC meeting is June 16 and the first meeting of the 2010 – 2011 academic year will be on August 4th. Hearing no further business, Mr. Watt adjourned the meeting.

Renee Dempsey
University Senate