

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
APRIL 5, 2007

[In these minutes: Long Term Care Update, Wellness Assessment Update, Investment Workshops, NYT Article on Long Term Care Insurance Companies, RxAmerica Review, AFSCME Proposal]

[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), Tina Falkner, William Roberts, Karen Wolterstorff, Jody Ebert, Jennifer Imsande, Rhonda Jennen, Jerremy Mlenar, Sandi Sherman, Don Cavalier, Michael Marotteck, Carla Volkman-Lien, Carl Anderson, George Green, Amos Deinard, Richard McGehee, Fred Morrison, Peh Ng, Theodor Litman, Rodney Loper, Dann Chapmann

REGRETS: Linda Aaker, Joseph Jameson

ABSENT: Carol Carrier, Frank Cerra, Keith Dunder

GUESTS: John Gardynik, president, RxAmerica; Meng Yang, clinical pharmacist, RxAmerica; Ime Ekpenyong, account manager; RxAmerica

OTHERS ATTENDING: Joyce Carlson, Karen Chapin, Nancy Fulton, Betty Gilchrist, Murray Harber, Gladys McKenzie, Kathy Pouliot, Kelly Schrotberger, Melinda Soderberg, Christina Swenson, Curt Swenson

I). Gavin Watt called the meeting to order.

II). Employee Benefits Announcements:

- Additional Long-Term Care informational sessions have been scheduled for April 11th & 12th on the Twin Cities campus. For employees that are unable to attend one of these informational sessions, they can download a copy of the presentation by visiting the UPlan LTC website at <http://uplanltc.jhancock.com/> (username: uplanltc; password: mybenefit). To date, 561 individuals have signed up for Long-Term Care coverage; 283 of these individuals are transfers from CNA. Open enrollment closes on April 20th.
- Approximately 4,000 employees and spouses/SSDPs have completed the Wellness Assessment this year. The deadline to complete the assessment was originally April 30th, but Employee Benefits requested the approval of the BAC to extend this deadline to the end of May to coincide with National Physical Fitness and Sports Month. Hearing no objections, the deadline was extended.

- Employee Benefits is continuing to offer workshops for those employees that want to learn about their investment options in light of the University's decision to terminate its contract with TIAA-CREF.
- A recent article in the New York Times referenced problems that some individuals have had when attempting to collect their LTC benefits. While John Hancock is mentioned in the article, it is chiefly about Conseco. There is a table in the article that outlines the complaint ratios for LTC companies, and John Hancock is at the bottom of the list with a 1/10,000 complaint ratio. Conseco has a complaint ratio of 29/10,000. Employee Benefits has a trade article along with a written response from John Hancock objecting to how they were characterized in this article.

A member stated that her concern, aside from the mention of John Hancock, was the overall message in the article, which was that as claims are coming due, LTC companies are balking at paying them. In her opinion, insurance companies do not like to pay claims.

II). Gavin Watt welcomed RxAmerica President John Gardynik and his associates Clinical Pharmacist Meng Yang and Account Manager Ime Ekpenyong. Mr. Gardynik began by noting that the UPlan/RxAmerica implementation was difficult and he takes personal responsibility for underestimating how difficult it would be. Having said that, there are a number of aspects of the program that are working well, but, at the same time, there are aspects of the program that are not working well. RxAmerica plans to continue to improve upon and develop the program.

A PowerPoint handout was distributed to members. From this handout the following information was highlighted:

- Generic medications generally offer the best medication value for both economical and quality reasons.
- The University's generic dispensing rate is almost 60% for the 2006 calendar year, and this rate continues to grow.
- It is estimated that in order to fully optimize the generic dispensing rate, generics would need to be used 80% of the time.
- While generic medications are dispensed 60% of the time, only 20% of claim dollars are spent on generic medications.
- The UPlan is performing slightly better than RxAmerica's other employer groups with respect to generic dispensing.
- The number of prescriptions UPlan members have been receiving is staying constant. Therefore, the UPlan's prescription savings are not attributable to a decrease in use but a shift to generic medications.
- Total UPlan medication costs have stayed constant while the member out-of-pocket costs have decreased.
- RxAmerica continues to focus on UPlan member satisfaction. Since the program was launched, RxAmerica has put in place a dedicated call management team as well as a dedicated website <http://www.rxamerica.com/umn/welcome/#>

- Customer service calls are dramatically decreasing, but the number of prescriptions are remaining constant at roughly 25,000 per month.
- Calls are answered consistently faster than the contract level guarantee of 30 seconds.
- Average call handle time is approximately 6 minutes, which is quite good compared to industry standards. RxAmerica took significant steps to decrease call handle times by educating its customer service representatives on the UPlan's plan design.
- Ninety seven percent of customer service calls are answered within the 30 second timeframe outlined in the UPlan/RxAmerica contract.
- "Clean" (prescriptions that are received without protocols) home delivery prescriptions are filled and shipped within 24 hours. Trouble arises when RxAmerica receives prescriptions that are not "clean" and doctors or pharmacies need to be called, etc.
- Currently, there are approximately 250 prior authorizations per month of which 90% are processed within 24 hours of receipt. For comparison purposes, the Medicare Part D drug benefit standard for processing a prior authorization is 72 hours.
- In order to measure its quality of service, RxAmerica is conducting phone and direct mail surveys. Preliminary results of the phone survey indicate that UPlan members are contacting RxAmerica for the following reasons: order status, billing, prior authorizations, general coverage information and miscellaneous other reasons. It is RxAmerica's goal to decrease the number of member calls it receives for general coverage and prior authorization inquiries, and to ideally eliminate order status and billing inquiries as well.
- Overall survey results indicate that RxAmerica is answering member's inquiries accurately and professionally. All calls are digitally recorded and used for training purposes.
- The survey question rating overall satisfaction with RxAmerica indicates that RxAmerica is averaging a 3 out of a 5-point scale where 5 is the best. Some of this dissatisfaction reflects members discontent with the prior authorization (PA) process. Employee Benefits Director Dann Chapman noted that at the end of the survey members are given the option of leaving a recorded message with free form observations, which he believes is a very nice feature.
- RxAmerica plans to continue to better understand points of satisfaction and dissatisfaction with the plan.
- Three clinical programs are currently underway: Step Therapy (ST), Prior Authorization (PA) and Buy 1 Get 3 Months Free.
- RxAmerica is promoting "cost effective" medications for UPlan members. A "cost effective" medication has the same pharmacological properties as another medication in its therapeutic class but costs less.
- Approximately five thousand members were identified as eligible to participate in the Buy 1 Get 3 Months Free Program. As of the end of March, approximately 185 members have taken advantage of this opportunity.
- The PA process is not new to the industry. The University's current formulary, for the most part, mimics its previous PA program. RxAmerica continually

monitors this program to make the process as smooth as possible for members. For example, based on feedback from members and physicians, RxAmerica modified the PA process in the following ways: members can now obtain up to a 14-day supply of Oxycontin without a PA, and members with risk factors such as diabetes can receive Lipitor for a \$10 co-pay without going through the PA process. In addition to outside feedback, RxAmerica monitors the program internally, the result of which was a change made to the PA process allowing members to obtain up to a 4-month supply of Lamisil without a PA. Other changes include extended PA approval duration for maintenance medications. No renewal is required for hypertension, diabetes and certain other chronic disorder medications. Also, RxAmerica has put in place a dedicated PA team to process these requests.

- Moving forward, RxAmerica wants to preserve what is working (e.g. retail access to medications, pharmacy networks, customer service, financial management of plan), fix what is not (e.g. enhance diligence on problematic mail service, increase formulary awareness) and embrace new enhancements (e.g. new web features).

Dann Chapman noted that before the committee discusses RxAmerica he wanted to make sure members consider them fairly. With this said, it is important to keep in mind that there are two aspects to the UPlan pharmacy program, the service provided by RxAmerica and the program design itself. With respect to the service provided by RxAmerica, the University has held RxAmerica accountable for remedying its service issues, and much progress has been made along these lines.

In terms of program design, RxAmerica shares a partnership with the University in designing the UPlan's pharmacy benefit and clinical programs. Mr. Chapman emphasized that the University bears a significant responsibility for shaping this program. It would not be fair to blame RxAmerica for how the program is intended to work.

Employee Benefits conducted its own analysis of the RxAmerica feedback provided by UPlan participants, and found a significant portion of these concerns (at least 33%) to be related to program design. The analysis also uncovered that 53% of members concerns were attributable to service issues, the bulk of which were mail order concerns.

Bear in mind, noted Mr. Chapman, that the University has made significant gains with regard to its pharmacy program design, and not only for the UPlan but for its members. For example, co-pays have been reduced from \$15 to \$10 for over 70% of the scripts that are being filled through the UPlan. The average co-pay members are paying is down more than \$1 per script per fill over last year, which is very unusual in pharmacy.

The University has a very unique pharmacy program design. It is not only the generic medications that are less expensive but also an additional list of preferred brand drugs that are available at the \$10 co-pay when a generic therapeutic equivalent is not available. In addition, even in instances when a drug has not been identified on the UPlan's generic plus formulary, members have the opportunity to prior authorize the cost of a higher co-pay drug down when justified by medical necessity.

The University has increased its generic usage from around 50% in 2005 to almost 63% as of February 2007 reported Mr. Chapman, and these savings are being shared with UPlan members through reduced co-pays. There are additional savings on the plan side that will help the University lower its overall trend and, therefore, the rates that members are paying overtime.

Dissatisfaction with program design, when it occurs (not everyone is dissatisfied), needs to take into account that the UPlan underwent a dramatic change from 2005 to where the plan is today. For a long time, the University made no significant changes to its pharmacy program. In Mr. Chapman's opinion, the current program is state-of-the-art, and serves the UPlan and its members well. Naturally, it is not surprising that this level of change has created dissatisfaction. However, when the level of dissatisfaction has been too great, the UPlan, in conjunction with RxAmerica, have made modifications to the program.

A lot of other employers are making much more drastic changes to their benefits' plans than the University. For example:

- Many employers are offering only generic medications at a lower co-pay.
- Numerous employers are moving toward a strict co-insurance model whereby the member pays a percentage of the cost of the drug regardless of its cost.
- Employers are making their formularies much more strict.
- Some employers are removing all non-sedating antihistamines from their formulary lists because there are alternative over-the-counter non-sedating antihistamines available.

With regard to RxAmerica's service issues, the University has been working closely with them to resolve the issues that are brought to their attention. Given the data from Employee Benefits' call tracking program and the data collected by RxAmerica, service issues are no longer a significant concern noted Mr. Chapman. There are less complaints about RxAmerica than there are of HealthPartners and Medica combined. Mr. Chapman reminded the committee that the pharmacy program has far more contacts with UPlan members than the medical side of the program. More than 27,000 scripts have been filled every month since this program was put in place. Kathy Pouliot distributed a handout, which tracked Employee Benefits' medical and other insurance program calls. From this handout, she noted that the calls about RxAmerica are not out of line when compared to the medical plans.

Having said all this, Mr. Chapman believes it is a good time to review the program. Mr. Watt announced that in an ongoing effort to monitor the program, the membership of the Pharmacy Program Clinical Committee which oversees the UPlan formulary, will be expanded to include a physician, and Dr. Amos Deinard has graciously accepted to serve on this committee.

Next, BAC member Jody Ebert who collected and organized the feedback on RxAmerica stated that she took the following away from her analysis of the feedback:

- Communication with members about their pharmacy benefits must be improved.
- Not only are some employees frustrated with RxAmerica, but doctors and pharmacists are frustrated as well.
- RxAmerica should have a pharmacist on duty 24 hours/day and 7 days/week.
- Confusion exists around the prior authorization process.

She then made the following suggestions:

- Employee Benefits should create a Breeze presentation, which UPlan members could download on their computers, to learn about their benefits.
- Thought should be given to issuing UPlan members a card that they can bring it to doctor appointments reminding them to ask their physicians if there is a generic alternative available.
- RxAmerica's automated refill system should send a confirmation email letting members know their request is being processed.

Gavin Watt thanked Jody for collecting and summarizing the feedback on RxAmerica, and, more importantly for looking beyond the problems to try and find solutions.

Questions/comments from members:

- RxAmerica needs to do a better job in letting members know that their PA is indefinite. Ms. Yang noted that members can see the termination date of their PA on-line. Based on what sounds like some inconsistency on the part of RxAmerica in referencing this information across the board, Mr. Gardynik stated that RxAmerica would look into this and make sure all termination date information is consistently provided to UPlan members online.
- RxAmerica needs to improve upon its communication with UPlan members in general. Mr. Chapman admitted that this is a challenge and solicited the committee's input on how to get members to listen to or read the information that Employee Benefits puts out.
- Why are prior authorizations necessary? Mr. Gardynik stated that the prior authorization process can be problematic in certain circumstances, but in most instances this process has a lot of value because it is intended to promote thought on the part of the physician when prescribing a medication. Ms. Yang stated that RxAmerica has prior authorization standards that are based on FDA guidelines.
- Boynton Health Service's experience in dealing with RxAmerica has been improving from a dispensing perspective. From the programmatic side, many providers still view the prior authorization and step therapy processes as a hurdle because they are accustomed to having whatever they prescribe filled.
- RxAmerica should explore personalizing its communications with its members via its website. For example, when members log into their personal account on the RxAmerica website, RxAmerica could communicate special offers when applicable, e.g. Buy 1 Get 3 Months Free, or other relevant plan benefit information.
- How do physicians know which drugs are on the UPlan formulary? In an ideal world, stated Mr. Gardynik, before a physician writes a script he/she would know how to optimize low cost scripts from the patient's formulary program if that is

what his/her patient is requesting. Granted, there are a lot of plans with a lot of different formularies, but formularies are very commonplace. Ms. Yang stated that the UPlan and RxAmerica worked closely to try and mimic the UPlan's previous formulary as much as possible; however, some members had plans where they had open access to virtually all medications. In Mr. Gardynik's opinion, the best way to handle this would be to give members general plan formulary information, which they can give to their physician.

- If a PA is not approved, does this prohibit the member from getting the drug at all? Mr. Chapman stated that it stops coverage for the drug, but it does not prohibit the member from purchasing the drug at a pharmacy. No PBM could stop a member from purchasing a drug outright. Either a drug is covered immediately through a co-pay mechanism, after the fact in a reimbursement process or not covered at all.
- There are certain pharmacy chains that will not sell a drug to a patient that a PBM has rejected. Once the message in the pharmacy's computer indicates a PBM refused to cover a prescription that pharmacy will not even allow the patient to purchase the drug outright. This is not an RxAmerica problem but the problem of certain pharmacies. Based on this information, RxAmerica agreed it needs to do a better job in communicating with its members their pharmacy benefits.
- The RxAmerica website posts the UPlan's formulary, and members can use the website to calculate how much a prescription will cost them.
- The RxAmerica pdf formulary is cumbersome to use and the whole program is too confusing. The program is placing too much responsibility on members.
- During the RFP process RxAmerica indicated that they would provide generic samples to physicians and encourage their use, how is this process working? Mr. Gardynik stated that RxAmerica is not doing this in this market, but that they are doing it in other markets. It was noted that many of the major clinic systems in this market will no longer accept brand or generic samples.

Members agreed that a continued discussion around the performance of RxAmerica and the pharmacy plan design should be taken up at the committee's next meeting.

III). Gavin Watt introduced the next agenda item, a position statement by AFSCME being brought forward by Sandi Sherman, which asks the BAC to:

- Take a stand on the amount of health care costs that employees are being asked to bear.
- Ask the administration to lower the maximum pharmacy out-of-pocket exposure that employees are responsible for paying.

In light of time, Ms. Sherman stated that she wants the BAC to have an opportunity to fully discuss and weigh in on this statement because soon AFSCME will be going to the table to bargain its benefits for the coming year.

After a fair amount of discussion about how to reorganize upcoming BAC agendas in order to get the RxAmerica discussion back on the agenda and to discuss the AFSCME position statement, it was decided that some of the plan reviews would need to be rescheduled.

Before the meeting was adjourned, a member commented that there are only a handful of pharmacy benefit managers (PBM). All of these PBMs would be willing to design a plan to meet the requirements of the University, but at a cost. The cost of a new program design would naturally need to be reflected in employee premiums.

IV). Hearing no further business, Gavin Watt adjourned the meeting.

Renee Dempsey
University Senate