

Pima County Health Care Benefits Trust Board Meeting November 21, 2019, 9:00 a.m.

Pursuant to A.R.S. § 38-431.02, notice is hereby given that the Pima County Health Care Benefits Trust held a meeting open to the public on **Thursday, November 21, 2019, at 9:00 a.m.** The meeting was in the Board of Supervisors' Hearing Room located on the 1st floor at 130 W. Congress, Tucson, Arizona.

MINUTES

A. Roll Call

Present	Mr. Keith Dommer, Board Member Ms. Daisy Jenkins, Board Member Dr. Francisco Garcia, Board Member Ms. Ellen Wheeler, Board Member
Absent	None
Also Present	Marchelle Pappas, Pima County, Coordinator Cathy Bohland, Pima County, Human Resources Gayl Zambo, Pima County, Human Resources Jennifer Billa, Pima County, Human Resources Erin Higdon, Pima County, Human Resources Debbie Knutson, Pima County, Human Resources Toni Parkhurst, Pima County, Human Resources Jan Leshner, Pima County, Admin Michelle Campagne, Pima County, Finance Meredith Litton, Pima County, Finance Andy Welch, Pima County, Finance Xavier Rendon, Pima County, Finance Zulema Adame, Pima County, Finance Blanca Rosetti, Pima County, Finance Len Baldazo, Pima County, Finance Mandy Armenta, Pima County, Finance Sarah Metz, Pima County, Finance Taylor Green, Pima County, Information Technology Mike Zucarelli, CBIZ Eric Rustand, CBIZ Ray Eveleth, Aetna Karen Peters, Aetna

Matt Weel, CVS Health
Casey Lawton, Ameritas
Rose Stamps-Proper, Ameritas

Meeting was called to order at 9:08 a.m.

B. Pledge of Allegiance

All present joined in the pledge of allegiance.

C. Approval of May 9, 2019 Meeting Minutes – It was discussed that Board has not seen latest revisions to the minutes, therefore they will receive via email and approve at the next meeting.

D. Human Resources - by Cathy Bohland

Pima County Health Care Benefits Trust document, Section 4

Section 4.1, Management of the Trust

Ms. Bohland reviewed section regarding the need for an annual report from the Board of Trustees to present to the Board of Supervisors.

Mr. Dommer recommended HR staff create a template with an area for the Board of Trustees to leave comments. Discussion of having a committee of the Trust Board to discuss further.

Dr. Garcia commented on the similarity of the annual report to the financial report received during these meetings and asked for HR Staff to highlight any differences between the two reports and what the Trust Board report should elaborate on. Discussion ensued to reference financial report in the annual report.

Ms. Wheeler questioned if the Board of Trustees have enough expertise and knowledge to compile such a report and asked that staff provide recommendations for areas the report should cover.

Mr. Dommer requested to have an outline and template to review before the May 2020 meeting.

Section 4.6, Plan Administration

Ms. Bohland reviewed the Board of Trustees' authority level for voting and making final decisions for plan changes. Trustees do not have the authority to make plan changes, but can review any recommendations submitted by the Plan Administrator and offer feedback.

1. Trustee Vacancy (Section 3.5)

Ms. Bohland noted the vacancy on the Trust Board and requested referrals of persons who might be appropriate for appointment.

2. Medical and Dental Rates 2020/21

Ms. Bohland discussed CBIZ's recommendation to increase the medical premium rates by 8.61% for fiscal year 2020/21, to be applied to both the employee portion and the employer portion. The increase would apply to all tiers. Reminder that employees will continue to receive a \$35 Healthy Lifestyle Premium Discount per pay period upon eligibility.

Mr. Dommer asked if the financials presented later in the presentation were taken into account for the recommended increases. Response was yes.

Ms. Zambo discussed the recommendation to change the Dental rate payment percentages. Historically the County paid 50% of the **employee-only** portion (\$10.23) for each of the tiers. Survey results of other County dental plans showed a 30% employee / 70% County split. Ms. Zambo noted that employees may be paying more in dental than medical premiums. The Plan Administrator recommends a 50% employee / 50% County split be applied to all tiers to give employees an affordable dental plan option. Employee Wellness has included preventive dental exams in the Healthy Lifestyle Premium Discounts (HLPD) program. The County is currently going out to bid for both dental plans within the next month.

Mr. Dommer asked if the decrease in dental plan rates would offset the proposed increases in the medical plan rates. Advised there would not be a reduction on the employee only tier of the pre-paid dental plan.

Mr. Dommer asked what the increase of the County's portion would be for both dental and medical rates. Response for dental was about \$1 million (County-only share), and for medical the total increase is \$3.6 million (for both County and employees). Mr. Dommer confirmed Board of Trustees have no authority to make the final decision and their role is only to review and give recommendations for improvements.

E. Aetna Presentation - by Ray Eveleth and Karen Peters

Medical Utilization Review – First quarter review for 2019/2020 – July 1, 2019 through September 30, 2019

Demographics

This stayed consistent – a majority of members continue to be in the HSA. 34% of men and women between the ages of 45-64 account for 54% of the medical spend. Medical spending per member increased 16.2% from last period, mainly from high cost claimants. For those not in high cost claimants group, the increase is 5 to 6%. Dr. Garcia would like to see the differences between in-patient and ambulatory costs and suggest theme areas to help our Health and Wellness Program.

High Cost Claimants

There were six high cost claimants in the last period versus three previously, causing a 26.6% increase in claims paid. Ms. Peters went over the top seven claimants. Dr. Garcia mentions that three of the claimants are tobacco-related conditions, which highlights the importance of remaining tobacco-free and to push the cessation of tobacco use.

Medical Utilization

Admissions per 1,000 members increased by 43%, but average length of stay dropped. Inpatient surgeries increased by 28.2%, largely due to skin procedures and cardiac increases; with a decrease in musculoskeletal.

Top four claim categories broken out by employees, spouse/partner and child are in musculoskeletal related to fractures, (45%), digestive (21%), oncological, and neurological. Dr. Garcia questions what is driving the numbers. Ms. Peters advises that two of the high cost claimants presented at the ER which resulted in some of the costs.

Top Disease Categories

Reviews a rolling 12 months. The top five disease categories, ranked by spending, are: hypertension, hyperlipidemia, gastritis, depression and obesity.

Top Diagnostic Categories

The top five diagnostic categories are musculoskeletal, nervous system, digestive system, circulatory system and kidney/urinary tract.

Summary (if applicable)

Aetna is keeping contracted rates at competitive level. Percentage of admits for out of network increased slightly, but in-network admissions dropped.

F. Caremark/CVS Presentation – by Matt Weel

Pharmacy Utilization Review – Review is of the entire 12-month plan data,

Eligibility

Average membership is just under 11,000 members.

Costs

Cost is just over \$12.2 million. Pima County is significantly lower PMPM than the book of business.

Drug Mix

Generic utilization is over 80%, which is positive.

Utilization

High numbers of prescriptions are filled at retail stores versus by mail. Ms. Jenkins asked about incentives or communications that employers are using to achieve the mail prescriptions. Mr. Weel states that other plans mandate mail for certain uses versus Pima allowing it to be voluntary.

Specialty

Total gross cost for specialty drugs is over \$5 million. Specialty drugs are over 41% of gross cost but only 1.1% of prescriptions.

Top 10 Therapeutic

There were 139 utilizers for just over 1,200 specialty prescriptions.

Top 25 Drugs

Top drugs are displayed by total gross cost. Dr. Garcia clarifies that prevalence goes to prevalence of users versus prevalence of disease. Diabetic medications remain at the top. When looking at the ranking of the top 25 drugs, 12 are specialty drugs and nine are branded product.

Adherence Metrics

This metric looks at where Pima County is compared to the book of business. Adherence numbers are in line with the book of business. Of note is that adherence means members have filled their prescriptions and have the medication on hand. Mr. Dommer pointed out that Pima County is voluntary usage and that we compare favorably to employers that mandate certain usage. If we move to mandatory measures it could save money. Mr. Dommer asked how we doing compared to last quarter. During the last quarter, utilization was significantly lower.

G. Ameritas Presentation – by Casey Lawton

Dental Utilization Review

Paid Claims

Estimate for end of 2019 was lowered due to in-network utilization and plan changes.

Monthly Paid Claims

July numbers are higher, which is typical due to kids on summer vacation and it being the beginning of the plan year. This bumped the PEPM to \$61.84.

Paid Claims by Type

Type 1 and 2 show higher utilization due to changes of plan covering 100%. This overall should result in lower costs for major procedures. Ms. Jenkins asked about the emphasis on the dental plan from Wellness. Ms. Zambo stated that Employee Benefits and Wellness focused on dental plan changes and added preventive dental visits to Healthy Lifestyle Premium Discounts program for employees. Mr. Lawton stated that these have proven to be effective.

Paid Claims by Procedure

Overall 2018 and 2019 have had very little change. Increase of in-network procedures. Would like to see more in-network preventive services, but it is trending in a positive direction.

In Network vs. Out of Network

Plan design changes and in-network dentists have saved the County \$1,000,000.

H. CBIZ Presentation – by Eric Rustand

Claims Review

Mr. Rustand reviewed the claims for the prior year and current quarter. Pima County has already exceeded the projected claims for this quarter based upon claims from the same quarter last year. There is a projected 6.2% increase in claims for next fiscal year.

Follow up from prior meeting

Information to be provided on reducing out of network substance abuse claims.

Mr. Rustand mentioned the opportunity to mitigate the high-cost claims by increasing the out-of-pocket max for out-of-network claims. He stated some employers are implementing these options:

1. Choosing to exclude services by certain providers specifically by name.

2. Changing payment hierarchy to decrease the plan cost for out of network costs.
3. Increasing deductibles and maximum out-of-pocket costs for out of network services in order to ensure that the member always has a portion to pay when using out of network services. Out-of-pocket maximums can be increased to be unlimited.

Additional CBIZ analytics reporting Versend (Cotiviti)

Mr. Rustand provided the 2018/19 Year End Year-Over-Year Comparison Report for the Trust to review. Ms. Jenkins and Mr. Dommer request this report to be provided at the next February and August meetings.

Provide updated Aetna Clinical Policy Bulletin (ACPB) 615

Mr. Rustand mentioned there were two minor updates to the latest CPB 615 in December that relate to cosmetic surgeries that did not affect the Pima County Plan. Dr. Garcia suggested that the HR team should consider a policy that takes the recommendation of the provider (ACPB) in whole, otherwise there are vulnerabilities to County.

Additional information on J-code pharmacy costs processed and paid under the medical plan with Aetna

Aetna clinical management is working with plan members on utilizing alternative infusion locations vs in-patient facilities that will reduce the costs.

Specialty Drug Coupon Items

Mr. Zucarelli spoke to specialty coupons, which are provided by drug manufacturers to offset the member cost. All specialty drugs go through CVS and are first adjudicated through the plan, then adjudicated with the coupon, which both apply to the member's deductible. There is currently conflicting federal guidance. Health and Human Services (HHS) requires the full cost of the drug to be applied to deductible even when the drug cost is covered with a drug coupon. The Pima County process currently aligns with the HHS. This HHS mandate will not be enforced for 2020. Directly conflicting with the HHS, the IRS states that applying the coupons to a member's deductible, violates first dollar coverage, meaning the member is no longer eligible for an HSA. The IRS opinion is that plans that allow this practice this are complacent by allowing the violation of the first dollar coverage HSA rule. Legal counsel at CBIZ believes final guidance will align with the current IRS determination.

CBIZ recommends not allowing coupons to apply the deductible when discussing future plan design changes, stating that members are not exposed to any upfront costs to their plan, reducing member responsibility and consumerism. Coupons can still be utilized by members to offset the cost, but the coupon amount would no longer apply to their deductible. Discounts resulting from

loyalty shopping benefits would still apply to the deductible. The estimated savings to the plan by implementing the CVS Specialty coupon program is \$1.1 million. Dr. Garcia notes that this recommendation has negative implications for the lowest-earning members of the County.

Ms. Jenkins requests additional information surrounding this topic, including recommendations to the Trust. Ms. Bohland stated that there are no current plans to make any changes, but will provide additional information at the next meeting.

I. Pima County Finance – by Andy Welch

Statement of Net Position Comparative

There has been a \$5 million change in cash flow due to decreases in premiums paid and departments not paying for HSAs. There is an increase in total liabilities of \$516,000 mostly due to state investments. Net position is a decrease of \$4.7 million mostly due to County funding being paid by the Trust Fund rather than the departments for FY2019/20. Mr. Dommer asked if it is the Trust's responsibility to make recommendations on the \$25 million dollar target for the Trust Fund balance. Ms. Wheeler stated that Tom Burke made it clear that this was up to the County, not the Board. Ms. Bohland added that 6 months of claims was our target; however, recommendations from the Board would be helpful. Ms. Campagne stated that \$25 million is the recommended target, however we expected to have \$20-\$30 million per the Cash Flow.

Statement of Revenues, Expenses and Changes in Net Position Comparative

Total net Operating Revenue is down \$8.1 million. Operating Income is down \$12 million from 18-19 due to loss of \$6 million in 2019. The change in net position is \$10,988,798.

Statement of Revenues, Expenses and Changes in Net Position Major Line Items Analysis

Operating Revenue is at \$61 million mostly due to premiums. Operating Expenses of \$57.5 million is mostly due to claims. Mr. Dommer asked if we got transfers and Mr. Welch stated yes.

Budget and Actual

Net position down \$5 million. Mr. Dommer commented that this was intentional and planned. Mr. Welch stated yes. Pharmacy rebates are up, Medical Claims are up and Investment Income is up. Overall expecting a \$10 million loss. Mr. Dommer where this budget loss would take us. Ms. Campagne state end of year should be \$28 million net position and \$23 million from fund balance. Mr. Dommer asked if this rate was planned or will this increase get us back on course? Ms. Campagne stated yes. Mr. Dommer stated the rates increasing in 20/21 will not affect this year.

J. Call to the Audience

No Response

K. Next Meeting Date – February 13, 2020

1. Future Discussion Items

Aetna

- High Cost Claimants (HCC) impact on In-patients vs Ambulatory costs
- HCC In-patients vs Ambulatory Per Employee Per Month (PEPM) costs
- Reasons for Emergency Room visits

Human Resources

- Section 4.1, Template of the Annual Report
- Section 4.6, Clarification on roles and responsibilities

L. Adjournment at 11:15 A.M.