Date: December 7, 2009
To: Members of the Joint Health Care Committee
From: Kristen Russell, Fall River Consulting Group LLC
Re: Suggestions and Motions Developed at 11/20/09 Meeting for Consideration at 12/7/09 Meeting

**Background**

Since the beginning of the 2010 Fiscal Year, the UA Systemwide Benefits Department has facilitated a number of presentations to the JHCC by Blue Cross, Caremark and WIN for Alaska for the purpose of identifying cost savings through plan design modifications. In addition, at the recommendation of the JHCC, UA engaged Fall River Consulting Group LLC, an external consultant, to do a holistic review of the performance of UA health and wellness plans.

The Fall River analysis, in conjunction with the information from Blue Cross and Caremark, indicates that unless there is prompt and substantial intervention, the cost of the UA Choice plan could double over the next 7 years from $60 million to $120 million. Such an outcome would be untenable for the University and all employees. The goal is to make changes that will reduce utilization and improve the risk profile of the population, so that all employees benefit over time by lower premiums and ensuring the University can continue to contribute at such a strong level to the employee health plan.

I facilitated a group discussion with the JHCC during a two day meeting held November 5 and 6, and a follow up meeting on November 20. The JHCC discussed a range of possible interventions during those meetings. I have taken notes of the group’s discussions and have summarized the consensus opinions that developed during those meetings. As a result of that review, I am presenting the following actions for formal consideration by JHCC, so that the committee may provide a recommendation to the University. The items are in no particular order. I have provided a brief explanation of the committee’s rationale for each item, from my notes of the comments during the meetings.

**Recommendations**

1. **Retain a consultant who can provide quarterly updates to the JHCC about plan costs and utilization patterns.** The involvement of a knowledgeable consultant will help to ensure the regular and consistent reporting and analysis of data, allowing the JHCC and other groups to work more proactively with the University on plan issues.

2. **Retain a consultant who can conduct a Return On Investment (ROI) analysis of the wellness programs.** A consultant with expertise in determining ROI will provide JHCC and University management with useful feedback on the performance of the current wellness programs and will aid decision-making regarding changes to that program.
3. **Modify the eligibility provision of UA Choice to require a 30 day waiting period prior to the effective date of health care coverage for all new employees (this would include re-hired employees who have had over a one year break in coverage).** This change would go into effect 7/1/10. This change will permit more time for newly hired employees to receive orientations, complete their selection of benefits, and will greatly simplify administration of the plan for the University, Premera, Caremark and VSP. The waiting period will also protect the plan to some extent from job applicants who seek UA employment primarily to obtain immediate health coverage because of a current condition.

4. **Increase in the retail co-pay by $5 for preferred (Tier 2) and non-preferred (Tier 3) name brand prescription drugs (with corresponding increases in mail order co-pays), and raise the Out of Pocket Limit on copays from $800 to $1000.** Caremark and Fall River have consistently stated that UA’s generic utilization rate is less than optimal and just a 1% increase in the generic utilization rate can help UA Choice save $75,000 a year. Also, the $800 OOP limit on copays has been in place for a number of years and needs to be increased to $1,000 to keep step with inflation. This still provides very significant member protection.

5. **Eliminate the Dispense as Written provision and implement the Performance Step Therapy program.** The Dispense as Written provision currently allows any member to have their doctor write “DAW” on a brand name script and avoid a penalty for not using a generic drug. In order to create better incentives, the committee believes this penalty should apply to all members EXCEPT those for whom a medical necessity appeal is made by the doctor to Caremark to receive a 12 month exception. Performance Step Therapy will ask members to try a generic (Tier 1) or preferred (Tier 2) brand name drug first; prior to receiving a non-preferred (Tier 3) (an expensive brand name drug) in one of 12 targeted categories. Again, a medical necessity exception is available.

6. **Implement Caremark’s no cost items communication programs.** Caremark’s no cost communications will educate and motivate employees and their dependents to review with their provider which medications are right for them.

7. **Implement Caremark’s Specialty Guideline Management program.** Although the savings from this change will be modest, this program is primarily focused on quality of life issues for members. It is designed to assist employees, dependents and their medical providers with issues that arise from the treatment of their condition.

8. **Modify plan coverage by implementing a plan year maximum of 26 visits per year/per enrollee for Chiropractic care and 26 visits per year/per enrollee for Physical and Massage Therapy, with a recertification process for enrollees requiring additional treatments beyond this limit.** The high utilization rates presented to the committee by Fall
River and Premera demonstrated a need for greater management of this benefit. Premera will be engaged to perform the medical necessity review/recertification process for visits over 26.

9. Adjust the employee contribution rate on the Deluxe Plan to more closely represent the value of the plan. Both Premera and Fall River's data demonstrated that employee rates for those selecting the Deluxe plan need to be adjusted to better reflect the high costs of this plan.

10. Implement a Value Based Benefit programs that coordinates with the disease management vendor's programs. Both the health plan and individuals benefit when those with chronic conditions remain current with their drug regimens. As a first step, the JHCC would like to see co-pays waived for generic and the cost of name brand medications set at $5 for qualifying employees and dependents who actively participate in the disease management program.

11. Authorize WIN for Alaska to share Health Risk Assessment and bio-metric data collected by WIN with the disease management vendor. This step would be premised on employee knowledge and consent. Confidentiality and security of this information would be strictly maintained. JHCC believes that by allowing health care professionals in UA's disease management (DM) program to access this information, there would be greater ability to identify employees who could benefit from the DM programs.

12. The University needs to boost its leaders’ involvement in and support for Wellness activities. A leadership conference is recommended, along with periodic meetings of leaders that would focus on the importance of Wellness efforts and their role in supporting this UA system initiative. The purpose of the conference would be to demonstrate to University executives, including Chancellors, Vice Chancellors, Vice Presidents, Provosts, Deans and Department heads the additional impact their active and open support of the wellness programs could have on overall employee health, productivity, employee charges and the budget. For example, the lack of meeting space has presented limitations on the growth of the Individual Health Planning (IHP) sessions offered as a part of the current wellness program. Meeting space is within the control of campus departments and this situation will not be solved unless senior management takes a more supportive role in prioritizing the need for space to hold these sessions.

13. Open up IHPs to employees located at rural campuses if sessions offered at the main campuses are not filled by January 1, 2010. JHCC supports the use of video and telephonic to offer IHP sessions to the rural campuses. JHCC agrees with Fall River’s conclusion that the IHPs need to reach more employees, and ideally, spouses/partners as well. Emphasis should be placed on trying to reach more high risk individuals.
14. **Contract with a vendor for a monthly healthcare/wellness newsletter that can be posted on the web, emailed to employees and sent home to each employee in print form.** JHCC agrees with Fall River’s conclusions that employees and dependents need more communications about life style issues and how to be a better health care consumers. Also, these communications need to be sent via as many modes as possible and targeted at spouses as well as employees.

15. **Conduct further analysis of the concept of “medical tourism.”** The cost and access to health care in Alaska is a problem and to address it, JHCC would like to see the Systemwide Benefits Department present its ideas for a domestic medical tourism program. Also, it has been suggested that an alternate name be used to avoid confusion with an international medical tourism program.

16. **Send an annual mailing to each employee containing a list of currently enrolled dependents whom the employee has enrolled in the health plan.** The committee discussed the recommendation of hiring a vendor to do a full dependent eligibility audit. However, for current employees, JHCC would rather see an annual mailing used for verification of enrolled dependents. As part of that mailing there needs to be a clear statement of the employee’s responsibility to notify the University of ineligible dependents and the actions the University will take if an employee fails to notify UA when dependents become ineligible or misstates the eligibility status of covered dependents.

17. **Require proof of a dependent’s eligibility as of July 1, 2010 for all new employees, ex-employees re-enrolling in the plan and when life events occur that cause dependents to be added to the plan.** JHCC is of the opinion that this action, in conjunction with an annual mailing used for the verification of eligible dependents, should minimize the number of ineligible dependents on the plan.

18. **Authorize WIN for Alaska to begin additional messaging (email and mail only, no calls) to members with high risk scores, to encourage them to sign up for IHPs and to participate in additional health screenings, etc.** JHCC is of the opinion this action will help reach more employees who have not sought needed health care or who are in need of life style changes. WIN for Alaska, and Fall River if desired, can help the University design the optimal strategy in this area.

19. **Switch Disease Management vendors from Premera/Healthways to Caremark/Accordant effective 7/1/2010.** The JHCC has reviewed a full comparison of the two vendors and an analysis of DM offerings by Fall River. Due to more favorable pricing, better and more timely reporting and the ability to access real-time pharmacy data, it is expected that Accordant can deliver more value to the University.
20. **Expand the requirements for the $100 Wellness Incentive.** The JHCC recommends that the $100 incentive amount now provided for each member who completes the HRA, should have additional requirements: that the employee be willing to undergo a biometric screen, and consent to have both the HRA and the biometric information released to the DM vendor. Currently, an employee or covered spouse/partner each receives $100 just for completing the Health Risk Assessment. JHCC is of the opinion that the current incentive does not yield enough in terms of employee engagement. The final strategy can be developed in conjunction with WIN for Alaska, and if desired, Fall River.

**There are several other ideas discussed during the earlier meetings that the JHCC does not support recommending at this time:**

A. Adding a $25 per pay charge to the employee for having his/her spouse or partner on UA’s health plan, if that person has other available health care coverage. This would be enforced on the honor system with caveat language stating that if false information is provided it could result in the denial of claims. While JHCC considered this suggestion, the committee does not support it.

B. Fall River presented to JHCC a number of programs that would entail using incentives for outcome based wellness behaviors. The committee is not ready to take action on those at this time.

C. The committee does not recommend the hire of a vendor to conduct a dependent eligibility audit at this time. Recommendations # 16 and # 17 above are viewed to be sufficient protection against ineligible dependents.

D. Possible pharmacy plan designs, using either coinsurance in place of co-pays and/or a highly incentivized mail order design, were considered. The committee does not recommend these changes right now, but agrees they may need to be looked at in the future.

E. Plan changes such as eliminating the deluxe plan, or creating a new plan tier using Health Reimbursement Arrangements (HRAs) and Health Savings Accounts (HSAs) were discussed and considered by the JHCC. The committee does not want to eliminate the deluxe plan in FY11, although the plan cost needs to be better matched to value. (See #9 above) Also, HRAs may be attractive in the future, but HSAs will be unworkable as long as the medical and pharmacy claims adjudication are performed by separate vendors.
I hope you find this listing useful and look forward to our further discussions of these issues at the December 7, 2009 meeting.

Sincerely,

[Signature]

Kristen A. Russell, FSA, MAAA
President & Founder
Fall River Consulting Group LLC