

**Texas Health Insurance Pool
Board of Directors Meeting
February 17, 2010**

The meeting of the Board of Directors of the Texas Health Insurance Pool was held on Wednesday, February 17, 2010 at 333 Guadalupe, Room 102, in Austin, Texas.

Notice of the meeting was filed electronically with the Secretary of State's office on Monday, February 8, 2010 and published immediately on the *Texas Register* web site (TRD number 2010001075).

Members present were Gary Cole, Chair, Rick Ott, Vice-Chair, Greg Barbutti, Secretary/Treasurer, Robert Emmick, M.D., Pati McCandless, Vicky Paparelli, R.N., Bill Rainey, M.D, and Marinan Williams. Also present were Steven Browning, Pool Executive Director, Denise Haidet, Pool Office Manager, and Betty DeLargy, General Counsel to the Pool.

The following representatives from BlueCross BlueShield of Texas ("BCBSTX") attended the meeting: Don Irby, Divisional Vice-President; Michael Garcia, Sr. Mgr. Government Services; D. Keith George, Assistant General Counsel; Brian Naiser, Div. V.P. Government Accounts; Marcy Sasser, Sr. Dir. Government Services; Shannon Stansbury, Vice President Network Management; and Cyrus Walker, Dir. Account Management, Government Accounts.

The following representatives from Medco Health Solutions attended: Patrick Fiduccia, Manager Financial Analytics; Bryan Hammons, Dir. Clinical Services Key Accounts; and Jill Stearns, Sr. National Account Executive.

Alan Kellogg, RPh., HealthLinX, also attended the meeting.

Meeting Called to Order

With a quorum of the Board present, Chairman Cole called the meeting to order at 8:30 a.m.

I. Approval of Minutes

Ms. McCandless moved to approve the minutes of the September 30, 2009 Board of Directors meeting. The motion was seconded by Dr. Rainey and unanimously approved.

II. Financial Report

Mr. Browning discussed the unaudited monthly financial reports for August through December 2009. The first half of the 2009 assessment was invoiced in December. A total of \pm \$40 million was collected that month, which included \pm \$1.3 million in early payments that were not due until June 2010. The Pool's net loss for year 2009 was \pm \$87.1 million, compared to \pm \$76.5 million in 2008. After further discussion, **Ms. McCandless moved to approve the August, September, October, November and December 2009 financial reports. The motion was seconded by Mr. Barbutti and unanimously approved.**

Mr. Browning reviewed the status of the Pool's investments at year-end and the TDI 3rd Quarter 2009 filing. **Mr. Barbutti moved to ratify the TDI filing, seconded by Dr. Emmick, and unanimously approved.**

Mr. Browning presented the Pool's final administrative Budget vs. Actual report summary for 2009. Mr. Barbutti noted that Mr. Browning's budget estimate fell within one-third of a percentage point in its accuracy and was within \$2,829 of the target amount. Mr. Browning noted that the legal services fees category had the greatest negative variance, at \$29,130 over-budget, as legal fees are particularly difficult to project for legislative session years.

Mr. Browning presented the proposed administrative budget for 2010. He highlighted several expenditures that were not incurred in 2009, including: 1) a medical claims audit; 2) a new part-time employee needed to support the new premium subsidy program; and 3) the increase in the Directors and Officers insurance premium. **Mr. Barbutti moved to approve the Y2010 Administrative Budget. The motion was seconded by Dr. Rainey and unanimously approved.**

Mr. Browning reviewed the summary of the Y2008 assessment data reported by insurers and HMOs. Forms were received from 517 companies; of those, 185 companies reported assessable covered lives. Mr. Browning agreed to add assessment amounts by company to future reports.

Mr. Browning reviewed the draft 2009 assessment reporting forms, to be published on the Pool's web site in early March. There are no substantive changes to the forms from the previous year. **Dr. Rainey moved to approve the assessment reporting forms, authorizing Mr. Browning to make any further necessary revisions. The motion was seconded by Mr. Ott and unanimously approved.**

III. Executive Directors Report

Mr. Browning reported that the Pool premiums paid per enrollee in 2009 increased 4.7% over the prior year, net of the federal grant funds, while the average medical and pharmacy claims paid per enrollee increased 9.0% overall. The 2009 claims-to-premiums ratio ("loss ratio") increased to 136% for 2009, from 133% the prior year. The number of HIPAA enrollees in the Pool continues to increase; HIPAA enrollees tend to have a higher loss ratio because they are not subject to a preexisting condition exclusion period. Currently $\pm 55\%$ of Pool applicants are HIPAA eligibles. Of the non-HIPAA applicants, approximately half are subject to a preex waiting period, which averages 9 months.

There appears to have been a significant increase in application volume in Y2009, particularly during the second half of the year, compared to Y2008, which Mr. Browning asked Mr. Garcia to confirm. There was continued movement in 2009 by enrollees to higher deductible, lower cost plans. Y2009 administrative expenses were \$900,000 lower than 2008 levels.

The premium rate history and Board actions reports were reviewed. The Pool timeline for 2010 was also discussed.

IV. Other Board Issues & Administrative Matters

Mr. Browning reviewed the Pool's premium subsidy program, including the Pool's prompt pay penalty

reporting form, instructions, and answers to FAQs, all of which were posted to the Pool's web site in

December and also mailed to all insurers and HMOs that have reported penalty data to TDI. Packages were also mailed to companies, paying large shares of the Pool assessment, but that did not appear on the TDI list. Packages were mailed to a total of 112 companies.

Mr. Browning noted that, at the next meeting, he would present a premium subsidy application form and recommendations for subsidy eligibility rules and fund allocation for Board approval.

Mr. Browning reviewed the guidance memo, recently received from the Centers for Medicare & Medicaid Services ("CMS"), concerning another pool's lifetime maximum benefit. In the underlying situation, an enrollee in another state's risk pool, who had exhausted the lifetime maximum benefit, left the pool, but later reapplied to the pool as a HIPAA eligible individual. CMS stated that the individual was entitled to reenter the pool, with a new lifetime benefit. The CMS guidance means that a HIPAA eligible individual will start a new lifetime benefit each time he or she reenrolls in a risk pool. Mr. Browning added that none of the current Pool enrollees, listed on the high claim tracking report, fall into this category, but that BCBSTX must now start watching for this scenario. Mr. Browning asked BCBSTX staff to identify all current enrollees, who reenrolled in the Pool as a HIPAA-eligible, so that a notification letter could be provided.

Mr. Browning reviewed the process through which the Pool now pays invoices from BCBSTX, Medco, and Mitchell Williams, using the secure Chase Bank repetitive wire system. Milliman is not on the wired payment vendor list, but, because all checks over \$10,000 require two signatures, payment to Milliman often entails additional administrative effort. After further discussion, **Dr. Rainey moved to allow Mr. Browning to remit invoice payments to Milliman through the Chase secure repetitive wire transfer system, without second signature approval. The motion was seconded by Ms. McCandless and unanimously approved.**

Mr. Cole appointed Mr. Ott, Mr. Barbutti, and himself to a working group of board members to evaluate the proposals for administrative services that would be received in late March. Mr. Browning noted that the TPA RFP notice was posted to the Pool's web site in early December and bid packages were mailed to 25 interested companies. Mr. Browning announced the names of the companies that had submitted letters of intent to bid: BCBSTX; CoreSource, a subsidiary of Trustmark; Humana; NovaSys Health; WPS Health Insurance; and a joint venture between the Texas Municipal League and United Medical Resources, a subsidiary of United Healthcare. The working group will provide comments to the Board at the May meeting. The Board, pursuant to statute, must make an award decision by June 30th for the January 1, 2011 contract effective date.

V. Discussion and Actions on Matters Concerning the Third Party Administrators

A. Report from BCBSTX -- Status of Operations

Mr. Naiser introduced Mr. Keith George, who is the lawyer now assigned to the Pool account following the recent retirement of George Hamilton. He also introduced Mr. Don Irby, the Divisional Vice President of Enterprise, Analytics, and Actuarial Services, and Mr. Shannon Stansbury, the Vice President of Network Management.

Mr. Naiser presented some corporate updates, noting that BCBSTX added 358,000 new members in 2009. The Oklahoma risk pool administrative services contract has been awarded to Health Care

Service Corporation. This new account will be managed by the BCBSTX Full Service Unit in Abilene, but staffed separately from the Texas Pool account.

Mr. Garcia provided an update on the Seasons of Life program, which was offered last year to 282 families of deceased Pool members. Seasons of Life staff offer to assist families with any outstanding claims or premium refund issues through scheduled contacts at one, three, six and twelve months following the member's death.

Mr. Garcia discussed a new secure email messaging tool for Pool members, which allows for protected online member contact in lieu of a phone call. Even without formal promotion of the program, a total of 169 secure messages were received in January; and future results of the program will be tracked and reported.

A total of 651,913 medical claims were processed in 2009, for an average of 24.4 claims per member per year ("PMPY"), a 2.5% increase over Y2008. Mr. Garcia said he thinks this PMPY volume is approximately seven times higher than the corporate average, but he will verify. He reviewed the customer service statistics for the year, noting that 94.5% of issues were handled during the first phone contact. In 2009, the Unit handled 285,613 member inquiries, of which 273,369 were phone calls and 12,244 were written inquiries. Inquiries per member equaled 10.7, a minor increase of 1% over 2008; the average call answer speed was 44.65 seconds. Ms. Williams inquired how these specific statistics compared with the standard BCBSTX accounts. Mr. Garcia agreed to research and provide that information.

Mr. Garcia reported that the BCBSTX phone system allows Pool enrollees to opt into a post-call survey before speaking to a customer service representative. The staff member is not aware of the member's choice; upon conclusion of the call, the member is transferred to a brief five-question survey, which takes 30 seconds to complete. This post-call survey program produced a 91.88% favorable customer rating for the year, which was consistent with the program's results during the previous four years. If a negative response is given during this survey, the member is automatically transferred to a supervisor. Those who remain on the line can give additional feedback to the supervisor. Enrollees requalify for the post-call survey every 90 days and participation is strictly voluntary. Mr. Cole asked Mr. Garcia to provide the Board with the five survey questions. Dr. Emmick and Mr. Cole asked that future claims reports, including claims inventory, provide at least 13 months of results to assist with period-to-period comparisons.

Mr. Stansbury presented information about BCBSTX network provider contract management, including programs aimed at enhancing provider relationships, locally and nationally, that benefit Pool and BCBSTX members. He stated that the Blue Distinction Center program examines evidence of quality of care, without regard to cost savings, identifying the specialty facilities in the state ranked as above average. Ms. Walker stated that some other accounts have provided financial incentives to their enrollees to utilize these providers, including limiting coverage for specific procedures to a Blue Distinction Center provider. Mr. Stansbury noted that only 60% of the facilities are accepted as Blue Distinction providers due to the rigorous requirements of the program. He discussed the Performance Based Recognition Program for ancillary services provided in alternative settings at significant

savings. The physicians, who utilize the alternative provider services, are reimbursed 30% of the cost savings attained, in addition to their regular contracted fee payments. Mr. Stansbury reviewed the Texas Hospital Quality Initiative, administered by BCBSTX, that recognizes and partners with hospitals in Texas that have the lowest hospital-acquired infection rates. Each avoided infection saves \$10,000 in claim costs. Mr. Stansbury described the Bridges to Excellence program, administered by a non-profit company, which recognizes and rewards each physician who has developed an ongoing relationship with patients to effectively manage their diabetes. The program will be expanded to include cardiac care physicians.

Ms. Walker presented the various 2009 account management updates, including the Pool's overall average network discount, member cost share, the 24/7 nurse line, and high cost claimant statistics. The BlueChoice provider count increased $\pm 3\%$ since July 2009. The case management report was reviewed and the method of determining the Pool's reported savings was discussed. Subrogation recoveries increased 15% from 2008; the average recovery per member in 2009 was \$19.89 versus \$11 for the corporate average. Ms. Walker agreed to ask the Subrogation Unit about the reasons for that higher recovery level for the Pool.

Mr. Don Irby presented several trend charts and noted that, in the past, the Pool's medical claims data was compared to the BCBSTX individual book of business. He informed the Board that he has developed a new benchmark, composed of very comparable accounts, against which the Texas Pool's results could also be compared. The Pool's inpatient cost trends peaked in late 2008, and are gradually decreasing. The Pool's overall PMPM medical costs are trending lower than both the new benchmark and the individual BCBSTX business.

Mr. Cole asked for a status update about the Pool's participation in the H1NI vaccination program, as discussed in the last meeting. Ms. Walker agreed to supply that report at the next meeting.

Mr. Cole then recessed the meeting for a brief break at 10:35. The meeting reconvened at 10:50 am.

B. Report from Medco -- Status of Operations

Ms. Stearns presented the Y2009 financial results for the Pool's pharmacy program. She noted that plan changes, effective January 1, 2009, removed several specialty medications from the medical benefit, which increased pharmacy benefit drug trend. Mr. Fiduccia, however, was able to normalize the reports for similar and accurate year-to-year comparisons.

Total plan cost for drugs was $\pm \$96$ million for the year, an 11.7% increase over 2008, due primarily to the additional specialty drugs carved out of the medical benefit. In 2008, specialty drugs accounted for 21.6% of total Pool plan cost; for 2009, this category rose to 27%. Improved discounts for non-specialty drugs, however, kept the year-to-year non-specialty gross spend trend to a minimal 2.3% rate. Mr. Fiduccia reviewed the results of the initial phase of the Medco Copay Waiver program for new generic prescriptions through mail order. More than 4,200 prescriptions, associated with 1,700 Pool members, were processed through the waiver program during the last three months of the year. The program reduced member copays by $\pm \$285,000$ on an annualized basis and saved the Pool an annualized \$528,000. Mr. Fiduccia noted that the program would be reintroduced every other quarter so that additional members could participate.

The Pool's overall plan trend increased 10.8% over 2008, with most of that increase attributable to the specialty drug benefit design change. Ms. Stearns noted that the Board's proactive management of the drug program was holding drug trends to a reasonable level. Mr. Fiduccia reviewed the generic performance report, noting the increased utilization of generic drugs to 59.5%. Several high volume brand drugs will go off patent in 2010, including *Cozaar*®, *Hyzaar*®, *Flomax*®, and *EffexorXR*®, which should raise the generic dispensing rate into the low 60% range. Mr. Fiduccia noted that the Pool has not been able to increase the generic utilization rate to standard industry levels because of the special medication needs of Pool members. In contrast, other government accounts normally achieve a 66% to 67% generic dispensing rate.

Mr. Hammons reviewed the Medco Therapeutic Resource Centers (TRC) report, noting the gaps in care that can result from omissions in drug therapy as well as breaks in therapy. He added that 98.8% of the Pool members were classified as "chronic and complex," and these members accounted for 99.1% of the total pharmacy plan cost. Medco uses a targeted outreach program to impact member prescription compliance in an effort to reduce plan costs. The program uses two methods to generate member contact: 1) mail order fills are monitored for patient compliance and, when necessary, a pharmacist will initiate member contact; and 2) noncompliant members are flagged in the system so that when they call customer service, they can be referred to a pharmacist. In the pilot testing for this program, 80% of members who were given the opportunity to talk directly with a Medco pharmacist accepted the offer.

Ms. Paparelli noted that Pool enrollees who use only retail pharmacies would not have access to the TRC services. Ms. Stearns agreed that contact points at retail differ from those at mail, but noted that all Pool enrollees received a communication piece that described the TRC services. She added that the TRC offers a counseling program, which initiates calls to members, including those with retail fills, who have critical prescription gaps in care or are using several pharmacies to fill their prescriptions. Ms. Paparelli noted that, according to industry statistics, 50% of patients who are eligible for mail order services are not aware of the service. She suggested creation of a proactive strategy to educate Pool membership about the mail delivery program, which many people, especially the older population, may be less receptive to using because of the more complicated process involved. Ms. DeLargy suggested that the Pool include a notification in the next annual benefits mailing about Medco's mail service and the TRC, and include information about access to the benefit by telephone if they do not wish to use the internet. Mr. Kellogg offered to bring suggestions back to the Board on a variety of strategies to increase mail order utilization.

Mr. Hammons reviewed the Top 25 Drugs by Plan Cost report, noting that these top volume drugs represented $\pm 35\%$ of total plan drug expense. Ms. Stearns discussed the issue of pharmacy manufacturer coupons that allow patients to obtain certain brand drugs at a significant savings. Medco is studying the effect of these coupon programs on the rebate programs and pricing in general. Medco federal plan members are not allowed to use coupons with their pharmacy benefit.

Mr. Hammons reported that $+\$14$ million, or 11.6% of gross drug spend, was saved last year by Medco's clinical management programs. Ms. Stearns stated that the Y2009 performance standard reports would be complete by the next Board meeting, and she does not anticipate any problems with guarantee compliance.

C. Report from HealthLinx--Pharmacy Audit and Action Items Update

Mr. Kellogg reported that improved drug pricing, referred to as the “network unlock,” went into effect January 1, 2010 with few member complaints. Mr. Kellogg reported that only one pharmacy group left the Medco network briefly, but has since returned. He reviewed the appeals process for complaints handled through the Executive Director’s office, which are referred to him only when a second opinion is needed. He noted one recent complaint about Medco’s appeal processing time, so he is reviewing procedures with Medco for possible improvement of response time. The 2008 pharmacy plan audit, covering 1,000,000 scripts, is now complete, with very few negative findings; the benefits are being administered according to Pool policy provisions. Mr. Kellogg reviewed the Y2008 financial true-up audit, which focuses on verification of correct drug pricing pursuant to the Pool’s contract with Medco. This audit revealed a small number (536 claims) that were flagged for pricing review, and Mr. Kellogg will be discussing results with Medco soon.

Mr. Kellogg reported that he is also auditing “J-code claims” for injectable drugs to ensure that such drugs, now restricted to the pharmacy benefit, are not processing through the medical benefit, and also to see if any additional drugs should be carved out of the medical benefit. Mr. Kellogg mentioned that he is comparing the Pool’s PMPM drug utilization by therapeutic class with data from the Missouri and Illinois risk pools and that, thus far, it appears that PMPM drug utilization across the three pools is virtually identical. Mr. Kellogg reviewed the Hemophilia Initiative he has undertaken at Mr. Browning’s request to find methods to stretch the Pool’s lifetime maximum benefit for enrollees with hemophilia. His efforts include discussions with hemophilia factor manufacturers and a review of the feasibility of moving certain patients to alternative, lower cost factor products.

VI. Public Comment

Mr. Cole requested public comment. None was offered.

VII. Executive Session

At 11:50 a.m., Mr. Cole announced that the Board would go into Executive Session in accordance with the Texas Open Meetings Act (Subchapter D, Section 551) to confer with counsel. He asked Board members, Pool staff and counsel to remain, and all others to rejoin the meeting upon conclusion of the Executive Session.

VIII. Approval of Any Executive Session Actions

At 12:15 p.m., Mr. Cole reopened the meeting to the public and reported that there were no items from Executive Session requiring Board action.

IX. Adjournment

Dr. Emmick moved to adjourn the meeting, seconded by Dr. Rainey and unanimously approved. There being no further business, Mr. Cole adjourned the meeting at 12:16 p.m.