

**Texas Health Insurance Pool  
Board of Directors Meeting  
January 28, 2011**

The meeting of the Board of Directors of the Texas Health Insurance Pool was held Friday, January 28, 2011 at 300 E. 4<sup>th</sup> St., Rio Room, Austin, Texas.

Notice of the meeting was filed electronically with the Secretary of State's office on Thursday, January 20, 2011 and published immediately on the *Texas Register* web site (TRD# 20111000571).

Board members present: Gary Cole, Chair; Rick Ott, Vice-Chair; Greg Barbutti, Secretary/Treasurer; Robert Emmick, M.D.; Pati McCandless; Vicky Paparelli, R.N; and Marinan Williams. Bill Rainey, M.D., was unable to attend. Steven Browning, Pool Executive Director, and Denise Haidet, Pool Office Manager attended. Betty DeLargy, General Counsel to the Pool, participated by telephone.

**Meeting Called to Order**

With a quorum of the Board present, Chairman Cole called the meeting to order at 8:30 a.m.. Mr. Cole asked those present to observe a moment of silence in memory of Mr. Ed Baxter, former Pool Board member and Chair, who died December 5, 2010, and Ms. Rhonda Myron, former TDI Director of Government Relations and Pool liaison, who died December 13, 2010.

**I. Approval of Minutes**

**Dr. Emmick moved to approve the minutes of the September 17, 2010 Board of Directors meeting. The motion was seconded by Ms. McCandless and unanimously approved.**

**II. Financial Report**

Mr. Browning discussed the Pool's unaudited monthly financial reports for August through December 2010. He discussed the balance sheet. The \$57.3 million assessment receivable booked at year-end was comprised of ±\$50 million that is not due until June 2011, representing the second half of the annual assessment, and ±\$7.3 million in assessments that were received earlier this month. Only ±\$20,000.00 of the ±\$50 million invoiced assessment, which was due December 31, 2010, remains unpaid at this point. The two companies, which owe this amount, have confirmed payments will be sent. Mr. Browning also noted that the \$117,767 past due assessment, carried over from the prior year's assessment, will be written off because that company's rehabilitation was converted to receivership/liquidation. Assessment refunds of ±\$2.7 million will be issued next week, representing amounts due to companies whose 2009 premiums and covered lives were significantly lower than 2008 levels. Mr. Browning noted that Milliman's year-end reserve adjustments are not yet reflected in the financials, but will be included in the Pool's annual TDI statement filing due March 1, 2011. Mr. Browning reviewed the 2010 year-end results, and noted that ±\$92.3 million is the preliminary unreserved net loss amount for the year, an increase of ±\$5.0 million over 2009. Following further discussion of the reports, **Mr. Barbutti moved to approve the August through December 2010 financial statements. The motion was seconded by Dr. Emmick and unanimously approved.** Mr. Barbutti reminded the Board that audited financial statements will be reviewed at the next Board meeting.

Mr. Browning reviewed the TDI 3<sup>rd</sup> Quarter 2010 Statement Filing, a restatement of previously approved financials. **Ms. Williams moved to ratify the TDI 3<sup>rd</sup> Quarter 2010 Statement Filing. The motion was seconded by Ms. McCandless and unanimously approved.**

Mr. Browning reviewed the Pool Investment Report as of January 20, 2011. He reported that all Pool investments and category allocations are in compliance with guidelines. Mr. Browning presented the Pool's

final administrative Budget vs. Actual report for 2010. Actual total expenses for the year were only ±\$8,000 higher than budgeted. The two largest negative variances were agent fees and temporary personnel expense. Agent fees for the year were ±\$21,000 over the budget estimate; since these fees are based on enrollment volume and are not within administrative control, Mr. Browning suggested moving this expense item to the unbudgeted category going forward. The new premium subsidy program required ±16,000 in unbudgeted temporary clerical support.

Mr. Browning presented the proposed administrative budget for 2011. Because 2011 is a legislative session year, legal expenses are projected at the actual 2009 level. Consulting services are set above 2010 levels due to the upcoming PBM RFP project. Postage expense is increased for the cost of anticipated mailings associated with the premium subsidy program, while temporary staff expense is not budgeted because a part-time employee has been added to staff. The other major assumptions for the 2011 Budget were presented. After further discussion, **Mr. Barbutti moved to approve the 2011 Administrative Budget. The motion was seconded by Ms. Williams and unanimously approved.**

Mr. Browning presented the 2010 Assessment Report, which includes actual payment amounts by carrier, reflecting their share of the total assessment levied to cover the Pool's Y2009 net loss. He noted that the ten carriers with the largest assessments paid 82% of the Pool's total assessment. The 2010 interim assessment invoices were mailed last month to 187 carriers. The draft 2011 assessment Data Call reporting forms were reviewed. These forms will be mailed to carriers next month, with a filing date to the Pool by mid-April. After further discussion, **Dr. Emmick moved to approve the draft assessment reporting forms and to authorize the Executive Director to make any final revisions needed. The motion was seconded by Ms. McCandless and unanimously approved.**

### **III. Executive Directors Report**

Mr. Browning reported that the new BCBSTX administrative services contract was successfully executed prior to January 1, 2011, as required by statute; this agreement provides for services for Y2011 through Y2014. He acknowledged Ms. Walker's assistance with this effort.

Mr. Browning reviewed the Board of Directors Summary. 2011 premiums paid by enrollees increased 8.4% over the prior year, while claims paid by the Pool increased 9%. The average premium paid per member per month ("PMPM") in 2010 was \$673; the average 2011 PMPM claim expense, without year-end adjustment for reserves, was \$952. Mr. Browning indicated that he will update the 2010 loss ratios for HIPAA and non-HIPAA enrollees once he receives Milliman's year-end reserves. Application volumes in 2010 were very similar to 2009 levels. In 2010, enrollees continued to select higher deductible plans, with the largest increase in the \$7,500 plan. Since inception of the program, the Pool has collected ±\$1.6 billion in premiums, and paid out ±\$2.4 billion in claims and operating expenses, with the resulting ±\$790 million net loss covered by assessments.

The timeline calendar and critical dates were discussed. Mr. Browning noted that the PBM bidder responses are due March 11, 2011. The Pool has used the same pharmacy claims audit firm, HealthLinx, for many years and, therefore, it is time to rotate to a new firm. Mr. Browning reported that he hopes to be in a position to award the contract for the 2010 pharmacy audit by the end of March, following his review of competitive bids. The Board's next meeting will be scheduled for mid-May, to meet statutory deadlines. The proposed premium rate adjustment will be effective April 1<sup>st</sup>, with the next premium adjustment planned to be effective January 1, 2012.

The Complaint Log Summary report was reviewed, and Mr. Browning noted that in 2010 there was an increase in the number of complaints, particularly those related to claims processing. He agreed to analyze the complaint trends and report results to the Board at the next meeting. He noted that, of the 160 complaints entered during 2010, 65 were filed through TDI. He explained how TDI determines whether a complaint is "recordable" (a justified complaint). Of the 65 complaints filed with TDI last year, only 10 were classified as recordable. The number of complaints filed through TDI in prior years will be added to this report.

#### IV. Board Issues and Administrative Matters

Mr. Browning provided an update for the low-income premium subsidy program. The prompt pay penalty receipts from carriers, which are funding this program, continue to vary widely from month to month, but they currently annualize to approximately \$6.3 million a year. To date, just over 3,000 applications for premium assistance have been received from Pool enrollees, and 2,700 of these have been approved. Pursuant to the provisions of HB2064, the Pool started subsidizing premiums effective January 1, 2011. The average monthly subsidy amount per eligible enrollee is \$300, with the average annual household income at \$19,000. At this program enrollment level, ±\$10 million a year is needed to fund the subsidies. Pursuant to HB 2064, the Pool accumulated penalty funds throughout Y2010. This created a surplus that is being used to supplement the funding shortfall for 2011, since the amount needed to cover approved subsidies is expected to exceed the anticipated funding. Further, last September the Board opted to supplement the prompt pay penalty receipts with the \$2.6 million FY2010 federal bonus grant. Therefore, the Pool has ±\$8.9 million in supplemental funds on hand as the subsidies commence this month. At some point, if the supplemental fund balance exceeds program deficit projections, the Board could expand the subsidies beyond those provided for by HB 2064. It was agreed that the Pool should take a conservative position with the supplemental funds, since the level of penalty funding is unpredictable; more experience with the program is needed before decisions can be made about further expansion.

Mr. Browning provided an update about the FY2011 federal risk pool grants program. Competing resolutions moving through Congress would provide for either a \$50 or \$55 million total FY11 grant award to qualified state risk pools. CMS has indicated the Texas Pool's share will total at least ±\$6.9 million, with a ±\$2.4 million bonus grant and a ±\$4.5 million operational losses grant. The FY2010 operational losses grant was used to provide premium trend relief to all Pool enrollees; that grant will be fully drawn by April of this year. Consistent with last year's Board decision, Mr. Browning recommended that the Board again consider allocating the FY2011 bonus grant to the low-income premium subsidy program, and the operational grant to overall premium trend reduction. This recommended allocation scenario is included in the Milliman rate analysis, to follow. After further discussion, **Ms. McCandless moved to allocate the FY2011 federal bonus grant to supplement the low-income premium subsidy program, and allocate the FY2011 operational grant to reduce premium trend, as was done in 2010. Mr. Barbutti seconded the motion and it passed unanimously.**

Ms. Hart presented the market standard risk rate ("SRR") analysis for Pool premium rate adjustments, to be effective April 1, 2011. The analysis reflects anticipated carrier rates as of that date. Before factoring in federal grant premium relief, the overall average increase, required to maintain Pool rates at twice the SRR, is 4.2%. The Reform Act has created new benefit differentials between the coverage provided by the Pool and insurance carriers. These benefit relativities reduce the rate of increase in the Pool rates. Ms. Hart noted that she took this opportunity to reexamine all benefit relativities and update their Pool SRR model. After consideration of all factors that affect the SRR and adjustment for the federal grant, 2.7% is the resulting overall average premium increase. Mr. Barbutti observed that last year's assessment analysis assumed an 8% premium rate increase at this time and wondered how this lower increase will affect Pool cash flow. Ms. Hart replied that she will be updating Pool cash flow requirements on a quarterly basis to determine if the 2011 assessment needs to be processed earlier than year-end. She also noted that claim costs have much more impact on cash flow than premium increases. After further discussion, **Mr. Ott moved to approve the premium rate increases recommended by Milliman effective April 1, 2011, to maintain Pool premiums at 200% of the SRR. The approved rate increases prior to adjustments for the federal grant are as follows: Plan I, 3.0%; Plans II and V, 3.3%; Plan III, 6.6%; and Plan IV, 2.5%. The premium rate increases, as subsidized by the federal grant are as follows: Plan I, 1.5%; Plans II and V, 1.9%; Plan III, 5.1%; and Plan IV, 1.0%. All proposed increases and the effective date are subject to Commissioner approval. The motion was seconded by Ms. Williams and unanimously approved.**

Mr. Browning confirmed that the RFP for pharmacy benefit management services was released by the end of last year, as required by statute, and thus far 12 companies have submitted an intent to bid. After further discussion, Mr. Cole appointed Mr. Barbutti, Dr. Emmick, and himself to the work group that will evaluate the proposals and eventually make a recommendation for the Board's consideration.

Mr. Browning updated the Board about the medical claims audit being conducted by PPC for claims processed from July 2009 through June 2010. Preliminary results from PPC appear to be generally clean, with some issues still under review. The final report should be available soon and will be covered during the next meeting. Mr. Browning said that he will be soliciting proposals next month for a firm to audit the Y2010 pharmacy program.

As previously requested by the Board, Mr. Browning presented his preliminary list of issues to be considered to prepare for dissolution of the operations of the Pool in 2014. He analyzed the Pool's Plan of Operations and statute, and concluded there are issues, such as timing of the termination of the low income premium subsidy program, that will need to be addressed during the 2013 legislative session. The Pool's statute will need to be amended to allow for an orderly dissolution, with outside claim filing deadlines established. Mr. Browning said that he will add the issue of records retention to the issues list, as certain Pool records will need to be stored for some time beyond dissolution. Discussion ensued about the Exchange that is supposed to be available January 2014, and the process for coordinating transfer of Pool members into Exchange coverage. There was consensus that no specific measure is needed during this year's legislative session. Ms. DeLargy suggested that formal legislative planning begin during the summer of 2012, in preparation for the 2013 session. Ms. Williams suggested that a Board work group assist with the planning at some point. Mr. Cole invited Board members to contact Mr. Browning with their suggestions and thoughts regarding the dissolution process, and he said that a work group will be appointed at a later date.

Mr. Barbutti raised the issue of continued Pool coverage for Medicare-disabled enrollees and suggested the Pool assist them with information about available lower-cost market coverage options, such as Medicare Advantage plans. Mr. Browning noted that in the past TDI has supported the Pool's Medicare wrap coverage because the one guaranteed Medigap plan in Texas offers very limited benefits. There is also a question about the ability of Medicare-disabled Pool enrollees to move to Medicare Advantage plans once they are no longer in their original open enrollment period. Ms. DeLargy and Mr. Browning agreed to research what is available to Medicare-disabled Texans in the Medigap and Medicare Advantage markets and report back.

Ms. DeLargy reviewed the Legislative Report. She pointed out that thus far relatively few health insurance bills have been filed. Rep. Zerwas has filed a bill to create the Texas Health Insurance Connector, which would be operated by the State, rather than deferring management of the Texas Exchange to the federal government. Ms. McCandless indicated there is broad support for the Exchange legislation. Mr. Browning noted there are numerous early deadlines in the Reform Act for creation of a qualified Exchange, requiring substantial lead time.

Mr. Browning discussed the federal risk pool update report he prepared for a TDI seminar in November. The federal risk pool introduced two new plans with lower deductibles effective January 1, 2011, which should increase interest in the program. As of November 2010, only 393 Texans had enrolled. Federal administrators plan to launch an outreach initiative in Texas to try to boost enrollment. Mr. Garcia said that the TPA staff is phoning Pool applicants who have been uninsured for several months--and would therefore qualify for the federal pool--in order to make sure they know about the federal pool and understand their options. Mr. Browning noted that, surprisingly, at least half of these contacted applicants elected to enroll in the Pool, despite the higher cost and the fact that they would face a preexisting condition exclusion period with the Pool, but not with the federal program.

Mr. Browning reported on the ongoing effort to select a vendor to provide targeted care management services for the Pool's high-cost claimants with chronic conditions. He, along with Ms. Williams and Dr. Emmick--the two board members assisting with this project--had completed their review of three proposals and reached consensus to pursue further in-depth discussions with one of the bidders. A final decision should be reached

before the next meeting.

Mr. Cole announced at 9:50 a.m. the meeting would adjourn for a break. At 10:05 a.m., Mr. Cole brought the meeting back to order.

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

### **A. Report from BCBSTX -- Status of Operations**

The following representatives from BlueCross BlueShield of Texas (“BCBSTX”) attended the meeting: Jackson Boen, Divisional Sr. V.P., Subscriber Services; Michael Garcia, Sr. Mgr., State Operations; Brian Naiser, Div. V.P., Government Accounts; Marcy Sasser, Sr. Dir., Subscriber Services; and Cyrus Walker, Dir. Account Management, Government Accounts.

Mr. Naiser acknowledged Mr. Browning and Ms. DeLargy for their cooperation in finalizing the new TPA contract, adding that BCBSTX looked forward to continued administration of the Pool’s medical benefits. Mr. Naiser noted that the BCBSTX Seasons of Life staff assisted more than 250 surviving families of Pool members who died during 2010. The Pool served as the test group for the program. Due to the pilot’s success, the program has been expanded to other BCBSTX-administered groups. Ms. Walker reported that the BCBSTX medical home pilot program, associated with two north Texas practice groups, includes 421 participating Pool members.

During 2010, 437 Pool members were seen by physicians with the “Bridges to Excellence” designation for excellence in treatment of diabetes. These physicians receive higher reimbursement rates through the BCBSTX PPO network because they do a better job of controlling costs and improving outcomes. Despite the higher reimbursement rate, these physicians generated ±\$194,000 in net savings for the Pool. This Bridges to Excellence program will be extended to cardiac conditions in 2011. The savings are based on comparison of median costs of certified and non-certified physicians treating the same condition and co-morbidities.

Ms. Walker confirmed that the year-end notice of benefit changes and the new policy were timely mailed to all Pool members 30 days prior to the January 1, 2011 effective date. She reported that the Pool’s medical ID card had been redesigned to include just the Pool’s logo on the front of the card, with the BCBSTX logo now on the back. This revision was delayed because the reformatting required Blue Cross Blue Shield Association approval. It was agreed that this change to the ID card should assist ongoing efforts to clarify that coverage is provided by the Pool, not BCBSTX.

Ms. Walker presented preliminary 2010 Pool medical benefit data. High cost claimants--those with annual medical claim payments exceeding \$30,000--increased to 5.3% of all claimants, up from 4.6% in 2009. Despite the continuing overall trend of members electing higher deductible plans, plan costs rose during 2010 because the Pool’s high-cost members are remaining in the lower deductible plans. She stated that she would study this issue in depth and provide the Board with more data. Ms. Walker confirmed that the new mandatory case management protocols are now in place, and thus far no member had refused to participate. She noted that members are initially contacted by telephone, followed by a letter for those who did not respond, warning of the consequences of refusing case management (possible termination of benefits). She explained that the hospital audit cost savings report shows negative recovery amounts only because of a reporting logic change that now credits recovery when payment is received from the hospital and sent to the Pool, not when the amount is identified. Subrogation recoveries totaled ±\$226,000 during 2010.

Ms. Walker reported that 2010 utilization management activities saved the Pool ±\$1.8 million through concurrent reviews of patient stays and identifying and moving patients to a more cost-effective setting. Ms. Walker agreed to format future reports to provide year-to-year savings comparisons. The 24/7 Nurseline report was discussed; a total of 281 calls were made by Pool members since May 2009, resulting in estimated savings of ±\$9,000. Ms. Walker agreed that promotion of the service would increase call volumes and she will look at

inclusion of the information in future mailings. She noted the Nurseline is more successful with employer accounts, where awareness is easily promoted through the workplace. Mr. Ott asked about the number of repeat callers; Ms. Walker will research and report that information. Ms. Walker agreed to compare the Pool's call volume results to the BCBSTX individual coverage book of business.

Ms. Walker stated that the Texas Board of Medical Examiners had not recently updated board certification data, but she will provide more current board certification statistics at the next meeting. The BlueChoice Network provider count increased by 4.4% during 2010, with behavioral health providers increasing by 11%. Despite the growth in the network provider count, the network discounts continued to improve. She reported that the behavioral health benefit is now managed internally by BCBSTX and no longer outsourced to Magellan; therefore, increasing this BlueChoice network segment was necessary. Ms. Williams asked if the behavioral health network count includes only physicians, or other licensed practitioners as well. Ms. Walker agreed to obtain that information and report back. Mr. Ott asked her to provide the geographic distribution of these new providers as well, to see if the network is gaining size only in urban areas, or more broadly across the state. When asked why the network ancillary provider count dropped in 2010, Ms. Walker responded that these ancillary providers, such as radiologists, are merging with hospital groups.

Ms. Walker presented Pool member activity at the Blue Access for Members ("BAM") secure web portal, which gives members direct access to their medical claims information and other services. She added that members are now able to communicate with staff using the secure email system. Pool member BAM logons increased 9% last year. Members are primarily accessing claims and membership tools, with relatively little interest in the wellness promotion links, such as the Health Risk Assessment tool. She suggested promotion of this service in 2011. Ms. Paparelli asked whether employer groups mandate the use of the value-added programs available through BCBSTX, similar to the Pool's new mandatory case management provision. Ms. Walker replied that she has not seen disincentives as much as incentives, such as monetary rewards and gifts, that encourage the use of the value-added wellness tools. She added that the Pool participates in the Blue Points program, whereby members can accrue points to be redeemed for various rewards.

Mr. Garcia reported that Pool enrollment remained stable throughout 2010, with 6,195 applications approved, compared to 6,245 in 2009. Mr. Garcia noted that agent-assisted applications, and therefore agent referral fees, were up significantly in 2010. During the year, Pool members continued to shift to higher deductibles; combined enrollment in the \$1,000 and \$2,500 plans was  $\pm 51\%$  in 2009, but  $\pm 45\%$  in 2010. During the year, continued Pool eligibility compliance was verified for 16,000 enrollees. Mr. Garcia noted that these eligibility audits are now conducted every other year, rather than annually. Mr. Garcia reviewed various performance reports, noting that enrollment staff continue to contact applicants who appear to be qualified for the federal risk pool. Only 50 of those contacted had chosen to withdraw their Pool applications in order to enroll in the federal program. The majority elect to pursue Texas risk pool coverage, citing various reasons such as mistrust of the federal plan or a negative opinion of healthcare reform. Mr. Garcia reported that all Pool-related inquiries, phone calls, emails, and letters, decreased in 2010 by 8% from 2009 levels. The total number of processed medical claims increased by 2.4% in 2010.

## **B. Report from Medco -- Status of Operations**

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

Ms. Stearns described Medco's recent corporate management restructuring plan, associated with the company's international expansion. She reported that the Pool will be given the opportunity to participate in a program offering nutritional guidance to members with cancer. Medco will soon offer a smart phone application for members to download at no cost, if the Board elects to participate; this application will extend the Medco web-based member services, such as MyRxChoices, to portable devices. Ms. Stearns discussed the new clinical programs and benefit design changes that were effective January 1<sup>st</sup>, all of which implemented smoothly. She

reviewed the list of Medco accomplishments in 2010 for the Pool prescription program. This year there will be an opportunity to utilize Medco's Extended Enterprise program, giving BCBSTX case management nurses immediate access to Pool members' pharmacy data, integrating care and enhancing treatment.

Mr. Fiduccia presented the Pool's preliminary financial results for 2010. Pool members filled ±884,300 prescriptions during the year, with an average of 32 scripts per patient per year. The Pool's favorable drug pricing discounts, and the increased mail order and generic drug dispensing rate, helped to hold the Pool's non-specialty drug cost increase to only 5.9% year over year. The total amount spent by the Pool, before rebates, was ±\$104.8 million, an 8.8% increase from 2009. Members paid 19.2% of total 2010 drug costs. During the year ±1,600 Pool members filled specialty medications, drugs that cost at least \$500 a month, with special requirements for handling or administration.

Mr. Barbutti commented that specialty drugs were previously defined as those that require special administration—infused medications, for example. He wondered if industry standards had changed, and the category is now driven more by cost or other factors. Mr. Hammons explained that the FDA does not designate which medications are classified as specialty drugs; the industry categorizes medications as specialty based on factors such as side effects and special handling, and not based solely on cost. Mr. Hammons stated that specialty drugs are more expensive to dispense. Accredo coordinates shipments with specialty patients to assure proper delivery and refrigeration, and monitors adherence to therapy. Ms. Stearns observed that specialty drugs represent 28% of the Pool's total drug spend, while other Texas government accounts average 15%. Mr. Hammons confirmed that numerous safeguards and clinical rules, such as step-therapy provisions, are in place to ensure that members receive medications that are appropriate for their conditions. Mr. Browning added that his office receives numerous appeals for overrides of Medco clinical rules, and for off-label use of medications. Ms. Stearns commented that many drugs are fast-tracked by the FDA for a single indication; subsequently, providers appeal to use the drug for other disease states. Mr. Hammons stated that appeals of off-label drug denials are approved when sufficient documentation indicates the off-label therapy is effective.

Mr. Fiduccia discussed the Pool's drug trend analysis. Mr. Fiduccia noted that the 6.9% increase in specialty medication utilization was driven primarily by the rheumatoid arthritis category, which experienced a volume increase of 12.6%. Overall drug price inflation increased 6.4% in 2010. Mr. Fiduccia suggested that the Pool consider decreasing generic and increasing brand copayments. The Pool's generic drug utilization has increased from ±50% in 2007 to ±64% in 2010, which is the highest generic dispensing rate among the risk pools managed by Medco. Pool members' share of drug costs, through copayments and deductibles, fell from 20.4% in 2009 to 19.2% in 2010. Mr. Fiduccia reported that 84% of enrollees satisfied their annual pharmacy deductible during the year. In 2010, a total of 11.2% of Pool members elected to fill 18,411 brand drug scripts for which generic equivalents were available, triggering an aggregate brand/generic copay penalty of \$823,180.

Mr. Hammons reviewed the 2010 Therapeutic Resource Centers data. The category of Pool patients described as chronic increased by 2,749 during the year. Chronic and complex members cost the Pool ten times more, on average, than those in the well and acute member categories. The Pool's specialty drug spend increased by 10.6% in 2010. The rheumatoid arthritis and multiple sclerosis drug categories had the largest cost increases within this specialty group. Mr. Hammons reported that 25 specialty drugs accounted for 71% of the Pool's total specialty cost in 2010. Medco coverage and therapy management programs for specialty drugs produced savings of ±\$4 million in 2010. Mr. Browning clarified that the savings are derived from denials of drugs that would have been dispensed without the coverage guidelines, and from the difference in cost for alternative therapies allowed. Ms. Stearns added that savings also accrue from clinical management of correct dispensed quantities. Mr. Hammons noted that 2010 clinical management program savings for all drugs increased by 24.6% in 2010, up to \$20.1 million. Ms. Stearns commented that the RationalMed program, which generated more than 21,000 alerts to physicians treating Pool members in 2010, has saved the Pool \$2.7 million since its implementation in April 2007. This program integrates medical and pharmacy data, giving the treating providers a complete profile of the patient. The physician alerts are communicated primarily by fax, and within 24 hours of drug fill if there is a critical safety issue.

Ms. Stearns reviewed the 2010 customer service statistics. Mr. Browning requested a year-to-year comparison format for future reports.

### **C. Report from HealthLinX--Pharmacy Audit and Action Items Update**

Mr. Kellogg discussed his risk pool chart, which compares the per member costs for five risk pools. He noted there are some significant benefit design and coverage differences among these pools, so direct comparison is not always possible. For example, one risk pool shown, Illinois, excludes hemophilia factor drugs because a different state program provides that coverage.

He confirmed that 17 companies requested a bid package for the PBM solicitation, and 13 have now registered their intent to bid. Answers to bidder questions will be distributed to all bidders; proposals are due March 11, 2011.

Mr. Kellogg noted that the audit of 2009 drug pricing is complete, and he is now evaluating benefit design compliance for copayments, deductibles, and exclusions. He observed that he has audited the Pool's pharmacy program for many years and agreed with Mr. Browning that a rotation of audit firms is appropriate at this time.

### **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 Executive Session Actions**

Following the Executive Session, Mr. Cole resumed the public meeting at 12:20 p.m. and announced there were no Executive Session items to approve.

### **IX. Adjournment**

**Dr. Emmick moved to adjourn the meeting. The motion was seconded by Mr. Barbutti and unanimously approved.** There being no further business, Mr. Cole adjourned the meeting at 12:22 p.m.