Health Care: Using Pharmacy, Wellness, and other Benefits and Strategies to Contain Health Costs

NY44 Health Benefits Plan Trust
(formerly the Erie 1 BOCES Health Benefits Plan Trust)

October 29, 2011
Challenges For Fiscal Operations of School Districts

• Annual decreases in revenue from federal and state sources are leading to school budget cuts
• From Plattsburgh to Westbury to Brocton schools are experiencing cuts in programs and positions
• Declining student enrollments impacting school operations
• Cap on Property Taxes limits revenue source
• Increased costs for retirement, insurance, health benefits beyond control of schools
### Annual Employer Contribution Rate

**NYS Employees' Retirement System (ERS)**

<table>
<thead>
<tr>
<th>Year</th>
<th>ERS Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>18.9%</td>
</tr>
<tr>
<td>2011-12</td>
<td>16.3%</td>
</tr>
<tr>
<td>2010-11</td>
<td>11.9%</td>
</tr>
<tr>
<td>2009-10</td>
<td>7.4%</td>
</tr>
<tr>
<td>2008-09</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

*Source: Office of the State Comptroller On Board, 9/5/2011*
Data on Health Care Costs

• Health Care Costs Continue to Rise:
  – In 2009, expenditures in U.S. were $2.47 trillion
    • More than 3X the $714 billion spent in 1990
    • Over 8X the $253 billion spent in 1980
    • $13 trillion more than 2008 (largest one yr. inc. since 1960)
  – In 2009, U.S. health care spending was approx. $7,681 per resident and 17.3% of Gross Domestic Product (GDP)-highest of all industrialized nations
  – Since 1999, family premiums for employer-sponsored health coverage increased by 131%
  – Hospital care and physician/clinical services combined account for 51% of U.S. health care expenditures
Reasons for Increasing Health Care Costs:

- Latest Medical Technologies- increasing nos. of medical procedures, more testing, and more surgeries
- Prescription Drugs- especially costs for research and development
- Greater Prevalence of Chronic Diseases (diabetes and cardiovascular) due to longer life spans and earlier detection
- Aging Population- Medicare and Medicaid account for a significant share of health care costs and many baby boomers start qualifying for Medicare in 2011
  - Treatment and long-term care services in nursing homes
  - New lifesaving technologies
- Administrative Operations (advertising and billing)
2003-2004 - What was formed:

NY44 Health Benefits Plan Trust (formerly Erie 1 BOCES Health Benefits Plan Trust)

• Labor/Management arrangement

Partnership with Health Insurance Companies through a bid process

• Independent Health (western NY) and MVP (east of Buffalo)
<table>
<thead>
<tr>
<th>District/ School Name</th>
<th>Administrative</th>
<th>Instructional</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akron</td>
<td>X</td>
<td></td>
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<tr>
<td>Alden</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Alfred-Almond</td>
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<tr>
<td>Canisteo-Greenwood</td>
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<td>X</td>
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<tr>
<td>Charter School for Applied Technologies</td>
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<td>X</td>
<td>X</td>
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<tr>
<td>Cheektowaga</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Cheektowaga-Maryvale</td>
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<td>Cheektowaga-Sloan</td>
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<td>Cleveland Hill</td>
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<tr>
<td>Ellicottville</td>
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<td></td>
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<tr>
<td>Elmwood Franklin School</td>
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<td>X</td>
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<tr>
<td>Erie 1 BOCES</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Frontier</td>
<td></td>
<td>X</td>
<td>X</td>
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<tr>
<td>Gowanda</td>
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<td>X</td>
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<td>Grand Island</td>
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<td>Kenmore-Tonawanda</td>
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<td>Niagara Falls City</td>
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<td>North Collins</td>
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<td>Sweet Home</td>
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<tr>
<td>The Park School</td>
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<td>X</td>
<td>X</td>
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<tr>
<td>West Seneca</td>
<td></td>
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</tr>
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</table>

As of October 1, 2011 there are 30 schools/districts with 79 separate bargaining units participating

Represents Districts/Schools with the Trust as the only health benefits provider
Trust Objectives:

- Contain costs for health coverage
- Work collaboratively with labor and management and TPAs
- Enhance benefits for enrollees, when possible
- Focus on health and wellness
### Erie 1 BOCES Cost Containment

<table>
<thead>
<tr>
<th>Year 1: 03-04</th>
<th>Plans</th>
<th>Encompass A Community Rate</th>
<th>E1B Trust Community Experience Rate</th>
<th>Monthly Difference</th>
<th>Annual Cost Avoidance</th>
<th>Total Annual Cost Avoidance</th>
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</thead>
<tbody>
<tr>
<td>Single</td>
<td>264</td>
<td>$272.35</td>
<td>$253.45</td>
<td>$18.90</td>
<td>$226.80</td>
<td>$59,875.20</td>
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<tr>
<td>Family</td>
<td>464</td>
<td>$755.12</td>
<td>$702.04</td>
<td>$53.08</td>
<td>$636.96</td>
<td>$295,549.44</td>
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<td></td>
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<td>$355,424.64</td>
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<table>
<thead>
<tr>
<th>Year 2: 04-05</th>
<th>Plans</th>
<th>Encompass A Community Rate</th>
<th>E1B Trust Community Experience Rate</th>
<th>Monthly Difference</th>
<th>Annual Cost Avoidance</th>
<th>Total Annual Cost Avoidance</th>
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</thead>
<tbody>
<tr>
<td>Single</td>
<td>279</td>
<td>$296.02</td>
<td>$264.18</td>
<td>$31.84</td>
<td>$382.08</td>
<td>$106,600.32</td>
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<tr>
<td>Family</td>
<td>464</td>
<td>$825.56</td>
<td>$731.97</td>
<td>$93.59</td>
<td>$1,123.08</td>
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<tr>
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<td>743</td>
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<td>$627,709.44</td>
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<table>
<thead>
<tr>
<th>Year 3: 05-06</th>
<th>Plans</th>
<th>Encompass A Community Rate</th>
<th>E1B Trust Community Experience Rate</th>
<th>Monthly Difference</th>
<th>Annual Cost Avoidance</th>
<th>Total Annual Cost Avoidance</th>
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</thead>
<tbody>
<tr>
<td>Single</td>
<td>317</td>
<td>$339.78</td>
<td>$278.81</td>
<td>$60.97</td>
<td>$731.64</td>
<td>$231,929.88</td>
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<td>Family</td>
<td>498</td>
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<td>$767.82</td>
<td>$160.51</td>
<td>$1,926.12</td>
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<td>Totals</td>
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<td>$1,191,137.64</td>
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<table>
<thead>
<tr>
<th>Year 4: 06-07</th>
<th>Plans</th>
<th>Encompass A Community Rate</th>
<th>E1B Trust Community Experience Rate</th>
<th>Monthly Difference</th>
<th>Annual Cost Avoidance</th>
<th>Total Annual Cost Avoidance</th>
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<tbody>
<tr>
<td>Single</td>
<td>336</td>
<td>$387.35</td>
<td>$305.30</td>
<td>$82.05</td>
<td>$984.59</td>
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<tr>
<td>Family</td>
<td>509</td>
<td>$1,058.30</td>
<td>$829.25</td>
<td>$229.05</td>
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<td></td>
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<tr>
<td>Year 5: 07-08</td>
<td>8.9% Increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>---------------</td>
<td>---------------</td>
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</tr>
<tr>
<td>Single</td>
<td>314</td>
<td>$455.18</td>
<td>$332.50</td>
<td>$112.68</td>
<td>$1,352.16</td>
<td>$424,578.24</td>
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<tr>
<td>Family</td>
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<td>$1,216.29</td>
<td>$903.00</td>
<td>$313.29</td>
<td>$3,879.48</td>
<td>$1,982,414.20</td>
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<tr>
<td>Totals</td>
<td>825</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,406,992.40</td>
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<table>
<thead>
<tr>
<th>Year 6: 08-09</th>
<th>9.5% Increase</th>
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</thead>
<tbody>
<tr>
<td>Single</td>
<td>264</td>
</tr>
<tr>
<td>Family</td>
<td>634</td>
</tr>
<tr>
<td>Totals</td>
<td>898</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year 7: 09-10</th>
<th>9.5% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>264</td>
</tr>
<tr>
<td>Family</td>
<td>634</td>
</tr>
<tr>
<td>Totals</td>
<td>898</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year 8: 10-11</th>
<th>9.5% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>304</td>
</tr>
<tr>
<td>Family</td>
<td>679</td>
</tr>
<tr>
<td>Totals</td>
<td>983</td>
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</table>

<table>
<thead>
<tr>
<th>*Year 9: 11-12</th>
<th>7.9% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>288</td>
</tr>
<tr>
<td>Family</td>
<td>666</td>
</tr>
<tr>
<td>Totals</td>
<td>954</td>
</tr>
</tbody>
</table>

**Total Savings $16,831,294.49**

* Year 9 estimated cost containment based on June 2011 enrollment in health coverage.
Estimated Cost Containment Since 2003

Erie 1 BOCES  $16.8 million
30 Schools    $46.8 million
*Approx. Total $63.6 million

• Rate increases have been under 10% ranging from 4.8% to 9.5% over the past 9 fiscal years.

*A self-funded community rated plan was used to estimate the cost containment.
## Average Annual Premium 2010-11

<table>
<thead>
<tr>
<th></th>
<th>Individual Coverage</th>
<th>Family Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYS Schools</td>
<td>$6,724.00</td>
<td>$16,199.00</td>
</tr>
<tr>
<td>NY44 Health Trust</td>
<td>$5,214.00</td>
<td>$14,160.00</td>
</tr>
</tbody>
</table>

NYSSBA 2011 Teacher Contract Survey

**On Board, 9/5/2011**
Benefits:

In 2003-04:

- $0 Co-pay for Office Visits
- Dependent Coverage for College Students – Age 25
- Health and Wellness Workshops
- $3/$15/$30 – 3 tier drug plan

As of July 1, 2011:

- $0 co-pay Office Visits
- $0 co-pay for Annual Eye Exam
- $25 / $50 Reward for Annual Physical w/ Primary Care Physician
- Dependent Coverage to Age 26
- Health and Wellness Workshops
- $0 co-pay for Tier 1 drugs; $0/ $15/ $30 – 3 Tier drug plan
- $0 co-pay for diabetic supplies and services
- $0 co-pay for Tier 2 Inhaled Corticosteroids
- Smoking Cessation - prescription drugs have been added to the formulary
- Annual Wellness Activity Benefits reimbursement of $100 (S) / $150 (F)
- Annual District Reimbursement (up to $1,000)
What’s Next for Cost Containment Opportunities?

Focus on:

• Wellness/Prevention and Disease Management
• Pharmaceutical Cost Containment
• Collaboration Between Labor and Management
• Personal Health Accountability
Health Care Challenges and Wellness Opportunities

Dr. Leonard Katz

Consultant/NY44 HBPT and Buffalo Prof.
Emeritus/SUNY
School of Medicine and Adjunct
Prof./SUNY Buffalo
Social and Prev. Medicine
American Health Care is the most expensive in the world using any measure!

US compared to Canada and England

per capita costs 2008:
- US = > $7,600
- Canada = > $4,000
- UK = > $3,200
Major Areas of Strength
of current system

- High tech medicine (hospital, procedures, in-office, etc.)
- Research, particularly basic research
- Development of new drugs
- Emergency/trauma/battlefield care
Areas of Weakness

• More that 47 million Americans have no health insurance (study in 2004, found that over previous 2 years, nearly 82 million uninsured for some time)

• No national long-term care policy, i.e., no payment structure (only safety-net for the poor)

• Wide variation in medical services
Measures of Quality

- Public health measures such as life expectancy, infant mortality, etc
- Errors in medicine -- recent recognition of this problem
- Compliance with evidence-based standards of care
- Satisfaction with the health-care system
### Public Health Measures 2008

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>UK</th>
<th>Canada</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy from birth:</td>
<td>78.0</td>
<td>80.0</td>
<td>81.0</td>
<td>81.4 yrs</td>
</tr>
<tr>
<td>Infant mortality/1,000:</td>
<td>5.3</td>
<td>4.8</td>
<td>5.0</td>
<td>3.2</td>
</tr>
</tbody>
</table>

- May 2006 report in JAMA – poorer health outcomes in US than England, Japan and most of Europe; WHO rates US healthcare 37th – below Costa Rica and above Slovenia
Current Reality

• Child Mortality
  now 42\textsuperscript{nd} in the world
  twenty years ago = 29\textsuperscript{th}

• Disparities are enormous, e.g. longevity:
  longest – Asian women in NJ = 91 yrs
  shortest – native American men in SD
  = 59 years
Opportunity!

- *Personal health habits --- chronic diseases*
- Estimated that more than 50% of health care services and costs driven by personal behaviors – smoking, obesity, lack of exercise, etc.
- Changing human behaviors is difficult but can be done and...... BIG BENEFIT! (Physicians’ and Nurses’ Health studies.)
Role of Health Trust

• Well informed consumers of health care are essential; the Trust works toward that goal.
• Prevention at all levels is needed.
• Working with IHA & MVP, the enrollees of the Trust will understand how they can improve their health and prevent disease.
The Partnership between Patient and Physician

• The primary care physician (PCP) is or should be the central figure in helping us receive the best possible health care outcomes.
• PCPs will guide us to or provide directly preventive services at all levels.
• Everyone needs a trusted PCP.
The Impact of Pharmacy on Cost Containment

Martin Burruano, RPh
Director Pharmacy Services
Independent Health
Pharmacy Benefit Dimensions
Objectives

• Have an understanding of the pharmaceutical landscape and how it impacts the healthcare system
• Understand the complexities and challenges of the pharmaceutical pipeline and how it affects overall affordability and impact to patients
• Understand how Managed Care and employers make decisions and manage the benefit
• Understand how pharmacy costs can contain overall health costs
• Key Trends
  – Pharmaceutical expenditure growth
  – Increased demand for pharmaceuticals
    • Aging of population
    • Increased diagnosis/treatment
    • Pharmaceutical marketing
  – Biotechnology
  – Generic Drugs
Pharmaceutical Expenditure Growth

“U.S. spending for prescription drugs expected to increase by 9.7% annually between 2008 and 2013” – IMS Health 2008

Driving Factors:

- Utilization – The amount of prescriptions consumed
- Mix – The type of prescriptions consumed
- Price – Changes in manufacturing prices for drugs
- Growth has slowed recently. Perhaps due to employer and payer driven initiatives
Cost

• Health care spending has long outstripped inflation, income

What’s happening in the marketplace?

• Pharmaceutical prices are rising faster than the rate of inflation
• An aging population
• Injectable/Specialty Pharmaceutical spend increasing
• Increase in generic drug availability – by 2013 there will be over 60B in brand name drugs available generically
Why prescription drug costs are rising so dramatically

- Increased utilization
  - Aging population
  - New national treatment guidelines
- Consumer demand fueled by ads and promotions
- New drugs to market
- Price increases
- Biotech drugs

Affordability of drug therapy is one of the top national and local issues!!!
• Improved diagnosis/treatment guidelines
  – Hypertension → 50% of patients at goal (JNC VII)
  – Cholesterol Management → more aggressive Tx (NCEP III)
  – Diabetes → Obesity Driving Disease (ADA)
  – Rheumatoid Arthritis → Biotechnology (ARA)
  – Oncology (ASCO)
• Increased demand for pharmaceuticals
  – Pharmaceutical marketing ($60 Billion/Yr)
• Direct-to-Consumer Advertising
• Promotion
  – 100,000 sales personnel
  – $7 billion in samples
• Lobbying (2005 data)
  – 3,000 lobbyists
  – ->$100 million annual expenditures
<table>
<thead>
<tr>
<th>RANK</th>
<th>DRUG</th>
<th>SPENDING (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Advair</td>
<td>175</td>
</tr>
<tr>
<td>2</td>
<td>Plavix</td>
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<tr>
<td>3</td>
<td>Cymbalta</td>
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<td>4</td>
<td>Ambien CR</td>
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<td>5</td>
<td>Abilify</td>
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<td>6</td>
<td>Cialis</td>
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<tr>
<td>7</td>
<td>Lyrica</td>
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<tr>
<td>8</td>
<td>Viagra</td>
<td>122</td>
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<tr>
<td>9</td>
<td>Flomax</td>
<td>116</td>
</tr>
<tr>
<td>10</td>
<td>Lunesta</td>
<td>108</td>
</tr>
</tbody>
</table>
Consumers Confused About Drug Ads

Many consumers mistakenly believe direct to consumer (DTC) drug advertising implies endorsement by the federal government.

% of consumers who hold the following misconceptions:

- 50% DTC drug ads require prior government approval
- 43% Only “completely safe” drugs may be advertised DTC
- 22% Ads for drugs with serious side effects have been banned
- 21% Only “extremely effective” drugs may be marketed DTC

~ Wilkes et al; Health Affairs, March/April Issue
Pharmacy/Managed Care
Cost/Quality/Access

Key Challenge:

BALANCE

Quality Pharmaceutical Care
Member Satisfaction  Costs
Strategies to control drug costs

• Benefit design
• Therapeutic mix – formulary
• Appropriate use – Utilization Management
• Generic drugs
• Provider/Member Education
Medication Adherence – The Issue

- Positive outcomes in chronic disease management – Rx therapy is often key
- Nationally, 30-50%+ of patients not taking Rx correctly or stop taking it
- Rx cost recognized as a significant barrier to adherence in some populations
- 2/3 of chronically ill who cut back because of cost don’t tell their doctor
- Financial – clinical ramifications for non-adherence can be substantial.
Results:

Over 4 years there was a 10% increase in adherence
What is a formulary?

- A continually updated list of medications which represent the current clinical judgment of physicians, pharmacists and other experts in the diagnosis and preservation of health.
• The Pharmacy & Therapeutics Committee (P&T) is comprised of practicing physicians and pharmacists from our communities
• P&T Committee reviews the formulary quarterly
• The P&T Committee develops the formulary to:
  – Determine tier placement
  – Recommend use management programs
Formulary Review Process

• The Committee review process examines
  – The drug’s safety and efficacy
  – Availability of equally or more effective drugs in the same class

• Every drug class is reviewed annually
  – The latest in evidence-based medicine
  – The clinical expertise and judgment of the Committee members
Formulary

- Facts to consider
- SAFETY and EFFICACY
- The need for the drug
- Changes in medical literature, guidelines or FDA indications
- Multiple products in a class
- Contracting opportunities
- Physician acceptance
Utilization Management

– Clinical guidelines with prior authorization
– Step Therapy
– Quantity limits (eg., ED, Antibiotics)
– Physician management
  • Peer reporting
  • Academic detailing
  • Incentives
– Member education
Pregnancy On-Line Edit
Blocks claims for Cat. X and D drugs in women using prenatal vitamins

- number of woman/drug combos
- Number of overrides
Drug Drug Interactions Blocked at Dispensing

- # of claims containing a DDI reject (hard edit)
- Pharmacist calls to help desk
- Overrides given

<table>
<thead>
<tr>
<th>Quarter</th>
<th># of claims</th>
<th>Pharmacist calls</th>
<th>Overrides given</th>
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<td>55</td>
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<td>2Q06</td>
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<td>38</td>
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<tr>
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<td>125</td>
<td>83</td>
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<td>2Q07</td>
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<tr>
<td>4Q07</td>
<td>128</td>
<td>50</td>
<td>11</td>
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</tbody>
</table>

Pharmacy Benefit Dimensions
An Independent Health Company
Think generics first!

Community Awareness

Employer Support

Physician Intervention

Increasing Generic Drug Use

Benefit Management

Member Interventions
Remember this?
Lunesta Case Study

- Approved as a treatment for insomnia
- One of the **fastest** drug launches in history
- Estimated that Lunesta sales could reach $1 billion annually
- DTC - $100 million to promote it
- Direct To Consumer - $100 million to promote it.
- Monthly Cost of Lunesta: $5.28/tablet - $159/month
- Monthly Cost of generic Ambien: $0.18/tablet - $5.40/month
Generic First: Single most important opportunity

- Every 1 point increase in generic fill rate may save 1.5% in drug costs
- Maintains quality care
- Lowers overall health cost trend without cost shifting to members
- Lowers member contribution
- Increases drug compliance – increased drug compliance lowers overall medical costs

NY44 generic utilization is currently at 72% - above NYS average of 70%
  - Zero copay for generics
  - Patient/Physician education
  - Targeted physician generic drug programs
Generics: Safe, Effective, Affordable

- **Safe**
  - All generics were once a brand name medication
  - Most with >10 years clinical experience
  - Few surprises

- **Effective**
  - The generic has often been the gold standard of therapy for years
  - Stood the test of time
  - Not a marketing hype
Generics’ Share of the U.S. Prescription Drug Market: 2005 - 2010

Sources: Pharmaceutical Research and Manufacturers of America (RPhRMA), 2010 Annual Report, August 2010
How much does this tablet cost?

a) $0.05,  b) $0.50,  c) $5.00,  d) $50.00,  e) $100.00
How much does this tablet cost?

a) $0.05,   b) $0.50,   c) $5.00,   d) $50.00,   e) $88.90
Generic Drugs – Affordable Win for Employers & Employees

$ are representative plan and member Rx cost share across common Rx benefits
Key issues in medication management looking ahead

• $60 billion worth of brand name drugs scheduled to go generic by 1012
Medications for the Management of GERD

Information to help you formulate treatment approaches for acid reflux and GERD that incorporate the safest, most effective, and when possible, the most cost-effective modalities.

[Diagram showing costs of different medications]

- Prevacid Capsules: $184
- Nexium: $177
- Aciphex: $175
- Prilosec (Rx): $213
- Protonix: $135
- Prevacid SoluTab: $145
- Prilosec (OTC): $20
- Omeprazole (Rx): $17
- Cimetidine: $11
- Famotidine: $9
- Ranitidine: $8
- Gasvicon: $6
Price comparison of different antidepressants

- Fluoxetine: $4
- Sertaline: $7
- Paroxetine: $15
- Citalopram: $5
- Mirtazapine: $10
- Venlafaxine: $95
- Bupropion SR: $52
- Effexor XR: $124
- Lexapro: $88
- Pristiq: $110
- Cymbalta: $120
Specialty Medications
What are specialty medications?

Biotech products that target patients with complex therapies

- Limited indications
- Complex administration, monitoring
- Safety and use concerns
- Expensive - $6,000 - $350,000 per year/per person!
  - Generic: <$200/yr
  - Brands: $1,900/yr

Specialty Drugs a major contributors to health care costs. Healthy lifestyles may decrease the need.
• Biotechnology
  – Use of biologic molecules to target diseases
  – Recombinant DNA technology – mimic body mechanisms
  – Researched and production costs are high
Currently >300 biotechnology medications are in the pipeline
  - 154 for cancer
  - 43 for infectious disease
  - 26 for autoimmune disorders
  - 19 for cardiovascular disease
  - Many other conditions are also being targeted

The biotechnology drugs can take up to 5 years to get approval once they are in the later stages of trials

By 2012 it is estimated that over 50% of FDA approvals will be for biotech agents. Over 70% of current Biotech products have been approved in the past 5 years.
Top indications for Specialty Meds

Biotech products that target patients with complex therapies

- Rare, genetic conditions
- Multiple Sclerosis
- Rheumatoid Arthritis
- Psoriasis
- Asthma
- Hemophilia
- Crohn’s Disease
- Cancer
Paying for Innovation

YTD 2006
12%

88%

2011 Estimated
21%

79%

Specialty as a percent of prescription drug spend
Unique Management Challenges

• Specialty drugs may be covered under either the medical benefit or the prescription drug rider
  – Some are covered under both (such as MS, Arthritis, adjunctive chemotherapy medications)

• Clinically complex patients

• Require monitoring for dosing, side-effects compliance and administration

• Specialty Drugs a major contributors to health care costs. Healthy lifestyles may decrease the need.
Reliance Rx advantages

- Subsidiary of Independent Health
- Local presence
- Close relationships with physicians
- Case management to increase drug compliance and management of the disease.
In summary

- Pharmaceutical use and expenditures will continue to rise
- Effective management crosses multiple dimensions which include strategies to contain pharmacy costs such as:
  - Benefit Design
  - Unit Cost Management – generic drugs play a significant role
  - Utilization Management
  - Provider/Member Education
Questions
Collaborative Activities for Containing Rising Health Costs

Darleen A. Michalak, Ph.D.
Plan Administrator
NY44 Health Benefits Plan Trust
The Need for Change

- 80% of school supt.s in NYS cut teaching positions for 2011-12 and 66% cut positions in 2010-11 as well
- 63% of districts increased class sizes for 2011-12
- 75% of superintendents say their district’s financial condition is worse than the previous year
- Nearly 66% of superintendents report taking a salary freeze or other reduction in salary or benefits for 2011-12
- Nearly 9 out of 10 superintendents are troubled by their district’s reliance on reserves to fund recurring costs*

*Data based on the The Council’s on-line survey of NYS superintendents (283 responded representing 42% of students served outside the “Big 5” city districts)
• Generally speaking, employees don’t see the true (total) cost of health care and have no real incentive to change

  ❖ In 2010, the average annual statewide premiums for employer-sponsored health insurance were $6,724 for single coverage and $16,199 for family coverage ($5,214/$14,160)

  ❖ National average of employee contributions for family health coverage rose from 27% in 2006 to 30% in 2010, but in NYS, teachers contributions for health coverage dropped from 12.4% to 11.%

Data from NYSSBA Teacher Contract Survey

On Board 9/5/2011
Is It Time to Consider A High Deductible Option?

**Consumer Directed Health Plans**
(also called high deductible health plans), represent a change in the philosophy of health care.

**CDHP** is the NY44 Health Benefits Plan Trust’s new option effective January 1, 2012.
HD/HSA/HA Option:

- Medical Plan-the High Deductible Health Plan (HP)
- Health Savings Account-HSA
- Health Assessment-HA
High Deductible Health Plan

- Annual Deductible: $1,200 (S) and $2,400 (F)
- After deductible: Benefit Summary Grid lists co-payments and some revert to $0 co-pays for office visits; Tier 1 generics; diabetic supplies; urgent care centers
- After deductible: prescriptions are $0/$25/$50
- Closely connected to HSA and HA
Terms of an HSA:

- **Qualified Health Savings Account Plan with First HSA**
  - Plan design complies with IRS guidelines to establish and fund a Health Savings Account (signed into law in 2003).

- **Deductible**—Yearly fixed dollar amount ($1,200/$2,400) that a member pays out-of-pocket before the plan begins coverage for most medical expenses.

- **Out-of-Pocket Maximum for In-Network Services**
  - Maximum out-of-pocket is the dollar limit (for deductibles, copayments and co-insurance) an enrollee is responsible for in a given time period ($5,950/$11,900).

- **Annual Maximum Contribution**
  - Single-$3,150/Family-$6,250 with additional $1,000 for age 55 catch-up ($4,150/ $8,250)
First HSA Benefits for Accountholder/Spouse/Dependents

- **Personal Health Advocate**  
  - Access to health information on diseases and treatment options  
  - Options available for medical conditions (cancer, diabetes, strokes, etc.)

- **Prescription Pricing Tool**  
  - Allows for cost comparisons of medications

- **Medical Cost Tool**  
  - Searches over 5,000 procedures and office visits  
  - Provides average costs for medical services

- **Internet Access**  
  - Single sign-on for HSA account, tracking qualified health care expenses and investment information

- **Electronic Health Record**  
  - Provides easy tracking of health activities

**Knowledge is Power for Making Healthy Decisions**
## Trust’s Funding Toward Deductible:

<table>
<thead>
<tr>
<th>Service</th>
<th>Single</th>
<th>Family</th>
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<tbody>
<tr>
<td>Deductible</td>
<td>$1,200.00</td>
<td>$2,400.00</td>
</tr>
<tr>
<td>25% NY44 Trust funded</td>
<td>$300.00</td>
<td>$600.00</td>
</tr>
<tr>
<td>Health Assessment Completion/Management</td>
<td>$250.00</td>
<td>$500.00</td>
</tr>
<tr>
<td>Age Appropriate Testing ($100/test)¹</td>
<td>$200.00</td>
<td>$400.00</td>
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<tr>
<td>Wellness Reimbursement Activities</td>
<td>$75.00</td>
<td>$150.00</td>
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<tr>
<td><strong>Total Amount Contributed</strong></td>
<td><strong>$825.00</strong></td>
<td><strong>$1,650.00</strong></td>
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¹ U.S. Preventive Services Task Force (USPSTF)
Health Assessment with Wellness, Inc.

Wellness Screening Program

- On site blood work allows for 36 lab tests designed to detect disease or illness
- Simple questionnaire completed to identify risk factors in the enrollee’s lifestyle
- Blood pressure and Body Mass Index (BMI) identified
- Educational summary report sent to enrollee
- mywellnessinfo.com health portal for supportive information
- Wellness health coach available for education and support for a healthy lifestyle
Advantages of Completing Health Assessments for the Trust:

- Comprehensive measurement of population’s health
- On-site Program – increases participation due to convenience; reduces time off work
- Significantly less expensive than physician screening
- Recommendations regarding programs to pursue and other actions to lower risk factors for enrollees
Can We Make High Deductibles Do-able??

- Use a ternary approach: high deductible/health savings account/health assessment
- Lower costs for districts while empowering employees to be responsible for their health care
- Reward enrollees while focusing on preventive approaches
- Potential tax advantages and long term retirement savings
- Win-win approach
## Cost Comparison

### Grandfathered Status

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011-12</th>
<th>% Savings HD/HSA/HA vs. Original Option (GF)</th>
<th>2012</th>
<th>2011-12</th>
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<tbody>
<tr>
<td></td>
<td>Monthly (GF)</td>
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<td>Single</td>
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<td>$473.50</td>
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<td>$5,682.00</td>
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<td>Family</td>
<td>$1,031.00</td>
<td>$1,260.00</td>
<td>18.1%</td>
<td>$12,372.00</td>
<td>$15,120.00</td>
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<td></td>
<td>Plus $7 PM/PM</td>
<td>Plus $6 PM/PM</td>
<td></td>
<td>Plus $7 PM/PM</td>
<td>Plus $6 PM/PM</td>
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### Non-Grandfathered Status

<table>
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<tr>
<th></th>
<th>2012</th>
<th>2011-12</th>
<th>% Savings HD/HSA/HA vs. Original Option (NG)</th>
<th>2012</th>
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<td>Single</td>
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<td>Plus $7 PM/PM</td>
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</table>
Results of New Option

- Cost savings will increase due to decreased contribution rates
- Another plan option gives district/enrollees greater flexibility and personal control for health care decisions
- Tax advantages and long-term retirement savings in HSA
- Potential FICA tax savings for both the district and enrollees
- Use of Tier 1 Generic Drugs and doctor visits stay at $0 co-pay after deductible
- In-depth financial information and support for managed care from First HSA and Wellness, Inc.
- Remain in community pool with community contribution rates to retain security against potential high claims
Cost Containment Strategies that Work

• NY44 Health Benefits Plan Trust – a consortium of schools that have saved money
• Collaboration with labor and management and TPAs (IH and MVP) is a key element
• Cost containment continues to increase due to larger pool of enrollees (minimizes risks) and reduced costs (no brokerage fees and new revenues)
• Focus needs to be on preventive and wellness activities (reduce hospitalization costs and keep enrollees healthy)
• Use of Tier 1 Generic Drugs at $0 co-pay
• New initiatives that further contain costs such as a triangular approach with a high deductible plan/health savings account/ health risk assessment survey completion
• Increase everyone’s accountability for health benefits
Thank you for attending this session

Questions?
Contacts for Additional Trust Information:

Plan Administrator
Darleen A. Michalak, Ph.D.
716-821-7161

www.ny44healthtrust.e1b.org