

# **Public Employees Benefits Board Meeting**

**April 12, 2017**

## Public Employees Benefits Board

April 12, 2017

1:30 – 3:30

Health Care Authority  
Sue Crystal A & B  
626 8<sup>th</sup> Avenue SE  
Olympia, Washington

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**TAB 1**

## AGENDA

**Public Employees Benefits Board**  
**April 12, 2017**  
**1:30 p.m. – 3:30 p.m.**

Health Care Authority  
Cherry Street Plaza  
Sue Crystal Rooms A & B  
626 8<sup>th</sup> Avenue SE  
Olympia, WA 98501

**Call-in Number: 1-888-407-5039**

**Participant PIN Code: 95587891**

1:30 p.m.*	<b>Welcome and Introductions</b>		Dorothy Teeter, Chair	
1:40 p.m.	<b>Meeting Overview</b>		Lou McDermott	Information
1:45 p.m.	<b>Legislative Update</b>	TAB 3	Dave Iseminger	Information
2:10 p.m.	<b>Legislative Update - Budget</b>	TAB 4	Kim Wallace	Information
2:20 p.m.	<b>Life Insurance Update</b>	TAB 5	Beth Heston	Information
2:40 p.m.	<b>Center of Excellence Update</b>	TAB 6	Marty Thies	Information
3:00 p.m.	<b>Pharmacy Benefit Proposal</b>	TAB 7	Donna Sullivan	Information
3:20 p.m.	<b>Public Comment</b>			
3:30 p.m.	<b>Adjourn</b>			

**\*All Times Approximate**

The Public Employees Benefits Board will meet Thursday, April 12, 2017, at the Washington State Health Care Authority, Sue Crystal Rooms A & B, 626 8<sup>th</sup> AVE SE, Olympia, WA. The Board will consider all matters on the agenda plus any items that may normally come before them.

This notice is pursuant to the requirements of the Open Public Meeting Act, Chapter 42.30 RCW.

Direct e-mail to: [board@hca.wa.gov](mailto:board@hca.wa.gov).

Materials posted at: <http://www.pebb.hca.wa.gov/board/> no later than close of business on April 10, 2017.

## PEB Board Members

Name	Representing
Dorothy Teeter, Director Health Care Authority 626 8 <sup>th</sup> Ave SE PO Box 42713 Olympia WA 98504-2713 V 360-725-1523 <a href="mailto:dorothy.teeter@hca.wa.gov">dorothy.teeter@hca.wa.gov</a>	Chair
Greg Devereux, Executive Director Washington Federation of State Employees 1212 Jefferson Street, Suite 300 Olympia WA 98501 V 360-352-7603 <a href="mailto:greg@wfse.org">greg@wfse.org</a>	State Employees
Myra Johnson* 6234 South Wapato Lake Drive Tacoma WA 98408 V 253-583-5353 <a href="mailto:mljohnso@cloverpark.k12.wa.us">mljohnso@cloverpark.k12.wa.us</a>	K-12 Employees
Gwen Rench 3420 E Huron Seattle WA 98122 V 206-324-2786 <a href="mailto:gwenrench@covad.net">gwenrench@covad.net</a>	State Retirees
Mary Lindquist 4212 Eastern AVE N Seattle WA 98103-7631 C 425-591-5698 <a href="mailto:maryklindquist@comcast.net">maryklindquist@comcast.net</a>	K-12 Retirees

## PEB Board Members

### Name

### Representing

Tim Barclay  
7634 NE 170<sup>th</sup> ST  
Kenmore WA 98028  
V 206-819-5588  
[timbarclay51@gmail.com](mailto:timbarclay51@gmail.com)

Benefits Management/Cost Containment

Yvonne Tate  
1407 169<sup>th</sup> PL NE  
Bellevue WA 98008  
V 425-417-4416  
[ytate@comcast.net](mailto:ytate@comcast.net)

Benefits Management/Cost Containment

Marilyn Guthrie  
1640 W Beaver Lake DR SE  
Sammamish WA 98075  
V 206-715-2760  
[maguthrie52@gmail.com](mailto:maguthrie52@gmail.com)

Benefits Management/Cost Containment

Harry Bossi\*  
19619 23<sup>rd</sup> DR SE  
Bothell WA 98012  
V 360-689-9275  
[udubfan93@yahoo.com](mailto:udubfan93@yahoo.com)

Benefits Management/Cost Containment

### Legal Counsel

Katy Hatfield, Assistant Attorney General  
7141 Cleanwater Dr SW  
PO Box 40124  
Olympia WA 98504-0124  
V 360-586-6561  
[KatyK1@atg.wa.gov](mailto:KatyK1@atg.wa.gov)

\*non-voting members

1/17/17



Washington State Health Care Authority  
*Public Employees Benefits Board*

P.O. Box 42713 • Olympia, Washington 98504-2713  
360-725-0856 • TTY 711 • FAX 360-586-9551 • [www.pebb.hca.wa.gov](http://www.pebb.hca.wa.gov)

**2017 Public Employees Benefits Board Meeting Schedule**

The PEB Board meetings will be held at the Health Care Authority, Sue Crystal Center, Rooms A & B, 626 8<sup>th</sup> Avenue SE, Olympia, WA 98501. The meetings begin at 1:30 p.m., unless otherwise noted below.

January 17, 2017 (Board Retreat) 10:00 a.m. – 4:00 p.m.

March 16, 2017

April 12, 2017

May 18, 2017

June 21, 2017

July 12, 2017

July 19, 2017

July 27, 2017

If you are a person with a disability and need a special accommodation, please contact Connie Bergener at 360-725-0856

OFFICE OF THE CODE REVISER  
STATE OF WASHINGTON  
FILED

**DATE: August 11, 2016**

**TIME: 11:06 AM**

**WSR 16-17-045**

**TAB 2**



## PEB BOARD BY-LAWS

### **ARTICLE I**

#### **The Board and its Members**

1. **Board Function**—The Public Employee Benefits Board (hereinafter “the PEBB” or “Board”) is created pursuant to RCW 41.05.055 within the Health Care Authority; the PEBB’s function is to design and approve insurance benefit plans for State employees and school district employees.
2. **Staff**—Health Care Authority staff shall serve as staff to the Board.
3. **Appointment**—The Members of the Board shall be appointed by the Governor in accordance with RCW 41.05.055. Board members shall serve two-year terms. A Member whose term has expired but whose successor has not been appointed by the Governor may continue to serve until replaced.
4. **Non-Voting Members**—Until there are no less than twelve thousand school district employee subscribers enrolled with the authority for health care coverage, there shall be two non-voting Members of the Board. One non-voting Member shall be the Member who is appointed to represent an association of school employees. The second non-voting Member shall be designated by the Chair from the four Members appointed because of experience in health benefit management and cost containment.
5. **Privileges of Non-Voting Members**—Non-voting Members shall enjoy all the privileges of Board membership, except voting, including the right to sit with the Board, participate in discussions, and make and second motions.
6. **Board Compensation**—Members of the Board shall be compensated in accordance with RCW [43.03.250](#) and shall be reimbursed for their travel expenses while on official business in accordance with RCW [43.03.050](#) and [43.03.060](#).

### **ARTICLE II**

#### **Board Officers and Duties**

1. **Chair of the Board**—The Health Care Authority Administrator shall serve as Chair of the Board and shall preside at all meetings of the Board and shall have all powers and duties conferred by law and the Board’s By-laws. If the Chair cannot attend a regular or special meeting, he or she shall designate a Chair Pro-Tem to preside during such meeting.
2. **Other Officers**—(reserved)

**ARTICLE III**  
**Board Committees**

**(RESERVED)**

**ARTICLE IV**  
**Board Meetings**

1. Application of Open Public Meetings Act—Meetings of the Board shall be at the call of the Chair and shall be held at such time, place, and manner to efficiently carry out the Board's duties. All Board meetings, except executive sessions *as permitted by law*, shall be conducted in accordance with the Open Public Meetings Act, Chapter 42.30 RCW.
2. Regular and Special Board Meetings—The Chair shall propose an annual schedule of regular Board meetings for adoption by the Board. The schedule of regular Board meetings, and any changes to the schedule, shall be filed with the State Code Reviser's Office in accordance with RCW 42.30.075. The Chair may cancel a regular Board meeting at his or her discretion, including the lack of sufficient agenda items. The Chair may call a special meeting of the Board at any time and proper notice must be given of a special meeting as provided by the Open Public Meetings Act, RCW 42.30.
3. No Conditions for Attendance—A member of the public is not required to register his or her name or provide other information as a condition of attendance at a Board meeting.
4. Public Access—Board meetings shall be held in a location that provides reasonable access to the public including the use of accessible facilities.
5. Meeting Minutes and Agendas—The agenda for an upcoming meeting shall be made available to the Board and the interested members of the public at least 10 days prior to the meeting date or as otherwise required by the Open Public Meetings Act. Agendas may be sent by electronic mail and shall also be posted on the HCA website. Minutes summarizing the significant action of the Board shall be taken by a member of the HCA staff during the Board meeting, and an audio recording (or other generally-accepted) electronic recording shall also be made. The audio recording shall be reduced to a verbatim transcript within 30 days of the meeting and shall be made available to the public. The audio tapes shall be retained for six (6) months. After six (6) months, the written record shall become the permanent record. Summary minutes shall be provided to the Board for review and adoption at the next board meeting.
6. Attendance—Board members shall inform the Chair with as much notice as possible if unable to attend a scheduled Board meeting. Board staff preparing the minutes shall record the attendance of Board Members at the meeting for the minutes.

**ARTICLE V**  
**Meeting Procedures**

1. Quorum— Five voting members of the Board shall constitute a quorum for the transaction of business. No final action may be taken in the absence of a quorum. The Chair may declare a meeting adjourned in the absence of a quorum necessary to transact business.
2. Order of Business—The order of business shall be determined by the agenda.
3. Teleconference Permitted— A Member may attend a meeting in person or, by special arrangement and advance notice to the Chair, A Member may attend a meeting by telephone conference call or video conference when in-person attendance is impracticable.
4. Public Testimony—The Board actively seeks input from the public at large, from enrollees served by the PEBB Program, and from other interested parties. Time is reserved for public testimony at each regular meeting, generally at the end of the agenda. At the direction of the Chair, public testimony at board meetings may also occur in conjunction with a public hearing or during the board's consideration of a specific agenda item. The Chair has authority to limit the time for public testimony, including the time allotted to each speaker, depending on the time available and the number of persons wishing to speak.
5. Motions and Resolutions—All actions of the Board shall be expressed by motion or resolution. No motion or resolution shall have effect unless passed by the affirmative votes of a majority of the Members present and eligible to vote, or in the case of a proposed amendment to the By-laws, a 2/3 majority of the Board .
6. Representing the Board's Position on an Issue—No Member of the Board may endorse or oppose an issue purporting to represent the Board or the opinion of the Board on the issue unless the majority of the Board approve of such position.
7. Manner of Voting—On motions, resolutions, or other matters a voice vote may be used. At the discretion of the chair, or upon request of a Board Member, a roll call vote may be conducted. Proxy votes are not permitted.
8. Parliamentary Procedure—All rules of order not provided for in these By-laws shall be determined in accordance with the most current edition of Robert's Rules of Order [RONR]. Board staff shall provide a copy of *Robert's Rules* at all Board meetings.
9. Civility—While engaged in Board duties, Board Members conduct shall demonstrate civility, respect and courtesy toward each other, HCA staff, and the public and shall be guided by fundamental tenets of integrity and fairness.
10. State Ethics Law—Board Members are subject to the requirements of the Ethics in Public Service Act, Chapter 42.52 RCW.

**ARTICLE VI**  
**Amendments to the By-Laws and Rules of Construction**

1. Two-thirds majority required to amend—The PEBB By-laws may be amended upon a two-thirds (2/3) majority vote of the Board.
2. Liberal construction—All rules and procedures in these By-laws shall be liberally construed so that the public's health, safety and welfare shall be secured in accordance with the intents and purposes of applicable State laws and regulations.

**TAB 3**



# Legislative Update

Dave Iseminger  
Deputy Director  
Public Employees Benefits Division  
April 12, 2017



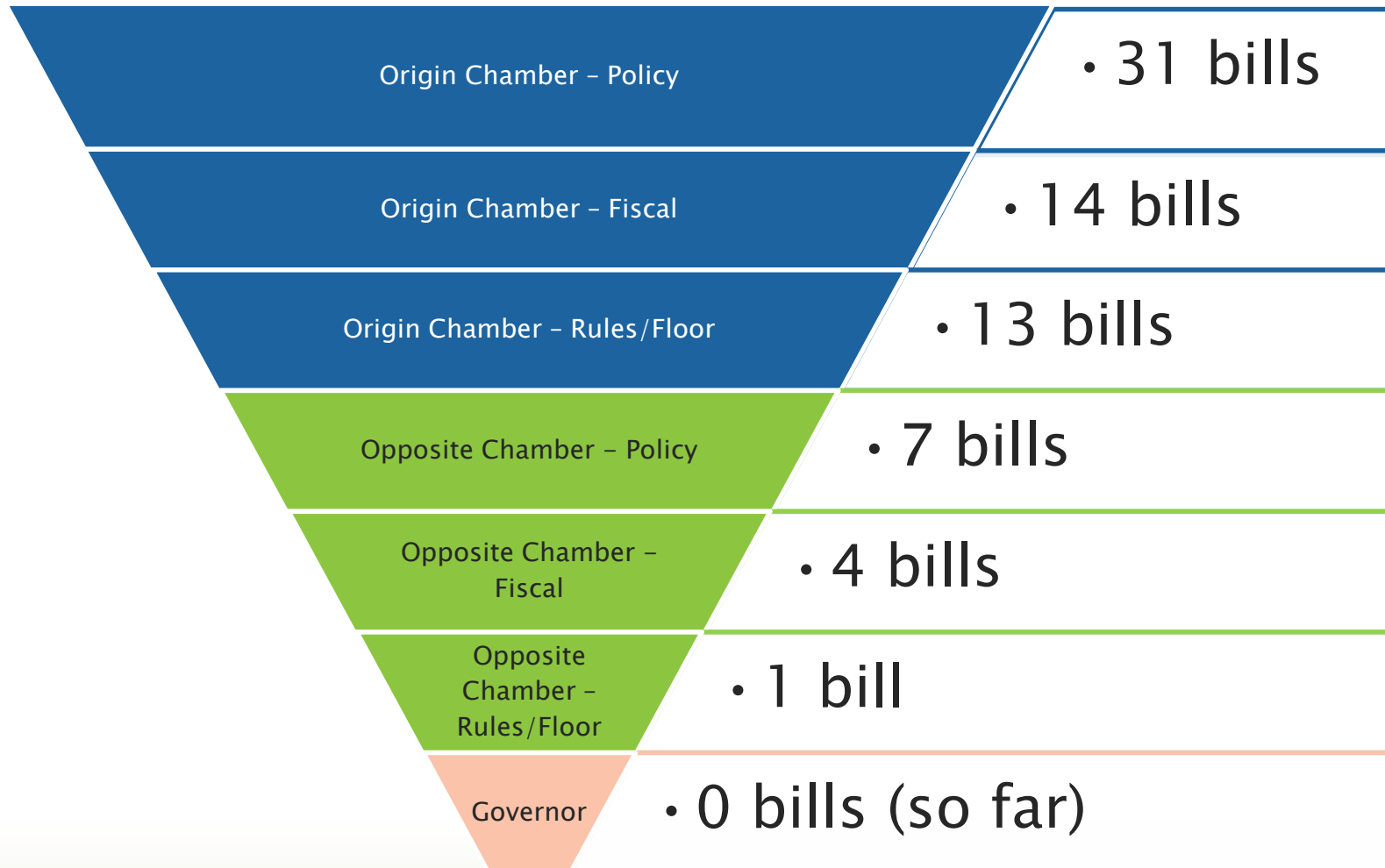
"Get ready! The next wave of legislation is rolling in."

# Number of Bills Analyzed by PEB Division

	PEB Lead	PEB Support	
High Impact	31	51	82
Low Impact	21	47	68
	52	98	150



# Legislative Update – PEB high lead bills



# Legislative Update

- SHB 1234 – An act relating to private health plan coverage of contraceptives
- 2SSB 5179 – An act relating to requiring coverage for hearing instruments under public employees and medicaid programs
- ESHB 2114 - An act relating to protecting consumers from charges for out-of-network health services
- SHB 1421 - An act relating to the removal of payment credentials and other sensitive data from state data networks

# Questions?

Dave Iseminger,  
Deputy Director  
Public Employees Benefits Division  
[David.Iseminger@hca.wa.gov](mailto:David.Iseminger@hca.wa.gov)  
Tel: 360-725-1108

**TAB 4**



# Legislative Update 2017–19 Biennial Budget

Kim Wallace  
Deputy Section Manager  
Financial Services Division  
April 12, 2017



# What We Know

	Governor	Senate	House
Agency requests	X	X	X (less \$1M)
Admin reduction	X	X	X
Actuarial Value reduction		X	
Medicare Retiree Explicit Subsidy	\$150	\$150	\$166 CY 2018 \$183 CY 2019

# Questions?

Kim Wallace

Deputy Section Manager

Financial Services Division

[Kim.Wallace@hca.wa.gov](mailto:Kim.Wallace@hca.wa.gov)

Tel: 360-725-9817

**TAB 5**





# Life Insurance Open Enrollment and Implementation

Beth Heston  
Procurement Manager  
Public Employees Benefits Division  
April 12, 2017

# Life Insurance Open Enrollment

- First Open Enrollment since 1977
- Team effort by PEB Division, Labor, Governor's Office, Agencies, Employer Groups, and Higher Education Institutions
- One of the most successful enrollments MetLife has ever experienced
- Total Eligible for PEB Program Benefits in 2017
  - 133,068 Employees
  - 50,171 Spouses
  - 89,534 Dependents

## Employer Paid

Insurance Type	2016	Plans as of 1/1/2017
Employee Basic Life	\$25,000	\$35,000
Employee Accidental Death & Dismemberment (AD&D)	\$5,000	\$5,000

## Employee Paid

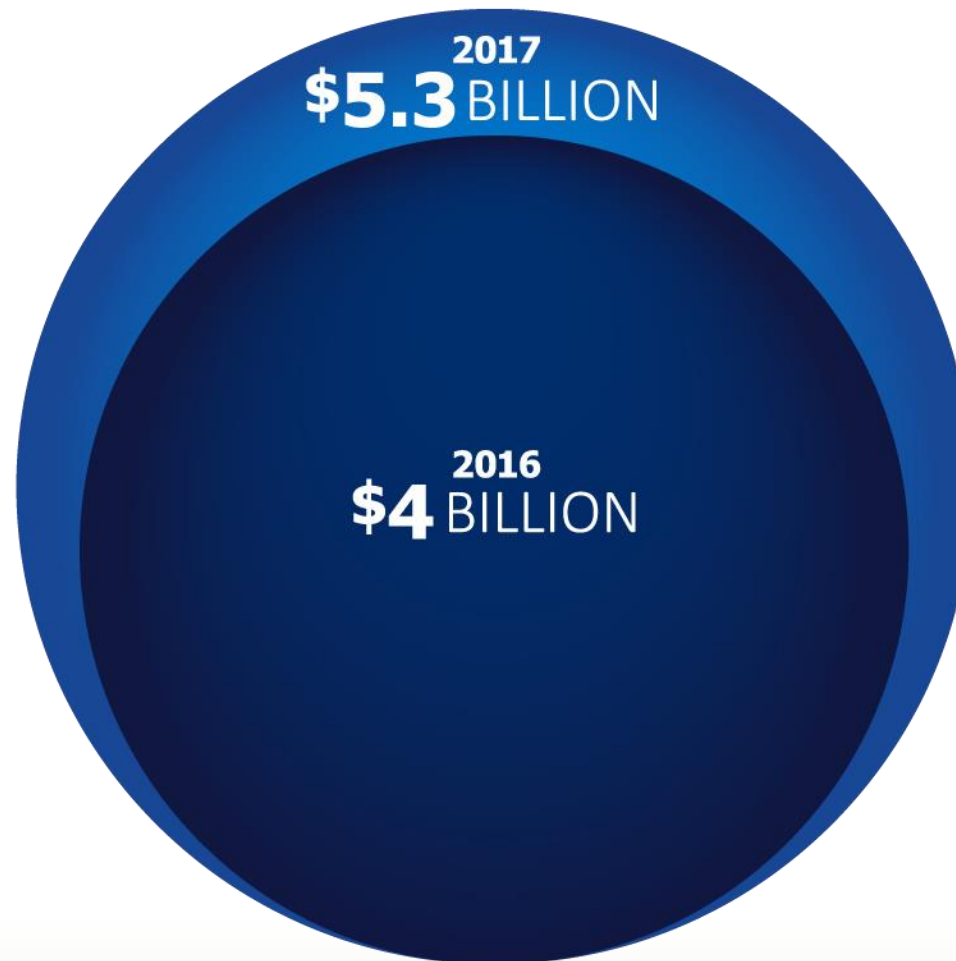
Insurance Type	2016	Plans as of 1/1/2017
Employee Optional Life	Guaranteed Issue \$250,000 up to \$750,000 with EOI*	Guaranteed Issue \$500,000 up to \$1,000,000 with EOI*
Spousal Life (Linked to Employee Coverage Amounts)	Up to 50% of Employee's Optional with \$50,000 Guaranteed Issue and higher amounts with EOI*	Up to 50% of Employee's Optional \$100,000 Guaranteed Issue and higher amounts with EOI*
Dependent Life Coverage	Dependent "Basic" Life (includes Spouses) \$2,500 per dependent	<b>New Child Life Plan:</b> Guaranteed Issue \$20,000 in \$5,000 increments (Guaranteed Issue for 2016 OE only = \$10,000) Dependents 2 weeks to 26 years
Employee, Spouse, & Dependent Optional AD&D	Up to \$250,000 for Employee 40% of EE total for Spouse 5% or 10% of EE total for other Dependents	Employee: \$250k Guaranteed Issue in \$10,000 increments Spouse: \$250k Guaranteed Issue in \$10,000 increments Child: \$25k Guaranteed Issue in \$5,000 increments
Retiree Life	With Age Reductions: Pre-65 \$3,000 Age 65-69 \$2,100 Age 70 and over \$1,800	No age reductions Existing Retiree Life Subscribers: Existing coverage amounts can be increased to \$5,000 Guaranteed Issue; up to \$20,000 (in \$5,000 increments) with EOI* For eligible individuals retiring on or after 1/1/2017: \$20,000 Guaranteed Issue (in \$5,000 increments)

\*EOI – Evidence of Insurability

## Basic Life – Employer Paid

	2016	2017
Basic Coverage Amount	\$25,000	\$35,000
Total Value of Insurance	~\$3.3 Billion	~\$4.6 Billion
Accidental Death & Dismemberment	~700 Million	~700 Million

# Total Value of Coverage - Basic Life & AD&D



# Employee Optional Life Insurance – Employee Paid

	2016	2017	Increase
Enrollment	47,476	71,242	50.1%
Total Value of Insurance	\$8.7 Billion	\$17.4 Billion	100%

# Benchmarking Our Optional Life Participation

Benchmark Industry	Average	PEBB Program
Government/Public Administration	44.1%	61.3%
Higher Education	35.9%	46.7%
Services (Employer Groups)	48.3%	52.0%
K-12 Education	30.8%	36.6%

Optional Life Participation	2016	2017
Overall	35.6%	53.5%

# Enrollment and Total Value Changes

	2016	2017	Increase
Spouse Optional Life	19,972	37,374	87.1%
	~\$1.3 Billion	~\$2.9 Billion	123%
Child Optional Life	N/A	21,804	
	N/A	~\$258 Million	
Employee Optional AD&D	30,116	56,812	88.6%
	~\$5.5 Billion	~\$9.6 Billion	74.5%
Spouse Optional AD&D	N/A	27,483	
	N/A	~\$3.9 Billion	
Child Optional AD&D	N/A	20,007	
	N/A	~\$390 Million	



# Total Value of Coverage - Optional Life & AD&D (Employees, Spouses, and Children)



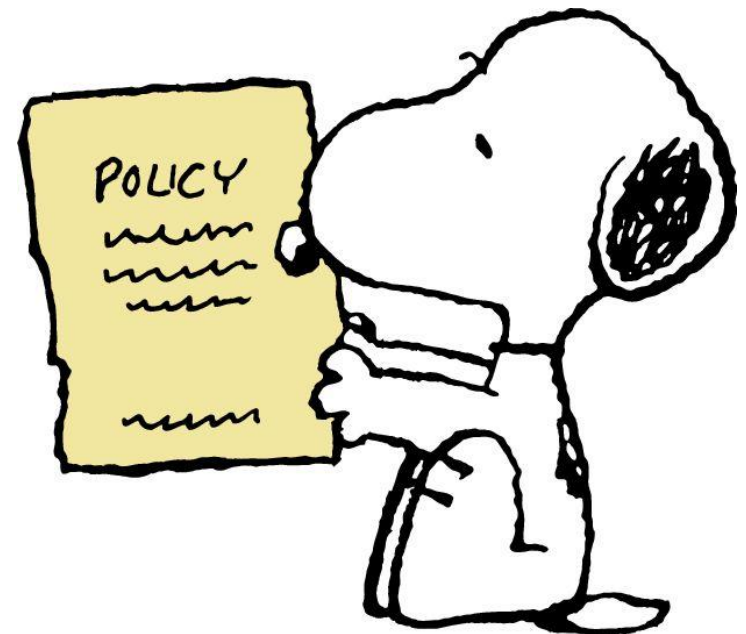
# Retiree Coverage

	2016 Enrollment	2017 Enrollment
Retiree Legacy Plan	13,889	11,075
New Retiree Term Life Plan	N/A	2,362

- Total Value Insurance (plans combined) increased from \$26.8 Million to \$33.4 Million
- 2,320 retirees increased coverage (16.7% response rate)
  - 37 retirees passed EOI\* to obtain coverage above the \$5,000 guarantee issue
- 494 previously participating retirees dropped coverage during the open enrollment period.

\*EOI – Evidence of Insurability

# Questions?



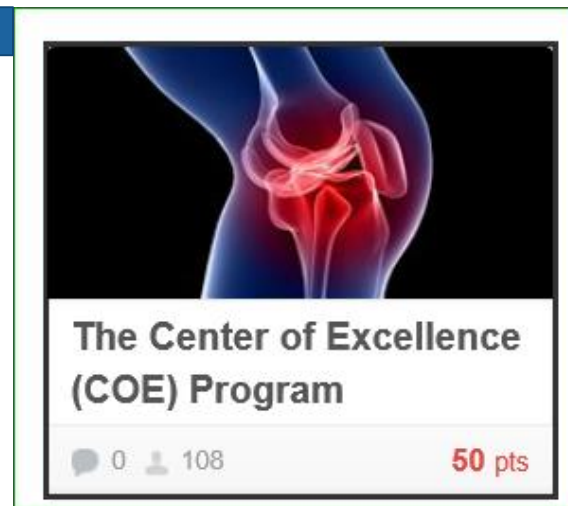
Beth Heston, Procurement Manager  
Public Employees Benefits Division

[Beth.Heston@hca.wa.gov](mailto:Beth.Heston@hca.wa.gov)

Tel: 360-725-0865

**TAB 6**

# Centers of Excellence Program for Total Joint Replacements (COE-TJR)



Public Employees Benefits Board Meeting  
April 12, 2017

Martin Thies, Ph.D.  
Account Manager  
PEB Division

# Background

- National movement
  - Alternative models of care promoting higher quality services that are more coordinated and accountable
- Rationale for the bundled payment model:
  - Fee-for-service can incentivize **quantity** of care, with **quality** of care more of an afterthought
  - A bundled payment for an Episode-of-care promotes coordination, and places the focus on optimal health outcomes for the patient



# In Washington State

- The 2011 Legislature Passed RCW 70.250.050
  - Established the **Bree Collaborative**
  - To gather stakeholders, address market issues
  - Goal: to establish evidence-based recommendations for improving outcomes and controlling costs
- Why is Total Joint Replacement (TJR) the first bundle?
  - High utilization, high variability in cost & outcomes
  - To standardize and optimize care
  - Annually, 600 UMP members undergo a TJR

# TJR: Benefit Design

## For members: Incentivizing toward quality

- Low to no cost out-of-pocket for:
  - Implant and Durable Medical Equipment (DME)
  - Surgery & associated inpatient services
  - Case management
  - Transportation and accommodations
- Emphasis on information, shared decision- making, and attentive case management
- Per Bree, surgeries are clinically appropriate
- 90-day warranty for specified complications

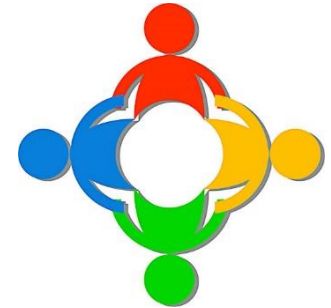




# The COE-TJR Team

## Center of Excellence: Virginia Mason

- Extensive experience in TJR bundling
- History of high quality, low complication rate
- Established best practices exceeding Bree criteria

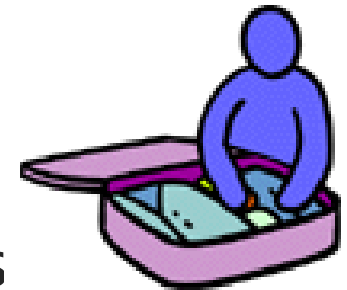


## Third-Party Administrator: Premera

- Intake, customer service, referrals, travel, and logistics
- End-to-end member-focused concierge facilitation

# Typical Member Journey

- Premera Customer Service: Member initiates contact
- Talks through the benefit, sends further information
- Referral is prepared and submitted to Virginia Mason
- Consultation to determine fitness, appropriateness:
  - BMI and nicotine use
  - Diabetes or other health issues
- Surgery is then scheduled and performed
- Discharge, with follow-up in the member's local community



# Program Implementation

- Contracts signed Fall 2016
- Publicized before & during Open Enrollment
- Benefit go-live: January 1, 2017
- HCA-Virginia Mason-Premera partnership
- Documenting processes
- Weekly meetings—all hands on deck
  - Troubleshooting
  - Sharing
  - Collaborating





# Marketing

- PEBB *For Your Benefit* Newsletters
- Presence & Brochures at all Benefit Fairs
- Premera website & Customer Service Center
- Blog-spot at UMP and Premera sites
- Insert: 2017 Classic & CDHP Welcome Packets
- UMP Newsletter and web pages

## January - March 2017 Program Activity

- Premiera Customer Service Calls . . . 259
- Premiera TJR website hits . . . . . 495
- Total Referrals to Virginia Mason . . . 48
  - Members from I-5 corridor . . . . . 30
  - Members from OR, ID, Eastern WA . .18
- Surgeries . . . . . 11
- ✓ All Participants are UMP Classic
- ✓ 83% are 45-64 and otherwise 65 & over
- ✓ Prior to the COE:
  - Averaged 24 UMP TJRs at Virginia Mason



# Going Forward

- Continue to Market and Monitor the TJR Benefit
  - Video interview of Virginia Mason surgeon
  - Identifying members for testimonials
  - Accumulating data regarding cost and quality
- Anticipated Future Bundles Activity
  - RFI to gather information regarding other bundles and episodes of care
  - Value-based Purchasing (VBP) Summit in October
  - RFP release for new bundled program, begin 2019
  - Premera will remain the TPA for additional bundles

# Questions?

Martin Thies, Ph.D.  
Account Manager  
PEB Division

[martin.thies@hca.wa.gov](mailto:martin.thies@hca.wa.gov)

360-725-1043

**TAB 7**





# Value-based Formulary

Donna L. Sullivan, PharmD, MS  
Chief Pharmacy Officer  
Clinical Quality and Care Transformation  
April 12, 2017

# Overview

- Purpose of a Formulary
- Review Types of Formularies
- Historical use of Formularies
- Challenges to Formulary Management
- Review Value-based Formulary Design
- Review of UMP Pharmacy Benefit Changes
- Recommendation

# Purpose of a Formulary

- To identify and promote the most cost-effective pharmaceuticals in the most appropriate manner.

# Formulary Models

Formulary Type	Description
Open	Non-formulary drugs still available at a higher member cost share.
Closed	No coverage for non-formulary drugs unless its use has been determined medically necessary after review of the individual clinical circumstances.
Hybrid	Partially closed, with a select mix of drugs identified as warranting exclusion for clinical or financial reasons.
Value-based	Emphasizes the clinical effectiveness of a drug rather than cost.

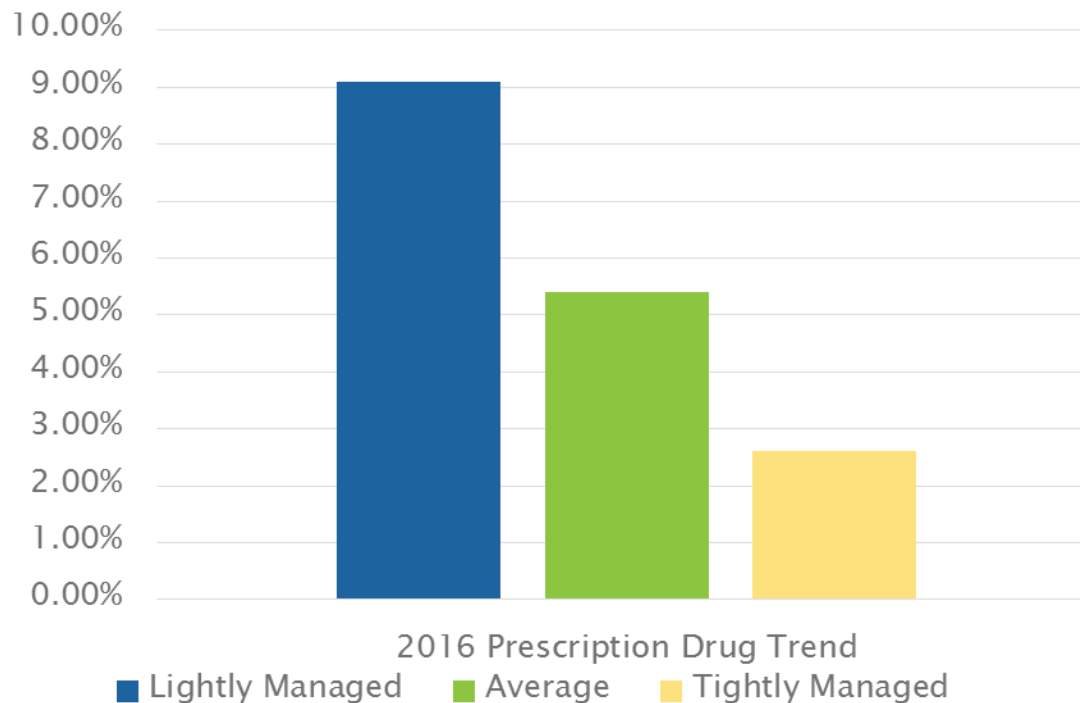
# National Background on Formulary Use

- Closed formularies were common in the late 1980s and early 1990s
- In the late 1990s to early 2000s a push for member access and choice drove most health plans to an open formulary model, managing utilization through higher cost sharing
- Now plans are trending to the hybrid formulary with “exclusion” lists or closed formularies but adding additional tiers with higher cost sharing

# Challenges to Formulary Management

- Manufacturer programs take away members' incentive to choose an equally effective lower cost alternative by offering
  - Copay coupons
  - Patient assistance programs
- Use of copay coupons for 23 of 85 multi-source brand name drugs accounted for \$700 million in drug expenditure nationally in 2007 and increased to \$2.3 billion in 2010<sup>1</sup>

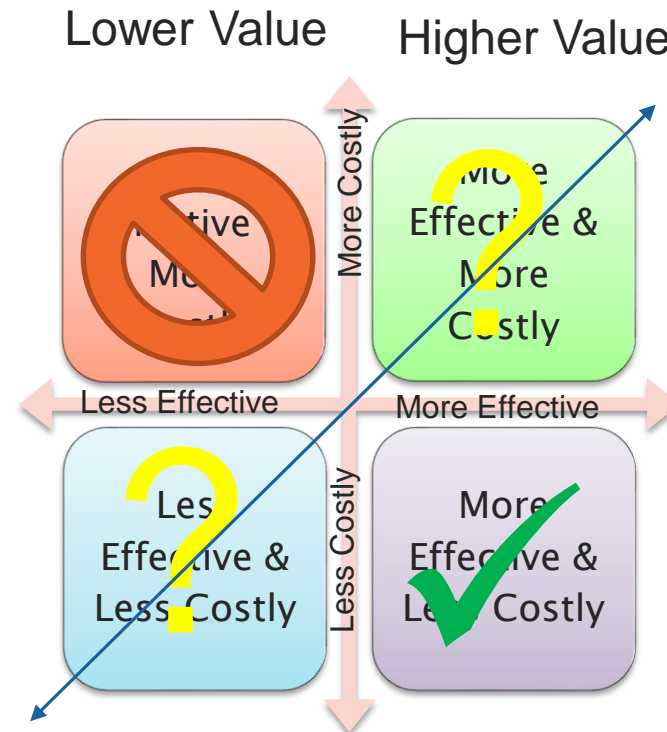
# Trend for Managed Formularies



Total drug spend for tightly managed plans at Express Scripts had a significantly lower trend than lesser managed plans

# Value-based Formulary

- Value is assessed by comparing the relative cost and effectiveness of one drug to another to treat the same condition
- High-cost drugs can achieve a lower cost-share tier if the benefits outweigh the costs





# Value-based Formulary, cont.

- Consumers willing to accept higher copayment for low-value drugs if it maintains affordability of coverage<sup>a</sup>
- Restrictions primarily placed on drugs that do not provide any clinical advantage over less costly brand or generic drugs
  - Glumetza (metformin XR) 500mg tab = \$51.48
  - Metformin ER 500mg tab = \$0.07

<sup>a</sup>Ginsburg M. Value-based insurance design: consumer's views on paying more for high-cost, low-value care. Health Affairs (millwood). 2010; 29(11): 2022-26.

# Value-based Formulary, Local Experience

- Reducing or eliminating copayments for high-value maintenance medications to treat chronic conditions (e.g., asthma, congestive heart failure, diabetes, hyperlipidemia, and hypertension) improved medication adherence by 1.5% to 9.4%.<sup>a</sup>

<sup>a</sup>Sullivan, et al. JMCP, 2015;21(4): 269-275

## UMP Pharmacy Benefit Design Changes

- 2002 and earlier UMP had no formulary
- 2003: the Board voted to implement an open formulary
- 2012: Aligned mail and retail cost sharing (no out-of-pocket limit for Tier 3 drugs)
- 2015 – Present: Exceptions to the Tier 3 50% coinsurance for single source brands
- Current Cost Sharing Tiers
  - 5% (\$10 limit) - Value Tier (added in 2012)
  - 10% (\$25 limit) – Tier 1 (mostly generic drugs)
  - 30% (\$75 limit) – Tier 2 (high cost generic / preferred brands)
  - 50% (\$150 limit on specialty drugs only; exception allowed) – Tier 3 (Non-preferred brands)

# Recommendation for 2019

- Transition to a closed “Value-based Preferred Drug List”
- Drugs currently listed as Tier 3 would become Non-preferred
- Non-preferred drugs not covered unless determined medically necessary using criteria similar to the Tier 3 exception process
  - Try/fail all Preferred alternatives
  - Preferred alternatives are clinically inappropriate as determined on a case-by-case basis
- Some Tier 3 drugs will be grandfathered
  - Members that already have been granted a Tier 3 exception
  - Existing users of some Tier 3 drugs will automatically receive the Non-preferred drug at a Tier 2 copayment without having to prove medical necessity;
  - New users must meet medical necessity

# Potential Member Impacts

- There are currently 821 Tier 3 drugs
  - About 300 Tier 3 drugs are recommended to be grandfathered for existing users only
- There are 50,511 Tier 3 Drug/Member combinations
  - 19,318 Tier 3 Drug/Member combinations affected by the closed formulary after grandfathering

# Questions?

Donna L. Sullivan, PharmD, MS

Chief Pharmacy Officer

[Donna.Sullivan@hca.wa.gov](mailto:Donna.Sullivan@hca.wa.gov)

360-725-1564