



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Non-Preferred Specialty Pharmacy Tier

Board of Trustees

March 27, 2014

A Division of the Department of State Treasurer

Non-Preferred Specialty Pharmacy Tier

Timeline:

- January 2013: The Board of Trustees approved the creation of a non-preferred specialty pharmacy tier (Tier 5) on the Preferred Drug List for the Traditional 70/30 and Enhanced 80/20 PPO Plans
 - Tier 5 was created to prepare for the release of Biosimilar medications
- July 2013: The Board of Trustees approved member cost sharing for the new non-preferred specialty pharmacy tier
 - 25% coinsurance, up to \$150 maximum per 30-day supply
- January 2014: Tier 5 implemented as part of pharmacy benefit

Non-Preferred Specialty Pharmacy Tier

- Traditional 70/30 and Enhanced 80/20 Plans are “Grandfathered” plans under Patient Protection and Affordable Care Act (ACA)
- To remain grandfathered the Plan can not increase the coinsurance maximums in effect March 23, 2010, by more than 15 percent plus medical inflation

Original Coinsurance Max	\$100
Medical Inflation	10.6%
Medical Inflation Plus 15%	25.6%
Maximum Amount of Increase Allowed	\$25.57
Coinsurance Max Allowed as a Grandfathered Plan	\$125.00

- The \$50 increase per 30-day supply for non-preferred specialty tier is more than is allowed by ACA

Non-Preferred Specialty Tier Financial Impact

	Prior to 1/1/14	Current	Proposed	Difference
Preferred Specialty Tier Coinsurance Max	\$100 max	\$100 max	\$100 max	-
Non-preferred Specialty Tier Coinsurance Max	N/A	\$150 max	\$125 max	(\$25)
FY 2012-13 Specialty Member Cost Share (est.)	\$3.8 M	\$4.2 M	\$4.0 M	(\$200,000)
Projected Annual Plan Savings vs. Current (est.)*				
CY 2014	-	\$490,000	\$254,000	(\$236,000)
CY 2015	-	\$564,000	\$292,000	(\$272,000)
CY 2016	-	\$648,000	\$336,000	(\$312,000)
CY 2017	-	\$746,000	\$386,000	(\$360,000)
Member Cost Share at Average Specialty Cost (\$4,000)	2.50%	3.75%	3.125%	(0.625%)

*Modeled with very few current non-preferred specialty medications. Non-preferred specialty tier in preparation for release of future Biosimilar medications. Modeling performed by Express Scripts and Segal and assumes 15% annual trend. This does not apply to CDHP or Medicare Advantage. Only applies to Traditional 70/30 and Enhanced 80/20 Plans.

Non-Preferred Specialty Pharmacy Tier

Plan staff recommends lowering the coinsurance maximum from \$150 to \$125 per 30-day supply for Tier 5 non-preferred specialty medications for the Traditional 70/30 and Enhanced 80/20 Plans, effective January 2014, to maintain Grandfather status under the ACA.