North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

Proposed 2017 Pharmacy Formulary and Benefit Design Changes

Board of Trustees Meeting

June 2-3, 2016

Presentation Overview

- Traditional Plans (Traditional 70/30, Enhanced 80/20 & CDHP 85/15)
  - Pharmacy Benefit Programs under PBM Contract
  - Formulary Review
  - Custom Pharmacy Programs
- High Deductible Health Plan (HDHP for non-permanent full-time employees)
- Questions & Discussion
- Board Action (Friday Meeting)

Traditional Plans
(Traditional 70/30, Enhanced 80/20, CDHP 85/15)
2017 Pharmacy Benefit Programs

Pharmacy Benefit Management Contract Program Overview

- Clinical, safety and savings programs are core components of any PBM contract.
- While some of the programs offered through the new contract with CVS are consistent with the programs offered under the current ESI contract, some of the programs will be brand new to our members.
- In the following pages we will review the program highlights.

Pharmacy Benefit Contract: Clinical, Safety & Savings Programs

Program Name	Current ESI Program	Category of Service		
		Safety	Clinical	Savings
Point of Sale Safety Review/Drug Utilization Review (DUR)	Concurrent DUR	X	X	
Retrospective Safety Review	Plan Opted Out	X	X	
Safety and Monitoring Solution	FWA Program	X		
POS Utilization Management	UM Programs		X	X
Lowest Cost Drugs @ Mail and Retail	NA			X
Targeted Generic Alternative Mailing	NA			X
Pharmacy Advisor Support*	Plan Opted Out		X	
Pharmacy Audit	Pharmacy Audit			X
Diabetic Meter program	NA		X	X
Extracare Health Card	NA			X
Enhanced Safety and Monitoring Solutions	Similar Program	X		X
Specialty Guideline Management	Accredo Therapy Management		X	X

* Coordinate with Population Health Management Vendor

Pharmacy Benefit Contract: Clinical, Safety & Savings Programs

Program Name	Program Description
Point of Sale (POS) Drug Utilization Review (DUR) – aka POS Safety Review	Flags potential medication safety concerns at point of sale
Retrospective Safety Review	Reviews claims within 72 hours to identify potential medication safety concerns
Safety and Monitoring Solution	Reduces instances of fraud, waste and abuse through regular monitoring and timely interventions
POS Utilization Management	Dose Optimization, Quantity Limits and Step Therapy
Lowest Cost Drugs @ Mail and Retail	Dispense as written (DAW) solutions at mail and/or retail; outreach to prescriber and/or member to suggest an alternative medication for future fill
Targeted Generic Alternative Mailing	Direct to member communication to inform about generic alternatives for select single source, non-preferred drugs

Pharmacy Benefit Contract: Clinical, Safety & Savings Programs

Program Name	Program Description
Pharmacy Advisor Support	Promotes optimal adherence for members with chronic conditions; closes gap in evidence based medication therapy
Enhanced Safety and Monitoring Solutions	Enhanced safety and fraud monitoring with consultative course of action, investigation and continued monitoring
Pharmacy Audit	Daily review of all Rx claims and onsite audit of select network pharmacies.
Diabetic Meter program	Provides members with no-cost diabetes blood glucose meter every 365 days
ExtraCare Health Card	ExtraCare Card holders receive a 20% discount on regular, non-sale priced CVS brand health related items
Specialty Guideline Management	Promotes safe and appropriate utilization of specialty drugs by applying evidence-based guidelines throughout course of therapy

Traditional Plans
(Traditional 70/30, Enhanced 80/20, CDHP 85/15)
2017 Pharmacy Benefit Formulary Review

Closed Formulary Review

We have previously discussed that the Plan can realize additional savings by adopting a “Closed” Formulary. These savings come primarily through additional discounts and rebates that are available when only certain brands are included in the formulary.

- **Open Formulary** – In an “open” formulary, all drugs are included, subject to any benefit exclusions. The Plan currently utilizes an “open” formulary for the Enhanced 80/20, Consumer-Directed Health Plan (CDHP) 85/15, and Traditional 70/30 Plans.
- **Closed Formulary** – In a “closed” formulary, certain drugs are excluded. Plan members on the High Deductible Health Plan (HDHP) have ESI’s standard formulary, which is closed.
- **Member Disruption** – Moving to a closed formulary will create some disruption for members who will no longer be able to purchase certain drugs. In all instances, there will be a generic and/or brand alternative on the formulary, and in most cases there will be multiple options.

Closed Formulary Review: Utilization Impact

	Number of Utilizers	Number of Scripts	Current Drug Tier	Member Cost Share	Alternative Drug Tier
Enhanced 80/20 Plan					
	11	12	1	$5	1,2 or 3
	9,811	33,361	2	$25	1,2 or 3
	5,936	16,622	3	Ded/Coins	1,2 or 3
	286	782	4*	$100	5 and 6
	286	826	5	$250	4 and 5
			6	Ded/Coins	6
Totals	**16,330**	**51,603**			
Traditional 70/30 Plan					
	5	6	1	$16	1,2 or 3
	8,496	27,896	2	$47	1,2 or 3
	4,587	12,464	3	$74	1,2 or 3
	249	804	4*	10% up to$100	5 and 6
	169	490	5	25% up to$103	4 and 5
			6	25% up to$133	6
Totals	**13,506**	**41,660**			
CDHP 85/15 Plan					
*Deductible waived for CDHP Preventive medications	-	-	1	Ded/Coins*	1,2 or 3
	303	778	2	Ded/Coins*	1,2 or 3
	226	515	3	Ded/Coins*	1,2 or 3
	17	54	4*	Ded/Coins*	5 and 6
	12	39	5	Ded/Coins*	4 and 5
			6	Ded/Coins*	6
Totals	**558**	**1,386**			
Total All Plans	**30,394**	**94,649**			

**** Tier 4 new for 2017***

For tiers 1 – 3, there is always an alternative in an equal or better class on the 80/20 & 70/30.

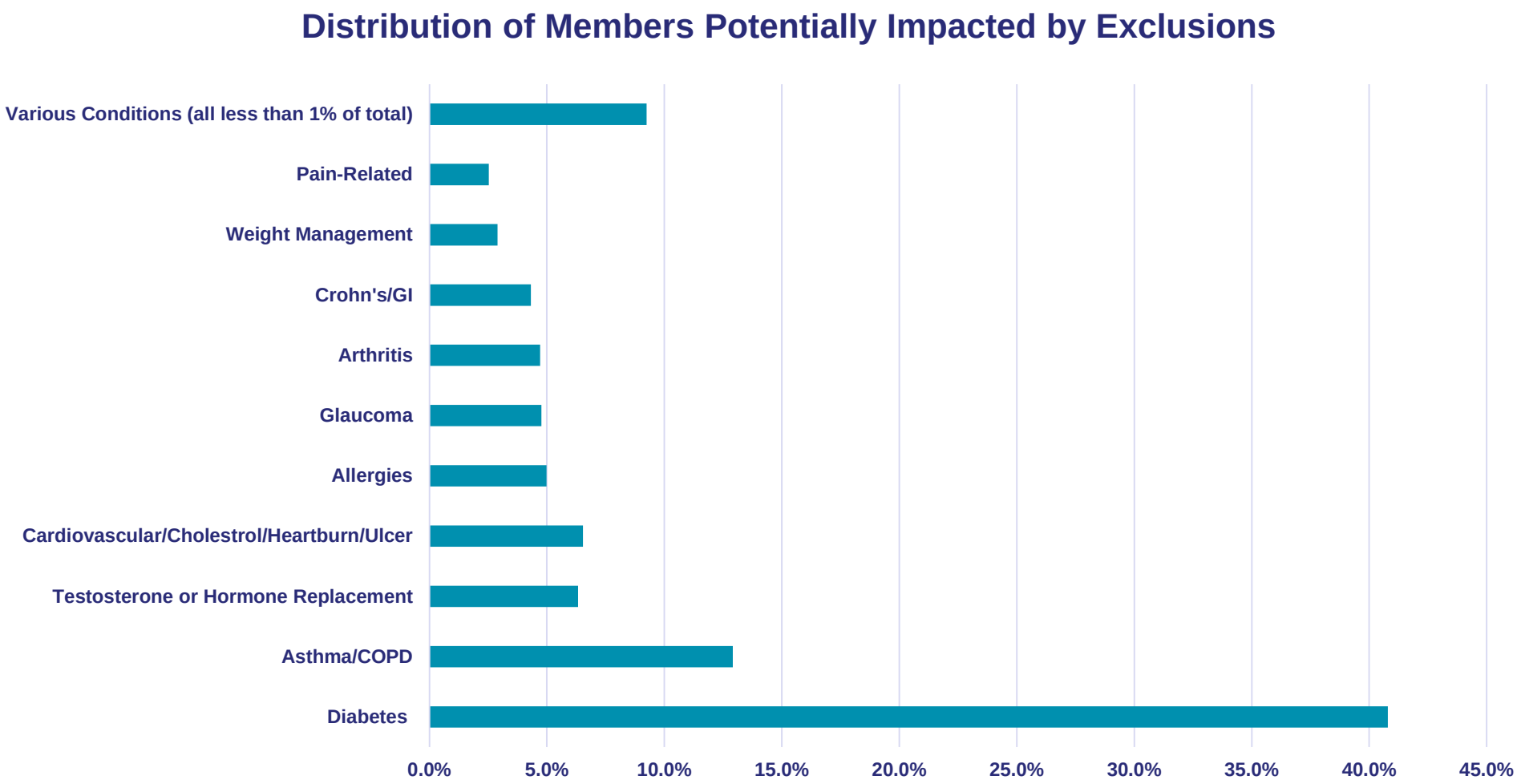
The results are mixed for Tiers 4*-6 on the 80/20 and 70/30. The alternative drug may be in a higher tier.

There are no tiers on the CDHP, but some drugs are deductible exempt.

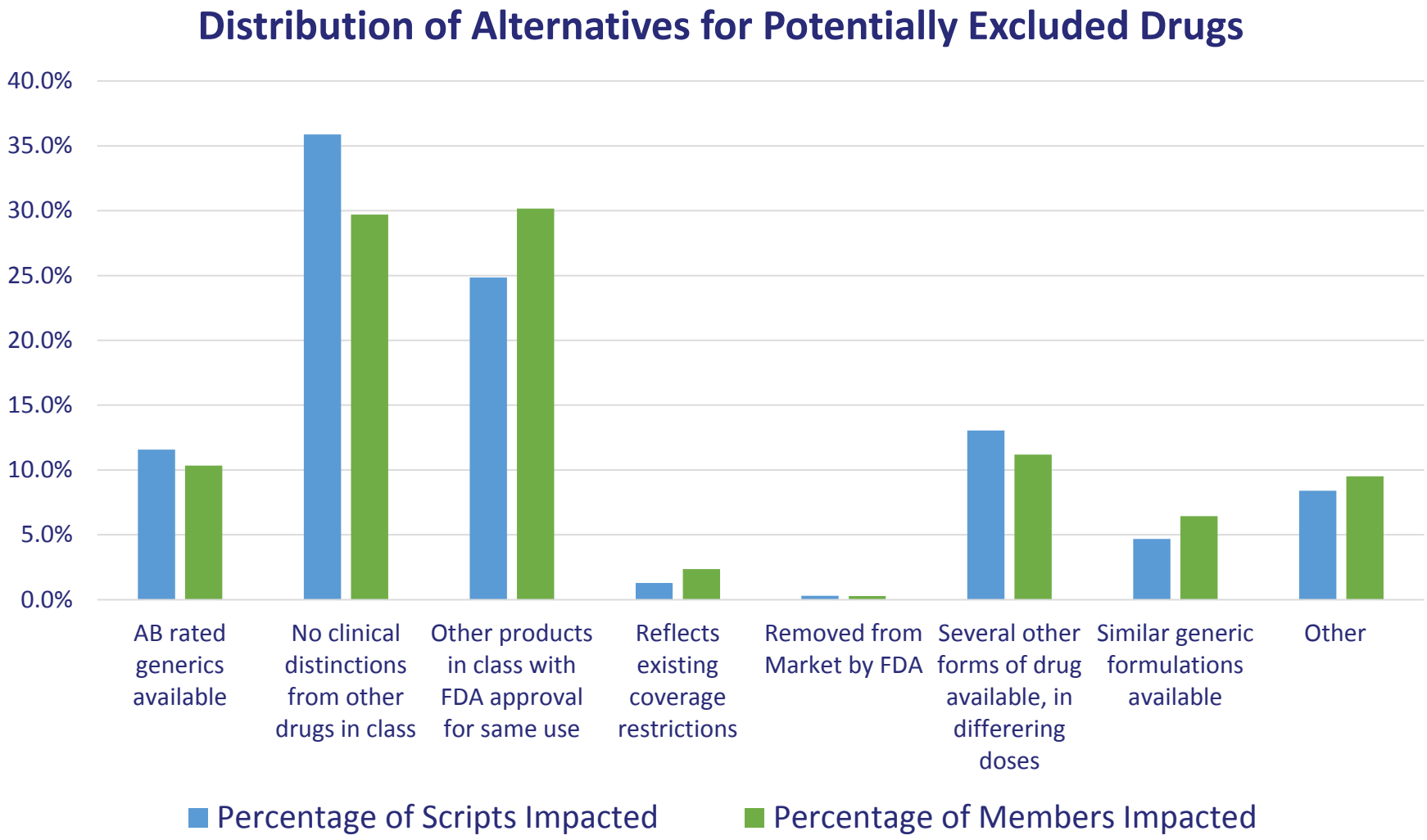
Closed Formulary Utilization Impact Review: Exclusions

- There is no avoiding the fact that some members will have to change medications when we move to a closed formulary, but the impact varies depending on the drug and the tier.
  - **Acute Medications** – Some of the drugs on the CVS closed formulary list are for acute conditions. In other words, these medications are used to treat a time-limited condition. There should be little to no impact to excluding some acute drugs.
  - **Diabetic Supplies** – Some brands of diabetic supplies are excluded. There should be no impact to changing diabetic supply brands.
  - **Maintenance Medications** – These medications are taken on an on-going basis and are used to maintain one's health. While there would be little to no impact on changing most of these medications, there are some conditions and medications that might warrant an exception.
- There will be an exception process available to providers who believe that, based on medical necessity, it is in the members' best interest to remain on the excluded drug(s).

Closed Formulary Utilization Impact Review



Closed Formulary Utilization Impact Review



Closed Formulary Communications Plan

- **Communications Plan** - A key component of the overall Pharmacy Benefit communications plan will be the closed formulary.
  - **Providers** will receive communications about the exclusions that will outline the timelines for making the change as well as a process for requesting exceptions.
  - **Members**
    - All members will receive communications about the new pharmacy benefits manager including information about the closed formulary.
    - Members who are currently taking a medication that is on the exclusion list will receive a direct communication that describes the impacts of the closed formulary, the steps required to change medications, and the exception process.

CVS Standard Closed Formulary

- The Plan has completed an evaluation of the tier structure included in CVS's closed formulary.
  - Traditional Tier structure with all generics in Tier 1
  - Adoption would require changes to preferred and non-preferred drugs
  - No value based elements

Closed Formulary Proposal

For CY 2017, Plan staff recommends a closed, custom formulary for the Traditional 70/30, Enhanced 80/20 and CDHP 85/15 plan options.

- By closing the formulary, the Plan and members will benefit from additional savings.
- By customizing it, the Plan will be able to support the move to value based benefits and make any other changes that are in the best interest of the Plan and Plan members.
- The current tier structure will serve as the starting point of any changes.
- The Plan's P&T Committee will advise the Plan on utilization management, including tier placement and exclusions.

Traditional Plans
(Traditional 70/30, Enhanced 80/20, CDHP 85/15)
2017 Custom Pharmacy Programs

Custom Programs

The Plan currently offers programs that were originally implemented to complement the formulary and copay structures that were in place at the time these programs were introduced.

1. Medication Adherence Program (MAP)

- Available to **retirees** and applies to diabetes and cardiovascular medications
- Intended to increase adherence by removing cost barriers
- Retirees can receive a 90-day supply from ***participating pharmacies**** for 2 ½ times the copay
- Approximately 10,000 scripts are filled each month under this program

2. Member-Pay-the-Difference Program

- Applies to non-specialty brand name drugs with a generic equivalent
- Members who elect to purchase the brand drug must pay the Tier 1 copay plus the difference between the Plan's cost of the brand name drug and the Plan's cost of the generic drug, not to exceed $100 per 30 day supply

**Any pharmacy that agrees to the fee schedule can participate.*

Custom Programs

3. Diabetic Testing Supplies

- Diabetic testing supplies are covered under the medical and pharmacy benefit
- Program implemented to ensure these maintenance supplies were available at an affordable cost
- Members are able to receive a 30-, 60- or 90-day supply of a specific diabetic supply for a set copay on the Enhanced 80/20 and Traditional 70/30 plans
- Additional test strips are covered under the medical benefit and are subject to the deductible and coinsurance.

4. Low Cost Generic Cholesterol-lowering Medications

- Implemented to support the Plan's cholesterol-lowering medication adherence program
  - $4 copay for a 1-month supply of generic cholesterol-lowering medication
  - $10 copay for a 3-month supply of generic cholesterol-lowering medication
- Available at any in-network retail pharmacy

Medication Adherence Program

Since we rolled out MAP in 2011, we have either already made or are proposing plan design changes that have lessened the need for this program.

- **MAPDP Options –** MAP was introduced prior to the rollout of the Medicare Advantage Plans. Over 100,000 retirees are now enrolled in an MAPDP and no longer have access to the MAP program.

- **CDHP Preventive Medications** – The MAP program does not apply to the CDHP because there are no pharmacy copays. Instead, the CDHP deductible is waived on drugs that can help members prevent serious health conditions. The drugs included in this list are more inclusive that those included in MAP:

  - Anti-Infectives
  - Cardiovascular Medications
  - Diabetic Medications
  - Diabetic Supplies
  - Gout Prevention
  - Nutrition
  - Obesity
  - Obstetrical & Gynecological
  - Respiratory
  - Tobacco Cessation

Medication Adherence Program

- Enhanced 80/20 Plan – The 2017 value-based plan design lowers the Tier 1 & 2 copays, which reduces members' cost-share more than MAP and **MAP is only available for retirees.**

Year	Tier	30-Day Supply	60-Day Supply	90-Day Supply	90-Day Supply with MAP
2016	**1**	$12	$24	$36	$30
Approved 2017	**1**	$5	$10	$15	N/A
2016	**2**	$40	$80	$120	$100
Approved 2017	**2**	$25	$50	$75	N/A

- Because there is no longer a copay on Tier 3, MAP would not apply.

Medication Adherence Program

Other Considerations:

- **MAP 90-Day Network**
  - Current 90-Day Network that supports this program is open to any pharmacy that agrees to the reduced fee scheduled.
  - The list of participating pharmacies is posted on the Plan's website and changes periodically.
  - Not every pharmacy in a chain is included. Members must not only check to determine if a particular chain is participating, but also that the specific pharmacy is participating.
- **CVS 90-Day Network**
  - As part of the CVS implementation, Plan staff will be evaluating the CVS 90-Day Network. It is possible that this network could be used to support a program similar to MAP or some other value-based program and made available to a larger population.

Medication Adherence Program Proposal

Plan staff recommends discontinuing MAP effective January 1, 2017.

- Once evaluation of CVS's 90-Day Network is complete, the Plan will reconsider options for value added programs that could be supported by a limited pharmacy network.

Member-Pay-the-Difference

- The **“Member Pay the Difference”** program was originally implemented when the tier structure was more restrictive and generics were always the lowest cost drugs.
    - Tier 1 – Generics
    - Tier 2 – Preferred Brands
    - Tier 3 – Non-Preferred Brands
- This program was intended to encourage generic drug utilization and penalize members who elected to purchase a brand when a generic was available.
- The payment cap ($100 for 30-day supply) limits the financial impact and may not serve as a strong deterrent in some cases.

Member-Pay-the-Difference

- Over time the contents of the tiers have changed.
  - Tier 1 - Generics
  - Tier 2 – **Preferred Brands, High-Cost Generics, HIV Medications**
  - Tier 3 – Non-Preferred Brands
  - Tier 4 - Low Cost/Generic Specialty
  - Tier 5 – Preferred Specialty
  - Tier 6 – Non-Preferred Specialty
- As the Plan continues to move to more value based benefits, the tiers will become even more blended.
- While the Plan wants to encourage generic utilization, we also want to promote other value added medications and are currently evaluating whether there are any high cost brands that may need to move to Tier 1.

Member-Pay-the-Difference Proposal

Plan recommends discontinuing the Member Pay the Difference program effective January 1, 2017.

- The member cost-sharing structure and strategies for steering members to more appropriate drugs have evolved over time and the Plan has more tools in the toolbox than when this program was rolled out.
- This is one of the Plan's most confusing programs and does not contribute to a positive member experience.

Current Diabetic Testing Supplies Cost Share Structure

- The current cost share structure offers reduced copays for supplies, but no differentiation between the Enhanced 80/20 and the Traditional 70/30.
- CDHP members are subject to deductible and coinsurance.

Enhanced 80/20 and Traditional 70/30 Diabetic Testing Supplies Copays*			
Brand	**Up to 30-day Supply**	**31-60 day Supply**	**61-90 day Supply**
Preferred Brand	$10	$20	$30
Non-preferred Brand	$25	$50	$75
CDHP Members	After meeting the deductible, the member pays a 15% coinsurance on all in-network medical and pharmacy benefits and 35% coinsurance on all out-of-network medical and pharmacy benefits. CDHP Maintenance Medications are deductible exempt.		

**Insulin dependent members receive 204 test strips and non-insulin dependent members receive 102 test strips per 30-day supply. Additional test strips are covered under the medical benefit.*

Diabetic Testing Supplies Cost Sharing Proposal

Plan staff recommends maintaining customized cost sharing for diabetic supplies, but differentiating across the plan options effective January 1, 2017 as follows:

- Enhanced 80/20 Preferred Diabetic Tier copay will equal the Tier 1 copay
- Traditional 70/30 Preferred Diabetic Tier copay will remain at $10 (Tier 1 is $16)

- Differentiation is consistent with other cost sharing changes approved by the Board and aligns with the value based benefits strategic initiative.

Drugs	Traditional 70/30 Plan	Enhanced 80/20 Plan	Consumer-Directed Health Plan
Tier 1 (Generic)	**$16**	**$5**	Preferred brands fall under CDHP Preventive List – deductible is waived
Tier 2 (Preferred Brand & High-cost Generic)	**$47**	**$30**	
Tier 3 (Non-preferred Brand)	**$74**	**Deductible/Coinsurance**	
Tier 4 (Low-cost/Generic Specialty)	**10% up to $100**	**$100**	
Tier 5 (Preferred Specialty)	**25% up to $103**	**$250**	
Tier 6 (Non-preferred Specialty)	**25% up to $133**	**Deductible/Coinsurance**	
Preferred Diabetic Supplies* (e.g. Test Strips, Lancets, Syringes, Needles)	**$10**	**$5**	

**Non-preferred Diabetic Supplies will be priced at Tier 3*

Low Cost Generic Cholesterol-lowering Medications

- The low cost generic cholesterol-lowering medications program was implemented prior to the introduction of the 2014 plan designs and the more recent move to a more value based plan design.
- With these more recent offerings the Plan has:
  - Lowered the Tier 1 (generic) copay on the 80/20 from $12 to $5 (CY 2017)
  - Rolled out a CDHP with an HRA that provides first dollar coverage and a preventive drug list that waives the deductible for these medications
  - Offered a health engagement program on the CDHP that allows members with chronic conditions who engage with a health coach and complete required screening activities to earn extra HRA dollars
  - Enrolled over 100,000 retirees into Medicare Advantage Plans that offer different programs for these medications
- Additionally, as part of the ongoing review of the formulary and engagement strategy, Plan staff will continue to evaluate options for offering more value based care at a lower member cost share.

Low Cost Generic Cholesterol-Lowering Medications Proposal

Plan recommends discontinuing the Low Cost Generic Cholesterol-Lowering Medication Program effective January 1, 2017.

- In CY 2017, Members on the Enhanced 80/20 Plan will have a much lower Tier 1 (generic) copay than was in place when this program was implemented.
- Members can still purchase these medications for $4 at pharmacies that offer reduced copays for certain medications (not a State Health Plan program, but a program offered by the pharmacy).

HDHP
(For non-permanent full-time employees)
2017 Pharmacy Benefit Programs & Formulary Review

High Deductible Health Plan (HDHP)

- The HDHP is offered to qualified non-permanent employees and currently utilizes Express Scripts' National preferred formulary, which is a closed formulary. The plan was developed to meet the ACA minimum value standard.
- **Plan Design –** There are no copays, and therefore, no pharmacy tiers on this plan. It is a high deductible health plan with combined medical and pharmacy deductibles and out of pockets.
- **Current Membership –** The membership on this plan is very low – usually around 350 members a month.

Benefit Design	Individual Coverage	Family Coverage
Deductible	$5,000	$10,000
Out-of-Pocket Maximum	$6,450	$12,900
Coinsurance	50%	50%
ACA Preventive Medical	Covered at 100%	
ACA Preventive Pharmacy	Covered at 100%	
Non-network benefits will be paid at 40%. The non-network deductible and out-of-pocket maximum are 2 times the in-network amounts.		

HDHP Pharmacy Programs and Formulary

The HDHP pharmacy benefit currently has a closed formulary and is subject to Express Scripts' Comprehensive Standard Utilization Management Package:

- Pre-defined package with a broad offering that focuses on managing trend through programs targeting inappropriate use and promoting clinically appropriate cost-effective therapies
- Includes prior authorization, step therapy and drug quantity programs for both traditional and specialty drugs
- Express Scripts is responsible for processing coverage exceptions and pharmacy appeals.
- The Plan's P&T Committee does not make recommendations regarding the formulary or utilization management programs.

HDHP Programs and Formulary Proposal

For CY 2017, Plan staff recommends continuing to offer the PBM's closed formulary for the HDHP – the CVS Standard Closed Formulary.

- The Plan will continue to benefit from savings associated with a closed formulary.
- This is a small population that will experience minimal disruption with the transition to a program similar to the one in place today.

Questions & Discussion

Board Action (Friday Meeting)

Traditional 70/30, Enhanced 80/20 and CDHP 85/15 Plan Options

1. **Closed, Custom Formulary**
   Plan staff recommends a closed, custom formulary for the Traditional 70/30, Enhanced 80/20 and CDHP 85/15 plan options, effective January 1, 2017 *(see slides 8-16).*

2. **Medication Adherence Program**
   Plan staff recommends discontinuing the Medication Adherence Program (MAP) effective January 1, 2017 *(see slides 18, 20-23).*

3. **Member Pay the Difference Program**
   Plan staff recommends discontinuing the Member Pay the Difference program effective January 1, 2017 *(see slides 18, 24-26).*

4. **Diabetic Testing Supplies Cost Share Structure**
   Plan staff recommends member cost share for Preferred Diabetic Testing Supplies be set at $5 on the Enhanced 80/20 Plan and $10 on the Traditional 70/30 Plan effective January 1, 2017 *(see slides 19, 27-28).*

5. **Low Cost Generic Cholesterol-lowering Medication Program**
   Plan staff recommends discontinuing the Low Cost Generic Cholesterol-Lowering Medication Program effective January 1, 2017 *(see slides 19, 29-30).*

Board Action (Friday Meeting)

High Deductible Health Plan Option

6. **Pharmacy Programs and Formulary**

   Plan staff recommends the CVS Standard Closed Formulary for the HDHP plan effective January 1, 2017 *(see slides 31-34).*