



**Board of Trustees Meeting
In-Person/Webinar/Recorded
July 27, 2023
Minutes**

The meeting of the North Carolina State Health Plan for Teachers and State Employees (Plan) Board of Trustees was called to order by Chair Dale R. Folwell, CPA, at 1:02 p.m. on Thursday, July 27, 2023. He stated that the meeting was held in honor of Robin Wilkins, a Plan employee, who died in June 2023. The Pledge of Allegiance was recited in honor of Secretary of State Elaine Marshall's husband, who also died recently.

Board Members Present: Dale R. Folwell, Russell "Rusty" Duke, Wayne Fish, Kim Hargett, Peter Robie, M.D., Mike Stevenson, Cyrus Vernon, Anca Grozav

Absent: Kristen Walker (Anca Grozav, Chief Deputy, Office of State Budget and Management, attended on behalf of Ms. Walker)

Welcome

Chair Folwell welcomed the Board and members of the public to the meeting, noting that the timing of the public comment period might be adjusted depending on when the Board went into executive session.

Conflict of Interest

No conflicts of interest were noted. During the course of a board meeting, members should notify the board chair if a conflict arises.

Reading of SEI Statements into Minutes Pursuant to the Ethics Act § 138A-15(c)

No Statements of Economic Interest (SEI) were read into the minutes.

Housekeeping

Roll call votes: For those who leave a meeting, the time they leave and return, if applicable, will be recorded. Any recording, even on public devices, is subject to the public records law.

Board Approval

Minutes – April 27, 2023, Meeting

Board Vote: Motion by Dr. Robie; second by Mr. Fish; roll call vote was taken; unanimous vote by Board to approve the April 27, 2023, meeting minutes.

Presentation of Portrait: Sam Watts, Executive Administrator, introduced John Torbett, State Representative from Gaston County. Rep. Torbett presented a framed photo of David A. Jenkins to Treasurer Folwell. Former Treasurer Jenkins was the first elected State Treasurer in North Carolina and the only Republican treasurer elected until 2016 when Treasurer Folwell was elected. The photo of Treasurer Jenkins was recently found by Rep. Torbett and will be added to the executive hallway showcasing former state treasurers.

Operations Updates

Executive Administrator Updates

Operational Update: Mr. Watts provided a summary of three major vendor projects currently under way, all of which relate to the same issue. Both the Medicare enhancements and group billing projects must be completed by a certain date to meet the Aetna implementation deadline. If these projects are not completed, Plan members will be impacted.

Preparation for Open Enrollment 2024 is on track and Plan staff are completing the testing phase. The Plan's only concern is that Medicare enhancements will not be completed on time, which will impact the billing process.

Centers for Medicare and Medicaid Services (CMS) Audit: The Plan is being audited under the Federal No Surprises Act related to qualifying payment amounts for air ambulance billing. The two-part audit consists of the following:

1. Is the Plan following the correct policies and procedures and approving/not approving bills for ambulance services?
2. Reviewing a sample of claims to ensure the Plan is following the policies and determining whether or not those policies are compliant.

Mr. Watts stated that most of the work is being completed by the Plan's Third-Party Administrator, Blue Cross North Carolina (BCNC). The Plan doesn't anticipate a system-wide issue.

Regulatory Comment Letter: In a letter from Treasurer Folwell to the Centers for Medicare and Medicaid Services (CMS), he shared his concern regarding proposed regulation related to Medicaid expansion. With the Plan facing a \$32 billion unfunded liability and a majority of hospitals refusing to disclose or moderate the prices they charge Plan members, North Carolina ranks among the most expensive for medical care. The Treasurer urged CMS to amend the regulation that currently permits state-directed Medicaid payments to rise to the level of commercial rates. Treasurer Folwell recommended returning to the Medicare Upper Limit cap on state directed payments.

Benefitfocus Letter: Mr. Watts shared a letter sent from the Plan to Benefitfocus, the Plan's Enrollment and Eligibility vendor. The letter outlined various issues regarding the delivery of core Medicare enhancements. In their reply to the Plan, Benefitfocus marked the letter proprietary and confidential and, therefore, the letter will be shared with Board members only.

Legislative Report

Mr. Watts shared that most of the current legislative work for the Department of State Treasurer pertains to bills for the Retirement Systems Division and Unclaimed Property Division and a budget policy for the entire department.

Chair Folwell noted the importance of Senate Bill 480 regarding medical debt weaponization, which only the Senate has passed.

State Fiscal Year End & Calendar Year-To-Date Financials

Matthew Rish, Senior Director of Finance, Planning & Analytics, noted that Plan revenue was favorable and within half a percent of the projected budget. Net claims payments were unfavorable, medical claims favorable while pharmacy was unfavorable. There is one extra rebate payment for 2023 than in 2022. Total Plan expenses were slightly favorable and total Plan expenses are driven by medical claims compared to projection. Pharmacy claims increased significantly over the past months.

The Calendar Year to Date (CYTD) report demonstrated that the Plan's cash is starting off in a better place in 2023, compared to 2022, due to COVID-19 reimbursement from State and Federal Funds in 2022. Plan revenue was slightly unfavorable, mostly due to a timing issue of premium payments that should have come in in January, but which were processed in December 2022. 2023 Claims payments were considerably higher than 2022 due to the BCNC processing issues experienced in 2022. There were some administrative invoice processing delays at the end of 2022 causing some Administrative Expenses to be processed in 2023, which resulted in unfavorable experience compared to 2022. The ending cash balance was higher compared to the same time in 2022.

Premiums for 2024 (Requires Vote)

Mr. Watts provided an overview of the allocation of total premium payments between employer and employee.

For the sixth consecutive year, the Plan proposed no increase for employee and dependent premiums. In addition, there will be no increases in copays and deductibles.

Mr. Watts stated that there is a provision in the Senate budget to have hospitals work with SHP to meet fiscal levels in the first year.

Chair Folwell commended Plan staff for their efforts in the past seven years to decrease expenses by over \$100 million. Pharmacy rebates have nearly quadrupled over the same time frame and the contract negotiation with Humana resulted in no costs to the Plan or taxpayers. He stated that everything possible has been done, internally, to save money and it's now up to the hospital systems across North Carolina to do their part in controlling costs. He added that the goal is to lower family premiums. The product must be affordable to attract younger individuals and their families.

Mr. Watts added that a provision in the Senate version of the budget would require urban hospitals to work with the Plan and Board to meet cost-saving targets equaling \$125 million the first year. This provision would help to bend the Plan's cost curve.

Board Vote: Motion by Ms. Hargett to approve staff-recommend premium rates; second by Mr. Stevenson; roll call vote was taken; unanimous vote by Board to approve the premiums for 2024.

Pharmacy Financials

Mr. Rish reminded board members that at a prior board meeting the topic of pharmacy expenses and rebates was discussed. Over the last seven years, the Plan saw a 71% increase in pharmacy claims payments and net pharmacy claims costs increased 25%. Specialty drugs are increasing at a high rate and account for a high percentage of the total pharmacy spend.

Board Comments and Questions Addressed: Ms. Hargett asked if legislation on the state or federal level exists for specialty drugs.

Invited Presentations

CVS Caremark (CVS)

Brian Hermreck and Renee Jarnigan, RPh, provided a summary of the Pharmacy Benefits Manager's (PBM) role in the market. Mr. Hermreck, CVS Strategic Account Director, has been dedicated to the State Health Plan's team since 2017, while CVS has been a partner since 2007. His overall job is to manage PBM contract performance. Renee Jarnigan, RPh, Clinical Advisor, has been with CVS since 2016 and was hired specifically to provide pharmacy guidance to the Plan.

Mr. Hermreck stated that CVS processes approximately 7 million prescriptions for Plan members each year. Approximately 45% of Plan members fill prescriptions throughout the year, compared to approximately 33% for other CVS clients. He added that 1% of specialty medications account for approximately 45% of the overall pharmacy spend.

Mail order participation has decreased among all CVS clients during the past year, with only 2% of Plan members using this service. Mr. Sam Watts stated that a bill, recently passed in the NC House, would place a surcharge on all mail order claims and that the Plan is seeking an exemption to the surcharge.

Ms. Jarnigan stated that clinical integrity drives the Plan's formulary. CVS brings information to the Plans' Pharmacy & Therapeutic (P&T) Committee, which serves in an advisory capacity. The Committee reviews and recommends changes to the formulary, as well as reviews new drugs, clinical indications, and safety information. CVS implements changes made by the P&T Committee.

Discussion then focused on the use of medications for weight management. This class of drugs (GLP-1s) is driving the increase in drug spend for the Plan. The net pharmacy spend per member per month has increased approximately 61% since May 2020.

Mr. Hermreck noted that, in general, weight loss drugs are steadily increasing in popularity and that no competition exists in the products category. 2.5% of the total number of prescriptions filled by Plan members were Ozempic and Wegovy. The cost of these two drugs is approximately \$1,300 per prescription. In comparison, excluding the GLP-1s, the top 10 prescriptions filled by Plan members cost \$53 per prescription. The cost of GLP-1s rose 250% from December 2022 to May 2023. Currently, generic competition for these drugs is nonexistent.

Chair Folwell stated that when the price of insulin increased three-fold, the Plan found that adherence decreased due to the high cost. He noted that the current Administration capped the price of insulin at \$35 and asked how that might relate to Plan members or Plan costs. If the cap is \$35, why is the Plan paying a higher price? Chair Folwell noted that he'd like to know the list price, which the Plan pays, and added that he will continue to pursue this issue.

Ms. Jernigan presented information on biosimilars, stating that marketplace competition has provided an opportunity for CVS to make these drugs more affordable for members.

Board Comments and Questions Addressed:

A board member stated that it would be interesting to see the Overall Drug Spend chart using the Pharmacy CPI rather than the overall CPI that was used in the board presentation slide.

What percent of the rebates that CVS gets from the manufacturers on the Plan's behalf, does the Plan actually receive? Mr. Hermreck stated that the Plan gets 100%, which the audit findings should confirm. He added that, across the board, CVS retains approximately 3% of all rebates and that CVS negotiates contracts with all of their clients.

Chair Folwell noted that independent pharmacists play a very important role in North Carolina. Mr. Hermreck stated that approximately 80% of those pharmacists have contracted with CVS.

Public Comment

- A Plan member and local government employee spoke on behalf of his spouse requesting coverage for lipedema.
- A Plan member requested that the Plan cover cochlear implant surgery.
- Lydia Wang, Pharmacist with NovoNordisk, addressed obesity and making anti-obesity drugs available to Plan members.

Mr. Ron DeVizia, Pharmacist and Vice President of Business Development, PPCN, suggested that the Board review GLP-1s and medical spend together.

- Kajal Zalavadia, MD, Obesity Medical Specialist, addressed obesity and making anti-obesity available to Plan members.

Executive Session

Board Vote to Move into Executive Session: Motion by Dr. Robie; second by Mr. Vernon; roll call vote was taken; unanimous approval by Board to move into executive session pursuant to G.S 143-318.11(a)(1) and (a)(3) and Chapter 132 to consult with legal counsel regarding the matters of *Blue Cross and Blue Shield of North Carolina v. State Health Plan* and *Lake v. State Health Plan*.

The Board met in executive session with Plan Executive Administrator Sam Watts, Department General Counsel Ben Garner, Assistant General Counsel Aaron Vodicka, and Assistant General Counsel Joel Heimbach. Mr. Garner, Mr. Vodicka, and Mr. Heimbach discussed with the Board the contested case titled *Blue Cross and Blue Shield of North Carolina v. State Health Plan* in the Office of Administrative Hearings and the case titled *Lake v. State Health Plan* in Gaston County Superior Court.

Return to Open Session

Board Vote: Motion by Judge Duke; second by Dr. Robie; roll call vote was taken; unanimous approval by Board to return to open session.

Vote to Engage

Board Vote: Motion by Mr. Fish; second by Mr. Vernon; roll call vote was taken; unanimous approval by Board to engage Fox Rothschild for the 2022 TPA RFP.

Adjournment

Chair Folwell called for a motion to adjourn.

Board Vote: Motion by Mr. Duke; second by Dr. Robie; roll call vote was taken; unanimous vote by Board to adjourn the meeting.

The meeting was adjourned at 4:31 p.m.

Minutes submitted by: Joel Heimbach, Secretary

Approved by:


Dale R. Folwell, CPA, Chair