

NDPERS SPECIAL BOARD

MEETING

Agenda

Due to public health considerations, and in accordance with Executive Order 2020-16, a meeting room will not be available to the public.

OPEN SESSION:
Conference Call #: 701-328-0950
Conference ID: 226 772 247#

Thursday, October 15, 2020

Time: 8:30 A.M.

- I. Call to Order (Open Session)
- II. Roll Call (Open Session)
- III. Group Insurance
 - A. Deloitte Pharmacy Carve-Out Study Overview – Rebecca (Information) (Open Session)
 - B. Group Health Plan RFP Board Discussion ***Executive Session**
- IV. Adjourn (Open Session)

*Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator. (Motion is necessary)

Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.



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Memorandum

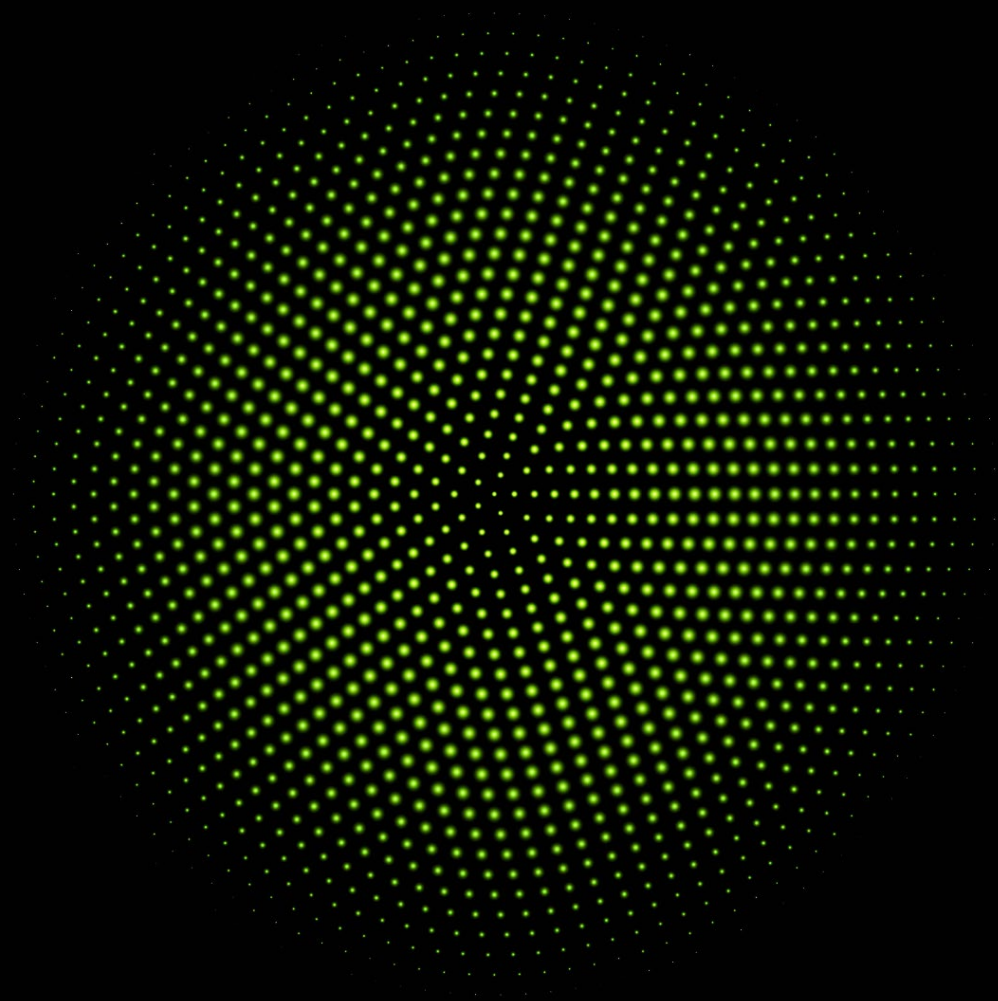
TO: NDPERS Board

FROM: Rebecca

DATE: October 15, 2020

SUBJECT: Deloitte Consulting – Employee Benefit Programs Committee
Study on Carving Out Pharmacy

Deloitte Consulting will be providing an overview (Attached) of their Legislative Employee Benefit Programs Committee Study on Carving Out Pharmacy. This study was prepared at the request of the Committee as required by HB 1374. The study provides pros and cons related to the pharmacy benefits being carved out of the bundled medical and pharmacy arrangement that NDPERS currently has.



**State of North Dakota House Bill No. 1374, Section 3:
Public Employees Retirement System Prescription Drug
Coverage Study**

September 9 2020

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Background

- North Dakota Century Code 54-52.1-02 allows the Board to unbundle prescription drug benefits from the medical plan.
- Section 3 of House Bill No. 1374 requires that the Legislative Management study the feasibility and desirability of the Public Employees Retirement System (PERS) entering a separate contract for prescription drug coverage.
- Deloitte Consulting LLP was engaged to analyze considerations of unbundling the pharmacy benefit management from the uniform group insurance program.
- The study highlights some of the considerations of entering into a separate prescription drug contract under the uniform group insurance program.

Scope of Review

- The scope of the review is to identify considerations relating to a prescription drug carve-out.
- The study does not attempt to quantify the financial outcome of a carve-out.
 - The financial impact is dependent on the insurance market and the interests and capabilities of the participants.
 - NDPERS is conducting a procurement for the uniform group insurance program for the 2021-23 biennium. The results will provide essential information into the availability, feasibility, and desirability of a carve-out prescription drug program.
- The study does not judge whether the uniform group insurance program should pursue a carve-out prescription drug program.
- The study provides considerations that the State of North Dakota may evaluate to determine if a carve-out program is in the best interest of the State and its eligible plan members.

Data Reliance & Disclaimer

- The information included in the study relies on data provided by NDPERS, publicly available data, and industry studies.
- Data was reviewed for reasonableness, but an audit was not performed on the data.
- To the extent the data contains errors or anomalies that were unknown at the time the data was provided, the analysis may be affected by those issues.
- The medical and prescription drug insurance market continues to rapidly evolve, and changes to market participants, insurer strategies, products offered, technology, or regulation could have a material impact on the feasibility and desirability of entering into a separate prescription drug contract.

Overview of Report

The study reviews the **market forces and structural constraints** that will factor into any decision the State makes to pursue a carve-out prescription drug program. These topics are summarized into the following five primary sections:

1 Competitive Dynamics in the North Dakota Health Insurance Market	<ul style="list-style-type: none">• Overview of the competitive landscape of the North Dakota health insurance market• Reviews North Dakota’s pharmacy ownership law; and North Dakota Century Code statutes that require prescription drug financial disclosures.
2 Prescription Drug Market Trends and Management Strategies	<ul style="list-style-type: none">• Explores prescription drug trends contributing to rising drug costs in the United States and in North Dakota.• Identifies management strategies that may be considered in the prescription drug contract to control expenditures.
3 Fully-Insured and Self-Insured Contracts	<ul style="list-style-type: none">• Describes the characteristics and differences between fully-insured and self-insured contracts and how changes to the insurance model may affect a carve-out prescription drug plan.
4 Prescription Drug Contracts	<ul style="list-style-type: none">• Reviews how prescription drug contract pricing is structured and the different contract options available in the market.
5 Pharmacy Benefit Managers and Carve-Out Trends	<ul style="list-style-type: none">• Reviews the pharmacy benefit manager (“PBM”) landscape.• Identifies trends in carving-out prescription drug benefits and why market consolidation may incentivize medical and pharmacy benefit integration.

Considerations of a Carve-Out Prescription Drug Program

NDPERS RFP Results will Influence Considerations

- The considerations for transitioning from the fully-insured uniform group insurance program to a carve-out prescription drug program will be based on the availability and feasibility of different options.
- The results of the procurement for the NDPERS uniform group insurance program will clarify the relative importance of each consideration in the context of the alternatives available to NDPERS.

Consideration 1

- **A carve-out prescription drug plan would likely require a change to self-insurance for prescription drugs.**
 - ✓ Fully-insured carve-out prescription drug benefits are not commonly available in the market.
 - ✓ The competitive procurement will determine the insurance options available for the 2021-23 biennium.
 - ✓ If the State determines that a self-insured plan is not in the best interest of the State and the State's eligible members, then a carve-out prescription drug plan may not be available.

Consideration 2

- **Carving-out the pharmacy benefit allows for greater flexibility to procure benefits arrangements determined to be in the best interest of the State.**
 - ✓ Under the current arrangement, the NDPERS Board selects the insurer that presents the best overall value for medical and pharmacy.
 - ✓ Carving-out the prescription drug benefit gives the Board the flexibility to select the best value for each benefit.

Consideration 3

- **Contracting for a carve-out pharmacy benefit under a self-insured plan allows for more choice in administrators.**
 - ✓ The insurance market in North Dakota is concentrated and most commercially insured business in the state is administered by Blue Cross Blue Shield of North Dakota (BCBSND) or Sanford Health Plan.
 - ✓ There are many pharmacy benefit managers that administer self-insured benefit programs that do not offer fully-insured options or medical benefits.

Consideration 4

- **Carving-out the prescription drug benefit allows for more control of aspects of the prescription drug plan.**
 - ✓ As described by consulting firm Pharmacy Benefits Consultants (PBC) in their testimony to the Health Care Reform Review Committee, carving-out the prescription drug benefit will give the Board more control over the prescription drug contract, formulary, and clinical management programs.

Consideration 5

- **Self-insured, carve-out, prescription drug programs allow for greater visibility into costs.**
 - ✓ Most fully-insured arrangements do not provide detailed cost data and financial information because the insurer assumes all the risk.
 - ✓ Self-insured arrangements offer a higher degree of control and visibility into the underlying cost components of the contract.
 - ✓ North Dakota Century Code statutes mandate access to prescription drug financial information regardless of the insurance arrangement.
 - ✓ Due to the Century Code requirements, some insurers may not offer fully-insured insurance options, or compliant fully-insured options, for the uniform group insurance program.

Consideration 6

- **A self-insured, carve-out prescription drug plan would eliminate the downside risk protection of the modified fully-insured contract.**
 - ✓ The modified fully-insured arrangement with gain-sharing offers the advantage of fixed monthly premiums and no risk of loss should claims exceed premiums.
 - ✓ A self-insured plan would require that the State assume all claims risk (or purchase stop loss insurance to insure against large claim losses).

Consideration 7

- **A self-insured, carve-out prescription drug plan would result in more claims volatility than the modified fully-insured contract.**
 - ✓ Prescription drug costs continue to rise, driven by the prevalence of chronic conditions and specialty drugs that treat high-cost, complex conditions.
 - ✓ Market events such as COVID-19, could have a dramatic impact on claims costs.
 - ✓ NDPERS' size will help minimize the volatility associated with large claims or unpredictable risk, however, claims under a self-insured contract will fluctuate more than a fixed premium agreement.

Consideration 8

- **Reserve funding may need to be increased.**
 - ✓ In a self-insured, carve-out prescription drug arrangement, the State will need to build a reserve fund for fluctuations in claims, costs, and expenses.
 - ✓ Under current statute, the balance amount would need to be between two and four months of expected claims.
 - ✓ Depending on the funding required, and the availability of funds, higher premiums may be necessary to build the reserve.

Consideration 9

- **Stop loss insurance may introduce new costs to the plan.**
 - ✓ Under a self-insured plan, stop loss insurance could be purchased to mitigate some of the risk of large claims.
 - ✓ Given NDPERS' size and tolerance for risk, stop loss insurance may not be necessary.
 - ✓ If the State implements a self-insured, carve-out, prescription drug plan while maintaining a fully-insured medical plan, stop loss coverage options may be limited or unavailable.

Consideration 10

- **Direct or indirect carve-out costs.**

- ✓ It is common for insurers and administrators to charge “carve-out” fees as a disincentive to carving-out the prescription drug benefit.
- ✓ Fees can include, but are not limited to, increased medical premiums, higher medical administrative service fees, file feed charges, and implementation fees.

Consideration 11

- **A carve-out may add administrative complexity for NDPERS.**
 - ✓ Carving-out the prescription drug benefit to a separate vendor may create the need to add resources to manage the third-party.
 - ✓ A carve-out prescription drug plan means separate contracts, account and customer service teams, invoicing and financial requirements, reporting systems, and programs and services.
 - ✓ Carving-out also requires additional administrative tasks such as sharing additional claims and eligibility files, coordinating plan documents, monitoring, and reconciling separate financial reporting.
 - ✓ NDPERS supports a variety of wellness and disease management programs that are reliant on data and collaboration with the medical and prescription drug insurer that would need to be replicated in a carve-out arrangement.

Consideration 12

- **Accumulator integration for high-deductible plans would require additional coordination.**
 - ✓ Plan designs that feature combined medical and prescription drug deductibles and out-of-pocket maximums (high-deductible health plans) require tracking to accurately account for member out-of-pocket payments.
 - ✓ In a carve-out prescription drug program, file feeds with claims information need to be exchanged regularly between the medical and prescription drug plan to track these accumulations.

Consideration 13

- **A carve-out may impact clinical integration.**
 - ✓ A carve-out contract could result in less clinical integration between the medical and prescription drug administrators.
 - ✓ Insurers combine medical and pharmacy data to monitor for issues such as gaps in care; adherence; and fraud, waste, and abuse; track health outcomes; and identify potential risks.
 - ✓ Less integration may create challenges in combining data efficiently and coordinating between medical and prescription drug to achieve clinical outcomes. Plan sponsors can mitigate some of the risk of reduced clinical integration by proactively engaging the medical and prescription drug administrators to support clinical integration through contractual, reporting, and service level agreements.

Consideration 14

- **Delivering an integrated benefits experience to members may be more difficult in a carve-out arrangement.**
 - ✓ Carving-out the prescription benefit has an impact on the plan member experience. Members may have different ID cards, different mobile applications and websites for each vendor, may need to contact different service teams, and may receive different communications.
 - ✓ Members will need information on how their benefits work when they are administered by different companies, as well as support for different administrative policies under each vendor agreement.
 - ✓ It is important to align benefit policies including coverage designs, rules, requirements, and payment procedures across medical and prescription drug programs. This is particularly important for patients that receive treatment that could be paid under the medical or the prescription drug benefit, like cancer.

Questions & Discussion

