

**EGYPTIAN AREA SCHOOLS
EMPLOYEE BENEFIT TRUST**

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Consultants

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DATE: May 11, 2012

TO: **All Executive Committee, Board of Managers Members, District Superintendents and Bookkeepers**

FROM: Jeff Dosier, Chair, Matt Klosterman, Vice-Chair
Tom Dahncke and Leo Hefner, Consultants to the Trust

RE: **Changes Approved at the May 9, 2012 Board of Managers Meeting**

The Egyptian Trust Board of Managers voted to adopt the following changes in premiums and benefits at the May 9, 2012 meeting. All of these changes will be effective September 1, 2012 unless otherwise stated. Questions regarding these changes should be directed to Egyptian Trust Consultants, Tom Dahncke or Leo Hefner, at the phone numbers and email addresses shown above.

A. PREMIUM RATES FOR 2012-2013

The Board approved a premium increase of 8.5%. This is expected to allow the Trust to continue to make progress toward restoring the reserve needed for the IBNR (incurred but not reported claims). The Trust's claims experience for the year has been positive and the Trust has made good progress through April, but we expect there will still be a deficit at June 30, the end of the current fiscal year.

With the 8.5% increase, the new premiums are as follows:

	Platinum Plan		Gold Plan		Silver Plan		Bronze Plan	
	Current	2012-13	Current	2012-13	Current	2012-13	Current	2012-13
Employee	\$632	\$686	\$571	\$620	\$493	\$535	\$420	\$456
EE + Spouse	\$1,305	\$1,416	\$1,178	\$1,278	\$1,022	\$1,109	\$864	\$938
EE + Children	\$1,260	\$1,368	\$1,136	\$1,232	\$985	\$1,069	\$848	\$920
Family	\$1,405	\$1,524	\$1,266	\$1,374	\$1,100	\$1,194	\$933	\$1,012

B. PRESCRIPTION DRUG BENEFIT CHANGES

Change Pharmacy Network from Express Scripts to CVS Caremark

The Board approved changing the pharmacy network from Express Scripts to CVS Caremark.

The Trust's contract to manage prescription card benefits is with Scrip World. Scrip World has used Express Scripts to provide the network of retail pharmacies, mail order pharmacy, specialty pharmacy and clinical pharmacy benefit management services. Scrip World obtained a proposal

from CVS Caremark to provide these services for the Trust with estimated annual savings of over \$1.3 million, the equivalent of 1.3% in premiums. Express Scripts was given an opportunity but did not offer a competitive pricing proposal.

Switching to CVS Caremark is expected to involve some minor member disruption in the following areas:

- **Retail Network.** Scrip World identified 28 retail pharmacies used by Trust members that are in the Express Scripts network but not in the CVS Caremark network. A list of these pharmacies will be posted on the Trust's website at www.egtrust.org. These pharmacies will be contacted and invited to join the network.

A positive network change is that Walgreen pharmacies are in the CVS Caremark network.

- **Mail Order and Specialty Pharmacies.** For members using Express Scripts mail order pharmacy or Curascript specialty pharmacy, Scrip World will arrange to have all scripts with refills remaining transferred from Express Scripts or Curascript to Caremark's mail order or specialty pharmacies. However, each member will be required to call Caremark to confirm information in the member profile before Caremark will be able to dispense any refills. More information about this process will be provided before the September 1 implementation date.
- **Step Therapy and Prior Authorization.** There are some differences in the Caremark step therapy and prior authorization programs, but any overrides that have been approved by Express Scripts will be transferred over and honored by Caremark.
- **Formulary.** There are some differences in the Express Scripts and Caremark formularies of preferred drugs. Scrip World determined this will have a neutral or positive impact for most members, but about 4% of members will be negatively affected because drugs that are preferred drugs under the Express Scripts formulary will be non-preferred or excluded with Caremark. Prior to the September 1 implementation date Scrip World or Caremark will reach out to members who may be adversely affected by the change to explain alternatives. The 2012 CVS Caremark Performance Drug List of preferred drugs will be posted on the Trust's website at www.egtrust.org.
- **Excluded Drugs.** A few drugs are totally excluded from the Caremark program, which means they will not be covered by the Plan unless a clinical exception is approved. For each of the excluded drugs there is a generic equivalent or other drug that is equally appropriate from a clinical perspective. There is an appeal process if a member's physician believes there is a clinical reason the member requires one of the excluded drugs. The exclusions are expected to affect about 180 members, a majority of whom use Humalog and/or Humulin insulin. Novolog and Novolin are the formulary alternatives to these drugs. Freestyle test strips and kits are also excluded. Accu-check and Onetouch strips and kits are the formulary alternatives. Caremark will provide free glucometers to assist members in changing to the formulary strips. Again, Scrip World or Caremark will reach out to members affected by the exclusions before the implementation date to explain the alternatives. A complete list of excluded drugs will be posted on the Trust's website at www.egtrust.org.

Decrease Silver and Bronze Plan Co-pays for Brand Drugs

The Board approved reducing the brand prescription drug co-pays in the Silver and Bronze Plans to match the corresponding co-pays in the Platinum and Gold Plans.

- The 30 day retail co-pays will decrease from \$30 to \$25 for preferred brand drugs and from \$45 to \$40 for non-preferred brand drugs.

- Home Delivery 90 day co-pays will decrease from \$70 to \$55 for preferred brand drugs and from \$110 to \$100 for non-preferred brand drugs.
- MDN Retail 90 day maintenance drug co-pays for generic, preferred and non-preferred drugs for the Silver and Bronze Plans will remain the same since they are currently the same as those for the Platinum and Gold Plans.

With this change, all Plans will have the following prescription drug co-pays:

All Plans	Retail 30 day supply	MDN Retail 90 day supply Maintenance drugs after first 2 fills	Home Delivery up to 90 day supply
Generic	\$12	\$36	\$30
Preferred Brand	\$25	\$85	\$55
Non-Preferred Brand	\$40	\$130	\$100
Injectables	Co-pay plus 3%	Co-pay plus 3%	Co-pay plus 3%

C. *MEDICAL BENEFIT CHANGES*

Health Care Reform – Additional Preventive Care Benefits, Including Contraceptives

Effective September 1, 2012 the Trust will cover additional preventive services for women at 100% to the extent required by federal law. This includes coverage of female contraceptives. Additional information will be provided before September 1, after further guidance is issued by federal agencies.

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The Board approved renewing this program for another year. The Trust has received very positive feedback about the program.

D. *QUANTUM HEALTH – COORDINATED HEALTH/CARE PROGRAM*

The Board heard a presentation from Quantum Health and tentatively approved entering into a contract for its Coordinated Health/Care program effective September 1, 2012, subject to final review and approval of the terms by the Trust’s actuary, Jim Drennan, and attorney, Ruth Hays.

Quantum Health contracts with large health plans to assist members in coordinating and managing their health care and cost-effective use of their medical and prescription drug benefits. There are several advantages to using the Coordinated Health/Care program:

- ***Improved Customer Service.*** Egyptian Trust members and providers will have a single customer service phone number for all member services, including pre-certification, case management, and questions about medical benefits, prescription drug benefits, network providers and claims and appeals. Calls will be handled by Coordinated Health/Care Care Coordinators who will have direct on-line access to benefit, eligibility and member claim information from HealthLink, Meritain Health and CVS Caremark. The single phone contact eliminates confusion about what number to call and being passed back and forth between service providers. Meritain will continue to pay the Trust’s claims and HealthLink will continue to be the contractor for network hospitals and other network providers.

- **Reduced Medical Cost Trends.** Care Coordinators function as patient advocates and assist members in managing their health and health care and using their benefits effectively in several ways.
 - The one phone number contact allows Coordinated Health/Care to turn every call into an opportunity to engage the member and provide effective, real-time education and care coordination.
 - Coordinated Health/Care creates a "Virtual Medical Home" for members with a technology platform that aggregates all essential data including benefits, eligibility, claims and clinical information augmented by real-time conversations with physicians and patients.
 - Care Coordinators make the connections between primary and preventive care as well as between specialists and hospitals.
 - Care Coordinators help members make sense of the connection between their medical care, out of pocket expenses, HRA or HSA accounts, and wellness benefits.

The result is an easier, more rewarding experience for members that helps members understand what they need to know before making decisions that could lead to unproductive, unnecessary and costly care. This helps keep the Plan's medical trend rates low and premium cost increases down.

- **Wellness Initiatives.** Coordinated Health/Care can organize and implement wellness initiatives for the Trust, such as health risk assessments and biometric screenings, which can identify and help members understand and manage chronic and critical health care issues.

The Trust's Consultants received very positive feedback about the Coordinated Health/Care program from representatives of plans similar to the Trust, including a large self-funded k-12 school group in New York, independent college and university groups in Tennessee and Wisconsin, and a large corporation. All of the references reported they experienced high member satisfaction and medical trends below the targets projected by Quantum Health.

Benefit Change. If the Coordinated Health/Care program is implemented, to facilitate appropriate use of specialists the specialist office visit co-pay will be reduced to \$30 when members obtain referrals from their primary care physicians. The current specialist office visit co-pay is \$40, but members who obtain referrals from their primary care physicians will only be required to pay a \$30 co-pay. Members are not required to have primary care physicians and are not required to obtain referrals, but will benefit from the lower co-pay if they do.

If the Trust proceeds with the Coordinated Health/Care program, members will receive new ID cards and extensive information about the program will be provided at the annual bookkeeper meetings in July and to all members before the September 1 implementation date.

E. DELTA DENTAL RATES FOR 2012-2013

The new rates for the voluntary Delta Dental program for 2012-2013 are shown below. Please note that the new Low Plan rates are still less than the premiums were in 2007 except for the employee only rate, and that rate is only slightly higher than the rate in 2007. The new High Plan rates range from 7% to 12% higher than the rates in 2007.

One benefit change is being included on the High Plan. Effective January 1, 2013, the \$50 annual deductible will now apply to Preventive and Diagnostic Services, the same as the Low Plan.

LOW PLAN

	<u>2007</u>	<u>2010</u>	<u>2012</u>
Employee	\$13.26	\$11.80	\$13.68
Employee + One	\$26.58	\$21.44	\$25.12
Employee + Two or More	\$48.76	\$40.38	\$47.60

HIGH PLAN

	<u>2007</u>	<u>2010</u>	<u>2012*</u>
Employee	\$27.44	\$27.94	\$30.74
Employee + One	\$51.12	\$51.16	\$56.44
Employee + Two Or More	\$76.12	\$74.26	\$82.00

*Change in benefit for the \$50 deductible to apply to Preventive and Diagnostic Services

F. UNIVIEW VISION PLAN RATES FOR 2012-2014

The new rates for the voluntary Uniview Vision Plan for 2012-2014 are shown below. The rates have been the same for the past four years.

	<u>2008</u>	<u>2012</u>
Employee	\$ 6.64	\$ 7.24
Employee + One	\$ 9.50	\$10.36
Employee + Two or More	\$17.20	\$18.76