

## **Health Insurance Trust Meeting – Minutes**

### **Thursday, January 5, 2023– 8:15 am**

#### Member Attendees:

Steve Noone, , Margaret Dennehy, Himaja Nagireddy (remote), Theresa O’Leary, Andrew Schwartz

#### Non-Member Attendees:

Marie Altieri, Lena Jarostchuk, Sue Shillue, Melissa Andrew, Dave Verdolino

#### 1) Call to Order;

- Meeting was called to order at 8:17 am by the Chair

#### 2) Approval of Minutes;

- Minutes from December 1, 2022 were unanimously approved, one abstention (Theresa O’Leary)

#### 3) Treasurer Report – Tim Harrison -no report this month.

#### 4) Cash Flow – Sue Shillue, Cook and Company

- Sue presented the year to date cash flow with claims through November. Variance showed a deficiency of \$260,000, mostly due to November. For Harvard Pilgrim there were 5 payments in the month of November.
- Revised projection is about 1% higher than last month. The projection takes YTD actual claims and then takes 1/12<sup>th</sup> of original projections to trend out the remaining months.
- So far on stop loss claims, we still have only one person over the limit, and four people at 50% of the \$175,000 stop loss deductible.
- The laser is currently at \$253,000 for five months.

#### 5) Review Guidance on Rate Increases

- Steve Noone reported that at the last meeting the Trust agreed on an 8% increase in rates and feels that November estimates do not look much different. He invited commentary or discussion from other members.
- HIT members agreed that 8 % is still a good rate.

#### 6) Update on Pharmacy Benefit Management – discussion continued

- Sue Shillue believes any change to our existing formulary, which will happen with a PBM, will drive utilization to brand name drugs, which will affect employees. Rebates will increase but co-pays for employees would also increase.
- Andrew Schwartz agreed that PBMs are designed to maximize profits for insurance carriers.

- Sue added that there is a potential in the rate savings, but at point of purchase there would be an increased cost. In MA prescribers must use generic unless specifically asked for the brand name. With BCBS, right now, the actual cost of the drug that Acton is paying for is reduced because we are not getting the rebates. Analysis showed that if we were to switch methods (unbundled rebates), the cost of the drugs would increase but the Trust would get money in the form of rebates. This would result in net savings for the Trust. **In the first year only ¾ of the rebate** would be paid, due to one quarter delay. In year two, the Trust would get all four quarters of rebates and this would continue. This leads to two options:
  - Remain with current formulary and not drive toward brand name drugs
  - Go to more aggressive formulary that would drive to brand name drugs. Sue believes that there is not as much interest in this plan because this would affect the employees (higher co-pays).

Sue does want to follow up with BCBS and to find out if there is a rebate on the one drug for the lasered individual.

- Margaret Dennehy inquired, if we are not getting rebates now, why would going to brand name vs. generics save money? Sue clarified that though the cost for brand name is higher, you get rebates only on brand name drugs.
- Marie Altieri asked if we do not switch formularies, using our historical data, what would the savings be? Sue responded about a \$466,000 savings. If we do switch formularies, the savings would be about another \$100,000.
- Marie Altieri stated that she would worry if people could not get a drug they wanted, but not as worried about co-payments. She thinks the unbundled rebate version is worth considering.
- Sue added that by not changing the formulary we are still getting the bulk of the savings, and it would not impact the employees.
- Theresa O'Leary asked about HSA plans and drug costs. Sue responded that until you hit your deductible, you would pay the full cost of the drug, whether brand name or generic. Once you hit your deductible, you would pay the co-pay.
- Sue Shillue shared that right now, our discount on retail brand drug price is 62%. With the rebate, the discount would be 16% but the rebate would be an average of \$250.
- Steve Noone asked about the other PBMs being considered. Would they also push us toward brand name drugs? The answer is yes.
- Sue reminded the Trust that BCBS would not allow us to carve out the pharmacy benefit—we would have to push back, or we could leave BCBS.
- Dave Verdolino asked why BCBS would offer this savings to us? Sue believes market pressure as more employers look to possibly carve out prescription benefits. Sue noted that HPHC gives us 70% of the rebates. There is an option to get 100% of the rebates as well, but administrative costs would go up. She will ask HPHC to present both options at renewal time.
- Steve Noone asked, of our 18 million in claims, how much is pharmaceutical? About 20% on the active population. This would imply a \$500,000 savings on \$3,000,000.
- Himaja Nagireddy asked for more detail about the long term implications. If we did change the formulary, what might happen? Sue responded that again, changing the

structure to get the rebates, BCBS is projecting rebates to increase, from an average of \$250 to \$278 to \$291 in subsequent years. So the savings could increase over time. The second issue is changing the formulary. Sue believes it might make sense to go the rebate route without changing the formulary, and then take a look at it to see if we want to change the formulary in the future. This could coincide with when we decide to look at the overall benefit structure.

- Sue added that the GIC is currently changing benefits. Sue will be able to show us the newly voted benefits and show us a comparison between our benefits and the GIC in the near future.
- Marie Altieri stated that if going to an outside PBM would mean we would have to leave BCBS, we would have to check our contract. Also, there would be a strong reaction from employees.
- Sue Shillue responded that 25 years ago that argument would mean more, but right now, HPHC and BCBS are more similar in terms of plans, networks, providers, etc.
- Dave Verdolino inquired about the impact of a federal law change regarding diabetic drugs and supplies. Sue has not heard that it has changed anything with BCBS or HPHC. In addition, we are offering our diabetes management program. She will check and follow up.
- Himaja Nagireddy asked about getting feedback from various unions and whether or not that would factor into the decision. Steve Noone responded that we would listen to what the HR directors at the Town or School, who communicate with the unions, would have to say. Sue Shillue added that if we do not change the formulary, we would not have to involve the unions as there is no change to the benefits.

#### 7) Discussion of Policies – Reserves & Investment

- No new discussion
- It was noted that the final rate increase had not been formally voted on by the Trust. Margaret Dennehy made a motion to raise health insurance rates across the board for FY24 by 8%. Theresa O’Leary seconded. The motion was unanimously approved.
- Dave Verdolino noted that interest rates on the trust balance are going up significantly and that we should see a positive impact in the near future.

8) Meeting was adjourned at 9:11 am. Next meeting will be on Thursday, January 26, 2023.

Handouts:

Meeting Agenda

Draft HIT Minutes for December 1, 2022 Meeting

Acton HIT November 2022 Cash Flow – Cook & Co.