

EGYPTIAN AREA SCHOOLS EMPLOYEE BENEFIT TRUST

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DATE: February 22, 2017

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

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

RE: **February 27, 2017 Board of Managers Meeting** (Originally Scheduled for 3/22/17)

Recommended Change in PBM Services.

In a notice in late January, member districts were notified of the date change for the upcoming Board of Managers meeting, along with notice that the Benefits Committee voted to recommend a change in Pharmacy Benefit Management for the Trust. For several years now, the Egyptian Trust has utilized Scrip World and CVS / Caremark for pharmacy benefits and administration. The Committee's recommendation will be to change to Keenan Pharmacy Services in a contract they hold with Express Scripts. Keenan partners with the National School Board Association (NSBA) and has over 500,000 lives in their PBM program. In a review of actual Trust pharmacy claims from 2016 and applying Keenan's Express Scripts contract pricing terms to those claims, Keenan identified savings in the amount of \$2,671,508. The cost of participation in Keenan's program is also less than the administration costs in the current Scrip World contract. Additionally, an optional, independent program called Keenan Pharmacy Care Management identifies an additional \$865,000 in annual savings for the Trust.

A little over two years ago, the Benefits Committee evaluated a proposed "pass through" model pharmacy program through VRx, a company founded by the original founder of Scrip World. The Committee retained a PBM consultant to assist in comparing the VRx program to the arrangement with Scrip World and CVS/Caremark. The Committee decided at that time not to recommend a change in PBM services, but the Trust was able to negotiate new pricing terms based on the "pass through" model of pricing. In this model, the Trust pays the cost of the medication and dispensing fee paid to the pharmacy plus a fixed administrative fee per script to Scrip World and CVS/Caremark. The current contract expires December 31, 2017, but may be terminated earlier with 90 days advance notice.

In preparing to analyze PBM services for the next contract period, the Benefits Committee considered three proposals. The first was from the PBM consultant the Committee used for the evaluation of VRx and Scrip World. The second proposal was from Innovative Rx Strategies, a Chicago based company formed by former CVS / Caremark executives. Both of these proposals were to provide consulting services to the Trust, where the consulting firm would prepare a request for proposal (RFP), evaluate proposals from several different PBM service providers, and assist the Trust in negotiating a new and better contract with a PBM. Both of these consulting firms represented the Trust would realize savings with a new PBM contract, but the magnitude of savings cannot be known until an RFP process is concluded and a new contract negotiated.

The third proposal was from Keenan Pharmacy Services. Keenan began their program in 2007 and now has school districts and other clients in 34 states with over 500,000 covered lives. One of the significant advantages of the Keenan program is that Keenan does a complete request for proposal and competitive bid of PBM services every two years. In the interim year, they do an extensive market analysis and negotiate discounts on the basis of current conditions in the marketplace. Keenan uses Express Scripts (ESI) for their program. The pricing terms Keenan negotiates with ESI each year are available to all employer groups in the Keenan program. Since Keenan has already negotiated pricing terms for 2017, the savings under the Keenan proposal can be quantified. In addition, with Keenan's regular RFP and market check process, the Trust is assured that the pricing terms will remain competitive in future years.

The administrative costs of participation in the Keenan program are less than current costs, and the discounts are greater for retail and mail generic, brand and specialty drugs, reflecting the buying power of over 500,000 covered lives. In addition, every prescription is audited both financially and clinically under the Keenan program. Keenan prepared a disruption report to identify pharmacies Trust members used in 2016 that are not in the ESI pharmacy network. Only 46 families in the Trust had a script filled at a retail pharmacy that is not in the ESI network. Only three of these retail pharmacies are in Illinois (one in Schaumburg, one in Monticello and one in Bethalto).

Like CVS/Caremark, ESI has a retail 90 program where members can buy 90 day fills of maintenance drugs at participating retail pharmacies. All mail order scripts will need to be moved to Express Scripts' mail order pharmacy and specialty medications will have to be filled through Express Scripts' specialty pharmacy, Accredo. There will be no change in prescription drug benefits, but there will be minor differences in the drug formulary which will be favorable for some members but negative for a few. If the change is approved, members who will be affected negatively will be contacted in advance of the move to Keenan/ESI.

Since the savings to the Trust are so significant, the Benefits Committee recommends this change effective June 1, 2017. This information, plus more, as well as a question and answer period will precede the Managers' vote on the recommendation.

Recommended Change in Transplant Benefits.

The Plan document describes two different sets of transplant requirements and limitations, one for transplants performed at facilities in the Coventry and Aetna Institute of Excellence (IOE) Transplant Programs and the other for transplants performed at all other in-network and out-of-network facilities. The Committee recommends that the Plan be amended to provide coverage for solid organ, tissue and stem cell transplants only at IOE facilities. These transplant procedures require special care and are very expensive. It serves the interest of patients and the Trust if these procedures are performed at facilities with the most expertise. These are also the facilities Trust members have elected to use. Meritain determined that in recent years all such transplants covered by the Trust have been performed at IOE facilities. The Committee recommends this change also be effective June 1, 2017.

Questions and comments regarding this memo should be directed to Trust Consultants Tom Dahncke at tdahncke@charter.net (618-791-5541) and/or Leo Hefner at lhefner@htc.net (618-973-8221).