



Meeting Minutes | Board of Directors Retreat Continuing Education Session

Wednesday, August 24, 2022 | 10:00 a.m.

Wampee Conference Center | 2213 Pinopolis Road, Pinopolis, SC 29469

Minutes Approved October 5, 2022

Board Members Present for All or a Portion of the Meeting: Ms. Amanda Blankenship, Ms. Jennifer Blumenthal, Mr. Calvin Elam, Mr. Steve Heisler, Ms. Paige Lewis, Mr. Steve Matthews, Chairman Joe “Rocky” Pearce, Mr. Alex Shissias, John Sowards, and Mr. Ed Walton.

Board Members Absent: Sheriff Steve Mueller

Others Present for All or a Portion of the Meeting: Peggy Boykin, Justin Ellis, Laura Smoak, Rob Tester, Travis Turner, Stephen Van Camp, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Sarah Grace Bailey, James D’Alessio, Jesse Epting, Dr. Tripp Jennings, Matt Shaffer, and Carmen Wilson from BlueCross BlueShield of South Carolina; Jonathan Bethke, Jeremy Fredell, Gary Kline, Karen Russell, Robin Scott, and Ben Twilley from Express Scripts, Inc.; Al Lewis from Quizzify; Mike Madalena; PEBA Consultant; and Joe Newton and Danny White from Gabriel, Roeder, Smith & Company.

Others Present for All or a Portion of the Meeting Via Virtual Means: Gwen Bynoe, Amber Carter, Tammy Nichols, Heather Muller, and Angie Warren from PEBA.

I. Call to Order

Chairman Rocky Pearce called the PEBA Board of Director’s (Board) Retreat Continuing Education Session to order at 10:00 a.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

II. Actuarial Topics Update

Mr. Danny White, Senior Consultant, and Mr. Joe Newton, from Gabriel, Roeder, Smith & Company (GRS), briefly reviewed the Retirement Systems Actuarial Valuations as of July 1, 2021. Mr. Newton pointed out the Executive Summary of the Valuations which notes assets, contribution rates, unfunded actuarial accrued liability, and funding ratios.

Mr. White reviewed the projected unfunded liability for the South Carolina Retirement System (SCRS) and the Police Officer’s Retirement System (PORS), for 2020, 2021, versus the estimate for 2022.

Mr. White turned the discussion to retirement plan designs. Mr. White stated that South Carolina has a Defined Benefit (DB) Plan where the plan defines the benefit payable at retirement, and a Defined Contribution (DC) Plan, where the plan defines the contribution provided to the employee’s retirement account.

Mr. White defined a Hybrid Plan as a retirement program that combines elements of both DB and DC plans. Some Hybrid Plans are true blends, while others are designed where the member participates in multiple smaller versions of both plan types. Mr. White discussed the principles in design assessment for both SCRS and PORS, including benefit adequacy; cost sharing; risk sharing; and sustainability.

Mr. White advised that some Hybrid Plans have a design with a smaller DB and DC benefit that provides an adequate retirement benefit on a combined basis. The defined benefit portion of the Hybrid Plan is designed to provide a lifetime annuity, and investment and longevity risks are shared between the employee and employer. Mr. White explained the basic design of a Cash Balance Hybrid Plan, and described characteristics and advantages/disadvantages of DC Plans versus alternative benefit structures.

Mr. Newton stated that programs with pooled assets and liabilities have distinct advantages such as achieving higher investment returns as compared to individual investors because of a broader universe of investments, professional management, and lower fees. Also, longevity risks can be pooled across many individuals, providing each the security of a lifetime pension without the risk of outliving their savings, and everyone earns the same return.

Mr. White provided examples of alternative benefit structures implemented by other states, and discussed an update to the Actuarial Standards of Practice No. 4 (Measurement of Pension Obligations), and how this translates to pension plans.

III. Lunch Speaker

Mr. Al Lewis, founder and CEO of Quizzify, presented entertaining information related to health literacy during the lunch break. Quizzify's mission is to help companies teach their employees to use healthcare services appropriately.

IV. Legislative Outlook

Mr. James D'Alessio, Vice-President of Governmental Relations from BlueCross BlueShield of South Carolina, presented an update on current federal legislative efforts in healthcare.

Mr. D'Alessio described the recently passed Inflation Reduction Act, which is a budget reconciliation bill, and includes extensions of enhanced subsidies of the Affordable Care Act. Mr. D'Alessio added that approximately 70,000 South Carolinians were able to procure insurance coverage from the enhanced subsidies.

Mr. D'Alessio turned the discussion to the political climate, including the President's current rising approval rating, the recent four special elections in the United States House of Representatives which were won by the Democratic party, and the upcoming United States Senate elections on November 8, 2022.

Mr. Gary Kline, Senior Principal, Federal Government Affairs, from Express Scripts' Washington office, further addressed the current political environment, the recent passing of the Inflation Reduction Act, and the bipartisan Gun Safety legislation. Mr. Kline noted that the congressional gap is closing, and discussed future legislation that could also affect the President's approval rating.

Mr. Kline expanded on drug pricing negotiations; Medicare Part D redesign; an insulin copay cap; delay of the rebate rule; and Medicare Part D Premium stabilization.

Ben Twilley, Managing Director, State Government Affairs, at Express Scripts, stated that 46 states met in legislative session this year, with 38 states adjourning, and 10 states remaining in regular session. Mr. Twilley added that Republications control 30 State Houses, while Democrats have control of 18 State Houses. Republicans also control the Senate in 32 states, and Democrats are the majority party in 18 States.

Mr. Twilley detailed Pharmacy Benefit Managers (PBM) issues trending across all states, and reported that PBMs and the drug supply chain remain a focus of state drug pricing reforms, but that only Congress can affect and control manufacturer drug pricing. Mr. Twilley also reviewed 2021 and 2022 PBM developments, and discussed future legislation for 2023 and beyond.

V. Looking Ahead: Specialty Pharmacy Pipeline and Biosimilars

Mr. Jeremy Fredell, Managing Director, Drug Strategy & Business Development, at Express Scripts, described biosimilars as extremely similar to an existing biological product, and are developed from living organisms. Mr. Fredell described how biosimilars are created, and detailed the differences between generics and biosimilars.

Biosimilar market share has increased to 61 percent, and many have entered the market at prices up to 40 percent lower than branded products. Mr. Fredell discussed upcoming biosimilars, and stated that inflammatory conditions is the largest category of market space, and 45 percent of current spend will face biosimilar competition.

Mr. Fredell reviewed barriers to overcome for increasing biosimilars including state laws eroding the effectiveness of biosimilar adoption, and the biosimilar manufacturer readiness to support the market.

Mr. Fredell also detailed keys to driving competition and adoption of biosimilars, including legislative advocacy, patient support systems, and enhanced copay and incentives structure for members.

Mr. Fredell turned the discussion to gene therapy, which includes modifying a patient's genes to treat their condition. It may involve replacing the disease-causing gene, or introducing a new or modified gene. Gene therapy is a one-time, curative treatment, which addresses a growing number of identified gene mutation diseases, including cancer, hemophilia, muscular dystrophy, cystic fibrosis, and sickle cell. Mr. Fredell noted that gene therapy is also targeted at more common conditions including Alzheimer's disease, Parkinson's disease, and cardiovascular disease.

Mr. Fredell concluded by reviewing the specialty drug pipeline, which includes only two percent of claims for 51 percent of total pharmacy spending. Mr. Fredell stated that specialty drugs continue to increase for a total of 5.4 percent trend in 2021. Key therapeutic categories include oncology, Alzheimer's disease, hypertrophic cardiomyopathy, and celiac disease.

VI. Introduction to Social Determinants of Health and Why They Are Important

Ms. Divya Reddy, Executive Director, Medical Management from BlueCross BlueShield of South Carolina, discussed Social Determinates of Health (SDoH), which are conditions in the environments

In which people are born, live, learn, work, play, worship, and age, that affect a wide range of health functioning, and quality-of-life outcomes and risks. SDoH have tremendous effects on an individual's health, regardless of age, race, or ethnicity. Ms. Reddy stated that 20 percent of a person's health and well-being is related to access to care and quality of services. 80 percent of health outcomes are driven by the physical environment, social determinants, and behavioral factors.

Ms. Reddy discussed how BlueCross BlueShield integrates SDoH into their Case Management Programs, which are designed to holistically improve members' health and well-being. The Case Management Programs focus on three SDoH factors including income, health literacy, and transportation, which populate to a risk score to determine members with the greatest health equity needs, and matches them to the appropriate resources.

Ms. Reddy concluded by reviewing BlueCross BlueShield's Foundation and Diabetes Free SC efforts to address SDoH.

VII. Healthcare Spending Trends: COVID, Post-COVID, and Beyond

Mr. Matt Shaffer, Senior Vice President for Major Group, from BlueCross BlueShield of South Carolina, discussed where claims expenditure is trending as COVID continues to affect South Carolina and the nation.

Mr. Shaffer reviewed environmental factors affecting the industry including an economic outlook for South Carolina businesses; the loss and migration of membership; unprecedented inflationary trends; and the cost of COVID treatment and prevention.

Mr. Shaffer advised that claim expenditures in early 2020 reduced significantly as members delayed routine procedures. Claims expenditures drastically increased again in late 2020, and early 2021, with additional COVID variants, as well as the rebound of the healthcare consumer, and the healthcare delivery system.

Mr. Shaffer stated that COVID cases are decreasing in South Carolina with 12,000 cases, and eight deaths reported during August 7-13, 2022. In total, 1.6 million cases have been reported in South Carolina, with 18,000 deaths.

Mr. Shaffer concluded by stating that more than 60 percent of employers reported that 2020 health care costs came in under budget, and employers fear that deferred care could accelerate spending growth as soon as 2022 or 2023.

VIII. Adjournment

There being no further business, the Board Retreat Continuing Education Session adjourned at 4:41 p.m.