



## Meeting Minutes | Health Care Policy Committee

Wednesday, October 23, 2024 | 9:30 a.m.

202 Arbor Lake Dr., Columbia, SC 29223 | First Floor Conference Room

Minutes Approved December 4, 2024

**Board Members Present for All or a Portion of the Meeting:** Mr. Steve Heisler, PEBA Board Chairman Joe “Rocky” Pearce, and Committee Chairman Alex Shissias.

**Board Members Present for All or a Portion of the Meeting Via Virtual Means:** Mr. John Sowards

**Others Present for All or a Portion of the Meeting:** Peggy Boykin, Robby Brown, Phyllis Buie, Amber Carter, Denise Hunter, Heather Kirby, Heather Muller, Jacalin Shealy, Laura Smoak, Rob Tester, Katie Turner, Travis Turner, Angie Warren, Justin Werner, and Heather Young from the South Carolina Public Employee Benefit Authority (PEBA); Jesse Epting, Dr. Tripp Jennings, Dr. April Richardson, Matt Shaffer, and Carmen Wilson from BlueCross BlueShield of South Carolina; Mike Madalena from Madalena Consulting; and Richard Lomax from Novo Nordisk.

**Others Present for All or a Portion of the Meeting Via Virtual Means:** Jessica Moak from PEBA.

### I. Call to Order

Chairman Alex Shissias called the PEBA Health Care Policy Committee (Committee) meeting to order at 9:30 a.m., and stated that the public meeting notice was posted in compliance with the Freedom of Information Act.

### II. Approval of Meeting Minutes – June 26, 2024

Mr. Steve Heisler made a motion, which was seconded by Mr. John Sowards, and passed unanimously, to approve the minutes from the June 26, 2024, Committee meeting as presented.

### III. State Health Plan Budget Requirements Approval for 2026 with Contributing and Mitigating Factors

Mr. Rob Tester, Insurance Policy Director, reviewed the State Health Plan (SHP) Budget Requirements for 2026, and discussed contributing and mitigating factors, specifically noted that the main contributing factor is the Plan’s continued high expenditure trends.

Mr. Tester reported that the most significant cost driver in the Plan year-to-date is the Outpatient Hospital sector. Surgery and Emergency Room are the two most costly service types in the Outpatient Hospital setting, accounting for over 62 percent of the spend in this category.

Mr. Tester stated that professional office expense has increased 9.2 percent per member year-over-year through September 2024, and it accounts for a full quarter of the growth in Plan expenditures this year.

Mr. Tester advised that the GLP-1 (Glucagon-like Peptide 1 agonists) class of medication continues in a second year as a major cost driver in the Plan. GLP-1s refer to a class of medication designed for treatment of type 2 diabetes. Widespread misuse facilitated by social media promotion of GLP-1s has led to increased use for weight loss.

Mr. Tester reported that the effect of high-dollar claims on overall Plan expense continues to grow. In 2023, less than one percent of Plan members with claims totaling at least \$50,000 accounted for 37.2 percent of Plan expenditures on the medical side. It is expected that high dollar claims will continue to have a disproportionate impact on Plan expense.

Mr. Tester also stated that the Plan is subject to adverse selection, whereby persons who are more likely to use health care resources seek out PEBA's coverage, specifically noting that five of the most expensive adults in terms of claims expense in the last year joined the Plan within the last five years.

Mr. Tester reminded the Committee about two significant changes to the Medicare Part D prescription drug benefit that will become effective January 1, 2025. The Part D Standard Defined Benefit has been restructured due to the federal Inflation Reduction Act (IRA). Beginning in 2025, a Part D beneficiary will have no out-of-pocket expense for prescriptions once the member cost share (True Out-of-Pocket or TrOOP), reaches \$2000 for the year. Because of this methodology, PEBA Plan Part D members will pay copays only until the accumulator reaches the \$2000 TrOOP, which is substantially lower than the current \$8000 State Health Plan TrOOP. It is projected that approximately 28,000 Plan Medicare beneficiaries will reach the TrOOP limit next year and achieve zero cost share status. PEBA's actuaries predict that having such a significant number of members with zero cost share for at least part of the year will have material cost impact on the Plan.

Secondly, Mr. Tester noted that the federal subsidy structure associated with the group Part D offering has been altered significantly. This is a material revenue source for the Plan accounting for almost six percent of overall income. Following the Part D restructuring, the Manufacturer Subsidy and Catastrophic Reinsurance elements of the program are expected to reduce greatly in value, and although the Direct Subsidy will increase substantially, it will not compensate completely for the loss from the other sources. As a result, Medicare Part D subsidy income to the Plan is expected to decline.

Together, the increase spend from reduced patient cost share on the part of Medicare retirees and the reduced Part D subsidy will bring about a \$22.184 million per year negative impact on the Plan, and will increase budget requirements by 0.6 percentage points.

Mr. Tester reviewed several mitigating factors to the SHP budget including limiting the supply of GLP-1s to 30 days per fill, and placing a new prior approval process for GLP-1s to require documentation that a patient's condition qualifies them to obtain the prescription under the terms of the Plan. It is estimated that this will save the Plan \$18 million per year, and as a result budget requirements are reduced by 0.5 percentage points.

Mr. Tester reminded the Committee that at the June meeting, the Board adopted a staff recommendation to remove the preferential patient cost share at Patient-Centered Medical Home (PCMH) practices effective January 2025. Services received at a PCMH will be subject to regular copays and coinsurance next year. This action will save the Plan around \$14 million per year and will reduce Plan budget requirements by 0.4 percentage points.

Also at the June meeting, the Board adopted a staff recommendation to place high-cost diabetic supplies in the regular pharmacy copay structure. This is estimated to save the Plan around \$2 million per year in direct expenditure and will reduce budget requirements by 0.1 percentage point.

Mr. Tester noted that the Plan's movement to biosimilars should also help to mitigate Plan expenses in specialty pharmacy. Although specialty pharmacy trend has moderated this year, it has historically been the most significant cost driver in the State Health Plan.

Mr. Tester reviewed the 2026 State Health Plan Budget and Continuation Requirements, and reported that there will be a 3.9 percent total contribution rate increase effective January 1, 2026.

Mr. Tester advised that the 2026 rate increase equals to \$36.76 per subscriber per month, effective January 1, 2026. If the increase is distributed proportionally to the employer and enrollee, the State-appropriated funding for the rate increase would equal \$29.166 million for January-June 2026, and the average enrollee rate increase would be \$5.92 per month. If the increase is provided entirely through the employer, the State-appropriated funding for the rate increase would equal \$34.794 million for January-June 2026.

Mr. Heisler made a motion, which was seconded by Chairman Shissias, and passed unanimously, to recommend that the PEBA Board approve the State Health Plan Budget Requirements Approval for 2026 as presented.

#### **IV. Accessibility of Behavioral Health Services in the State Health Plan**

Dr. April Richardson, Vice President of Clinical Services with Companion Benefit Alternatives, a subsidiary of BlueCross BlueShield of South Carolina, stated that according to The State of Mental Health in America study, approximately 60 million Americans reported having a mental illness in 2022.

Dr. Richardson reported that in the first year after the pandemic, the global prevalence of anxiety and depression increased by 25 percent, according to the World Health Organization.

Dr. Richardson advised that inpatient utilization and residential treatment for behavioral health services in the SHP has declined over the past two and a half years, while outpatient facility services have increasing slightly in 2024. Recent studies across multiple states have shown that fewer than 20 percent of providers are accessible to members seeking new patient therapy appointments.

Dr. Richardson discussed the SHP's behavioral health services adequacy gaps, and addressed ways to improve access to resources including prioritizing telehealth services, reduce wait times, and addressed affordability.

Dr. Richardson concluded by reviewing virtual behavioral health providers that are available for SHP members, and how to access these providers.

**V. Elections of Committee Vice-Chairman**

Mr. Heisler made a motion, which was seconded by Chairman Shissias, and passed unanimously, to nominate Mr. Sowards as the Health Care Policy Committee Vice-Chairman.

**VI. Old Business/Director's Report**

Ms. Peggy Boykin, Executive Director, stated that PEBA's budget hearing with the Governor's office is scheduled for Wednesday, October 30, 2024 and the focus will be the State Health Plan budget and continuation requirements.

**VII. Adjournment**

There being no further business, and upon a motion by Mr. Heisler, which was seconded by Chairman Shissias, and approved unanimously, the Committee meeting adjourned at 10:44 a.m.