

School Employees' Health Benefits Program
Plan Design Committee
Open Session Minutes: February 25, 2019 10:00 a.m.

Adequate notice of this meeting was provided through the annual notice of the schedule of regular meetings of the Committee filed with and prominently posted in the offices of the Secretary of State. A meeting notice was mailed to the Secretary of State, Star Ledger and the Trenton Times on December 20, 2018.

The meeting of the School Employees' Health Benefits Program Plan Design Committee of New Jersey was called to order on Monday, February 25, 2019 at 10:00 a.m. The meeting was held at 50 West State St, in Trenton, NJ.

The text of Resolution B (Executive Session) – was read in its entirety in the event that the Committee desires, at any point in the meeting, to approve a motion to go into closed session.

Acting Secretary Nicole Ludwig took Roll Call and established that a quorum was present.

Roll Call

Committee Members:

David Pointer, Deputy Director, Division of Pensions and Benefits

Jennifer Keyes-Maloney, Assistant Treasurer

Julie Giordano Plotkin, NJEA (Appearing Telephonically)

Kevin Kelleher, NJEA

Donna Chiera, AFT/AFL-CIO (Appearing Telephonically)

Also Present:

Mark Cipriano, Division of Pensions and Benefits

Nicole Ludwig, Division of Pensions and Benefits

Beth Mitchell, Assistant Attorney General

Absent:

David Ridolfino, Director Office of Management and Budget

Follow Up to Out-Of-Network Lab Services by Horizon

Dave Perry of Horizon gave a presentation regarding follow up documentation which was provided to the Committee Members in advance of the meeting.

Committee Member Kelleher questioned the report which stated that LabCorp and Quest made up 57% of the market share. Mr. Perry explained that the 57% is a national number, however Horizon believes that the tristate area makes up a large percentage of this number.

Committee Member Kelleher asked what the timeline would look like to start the communication regarding the changes to the members. Mr. Perry stated that Horizon would start with the opportunities that are at hand. Horizon would focus on the communications that have a cost associated closer to the effective date. Committee Member Keyes-Maloney asked if the communication to the providers would be by mail, or electronic or both. Mr. Perry stated that Horizon currently utilizes NaviNet with their physicians. This is an online tool where the physicians can check benefits and eligibility. Committee Member Keyes-Maloney asked if this would apply to both in-network as well as out-of-network providers. Mr. Perry explained that the majority of the referrals are coming from in-network doctors, but would pertain to both in and out-of-network providers.

Committee Member Keyes-Maloney asked if a resolution would need to be passed to enact the change. Chairperson Pointer confirmed that a resolution would be needed. He also questioned Horizon if a resolution was to be passed in March would it provide sufficient time for a July 1 effective date. Mr. Perry confirmed that would be fine.

Follow Up To Reference Based Pricing (RBP)

Christin Deacon from the Division of Pensions & Benefits (DPB) gave a follow up presentation from the November SEHBP PDC regarding Reference Based Pricing. Mrs. Deacon was asked at the November PDC meeting to provide hypothetical figures regarding RBP in relation to the three selected services: hip replacement, knee replacements, and colonoscopies.

Mrs. Deacon explained that the presentation shows three possible scenarios and savings associated with the scenarios: 50th percentile of lab costs; 40th percentile of lab costs; & 25th percentile of lab costs. Mr. Kelleher asked for clarification on the lab costs. Mrs. Deacon went on to explain that in her example for hip replacements the maximum allowed cost the plan has paid has been up to \$89,000. The 50th percentile would pay approximately \$24,000.00. Chairperson Pointer asked if this was based on Fair Health. Mrs. Deacon advised this was approximately what the plan paid. Mrs. Deacon went on to explain that the plan currently pays approximately \$8.6 million for hip replacements per year. The RBP presentation provided estimated cost savings based on each of the percentiles that could be chosen. Committee Member Keyes-Maloney

asked if the RBP savings were based on in-network or out-of-network, to which Mrs. Deacon stated that the \$8.6 million is for both in-network and out-of-network.

Committee Member Kelleher asked to discuss the other services offered, specifically acupuncture, chiropractic, and physical therapy. Committee Member Kelleher asked if there was a geographical difference in claims, between North, Central and South NJ. Mrs. Deacon said that she would investigate and provide more information. Committee Member Kelleher asked if RBP could be broken down regionally. Mrs. Deacon explained that CMS has a RBP-like program that does break down regionally. However, if the State was to enact RBP, they may want to carefully consider regional factors.

Chairperson Pointer stated that the CMS RBP model includes 465 hospitals, and asked how many of them are New Jersey hospitals? Mrs. Deacon provided a handout which listed all the participating NJ Hospitals. She went on to explain that the CMS RBP is a Pilot Program which started in 2016 and is approved for 5 years.

Committee Member Keyes-Maloney asked if the pricing in the CMS RBP has adjusted the payments for services over the course of time. Mrs. Deacon advised that pricing has been adjusted with rulemaking. She also explained that CMS groups knee and hip replacements together. She advised additional documentation regarding the CMS Pilot Program was provided in the handouts.

Committee Member Kelleher asked if the Pilot Program was in all Hospitals in NJ. Mrs. Deacon explained that it is in most hospitals. Committee Member Kelleher noted that Virtua was not on the list of approved hospitals; this was confirmed by Mrs. Deacon.

Mrs. Deacon moved on to potential prescription drug RBP; there were 10 therapeutic drugs identified in the presentation. The potential savings on the 10 therapeutic drugs would be approximately \$18 million. Committee Member Kelleher asked Mrs. Deacon to walk through what the RBP for prescription drugs would look like. Mrs. Deacon explained there would be specific generic drugs identified in the therapeutic classes, and that the cost for the patient could be as low as five cents a pill. However, if the member chooses to receive name brand drugs they would be balanced billed and the member would pay the difference. Committee Member Kelleher asked how the doctors would know it is preferred that they prescribe the generic. Mrs. Deacon explained there would have to be a robust communication strategy to both members and providers.

Committee Member Keyes-Maloney requested that research done regarding Centres for Excellence as well as regional differences. Mrs. Deacon confirmed that she would follow up on the regional distinctions.

Committee Member Kelleher made a motion to form a subgroup to discuss and focus on RBP, as well as OON Lab services. Committee Member Keyes-Maloney seconded the motion; all voted in favor. The members who will be in the subgroup were not determined at this time.

Presentation by Aon: Chiropractic, Acupuncture and Physical Therapy

Aon representative Michelle Engle gave a presentation on the out-of-network cost drivers related to chiropractic, acupuncture, and physical therapy. Mrs. Engle advised that in 2017, 87% of all claims for acupuncture, chiropractic, and physical therapy were out-of-network. She noted that northern and southern New Jersey had considerably more out-of-network claims than central NJ.

In 2017, the SEHBP plan paid \$43.5 million for out-of-network acupuncture, and \$3.5 million for in-network. Chiropractic spend was \$18.7 million for out-of-network, and \$5.2 million for in-network. Physical Therapy spend was \$73.7 million for out-of-network, and \$11.6 million for in-network. Committee Member Kelleher asked if the total spend was for both SHBP and SEHBP, and also when the 2018 data would be available. Committee Member Chiera asked why there was such a trend to out-of-network. Mrs. Engle explained that the figures reflect SEHBP only. She went on to explain that the in-network providers are far outnumbered by the out-of-network providers. Alex Jaloway of Aon added that participants may not realize they are going to an out-of-network provider. Mrs. Engle added that northern NJ had higher out-of-network payments per visit compared to southern NJ. Mr. Jaloway explained that the claimants are flat from 2015 to 2017. However, the out-of-network visits for claimants were up in 2017, especially related to physical therapy (PT). Committee member Kelleher asked if the claims for 2018 are getting worse. He asked if the increase in the costs may be related to the changes that were made by the SHBP. Could it be that the providers are increasing costs to make up for the differential? Mr. Jaloway confirmed that the trend is increasing for 2018.

Committee Member Kelleher asked if the data was based on Horizon's data, and if there are limits to PT visits. Dave Perry of Horizon spoke on the topic of PT, stating that there is an automatic approval for seven PT visits, but then anything above the seven is treated like subsequent care. Kim Ward of Aetna confirmed that Aetna is following the same format, however Aetna allows for 10 visits and then the provider must be contacted for additional visits. Mrs. Ward confirmed this was for in-network providers only. Chairperson Pointer asked if there could be a visit limit along with a pre-certification. Committee member Kelleher asked if the limits are per year, or per episode. Mr. Perry confirmed that the limits are per year.

Mr. Jaloway went over the Horizon book of business related to chiropractic and acupuncture. Committee Member Kelleher asked that the subgroup that is working on the OON Lab and RBP also review chiropractic, acupuncture, and PT. Committee Member Keyes-Maloney made a

motion to include chiropractic, acupuncture, and PT in the subgroup. Chairperson Pointer seconded the motion; all voted in favor.

Adjournment

Chairperson Pointer made a motion to adjourn, Committee Member Keyes-Maloney seconded the motion; all voted in favor. Having no further items to discuss, the SEHBP PDC adjourned at 11:01 a.m.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Nicole Ludwig". The signature is written in a cursive, flowing style.

Nicole Ludwig
Acting Secretary, State Health Benefits Plan Design Committee