

# INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE AGENDA 1-13-11

## MEMBERSHIP

Les Robbins, Chair  
William de la Garza, Vice Chair  
Edward L. Blecksmith  
Simon S. Russin  
Marvin Adams, Alternate

### I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

### II. APPROVAL OF THE MINUTES

of the Regular Meeting of December 9, 2010

### III. FOR INFORMATION

A. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a "Watch" position on Senate Bill 27, which would address pension "spiking" and "double dipping".

### IV. FOR INFORMATION

- A. Staff Activities Report for December, 2010
- B. CIGNA & Anthem Blue Cross Claims Experience
- C. Caremark Audit Report
- D. Federal Legislation
  - Weekly Highlights – December 20, 2010
  - Weekly Highlights – December 13, 2010
  - Weekly Highlights – December 6, 2010

### V. MISCELLANEOUS

(Discussion)

### VI. PUBLIC COMMENT

### VII. GOOD OF THE ORDER

### VIII. ADJOURNMENT

# INSURANCE, BENEFITS & LEGISLATIVE COMMITTEE MINUTES 1-13-11

## PRESENT

Les Robbins, Chair  
Simon S. Russin, Vice Chair  
Marvin Adams  
William de la Garza  
Shawn R. Kehoe, Alternate

## ALSO ATTENDING:

### BOARD MEMBERS AT LARGE

Yves Chery  
Ed C. Morris

## STAFF, ADVISORS, PARTICIPANTS

Cassandra Smith

Mercer Human Resource Consulting  
Clay Levister  
Laurie Silva  
Robert Ferraro  
Lisa Oswald

The meeting was called to order by Chairman Robbins at 9:55 a.m.

### I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

All regular members of the Committee were present.

### II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF DECEMBER 9, 2010

A motion was made by Mr. de la Garza, seconded by Mr. Blecksmith, to approve the minutes of the regular meeting of December 9, 2010. The motion passed unanimously.

### III. ACTION ITEMS

A. Recommendation as submitted by Cynthia Lau, Legislative Affairs Officer: That the Committee recommend the Board of Retirement adopt a "Watch" position on Senate Bill 27, which would address pension "spiking" and "double dipping". (Memorandum dated January 5, 2011)

A motion was made by Mr. de la Garza, seconded by Mr. Russin, to approve the recommendation. The motion passed unanimously.

### IV. FOR INFORMATION

A. Staff Activities Report for December, 2010

The staff activities report was discussed.

B. CIGNA & Anthem Blue Cross Claims Experience

The CIGNA & Anthem Blue Cross Claims Experience reports through November 2010 were discussed.

C. Caremark Audit Report

Lisa Oswald and Robert Ferraro of Mercer presented the results of the performance assessment of LACERA's pharmacy program, administered by Anthem Blue Cross through a relationship with CVS Caremark. The period selected for the audit was July 1, 2008 through June 30, 2009. The objectives of the audit were to verify the accuracy of Caremark's retail and mail-order claims processing, verify the accuracy of financial records to ensure claim costs are consistent with Caremark's contract terms, and provide LACERA with recommendations for future PBM audits. To accomplish these objectives, the scope included an electronic pricing and plan design audit of all retail and mail-order claims processed during the audit period, an invoice review, and a mail-order sample audit.

Caremark's data entry accuracy rate of 93% is below generally accepted industry benchmark expectations of 99%. None of the errors resulted in a patient receiving the wrong medication; however, the likelihood of this happening increases as data accuracy decreases. Caremark is working on a corrective action plan, which will include retraining of data entry operators.

There were a number of errors identified by the electronic audit. These included:

- Application of mail-order discounts

- Application of dispensing fees
- Duplicate claims payment
- Payment of non-covered drugs
- Application of copayments
- Application of quantity maximums

Based on this review, Caremark's accuracy results for both the mail-order and electronic audit were below generally accepted industry benchmarks. Additionally, there were errors identified by this audit which resulted in financial overpayments by Caremark.

There are still outstanding issues from this audit project. Caremark will produce a corrective action plan for each of the outstanding findings, providing regular updates until each issue has been resolved and reimbursement has been made to LACERA for overpayments incurred.

#### **D. Federal Legislation**

- Weekly Highlights — December 20, 2010
- Weekly Highlights — December 13, 2010
- Weekly Highlights — December 6, 2010

Submitted for information only.

#### **V. MISCELLANEOUS**

Ms. Smith gave the Committee a copy of a letter from California Senator Curren Price to The Department of Managed Healthcare addressing concerns regarding Senate Bill 1088. The intent of this bill was to conform California state law to federal law. However, the current language has led to some confusion as to whether state law requires specialized plans to extend coverage for dependents up to age 26. Under the federal Patient Protection and Affordable Care Act (PPACA), this is not a requirement. The senator will be introducing additional legislation to address the ambiguity in SB 1088.

Effective February 1, 2011 quantity limits will be placed on erectile dysfunction drugs, and OxyContin, which is a highly addictive narcotic. It has always been LACERA's intent to have those limits in place, however, during the Caremark review it was discovered that they had not been implemented. Caremark will be sending a letter to effected members, a copy of which was given to the Committee.

Ms. Smith discussed two items that will be presented to the Board of Retirement at their February meeting. One was the discontinuance of the prescription auto-refill program from Caremark. Currently, the mailing frequency of refills allows members to stockpile prescriptions. At this time, Caremark does not have the capability to change the timing for the auto-refill program without changing the refill timing for the entire group. Second was the implantation of Caremark's Specialty Guideline Management Program, which is designed to ensure that medication use is appropriate, safe, and effective for the condition being treated. There is no cost to LACERA implement this program.

#### **VI. PUBLIC COMMENT**

#### **VII. GOOD OF THE ORDER**

(For discussion purposes only)

#### **VIII. ADJOURNMENT**