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IN REFERENCE TO: SSHE-3202

July 19, 2016

Stuart W. Davidson, Esquire
Willig, Williams & Davidson
Twenty-Fourth Floor
1845 Walnut Street
Philadelphia, PA 19103

RE: Response to Request for Information dated July 13, 2016

Dear Mr. Davidson:

The purpose of this correspondence is to provide APSCUF with information in response to its July 13, 2016 information request. For purposes of clarity, I have restated the specific request for information along with the State System's response. To the extent that information requested is not presently available, I have indicated accordingly.

1. Disruption report for elimination of UPMC and Geisinger HMOs, or a list of providers used by bargaining unit members under the UPMC and Geisinger HMOs.

Geisinger HMO – I have attached the insurer provider facility and provider utilization reports for the time periods 7/1/14 - 6/30/15 and 7/1/15 - 3/31/16. Highmark is currently reviewing these reports to identify those providers/facilities who are not in the Highmark PPO network.

UPMC HMO – The insurer has indicated a willingness to provide the data, but the State System has not received it. The only information that has been provided is the top five (5) facilities utilized for in-patient and out-patient services (see attached). The requested information will be provided as soon as it is received from the insurer.

2. Has the System made a determination whether or not its proposal to replace the six months of COBRA reimbursement for retrenched with three months of regular coverage is cost-neutral? Regardless of the answer, please provide any calculation of the cost or savings expected to be generated by this proposal.

With respect to the initial question, it should be noted that the State System did not present its proposal as “cost neutral.” The State System believes that there is a cost to its proposal, but the overall financial impact is not significant in comparison to its other economic proposals. The rationale for this proposal was to reduce the administrative burden of tracking the payment and reimbursement of premiums and to provide economic relief to the retrenched faculty member during the period of transition.

To date, twelve (12) retrenched faculty members have been preferentially hired at another State System university. To continue healthcare coverage until the beginning of their new contract, those faculty members had to elect COBRA coverage, and pay the full premiums out of pocket. Then, the faculty member was required to complete the forms for reimbursement and submit them to the retrenching university for processing and payment. This proposal eliminates all of these steps, as the faculty member would remain on active health benefits over the summer with the retrenching university, and would then be enrolled in health benefits with the hiring university effective with the start of the fall semester, eliminating the need to elect COBRA coverage, and pay in advance the full amount of those premiums.

As to the cost calculation, the State System is unable to quantify the cost impact of this proposal due to the variability of each situation, including if the retrenched faculty member is enrolled in the health plan, his/her tier of coverage, whether or not he/she elects COBRA, and the number of months COBRA coverage is elected.

3. Is the System aware of any plans other than the PEBTF that require step edits and prior authorizations for prescriptions? If so, please identify all such plans, and note whether they cover public or private sector employees.

Highmark reports that 97% of the prescription drug plans they administer include prescription drug clinical management programs. A break down between public sector and private sector employers was not provided.

While it would be impractical to identify all such plans that utilize these types of programs, here are three (3) higher education examples in Pennsylvania, that utilize some or all of these prescription drug management programs, as well as some additional prescription drug management programs not being proposed by the State System:

University of Pittsburgh

- 4 tier retail co-pays - \$16 Generic/\$40 Preferred Brand/\$80 Non-Preferred Brand/\$90 Specialty
- Exclusive Specialty Pharmacy Provider (Accredo) – limited to 30-day supply
- Prior Authorization
- Quantity Level Limits
- Step Therapy
- Additional limitations/exclusions on ED medications
- No coverage for non-participating pharmacies

Temple University

- 3 tier retail co-pays – 10% Generic/20% Preferred Brand/30% Non-Preferred Brand
- Exclusive Specialty Pharmacy Provider (CVS)
- Prior Authorization
- Quantity Level Limits
- Generic Step Therapy
- Specialty Guideline Management (Specialty Drug Utilization Management Program)
- Mandatory Mail-Order for Maintenance Drugs
- Dispense as Written- member pays difference in cost between generic and brand if doctor indicates brand is required when generic is available

Pennsylvania State University

- 3 tier retail co-pays – 50% Generic/50% Brand Formulary/70% Brand Non-Formulary
- Specialty tier – 50% (max \$50) Specialty on formulary/70% (max \$100) Specialty not on formulary
- Exclusive Specialty Pharmacy Provider (Walgreens Specialty Pharmacy) – limited to 30-day supply
- No coverage for Non-Network pharmacies
- Quantity Level Limits
- Prior Authorization

4. Frequency with which Highmark changes the list of drugs subject to step edits and/or prior authorization.

According to Highmark, “clinical edits are updated quarterly with the Pharmacy and Therapeutics (P&T) Committee meetings. However, updates to the edits can be done as needed throughout the year depending on business need or gaps in care that are identified. For example, Hepatitis C medications are extremely high cost, and relatively new to the market. If a new medication in this drug class is released to market in between P&T Committee meetings, it may not be advisable to wait until the next P&T Committee meeting to add the drug to the clinical programs due to the potential high cost impact to Highmark clients.”

5. Please provide a written explanation of how employees currently taking drugs for which Highmark requires step edits and/or prior authorization would be handled under the System’s proposal, including:

- a. What, if any, grace period the System is proposing for these employees seek obtain approval to continue taking drugs on either list;**

As previously indicated, the State System would be willing to discuss the applicable grace period as part of the overall changes to its health care plan. One consideration that would factor into the discussion is the length of time between finalization of the collective bargaining agreement and the effective date of implementation of these prescription drug management programs.

- b. What, if any appeal rights an employee would have if coverage for a drug that he or she is currently taking were denied after these changes go into effect;**

The same appeal rights that are applicable to the medical portion of the plan are also applicable for adverse determinations on the drug portion of the plan. More information is available in the PPO Blue Member Handbook. Additionally, provider appeals and provider “peer to peer” review is available as part of the dispute resolution process. Also, there is an external level of appeal available, as required under healthcare reform as the State System is a non-grandfathered plan.

- c. What criteria are used by Highmark to determine whether or not a particular drug is placed on the list for step edits and/or prior authorization; and**

In order to determine which medications need to be placed in a prescription drug edit, Highmark follows best practices in the pharmaceutical industry. Highmark also places edits on medications that may be subject to mis-prescribing or overprescribing. Decisions are ultimately made by the P&T Committee in terms of which medications need to be included in the edits. The criteria could differ based on the needs/requirements of that type of medication. Highmark also follows guidance from the FDA, CDC and other respected institutions

- d. Who sits on the Highmark pharmacy committee, which you said, determines whether or not a drug is subject to step edits or prior authorization requirements.**

The P&T Committee is comprised of both internal AND external physicians and pharmacists who meet several times a year. Meetings are scheduled regularly throughout the year but they can also be called together at any time to address any needs or new medications coming to market.

- 6. The number of annuitants under age 65 currently participating in the indemnity plan.**

As of 7/5/2016, there are 171 pre-Medicare annuitants enrolled in an indemnity plan design.

- 7. A breakdown of the System's calculation that moving all faculty HMO participants into the PPO would save \$1.2 million in the first year.**

The savings calculation has been updated to reflect current year rates and enrollment.

For the purposes of allocating costs to the universities, a "composite" HMO rate is developed, which calculates the aggregate expected HMO premiums for the plan year (HMO medical three tier premium rates, multiplied by actual enrollment, then divided by the total number of enrolled employees). The composite RX rate is then added to the calculated HMO medical composite rate to result in the composite HMO+RX rate. For the 2016/17 plan year, the employer portion of the HMO+RX rate is \$17,242 (annual). Highmark provides a composite rate for the PPO and RX plan. For the 2016/17 plan year, for the faculty PPO+RX plan, the employer portion of that composite rate is \$12,980 (annual).

The estimated savings associated with eliminating the HMO plan options is the difference between these two rates ($\$17,242 - \$12,980 = \$4,262$) times # of faculty enrolled in an HMO (252 enrollees) - a projected savings of **\$1,074,024**.

8. A calculation of the impact of the System's proposal to amend Article 11, Section F, subsections 1 and 2 upon the overall number of adjunct faculty employed.

Subsection 1, the State System is working to gather this information. Subsection 2, the State System does not possess the statewide data to evaluate the impact of this proposal. The State System is working to provide a sample of the impact at a single university for purposes of discussion relative to this proposal. Additional information will be provided when available.

9. The date(s) upon which faculty are paid for work during winter session at each University.

The State System is working to gather this data. Additional information will be provided when available.

10. A breakdown of all adjunct faculty by gender, race and ethnicity for Fall 2015 and Spring 2016.

The State System is working to gather this data. Additional information will be provided when available.

11. Copies of any local agreements regarding counseling faculty workload.

The State System is working to gather this data. Additional information will be provided when available.

12. Copies of all local agreements regarding continuing education compensation.

The State System is working to gather this data. Additional information will be provided when available.

13. Two separate listings of all courses taught at the Dixon Center and in Philadelphia for the last three years, including for each course the name and home campus of the

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faculty member who taught the course, and what, if any, incentives were paid to the faculty member for teaching the course.

The State System is working to gather this data. Additional information will be provided when available.

- 14. An explanation of how the System's proposed new Section J of Article 15 (regarding continuing tenure for faculty members promoted to management positions) relates to the current Article 7, Section F. 2.**

The State System is aware that the existing contractual language and the proposed language relate to the same topic. The State System will consider a revised proposal that combines both existing language and proposed language.

- 15. An explanation of the purpose of the language proposed by the State System at Article 18, Section A, subsections 11, 12 (d) and 13. Specifically, is it the System's intention to both authorize University Presidents (or their designees) complete discretion to deny all sabbatical requests, and also to prohibit University Presidents (or their designees) from granting sabbaticals to more than three percent of the University's faculty in a given year?**

The purpose of the proposal is to provide the State System with a greater ability to critically evaluate the merit and financial impact of individual requests for a sabbatical beyond the existing arbitral precedent. It is the State System's purpose to limit the total amount of sabbaticals provided in an academic year to 3% as noted above.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,



Gretchen K. Love

GKL:dls

Enclosures

THE ATTACHMENTS CONTAINING MEDICAL FACILITY AND PROVIDER UTILIZATION DATA
HAVE BEEN REDACTED TO PROTECT HEALTH INFORMATION