



Important Open Enrollment Information

Active and retired members eligible for PEEHIP will experience several changes in the open enrollment process this year.

OPEN ENROLLMENT DATES HAVE CHANGED. The Open Enrollment period will begin July 1 and end August 31, 2005, for changes to be effective October 1, 2005. All open enrollment forms and written requests must be postmarked no later than August 31, 2005, for the PEEHIP office to accept the request. However, this year members will be able to make open enrollment changes after August 31 by going online from September 1, 2005, through September 10, 2005. Members can add new types of coverage, dependent coverage or change coverage types during this open enrollment period.

AN OPEN ENROLLMENT PACKET WILL BE MAILED TO YOUR HOME ADDRESS. By July 1, 2005, an open enrollment packet will be mailed to your home address if you are eligible for PEEHIP coverage. The open enrollment packet will have all of the enrollment forms and information for members to make open enrollment changes.

If you do not wish to make changes to your PEEHIP insurance coverage, you do not need to complete the open enrollment application. You will automatically remain enrolled in the same or existing insurance plan(s), and your monthly premium will continue to be deducted from your check.

INSURANCE PREMIUMS AND ENROLLMENTS WILL BE HANDLED BY THE PEEHIP OFFICE—NOT BY THE EMPLOYER. The PEEHIP office will be determining and managing the premium deductions; therefore, active and retired members will be required to send all insurance changes to the PEEHIP office. You will no longer go to your employer to make insurance changes. Prior to the payroll cutoff date, the PEEHIP office will send an electronic file to each employer authorizing the payroll deductions for each employee. The payroll deduction amount will be based on the insurance plan(s) you have selected. If the payroll deduction is incorrect, you will need to contact the PEEHIP office instead of your employer. It is imperative for PEEHIP to have your correct home mailing address to receive this important open enrollment information.

Independent Pharmacies Demand Higher Rates

When you purchase a prescription drug from an independent pharmacy, the cost to PEEHIP is higher than at a chain pharmacy such as CVS, Rite Aid, and Winn Dixie. This is due to independent pharmacies demanding higher payment rates in order to be included in the PEEHIP network.

During the seven month period ending April 2005, approximately 1.0 million prescription drug claims for PEEHIP members were processed at 547 independent Alabama pharmacies at a cost of \$71.7 million. If those prescription drugs had been purchased at the nearest chain pharmacy, the cost would have been \$69.8 million—a savings of \$1.9 million over seven months. This translates to an annual estimated savings of \$3.26 million.

Further analysis showed that of the 547 independent Alabama pharmacies, 390 were located within 3 miles of a chain pharmacy. Approximately 76% of the 1.0 million independent pharmacy claims were filled at a pharmacy within 3 miles of a chain. Had this group of prescriptions been purchased at the nearest chain store, PEEHIP would have recognized a savings of \$1.4 million for the seven month period for an annualized savings of approximately \$2.4 million.

Tobacco Use Certification Update

PEEHIP insures 229,900 Alabamians in its hospital/medical or HMO plans. Approximately 30,600 of them are tobacco users. These 30,600 tobacco users cost PEEHIP over \$30 million each year to treat their smoking-related diseases. In addition to the staggering economic cost, tobacco use is the leading cause of preventable death in the United States.

To determine the tobacco status of the employees and their spouses, the PEEHIP office mailed 123,000 letters on April 6, 2005 to members enrolled in the PEEHIP

hospital medical or HMO plans requesting members to certify their tobacco use status. A second letter was mailed in May to 40,000 members who did not respond to the first notification and a third notice was mailed in June to 22,000 members.

As of June 10, 2005, the PEEHIP office had received responses from 103,059 members with 14,858 indicating tobacco usage. This translates into a 14.4% tobacco usage rate. The cost of the mailings is expected to be over \$125,000 and each additional mailing adds cost and expense to the PEEHIP program. Therefore, if you have not

responded to the tobacco mailings, please do so today even if you are a tobacco user. Your response will help reduce the mailing expense to the PEEHIP program.

If you have not received a tobacco certification notice and you are enrolled in the PEEHIP hospital medical plan or HMO plan, please contact our office by calling 1-800-214-2158. Effective, October 1, 2005, the tobacco use additional premium of \$20 will be deducted from your monthly check and no refunds will be allowed for failure to submit a certification form.

PEEHIP Statewide Wellness Program Adds Smoking Cessation Program

Have you participated in the PEEHIP Wellness Program? Since October 1, 2000, PEEHIP has worked in conjunction with the Alabama Department of Public Health to provide a statewide Wellness Program for PEEHIP members and dependents. At the May PEEHIP Board meeting, the PEEHIP Board approved funding for the PEEHIP Statewide Wellness Program for the 2005-2006 plan year.

The current wellness program consists of health screenings which include measuring your blood pressure, total cholesterol, high-density lipoproteins, body mass index, and pulse and blood glucose levels. A counseling session with a nurse is also provided to discuss results and to make recommendations about modifiable health behaviors. Related health education/behavior change literature is also issued. Beginning in October, participants will also receive a free Healthwise Handbook for participating in the screening. Health Department nurses will come to your school and provide the screening to you! The entire screening only takes about 20 minutes and can provide information to help you identify health risks and improve your health.

In addition to the health screenings, participants can receive an osteoporosis screening and influenza immunizations. All of this is provided at no cost to the participant! Over 27,000 participants take advantage of this valuable program each year.

This year, to address the staggering cost of tobacco related diseases, the Public Health Department and PEEHIP will be offering a proactive tobacco use cessation toll-free Quitline. The purpose of the program is to decrease the total health care expenditure for PEEHIP participants; to improve clinical outcomes of those enrollees who participate in the Quitline; and to demonstrate support for enrollees who use tobacco and will be required to pay an additional \$20 per month for coverage due to their tobacco use.

The Alabama Tobacco Quitline operates 24 hours a day, providing live counseling from 8:00 a.m. until 8:00 p.m., Monday through Friday with Masters prepared Licensed Professional Counselors. An intake session is conducted and if the tobacco user chooses, he or she can receive up to six counseling proactive sessions from the Quitline. Alabama's Tobacco Quitline phone number is 1-800-QUIT-NOW (1-800-784-8669). Why not call today and get started saving money on your premiums with PEEHIP but most importantly, improving your health!

For information related to the PEEHIP Wellness Program or to schedule a wellness session at your school or retired meeting, contact the Wellness Division of the Alabama Department of Public Health at (334) 206-5585 or 1-800-252-1818.

HMO Options

The PEEHIP Board and staff have traditionally offered members and dependents an HMO choice in health plans when the benefits and premiums are comparable to the traditional PEEHIP hospital medical plan administered by Blue Cross. Although a very small percentage of our membership participate in the HMO plans, the PEEHIP staff and Board have continued to offer these programs as an alternative to the PEEHIP traditional hospital medical program.

This year, the Viva HMO and the HealthSpring HMO sent in proposals to be offered for the new plan year. After the staff evaluated the proposals, only one HMO plan, Viva, was recommended to be offered to the membership. The staff determined that the premium rates and benefits proposed by the Viva HMO plan were more attractive than those original benefits and premiums offered by the HealthSpring HMO. However, the PEEHIP Board approved continuation of two HMO plans, HealthSpring HMO and Viva HMO for the 2005-2006 plan year.

It is very important that you as a member evaluate and understand the difference in the health insurance options available to you. The HMO plans offer higher benefits in certain areas, but you may be limited in other benefit areas or limited in the providers and facilities that you can use. Please read and understand the benefits carefully before enrolling or making changes. PEEHIP members can enroll or make changes to their health insurance plans during the open enrollment period of July 1 through August 31, 2005, for the coverage to be effective October 1, 2005. However, members cannot make changes in their health insurance outside of the open enrollment period unless they have an approved qualifying event. Members are not permitted to change HMO plans or switch to another PEEHIP hospital medical plan outside of the open enrollment period.

How can PEEHIP Flexible Spending Accounts reduce my taxes?

Spending accounts reduce your taxes by reducing your taxable income. Using these pre-tax accounts can make a significant difference in your take-home pay. The chart below illustrates what would happen if your annual pay is \$45,000 and you have to pay \$2,000 in health or dependent care expenses not covered by any other benefit plan.

Example*	After-tax (without account)	After-tax (with account)
Annual Pay	\$45,000	\$45,000
Pre-tax contribution	0	2,000
Sub-Total	\$45,000	\$43,000
Standard Deduction	-9,700	-9,700
Exemptions	-12,400	-12,400
Sub-Total	\$22,900	\$20,900
Federal income taxes	-2,716	-2,416
Social Security taxes	-3,443	-3,290
After-tax payment expenses	-2,000	0
Take-Home Pay	\$36,841	\$37,294

Total tax savings is: **\$453**

*Table does not include the savings related to State income taxes. Table is based on 2004 tax laws. Assumes you are married, filing jointly with your spouse, taking the standard deductions with four exemptions.

FPL AND CHIP

In November 2004, the Alabama legislature enacted legislation (ACT 2004-646) that required the PEEHIP Board to provide assistance to all members enrolled in PEEHIP with a combined family income less than or equal to 200% of the Federal Poverty Level as defined by the federal law. Act 2004-646 also required the PEEHIP Board to offer similar benefits to children of PEEHIP members who qualify for the federal Children's Health Insurance Program (CHIP) administered by the State Department of Public Health. The Federal Poverty Level Assistance Program (FPL) and the Children's Health Insurance Program will be effective October 1, 2005.

Based on average costs from the Health Department and PEEHIP per child, a cost analysis was prepared on these two new programs. In this analysis, only active members who are eligible for PEEHIP as of September 30, 2004, were considered. However, retirees may also be eligible for these programs. From the pool of active members with a salary distribution range below \$30,000, there are approximately 27,000 public education employees who earn less than \$20,000, and 39,000 who earn less than \$30,000 annually.

The potential cost to PEEHIP with the use of these two programs was examined and estimated in the following table:

FPL AND CHIP COST ANALYSIS

Participation Percentage (Salary < \$30,000)	# of Members qualifying	Annual Est. FPL Assistance (in millions)	Annual Est. CHIP Cost (in millions)	Annual FPL + CHIP (in millions)
One Percent	388	\$0.2	\$1.1	\$1.3
Ten Percent	3,880	\$2.0	\$11.0	\$13.0
Fifty Percent	19,400	\$10.0	\$55.0	\$65.0

Depending upon the utilization, these programs could potentially more than offset all of the PEEHIP cost savings generated from the tobacco usage surcharge and the retiree sliding scale calculation.

Blue Cross Updates

BARIATRIC SURGICAL NETWORK

Blue Cross and Blue Shield of Alabama has established a Bariatric Surgical Network in order to enhance the quality of care for members with severe obesity. In order for bariatric surgeons to qualify to be included in the network, they must meet the following criteria:

- Board Certified in General Surgery
- Perform at least 50 bariatric procedures per year as the primary surgeon
- Bariatric procedures must comprise more than 35% of surgical practice
- Perform a pre-operative evaluation including nutritional counseling, appropriate laboratory testing, educational materials, psychiatric evaluation
- Require at least 6 follow up visits within 12 months of surgery including a plan for transition to care of local referring physician, dietary and nutritional counseling and psychological follow-up as needed

If you are considering a surgical procedure related to severe obesity, consider a

physician who participates in the network. Currently there are 35 surgeons who have agreed to join the network out of the 63 in Alabama who perform this procedure. To find out more information or to find a provider in the network, call **1-800-810 BLUE (2584)** or check a provider directory.

NON-PARTICIPATING HOSPITALS

Effective October 1, 2005, the PEEHIP Board approved Blue Cross and Blue Shield of Alabama's new reimbursement policy for claims from hospitals and out-patient facilities that do not participate with any Blue Cross and/or Blue Shield plan. Currently there are no non-participating hospitals in Alabama. However, when choosing a hospital or out-patient facility located outside Alabama, you may want to consider checking with the facility first to determine if they are Blue Cross and Blue Shield participating providers. With your health plan benefits, you have the freedom to choose your healthcare provider.

To maximize your coverage and minimize your out-of-pocket expenses, you should always use network providers for services covered by your health plan. Your out-of-pocket expenses will be **significantly** higher in a non-participating hospital or facility. When you choose a network provider, you don't have to worry about extra out-of-pocket expenses.

Over the past 2 years, PEEHIP has paid approximately \$3.5 million to non-participating hospitals for 367 PEEHIP members. Based upon the new reimbursement methodology approved for non-participating providers, PEEHIP would save an average of 40% or approximately \$1.3 million over 2 years.

Please be reminded that if you have a medical emergency, the payment is still 80%, subject to the major medical deductible. An accidental injury is covered at 100% not subject to the deductible if services are provided within 72 hours of the injury. If after that time, it will pay 80% subject to the major medical deductible.

PEEHIP Step Therapy Program

In May 2005, the PEEHIP Board approved implementation of Step Therapy beginning October 1, 2005, for the prescription drug program for certain drug classes.

WHAT IS STEP THERAPY?

Step Therapy is a program especially for people who take prescription drugs regularly to treat ongoing medical conditions such as arthritis/pain, heartburn, or high blood pressure. It is designed to:

- Provide safe and effective treatments for your good health
- Make prescriptions more affordable
- Enable PEEHIP to continue to provide affordable prescription coverage while controlling rising costs

Step Therapy is organized in a series of “steps” with your doctor approving your medication every step of the way. It is developed under the guidance and direction of independent, licensed doctors, pharmacists, and other medical experts. Together with Express Scripts Inc. (ESI), they review the most current research on thousands of drugs tested and approved by the U.S. Food & Drug Administration (FDA) for safety and effectiveness.

The PEEHIP Step Therapy program will apply to new prescriptions for *certain drug classifications* written on or after October 1, 2005. Prescription drugs that have not been purchased in over 130 days are considered new prescriptions for this program. **If you are currently taking a prescription for a second-line agent, you will not experience a change.**

HOW DOES STEP THERAPY WORK?

- **First Step:** Generic drugs are usually in the first step. These drugs are com-

monly prescribed, less expensive treatments that are safe and effective in treating many medical conditions. Your copayment is usually the lowest with a first-step drug. It will be necessary for you to use the first-step drugs before the plan will pay for second-step drugs.

- **Second Step:** If your treatment path requires more medications, then the program moves you along to this step, which generally includes brand-name drugs. Brand-name drugs are usually more expensive than generics, so most have a higher copayment.

When a prescription for a second-step drug is processed at your pharmacy for the first time, your pharmacist will receive a message indicating the PEEHIP plan uses Step Therapy. If you would rather not pay full price for your prescription drug, your doctor needs to give you a prescription for a first-step drug. Only your doctor can change your current prescription to a first-step drug covered by your program.

To receive a first-step drug:

- **Ask your pharmacist to call your doctor** and request a new prescription
- OR
- **Contact your doctor** to get a new prescription

With Step Therapy, more expensive brand-name drugs are usually covered in a later step in the program if you have already tried the first-step drug. If your doctor decides you need a different drug for medical reasons before you have tried a first-step drug, then your doctor can call Express Scripts to request a “prior authorization.” If the second-step drug is

approved, you will pay a higher copayment than for a first-step drug. If the drug is not approved, you will need to pay the full price for the drug. You can appeal the decision through the appeals process outlined in your member handbook.

Drug classes and examples of the medications that will be part of the **PEEHIP Step Therapy** program include:

I. High Blood Pressure (ACE/ARB) such as:

- ACE Inhibitors: Altace™, Aceon™ (Ramiril, Perindopril)
- Angiotensin II Receptor Antagonist: Avapro™, Diovan™, Avalide™, Diovan HCT™ (Irbesartan, Losartan, Irbesartan/HCTZ, Losartan/HCTZ)

II. Arthritis/Pain (COX 2 Inhibitors/Brand NSAIDs)

- COX-2: Celebrex™ (Celecoxib)
- Non-steroidal anti-inflammatory drugs (NSAIDs): Mobic™, Arthrotec™, Ponstel™ (Lefloxicam, Diclofenac/Misoprostol, Mefenamic)

III. Heartburn (PPIs, H2 Blockers)

- Proton Pump Inhibitors: Nexium™, Prevacid™ (Esomeprazole, Lansoprazole)

If you have questions about the new Step Therapy program, contact Express Scripts at 1-866-243-2125.

PEEHIP

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