

What Can You Do to Help Protect the Value of Your PEEHIP Benefits?

PEEHIP is a self-funded plan with claims expenses for the fiscal year ended September 30, 2015, of over **\$1.3 billion**. This dramatically high expense for healthcare continues to increase along with other PEEHIP expenses due to a number of factors, including Affordable Care Act mandates, increasing number of dependents, decreasing number of active employees (the head-count driver for legislative funding) with corresponding increasing number of retirees (not a head-count driver for funding), and increasing claims trends for both medical and pharmaceutical claims.

Currently, **PEEHIP is funded by the Alabama Legislature** in the amount of \$780 per active employee per month. This amount is used to cover the cost of healthcare for PEEHIP members after all other sources

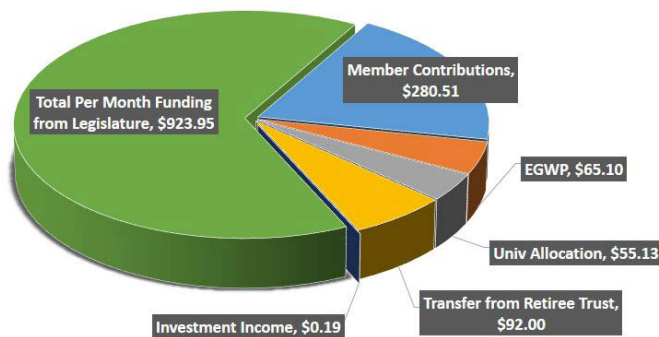
of funding have been received including PEEHIP member premium payments.

In fiscal year 2015, **PEEHIP also received funding** from **state universities** (non-participating for their active employees but participating for their retirees) to cover their retirees (\$55.13 million); subsidies from the **Employer Group Waiver Plan (EGWP)** to cover Medicare-eligible retirees (\$65.1 million); the **PEEHIP Retiree Trust Fund** (\$92 million), and **investment income** (\$0.19 million).

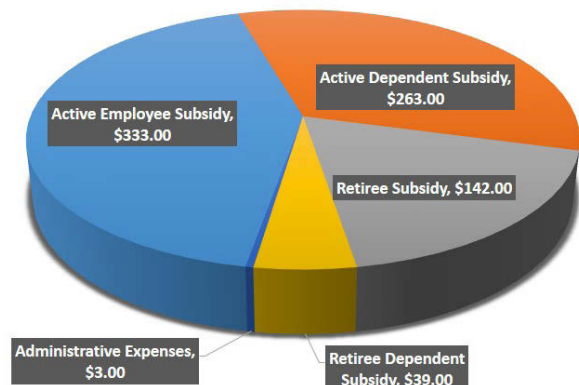
Altogether, the funding is used to cover the cost for the following groups: actives, retirees, and dependents, and administrative expenses. The pie charts below show the total make-up of PEEHIP funding and also how the legislative funding of \$780 is allocated between these groups.

PEEHIP Funding Sources FY2015

Amounts in Millions



PEEHIP Funding Usage FY2015



While the PEEHIP Board and staff constantly work to address these issues, the PEEHIP membership can also take simple steps to dramatically help control the costs. By thinking of the premium money that you pay into PEEHIP as your own money, you can help reverse the cost escalation by making educated and wise decisions regarding your healthcare. See below for ways you can make an impact to reduce costs not only for the PEEHIP plan but also for your out-of-pocket expenses:

- Talk with your doctor about the treatments and medications prescribed for you to ensure you are not only receiving the best treatment for you, but also the most cost efficient within therapeutic equivalent options.
- Generic medications are almost always much less costly to the PEEHIP plan than their Brand counterparts and thereby cheaper for our members in terms of the copayment, and are often chemically equivalent to the Brand form.
- There are also generic therapeutic equivalents to some high cost Brand medications that are often

times shown in research to have higher efficacy and less risk.

- Utilization of emergency rooms is vastly more expensive to both PEEHIP and PEEHIP members than urgent care facilities or a visit to a primary care physician when often times an urgent care or primary care physician is the more suitable option for non-medical emergencies.
- If you are prescribed a specialty or high cost medication that requires nurse or physician administration, ask about your options on where and how to have that drug administered to you. The same drug given at a hospital outpatient setting may also be available to be administered to you at your physician's office or at your home for a fraction of the cost to the PEEHIP plan.

By making a team effort to spend your PEEHIP healthcare premium dollars wisely when medically necessary and without abuse, the PEEHIP membership can make a substantial impact toward preserving the quality and affordability of your PEEHIP benefits. ●

PEEHIP Pharmacy & Policy Changes

PEEHIP has continued to see medical and pharmaceutical healthcare costs increase at a higher than expected rate largely due to the continued emergence of new high-cost treatments and medications as well as increased utilization of the healthcare benefits PEEHIP offers. These rapidly escalating costs threaten both the short and long-term fiduciary health of the PEEHIP plan, so the PEEHIP Board and staff continuously work to manage these rising costs so that both the quality of healthcare benefits and the fiduciary strength of the plan remain strong with as minimal increased financial impact placed upon the PEEHIP membership as possible.

As a result of these unexpected increased costs, the Board was faced with making additional changes to the pharmacy benefits program to cover the projected claims costs through the end of this fiscal plan year. These changes, described below, were required to keep PEEHIP financially solvent so that our members can count on coverage when they need it. The changes are **effective February 1, 2016** (unless otherwise noted). Please note the savings tips given below which inform our members of ways they can avoid out of pocket increases resulting from these changes.

Spouse Cancellation Policy Change

The PEEHIP Flex Board met on December 8 and created a new qualifying life event (QLE) so that members can drop their spouse from their PEEHIP medical coverage under certain circumstances. The new spousal surcharge has caused some members to determine it is more cost efficient to drop their spouse from their PEEHIP medical coverage and avoid the spousal surcharge because their spouse can obtain medical coverage through their employer group plan during their employer's annual Open Enrollment. Therefore, effective immediately PEEHIP members are now able to cancel spousal or family medical coverage prospectively during the plan year at any such time that the member's covered spouse elects to obtain new coverage under another employer plan that is a cafeteria plan or qualified benefits plan **in the event that the plan year for that other coverage is different from the PEEHIP plan year.** Timely notification and appropriate documentation must be provided to PEEHIP in accordance with applicable regulations.

Pharmacy Plan Changes

These changes will not apply to the VIVA plan at any time and will not apply to the EGWP drug plan until 2017 (unless otherwise noted).

- **Dispense as Written (DAW1) Difference for Multi-Source Brand Drugs:** A pharmacist is required under PEEHIP law to dispense a generic equivalent medication that contains the exact same active ingredient or ingredients in the same dosage, form, and strength, to fill a prescription for a patient covered by PEEHIP when one is available unless the physician writes in longhand on the prescription “dispense as written” to allow the brand drug to be dispensed. However, if the brand drug is dispensed, the difference between the cost of the brand version and the generic version must be paid in addition to the applicable brand copay. This does not apply to Narrow Therapeutic Index (NTI) drugs or generics that are not chemically equivalent to their brand counterparts.

***Tips for saving money:** Often times there are multiple generic manufacturers of a brand drug. So if one generic drug is not right for you, talk with your physician and pharmacist about a generic by a different drug manufacturer that may be right for you instead of taking the brand drug.*

- **New 4th Specialty Drug Tier:** “Specialty drugs” are very high-cost medications prescribed and administered under the supervision of a physician. Specialty drug spend was in excess of \$130 million for the 12 months ending 9/30/2015. That amount represents 28% of PEEHIP’s total spend on drugs, but the number of specialty drug claims is less than 0.5% of all drug claims filled. Therefore, to address the growing cost of specialty drugs, PEEHIP will implement a new specialty drug tier in which there is a 20% copay for these medications with a minimum copay of \$100 and a maximum copay of \$150.
- **3 copays for Maintenance Drugs – Preferred and Non-preferred Brands Only:** Members can obtain a 3-month supply of drugs listed on the PEEHIP Maintenance Drug List and are currently charged only two copayments. PEEHIP will begin requiring 3 copayments for the Brand drugs on the PEEHIP Maintenance Drug List (preferred drugs as well as non-preferred drugs) for a 3 month supply.

***Tips for saving money:** Members can continue getting a 3 month supply for 2 copays for the generic drugs on the List. Talk with your physician about switching to a generic drug that is right for you.*

- **Step Therapy Changes:** Current members utilizing these drugs will be grandfathered from these step therapy requirements.

Step Therapy Program Name	Indication	If prescripition is for:	Try one of these 1st step drugs:
Antiparkinson Agents	Parkinson’s Disease	Rytary	Sinemet IR/CR
CNS Agents	ADHD	Aptensio	Methylphenidate IR/ER/LA/CE, Mixed Amphetamine salts

- **The below drugs will be moved from Tier 2 to Tier 3 and will have a copay of \$60:** All members affected by the deletion change will be mailed a letter prior to 2/1/2016.

Drug Name	Formulary Alternative (generic drugs)
Crestor 40 mg	atorvastatin 80 mg
Anadrol	megestrol acetate
SeroQuel XR	risperidone, quetiapine, olanzapine
Nuvigil	modafinil

- **The following drug will be moved from Tier 3 to Tier 2 and will have a lower copay of \$40:** Kuvan powder (indication: Phenylketonuria).

• **Formulary Exclusions:**

Indication	Preferred Drug	Excluded Drug
Hypercholesterolemia	atorvastatin, simvastatin, pravastatin, lovastatin	Crestor 5, 10, 20 mg
Multiple sclerosis	glatopa	Copaxone 20 mg
N/A	Over the counter (OTC) supplements available	Omega-3-Acid Ethyl Esters, Lovaza, Levocarnitine, Omega-3
Acne	Generic anti-acne products	Aczone
Relief of pruritus, pruritic eczemas, abrasions, minor burns, insect bites, pain, soreness and discomfort due to pruritus ani, pruritus vulvae, hemorrhoids, anal fissures, and similar conditions of the skin and mucus membranes	Multiple OTC products available including Benadryl cream, Annusol cream, Dermoplast spray, Aloe Vera-lidocaine gel	Lidovex Cream (Effective 1/1/2016 for Commercial Plan and effective 2/1/2016 for EGWP)
Diabetes	Meformin XR, Metformin	Glumetza (Effective 1/1/2016)

- **Prior Authorization (PA) Program Changes:** To aid members currently taking these drugs, proactive PAs will be performed to prevent member disruption. For the CNS Stimulant category, a one-time PA will be performed to ensure appropriate diagnosis for these drugs. MedImpact will notify all affected members and their physicians prior to 2/1/2016 to conduct the PA review.

Program Name	Indication
Dexamethylphenidate, Hydrochloride/ER, Focalin/XR, Metadate ER/CD, Methamphetamine Hydrochloride, Methylin/ER, Methylphenidate Hydrochloride/ER/CD/SR, Modanfinil, Phentermine Hydrochloride, Ritalin/LA/SR, Strattera, Zenzedi, Concerta, Dextroamphetamine Sulfate, Procentra, Quillivant XR, Vyvanse, Aptensio	ADHD, narcolepsy
Crestor 40 mg	Hypercholesterolemia
Tretinoin & Adaplene for those over the age of 25	Acne
Revatio	Pulmonary arterial hypertension (PAH)
Oxandrin (NF)	Anemia cachexia
Xifaxan 550 mg (F)	Hepatic encephalopathy, Irritable bowel syndrome

- **Quantity Level (QL) Limit Program Changes:** A Prior Authorization is required to obtain a quantity greater than the amount specified below. All members affected by the QL changes will be mailed a letter prior to 2/1/2016.

Drug Name	QL limit per 30 days (unless otherwise indicated)
Rytary	300 capsules
Aptensio	30 capsules
Metadate ER	90 tablets
Concerta	30 tablets (18, 27, 54 mg); 60 tablets (36 mg)
Colcrys	120 capsules
Xifaxan 200 mg	Add 9 tablets per fill
Afrezza	4 kits (360 cartridges) per 28 days

- **Specialty Drug Channel Management – To Be Covered Under Medical Benefit Only:** Costs per specialty drugs can vary by channel through which they are covered (pharmacy benefit versus medical benefit). Due to these variations in cost, the physician office can often represent the lowest cost channel of select specialty drugs administration. The following drugs will be excluded from coverage through the pharmacy benefit and covered only through the medical benefit: Neulasta, Tysabri, Rituxan, Herceptin, Sandostatin, Xolair, Cerezyme, Eleyso, Opdivo, Vpriv, Lucentis, Eylea. All members affected by these channel management changes will be mailed a letter prior to 2/1/2016. ●