

Conferences / Meetings / Events

Are you ready for sunny San Diego?

About 450 attendees are preparing to join in the 2008 SALGBA Annual Conference and Exhibition for outstanding education and networking in the amazing city of San Diego.

To view conference information please go to www.salgba.com and follow the links conveniently located on the homepage.

Networking Opportunities

To match the outstanding educational opportunities SALGBA along with several sponsors are offering some amazing networking options.

The 2008 Golf Tournament, sponsored by Medco, is being held Sunday morning at Torrey Pines Golf Course on the South Course.

The 2008 Land & Sea Tour, sponsored by FBMC, is a wonderful journey where participants explore San Diego by land and sea.

The 2008 Tuesday Night Gala hosted by SALGBA will be held at Miramar at the Officer's Club.

Educational Opportunities

This year attendees have an opportunity to select from over 25 educational sessions offering up to 28 CGBA credits towards the Certified Government Benefits Administrator Program as well as CEU (Continuing Education Credit).

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THE slant

Honoring the Legacy Inspires us for the Future

VOL. 1 FEBRUARY 2008

President's Message...

We are less than two weeks away from the annual conference in beautiful San Diego, California! Once again, we are breaking attendance records this year with over 425 attendees registered so far. As those of you who have attended the SALGBA conference in the past know, it is a wonderful opportunity for you to attend valuable educational sessions and network with your peers at a very low cost. Thank you to all of our sponsors – you help keep the conference affordable for government employees.

The SALGBA board met in October and revisited the SALGBA goals, values, and vision. Our vision is that "SALGBA is the premier organization providing educational and collaborative support for public sector employee benefits professionals." At that meeting we also decided that we have grown large enough to need a full-time, dedicated executive director.

MEMBER SPOTLIGHT

- Bob Walt with Humana just became a grandfather. Congratulations Bob!
- Jim Davis, formerly with the Richland County Recreation Commission in South Carolina, was just granted Honorary Membership by the Boards.

You may have noticed that the SALGBA phone number and mailing address have changed. Rather than contracting with the Institute of Government at Eastern Kentucky University for Tina Scott's services, we are now contracting directly with her association management company. The new arrangement will give us more control and flexibility while maintaining the same level of service that we have come to appreciate. The CGBA program will continue to be affiliated with EKV but not with the Institute of Government.

I have enjoyed serving as your president for the past year and I look forward to seeing you in San Diego!

Debbie Juul, LACERA



Managing Out of State Health Costs

"Maximize your state or local government's cost containment"

By Mark D. Birdwhistell, Birdwhistell & Associates

Each state and local government, regardless of economic condition, must continuously look at their health insurance benefits for active employees as well as retirees. Benefits for the two populations are usually managed by separate state (or local) entities. However, both should actively ensure they are maximizing cost containment for what I like to call "out of state" claims.

As the Secretary over health and human services in Kentucky, I had policy oversight for the state employee health insurance and day to day management of the state's Medicaid and other health programs with an inherited health insurance benefit plan with annual increases in Kentucky of 10 to 12 percent per year. One of our strategies to address this program was to convert the employee health insurance program to a self-insured or self-funded system. Previously the state had operated on a fully insured basis with multiple insurance carriers. One of the advantages that a self-insured program offers is full transparency of health care costs. In order to fully examine cost trends it is necessary to examine in-network costs but we also worked hard to make sure we knew exactly what services we were paying for when out of state (or out of network) claims were presented and how much we were paying for those services.

After the focus on the active employee health insurance, Kentucky's legislature began to investigate the liability associated with the state's retirement system. Not surprisingly the principal component of the retiree costs increases was their health care costs. Since my days as a CEO of CHA Health, a regional health plan in Kentucky, I have been impressed with the work of Coalition America, Inc, which has worked with the states third party administrator to maximize our discounting of out of state (out of network) claims. These efforts along with the conversion to self-insurance accompanied by a strong wellness and smoking cessation program, has resulted in the state's active employee health insurance program experiencing a growth rate in the 3 to 5% range (depending on plan) with minimal disruptions to the employee.

By nature retirees are much more likely to incur out of state or out of network claims. I would recommend that state benefit policy makers, no matter their population, need to "get active" in managing their out of state / out of network costs. There are significant dollars in play, and the policy maker is in the best position to be motivated to identify savings. And savings mean lower health insurance increases for employees and retirees. Getting active in managing these costs sometimes requires pushing health insurers or TPAs for full transparency on utilization and cost data on these claims. Computer systems must be sophisticated enough to "slice and dice" the data in multiple formats. Policy makers should know things such as: (a) are we paying retail rates for out of network claims (worst case scenario), (b) what is the percentage of my out of state / out of network claims being discounted, and (c) what are

...Managing Out of State Health Costs

my average savings on out of state / out of network claims. Sometimes, unfortunately, it means encouraging a TPA to identify new partners in cost containment. Usual and Customary Rate (UCR) or "charges" is a term many insurers and TPAs use when discussing these types of claims. UCR is a tool everyone traditionally has used in the past. However, there are even greater opportunities to discount out of network claims with the right partners who bring to the table good provider negotiating skills and technology.

Example: a retiree incurs a \$30,000 claim that is from an out-of-network provider and the cost-containment vendor is able to obtain a 20% discount, (or gross savings of \$6,000). Now, instead of paying an out of network benefit of 70% on \$30,000, the state or local government is responsible for 70% of \$24,000.

However, I have yet to find one that wasn't open (or outright excited) about saving taxpayer dollars by managing out of state costs. Accordingly, out of area or out of network claims represent "neutral space". It pays to have a partner actively managing these claims, and providing high-quality, monthly reporting on these savings. These reports come in handy when you are called suddenly to a legislative briefing or Governor's office.

State of SALGBA

Prescription drugs play a key role in the current health care environment. An estimated seventy percent of Americans receive their prescription medications through pharmacy benefit management (PBM) companies, which represent a rapidly growing health care sector. URAC, a leading accreditation body in managed health care, has developed the nation's first accreditation standards for the industry. URAC Pharmacy Benefit Management Standards and Drug Therapy Management Standards can serve as important quality indicators for value-based purchasing by state and local government health benefit purchasers seeking to assess PBMs.

In July 2007, URAC Pharmacy Benefit Management Accreditation and Drug Therapy Management Accreditation became available to health plans and PBM companies, following a year of standards development and testing that involved all major stakeholder groups (e.g., pharmacists; PBMs; care management organizations; employers; pharmacy organizations; physicians; consumers; regulators and health plans) and a field team of expert reviewers. Twelve companies, representing fifty-two percent of the current lives covered under pharmacy benefit management programs across the country, participated as beta test sites. The first companies

to earn these URAC accreditations were announced in October 2007. Industry feedback indicates that these comprehensive programs, which include a clinical focus, consumer and client disclosures, and safeguards to assure that pharmacy network management protects patient safety and is based on solid contracting practices, have become industry benchmarks for purchasers and consultants.

In March, URAC will present these national accreditation standards to attendees at the SALGBA Annual Conference in San Diego. URAC's Director of Pharmacy Programs will review the standards and illustrate how they measure the safety, effectiveness and service quality of pharmacy benefit management organizations and drug therapy management providers and afford an evaluative tool for customers of pharmacy benefit management organizations.

For more information, visit <http://www.urac.org/programs/pbm.aspx>. Government purchasers may contact URAC Government Relations (urac.gr@urac.org; 202/962-8838) for free copies of the standards.

¹ The National Conference of State Legislatures defines Pharmaceutical Benefits Manager (PBM) in *Pharmaceuticals: A Snapshot for State Legislatures* (2005) as an organization "that provides administrative services to process and analyze prescription claims for pharmacy benefit and coverage programs. Their services can include contracting with a network of pharmacies; opening mail order pharmacies; establishing payment levels; negotiating rebate arrangements; developing and managing formularies; preferred drug lists or prior authorization programs; and pending disease management programs." Services or group of services that optimize therapeutic outcomes for individual consumers as a result of appropriate drug therapy. While it is often offered as part of broader prescription benefit management services, it is a specialty service that can also be offered by care management organizations

NEW MEMBERSHIP

The following is a list of entities that have joined SALGBA since November 2008.

- Carena, Inc.
- Alameda Co. Employees' Retirement Assoc.
- Chatham County Government
- Asparity Decision Solutions
- Urix, Inc.
- Navitus Health Solutions, LLC
- Colorado Springs School District 11
- Ceridian Corporation
- State of Rhode Island
- Linea Solutions, Inc.
- Consult A Doctor

ASSOCIATION Updates

SALGBA has a new address and phone number. Please update all records to reflect the following:

SALGBA, PO Box 220, Big Hill, KY 40405
Phone: 859.985.0720 Fax: 859.985.0723
Email: tina.scott@salgba.com or salgba@salgba.com



The premier organization for public sector benefits professionals
WWW.SALGBA.COM