



Pension & Health Benefits Committee

California Public Employees' Retirement System

Agenda Item 10

March 19, 2013

ITEM NAME: Update from CVS Caremark

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item provides an update to the Pension and Health Benefits Committee (PHBC) on program activities of CVS Caremark, the Pharmacy Benefit Manager (PBM) for the California Public Employees' Retirement System (CalPERS) Preferred Provider Organization (PPO) health plans. The update will include challenges and successes of the January 1, 2012, Go-Live implementation of the commercial PBM services and the addition of the 2013 Employer Group Waiver Plan (EGWP) with a focus on customer care, retail pharmacies and mail order, plan design, clinical highlights and two proposals for 2014.

STRATEGIC PLAN

This agenda item supports the objective "Ensure high-quality, accessible and affordable health benefits" in Goal A ("Improve long-term pension and health benefit sustainability") of the 2012–17 Strategic Plan.

BACKGROUND

In 2011, CalPERS staff negotiated a PBM contract with CVS Caremark that focused on transparency, specialized services, and customer service. Simultaneous to the CVS Caremark assumption of the PBM services on January 1, 2012, CalPERS implemented two pharmacy benefit design changes: Member Pays the Difference (MPD) and Copay changes.

On January 1, 2012, CVS Caremark began administering pharmacy benefits to CalPERS members enrolled in the PPO network. In making the transition from the prior PBM, patient safety and evidence-based formulary management practices were incorporated into the claims system. These included prior authorization, quantity limits, utilization management, and evidence based protocols for step therapy on specialty medications. Some of the customer service implementation challenges included customer service set-up, evidence-based utilization management of high risk and/or high cost medications and day supply limit for specialty medications. The introduction of a new PBM, implementation of MPD and copay changes resulted in a high volume of member calls and complaints for both the CalPERS and CVS Caremark Call Centers.

In spite of all the changes in 2012, the transition from Medco to CVS Caremark was successful. For example, in 2012 CVS Caremark received 1.5 calls every minute, answered 753,259 calls into CalPERS dedicated phone number, received a total of 36,856 Caremark.com registrations, filled 3.7 million retail prescriptions and 1.3 million mail service prescriptions, and added Maintenance Choice at 90-day prescriptions at CVS/pharmacy.

In 2012, the CalPERS Board approved staff's recommendation to implement the Medicare Part D EGWP program effective January 1, 2013. Medicare Part D EGWP is a federal program to subsidize the costs of prescription drugs for Medicare beneficiaries in the United States. The Patient Protection and Affordable Care Act (Healthcare Reform) provides greater reimbursements for EGWP services. CalPERS has been able to pass the cost savings on to Medicare beneficiaries through lower Medicare premiums. Medicare-eligible retirees and/or dependents have been enrolled in a Group Medicare Part D Plan. Additionally, CalPERS offers the Medicare Supplement Plan so members are able to have the same level of benefits as before. CVS Caremark through its subsidiary SilverScript Insurance Company is the Plan Sponsor unlike the Retiree Drug Subsidy (RDS) where CalPERS was the Plan Sponsor. The EGWP is administered by SilverScript, a wholly owned subsidiary of CVS Caremark. The Prescription Drug Plan (PDP) contract is held between CVS Caremark and Centers for Medicare and Medicaid Services (CMS).

ANALYSIS

Upon Board approval of the EGWP, staff immediately began working with the SilverScript EGWP Implementation team. Activities required for the implementation of the EGWP program included customization of the drug formulary, benefit design, member communications, and information systems integration.

Prior to the EGWP launch on January 1, 2013, CVS Caremark and CalPERS staff worked to minimize member disruptions with the EGWP transition in the following areas: ensured the preferred drug list and utilization management criteria (prior authorization, step therapy, or quantity limit) closely mirrored with the current basic plan, bypassed B vs. D determination and postponed implementation to 2014 to avoid potential disruption of member prescription fills at the pharmacy; mitigating network disruption by proactive member notification and strengthening the coordination of Medicare Part B benefits. CalPERS chose to include a secondary wrap plan which allowed members to obtain medications not on the Medicare Part D formulary. This was important to ensure members had continuous access to existing medications, and that all members would leave the pharmacy with their prescriptions.

Issues with SilverScript Insurance Company's enrollment system conversion created increases in call center volumes due to member eligibility issues, duplicate member records, temporary ID and multiple cards which resulted in some beneficiaries not being able to have their claims adjudicated at the pharmacy. The specific issues we

encountered with the enrollment system conversion were due to insufficient performance of the enrollment systems. As a consequence, CMS placed SilverScript on intermediate sanctions consisting of suspension of enrollment of additional Medicare beneficiaries and marketing activities. The intermediate sanctions were imposed on SilverScript Medicare Part D PDP Sponsor. The sanctions will remain in effect until SilverScript has demonstrated to CMS that the deficiencies at issue have been corrected and are not likely to recur. CalPERS is working in partnership with CVS Caremark to ensure our program complies with CMS EGWP requirements.

To provide additional cost savings, CVS Caremark will present two new proposals for 2014. Specialty Preferred Drug Strategy encouraging clinically appropriate prescribing, lowering net cost without sacrificing clinical outcomes, and High Performance Generic Step Therapy options that offer significant savings to both CalPERS and members.

CalPERS staff will continue to work with CVS Caremark executive and program staff in the coordination of services for CalPERS PBM members and to address member issues and concerns. CalPERS staff will keep the PHBC apprised of the progress and semiannually report outcomes.

ATTACHMENTS

Attachment 1 – CVS Caremark Operational and Clinical Updates for CalPERS

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