

## **Benefits Administration Committee Agenda**

### **REGULAR MEETING**

**TUESDAY, FEBRUARY 25, 2025**

**TIME: 10:30 A.M. OR IMMEDIATELY  
FOLLOWING THE BOARD  
MEETING**

### **MEETING LOCATION:**

LACERS Boardroom  
977 N. Broadway  
Los Angeles, California 90012

**Important Message to the Public**

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

**Disclaimer to Participants**

Please be advised that all LACERS Committee meetings are recorded.

**LACERS Website Address/link:**

[www.LACERS.org](http://www.LACERS.org)

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board in advance of the meeting may be viewed by clicking on LACERS website at [www.LACERS.org](http://www.LACERS.org), at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a public record related to an item on the agenda, please call (213) 855-9348 or email at [lacers.board@lacers.org](mailto:lacers.board@lacers.org).

Chair: Michael R. Wilkinson  
Committee Members: Thuy Huynh  
Sung Won Sohn  
Manager-Secretary: Todd Bouey  
Executive Assistant: Ani Ghokassian  
Legal Counselor: City Attorney's Office  
Public Pensions General  
Counsel Division

**Notice to Paid Representatives**

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at [ethics.lacity.org/lobbying](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

**Request for Services**

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

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Si requiere servicios de traducción, llámenos tres días (72 horas) antes de la reunión o evento al (800) 779-8328.

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[\*\*CLICK HERE TO ACCESS BOARD REPORTS\*\*](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

- II. [APPROVAL OF MINUTES FOR THE MEETING OF OCTOBER 8, 2024 AND POSSIBLE COMMITTEE ACTION](#)
- III. [BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE COMMITTEE ACTION](#)
- IV. [2025 LACERS WELL UPDATE, WORKPLAN, BUDGET AND POSSIBLE COMMITTEE ACTION](#)
- V. [AMENDMENT TO THE BENEFITS ADMINISTRATION COMMITTEE CHARTER AND WORK PLAN AND POSSIBLE COMMITTEE ACTION](#)
- VI. [OVERVIEW OF PRESCRIPTION DRUGS AND PHARMACY BENEFIT MANAGERS \(PBM\)](#)
- VII. OTHER BUSINESS
- VIII. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.
- IX. ADJOURNMENT



# LACERS

LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



## Board of Administration Agenda

### SPECIAL MEETING

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**TIME: 10:30 A.M. OR IMMEDIATELY  
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### MEETING LOCATION:

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President:	Annie Chao
Vice President:	Janna Sidley
Commissioners:	Thuy Huynh Elizabeth Lee Gaylord "Rusty" Roten Sung Won Sohn Michael R. Wilkinson
Manager-Secretary:	Todd Bouey
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

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MINUTES OF THE REGULAR MEETING  
**BENEFITS ADMINISTRATION COMMITTEE**  
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

October 8, 2024

9:11 a.m.

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PRESENT:	Chair:	Michael R. Wilkinson
	Committee Member:	Thuy Huynh Sung Won Sohn
	Executive Assistant:	Ani Ghoukassian
	Legal Counselor:	Miguel Bahamon
	Manager-Secretary:	Todd Bouey

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*The Items in the Minutes are numbered to correspond with the Agenda.*

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Chair Wilkinson asked if any persons wished to speak on matters within the Committee's jurisdiction, and there was one public comment card submitted. Tom Moutes, member of the public, made public comment with respect to CarelonRx, a prescription service provider for LACERS Retirees.

II

APPROVAL OF MINUTES FOR THE MEETING OF AUGUST 13, 2024 AND POSSIBLE COMMITTEE ACTION – Committee Member Huynh moved approval, adopted by the following vote: Ayes, Committee Members Huynh, Sohn and Chair Wilkinson -3; Nays, None.

III

BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE COMMITTEE ACTION – Isaias Cantu, Chief Benefits Analyst, and Carol Rembert, Benefits Analyst, presented and discussed this item with the Committee for 3 minutes. Committee member Sohn moved approval, adopted by the following vote: Ayes, Committee Members Huynh, Sohn, and Chair Wilkinson -3; Nays, None.

IV

LACERS 2023 ANTHEM BLUE CROSS MEDICAL, BLUE VIEW VISION, AND DELTA DENTAL PPO YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION – Karen Freire, Chief Benefits Analyst, James Kawashima, Senior Benefits Analyst II, Vi Duong, Senior Benefits Analyst I, and Bordan Darm, Lead Consultant with Keenan Associates, presented and discussed this item with the Committee

for 18 minutes. Committee member Huynh moved approval, adopted by the following vote: Ayes, Committee Members Huynh, Sohn and Chair Wilkinson -3; Nays, None.

V

CARELONRX PHARMACY UPDATE – Karen Freire, Chief Benefits Analyst, James Kawashima, Senior Benefits Analyst II, Amy Mulderry, President, and Clayton Edwards, Vice President with CarelonRx, presented and discussed this item with the Committee for 33 minutes.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.

VIII

ADJOURNMENT – There being no further business before the Committee, Chair Wilkinson adjourned the Meeting at 10:00 a.m.

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Michael R. Wilkinson  
Chair

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Todd Bouey  
Manager-Secretary



**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**

**From: Todd Bouey, Acting General Manager**

**MEETING: FEBRUARY 25, 2025**

**ITEM: III**

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**SUBJECT: BOARD RULES RELATED TO MEMBER AND BENEFITS ADMINISTRATION AND POSSIBLE COMMITTEE ACTION**

**ACTION:**  **CLOSED:**  **CONSENT:**  **RECEIVE & FILE:**

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### **Recommendation**

That the Committee recommend the Board adopt the following:

1. Proposed change to existing Board Rule for Member Contributions (“MC 7”) related to Nonmember elections in a court awarded Separate Account as provided in Los Angeles Administrative Code (LAAC) §4.1032, Separate Account Option in Legal Separations or Dissolutions; and,
2. New Board Rule for Member Contributions (“MC 8”) related to In-Kind community property Nonmember options as provided in LAAC §4.1031, Former Spouse or Domestic Partner’s Option to Elect a Life Annuity (Tier 1) and LAAC §4.1080.16 Community Property Payment Options (Tier 3).

### **Executive Summary**

Under Section 1106(f) of the Los Angeles City Charter (LACC), further codified in LAAC § 4.1027, the LACERS Board of Administration is authorized to adopt rules governing the administration of benefits under the LACERS Plan. Board Rules provide clarification and implementation guidelines for executing administrative procedures not specifically detailed within the authoritative plan documents, legislative guidelines, or regulatory provisions. The proposed Board Rules contained herein and detailed in Attachment 1 address needed adjustments to the length of time provided to Nonmembers to make elections for Separate Accounts and In-Kind allowances payable to Nonmembers following the division of the community property interest in a Member’s LACERS benefits. Additionally, the proposed Board Rule change and new rule will address situations that currently present administrative challenges that result when a nonmember does not make an election within a designated period of time.

### **Discussion**

When a Member and their spouse or domestic partner formalize a legal separation or divorce, and the spouse or state-registered domestic partner (“Nonmember”), has established a community property interest in the Member’s LACERS benefits through the jurisdictional court, LACERS will receive the

conformed legal documentation from either the Member, the Nonmember, or their legal representative, awarding the Nonmember either a Separate Account ( LAAC §4.1032) or an In-Kind (LAAC §4.1031) benefit. The mutually agreed award represents the Nonmember's community property interest in the Member's pension benefit, and both types of awards are designed to address how the Nonmember will receive their community property portion of the Member's pension.

In the case of a Separate Account, which must be awarded prior to the retirement, the Nonmember has the option to: (1) receive a refund of contributions associated with their community property interest prior to the Member's retirement eligibility date, or (2) wait until the Member is eligible for retirement and receive a monthly benefit payment based on the Nonmember's lifetime. Alternatively, an In-Kind community property interest can be awarded on a pre or post-retirement basis. However, payment to the Nonmember can only occur post-retirement. If the dissolution occurs prior to retirement, the Nonmember must wait until the Member is eligible for retirement, at which point the Nonmember will have the option to (1) receive a monthly benefit payable based on the Member's lifetime, or (2) elect to convert their Nonmember community property interest into an actuarially equivalent life annuity payable for their own lifetime.

## **Board Rules**

### *Member Contributions (MC) – Separate Accounts*

On January 22, 2019, the Board Adopted Board Rule MC 7, establishing the timeframe in which the Nonmember must make an irrevocable election in regard to their Separate Account award. Board Rule MC 7 defines the prescribed period for making the irrevocable election as "within six months of notification from LACERS that a Separate Account has been established in their name." LACERS proposes that the six-month response period be amended to ninety (90) days.

Under a Separate Account award, the service and contributions are removed from the Member's pension account, and a separate account is established for the Nonmember. The Nonmember may elect to receive either a refund of the contributions or a monthly allowance. If the Nonmember elects to receive a refund, the Member can restore service credit through the Re-deposit Buyback process. However, if the Nonmember elects to receive a monthly allowance, the Member's only option to restore service credit is through a Public Service Buyback, which is costly due to the Member having to pay the full actuarial cost, meaning their contributions, interest, and the City's contributions.

The cost to the Member to restore service credit removed through a Separate Account award is dependent on the Nonmember's election. The more time the Member has to restore their lost service the less expensive it is for the Member. The contracts for both of these two buyback options take time to calculate and process. Furthermore, the Member is required to pay off these contracts prior to retirement. Therefore, the adjustment to the Nonmember's election submission window will provide the Member with more time to recoup the service credit and still provide sufficient time for the Nonmember to make the required election.

### *Member Contributions – In-Kind Allowance*



For consistency and to ensure the Nonmember responds in a timely manner, LACERS recommends Board Rule MC 8, which similarly addresses issues related to In-Kind community property awards. The proposed rule, Attachment 1, mirrors the language and response period in MC 7 of 90 days and adds language in the event the Member passes away before an election is made.

An In-Kind Community Property Award may be granted either pre or post-retirement. When given timely notice via a court document, or a Notice of Adverse Interest claim, LACERS will begin to withhold the Nonmember's community property interest in the Member's LACERS benefit. If the Member is actively employed, the community property withholding will begin at the time of retirement. For a Member who is already retired, the community property withholding will begin the month following LACERS receipt of the court document or claim.

However, in the event that an In-Kind Community Property award is granted, and the Member dies prior to retirement where there is no surviving eligible spouse or domestic partner the Nonmember would receive a lump sum payment from the community property portion of the accumulated contributions, as no retirement benefit will be paid due to the Member's death. Likewise, in the event that an In-Kind community property award is granted to the Nonmember after a Member's retirement and the Member dies prior to the Nonmember making an election, the only option available to the Nonmember will be a lump sum payment effective from the community property effective date to the date of the Member's death, including the Nonmembers portion of any unused contributions, and all withheld community property funds, if applicable. There will be no additional benefit payable to the Nonmember.

The proposed Board Rules regarding community property division aim to establish consistent time frames for Nonmember elections related to court-ordered community property awards, regardless of whether the Nonmember is awarded a Separate Account or an In-kind allowance. LACERS believes these proposed rules will enhance the efficiency of benefit administration procedures, benefiting both the Member and ensuring the timely division of community property interest when the court order requires a division of benefits.

The proposed rules have been reviewed by the Office of the City Attorney as to form.

Prepared By: Claudia Batres-Flores, Senior Benefits Analyst I, Retirement Services Division  
Ferralyn Sneed, Chief Benefits Analyst, Retirement Services Division

TB:FS:IC:cbf

Attachment 1: Proposed Board Rules

## ATTACHMENT 1

### **SECTION 4.0 BENEFITS ADMINISTRATION**

All other Board Rules apply unless superseded by these rules or the Los Angeles Administrative Code.

#### **4.1 BOARD RULES**

##### **MEMBER CONTRIBUTIONS (MC):**

###### Current Board Rule Redline

MC 7: The ex-spouse **or state-registered domestic partner (Nonmember)** of a Member granted a Separate Account shall be required to make an irrevocable election to either receive a separate account allowance, a refund, or a rollover of their community property share within ~~six months~~ **ninety (90) days** of notification from LACERS that a Separate Account has been established in their name. If the ~~ex-spouse~~ **Nonmember** fails to make an election within the prescribed period, their failure to elect shall be deemed an election to receive a refund of contributions.  
*(Adopted: January 22, 2019)*

###### Proposed Revision

MC 7: The ex-spouse or state-registered domestic partner (Nonmember) of a Member granted a Separate Account shall be required to make an irrevocable written election to either receive a separate account allowance, a refund, or a rollover of their community property share within ninety (90) days of notification from LACERS that a Separate Account has been established in their name. If the Nonmember fails to make an election within the prescribed period, their failure to elect shall be deemed an election to receive a refund of contributions.”  
*(Revised: XX-XX-XXXX )*

###### Proposed New Board Rule

**MC 8: The ex-spouse or state-registered domestic partner (Nonmember) of a Member granted an In-Kind Allowance shall be required to make an irrevocable written election to either receive a monthly benefit payable upon the lifetime of the Member or to convert the benefit into an actuarially equivalent life annuity payable for their own lifetime, within ninety (90) days of LACERS' receipt of the court document or claim.**

**If a Member dies prior to retirement and there is no surviving eligible spouse, state-registered domestic partner, or LACERS registered domestic partner, the Nonmember will receive a lump**

sum payment from the community property portion of the accumulated contributions. If the Nonmember fails to make an election within the prescribed period, their failure to elect shall be deemed to have waived the right to elect a life annuity.

Further, if the Nonmember fails to make an irrevocable election within the prescribed period and the retired Member dies, their failure to elect shall be deemed to have waived the right to elect to receive a life annuity. The Nonmember will receive a lump sum payment effective from the community property effective date to the Member's date of death, including the Nonmember's portion of the unused contributions; no additional benefit will be paid to the Nonmember.

(Adopted: XX-XX-XXXX)



**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**

**MEETING: FEBRUARY 25, 2025**

**From: Todd Bouey, Acting General Manager**

**ITEM: IV**

**SUBJECT: 2025 LACERS WELL UPDATE, WORKPLAN, BUDGET AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Committee forward a recommendation to the Board to:

1. Approve the proposed 2025 Wellness budget; and,
2. Authorize the General Manager or designee to transfer funds between Wellness budget accounts, as necessary, within the approved 2025 budget.

**Executive Summary**

The LACERS Wellness Program, LACERS Well, was implemented to serve Retired Members through informational seminars, workshops, and activities supporting the five pillars of the program: purpose, health, financial wellness, social engagement, and community. The program also supports a network of LACERS Well Champions, Retired Members who voluntarily lead activities for other LACERS Members in their communities or assist at various LACERS Well events. The goal of the program is to enhance the quality of life and retirement for LACERS Members by providing resources and activities that promote optimal health and wellness.

**Discussion**

The LACERS Well program is funded by LACERS health plan carriers, for the purpose of enhancing the overall health, well-being, and quality of life of LACERS Members through wellness program participation.

***2024 Achievements***

In 2024, LACERS Well achieved the following:

- Facilitated 12 In-person Workshops/Events
- Increased program participation to 3,448
- Increased Member Interaction Touchpoints to 7,980 from 6,174, all taking place via email inquiry, phone calls, mailers, social media, and Carrier surveys

- Arranged and assisted in four Open Enrollment in-person events with the Health Advocacy Unit
- 17 Champion Volunteers Facilitated Activities

Note: Between FY 2022-24, the Wellness Program had intermittent staff vacancy.

## **2025 Goals**

Building on the success of 2024, LACERS Well aims to increase the program offerings.

- Increase Program participation to **4,000**
- Increase Webinars/Classes to **80**
- Facilitate **15** In-person Workshops/Events
- Maintaining the Champion Volunteers
- Establish one new Non-profit or Senior Agency Partnership

## **Strategic Plan Initiatives**

LACERS Well is exploring other opportunities to extend outreach, augment current offerings, and increase the value of LACERS Well to our members. The Wellness Program has two Strategic Plan initiatives: to augment health management activities offered and to build collaborations with the health plan carriers, non-profit organizations, and other agencies. In 2024, LACERS Well, with the assistance of the Health and Welfare Consultant, Keenan, is partnering with carriers to provide additional wellness program activities.

## **2025 Wellness Workplan**

LACERS Well's 2025 workplan is guided by this year's theme: "Wellness in Motion, Knowledge in Action." This theme reflects our commitment to empowering Members through education and movement, providing the tools they need to take charge of their health while staying active and engaged.

Building on the success of previous years, LACERS Well will expand both in-person and virtual offerings, continuing core programs such as technology classes, exercise sessions, brain health programs, and Champion-led activities, while also introducing new and enhanced initiatives:

- Two Language Class series, including conversational Spanish, providing Members with opportunities to learn and practice new languages leading to improved brain health.
- Back to Basics Technology Class, helping Members improve their digital literacy skills with fundamental technology training.
- Disaster Preparedness Classes, providing Members with essential emergency response skills for storms, fires, and earthquakes, with a Spanish-language option to enhance accessibility.

## **Wellness Budget Proposal**

Each year, LACERS health plan carriers provide funds to support the LACERS Well program. The funding of \$298,500 for 2025 brings a total account balance of \$1,192,197.39 for the program as of January 31, 2025.

A budget of \$378,500 is proposed to fund the activities of the 2025 Wellness workplan. The proposed budget is a 2.6% decrease from last year's budget. The 2025 Wellness budget accounts and amounts are below:

<b>Account/Expense</b>	<b>Budget</b>
1000: Fitness Events (Zumba, Dancing, 5k)	\$6,000
2000: Workshops (Technology, Financial Planning, Disaster Prep)	\$7,000
3000: Community Events	\$1,000
4000: Informational Meetings (Meet the Dr., Lunch & Learns, Carrier Summit)	\$9,000
5000: Champion Meetings/ Wellness Staff Activities	\$10,000
6000: Passport to Health Initiatives (Gift Cards via Keenan)	\$3,000
7000: Technology Courses (Mom's Computer Contract)	\$18,000
8000: Fitness Instruction (Personal Wellness Corp. Contract)	\$17,000
9000: Older Adult Education Seminars (Foundation for Senior Services Contract)	\$8,000
10000: Open Enrollment Meetings	\$70,000
11000: Mailings	\$5,000
12000: Promotional Items (Custom items, promotional videos)	\$12,000
13000: Training	\$5,000
14000: Salaries, Overtime, Mileage	\$123,500
15000: Various Instructional Classes (St. Barnabas Senior Center of Los Angeles Contract)	\$3,000
16000: Kaiser Permanente Education (Webinars)	\$1,000
17000: HWABD Vehicle	\$80,000
<b>Total</b>	<b>\$378,500</b>

In 2024, expenditures totaled \$152,100.21, which was below the \$388,500 budget.

Although the health plan carriers have not placed limitations or restrictions on the use of the funds, the proposed budget provides transparency and control of the use of the wellness funds. Staff requests that the proposed 2025 budget be established and approved in accordance with the established Wellness Funds Policy.

### **Fiscal Impact Statement**

A budget of \$378,500 to implement the 2025 Wellness workplan is funded from the Wellness Fund which is an independent fund from the LACERS Trust Fund 800 and the LACERS 115 Trust Fund. There is sufficient funding to maintain the 15% reserve and the remaining balance is in the account.

Prepared By: Alejandra Zuniga, Benefits Analyst, Health, Wellness, and Buyback Division

TB/DWN/KF/JK:az

Attachments: 1. 2025 LACERS Well Update, Workplan & Budget  
2. Proposed Board Resolution



**LACERS WELL**

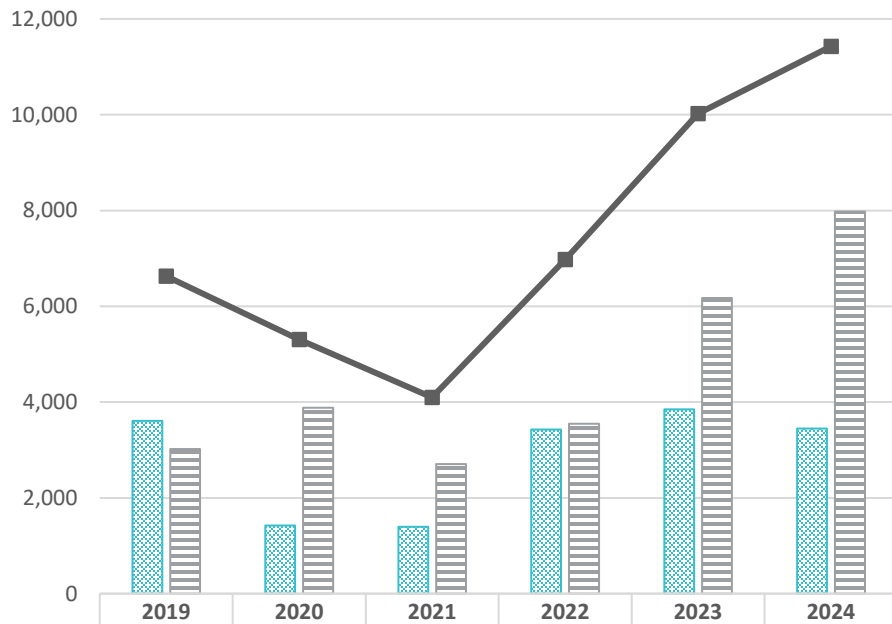
# **2025 LACERS Well Update, Workplan and Budget**





# 2024 Wellness Program Accomplishments & 2025 Plans

Wellness Participation and Touchpoints



Wellness Program Member Participation	3,605	1,422	1,394	3,427	3,846	3,448
Wellness Interaction "Touchpoints"	3,021	3,880	2,703	3,545	6,174	7,980
Totals	6,626	5,302	4,097	6,972	10,020	11,428

## 2024 Accomplishments



- Continuation of in-person LACERS Well activities and events
- 3,448 Member Participation + 7,980 Interaction Touchpoints
- Arranged and assisted in the four 2025 Open Enrollment in-person meetings with Health Advocacy

## 2025 Plans



- Augment in-person LACERS Well events
- Continue Health Management Initiative
- Continue Nonprofit Organization Outreach Initiative

# LACERS Well In-Person & Virtual Events

**2025 Wellness Theme: Wellness in Motion, Knowledge in Action**

## In-Person

- LACERS Workshops
- **TWO** 5k Hike-Walk-Run
- Lunch & Learn Meetings
- Summer Dance Series
- Bilingual Disaster Preparedness Series

## Virtual/Online

- Technology Class
- Brain Health Class
- Fitness Class
- Aging Well Class
- Kaiser Wellbeing Webinars
- Mental Wellness Webinars
- Anthem Benefit Webinars

## New!

- Disaster Preparedness Series (also available in Spanish)
- Spring six-week language lessons (Spanish)
- Fall six-week language lessons (TBD)
- Additional 5k Walk in the Spring
- Two One-Pass Webinars
- Hearing Aid Benefit Webinars with Anthem & Kaiser
- Back to Basics Technology Workshop

### Purposeful Living Campaign

The LACERS Well wellness program’s mission is to enhance the quality of life and retirement for Members by providing resources and activities that promote optimal health and wellness. The wellness program continues to promote Purposeful Living based on five essential elements of overall well-being: Purpose, Health, Financial Wellness, Social Engagement, and Community.

# 2025 Wellness Workplan

## **2025 Wellness Theme: Wellness in Motion, Knowledge in Action**

### Wellness in Motion (Physical activity)

- Stronger U Fitness Classes
- Champion Program of In-person and Virtual Activities
- Two 5K Runs
- Dance Series



### Knowledge in Action (Brain Health)

- Brain Health Classes
- County of L.A. – Financial Scams, Preserving Memory, Holiday Blues w/Dr. Fakhrabadi
- St. Barnabas Senior Center Language Class Series



### Knowledge in Action (Mental Health)

- Coping with Grief & Loss Webinar
- Aging Well Discussion Group
- Kaiser / Anthem Well-Being Webinars



### Knowledge in Action (Learning)

- Mom's Computer
- SCAN-Kaiser Lunch and Learn Meetings
- Financial and Estate Planning Workshop

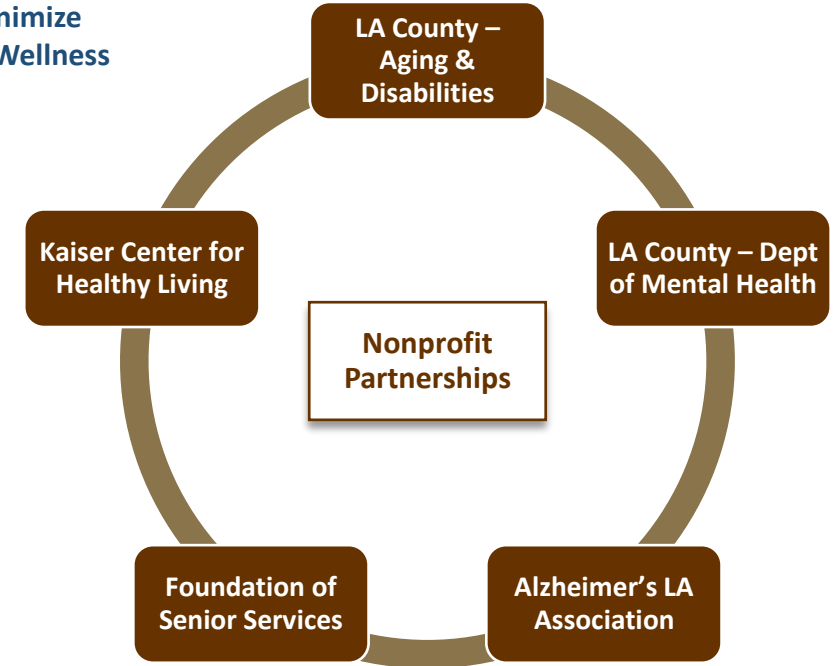
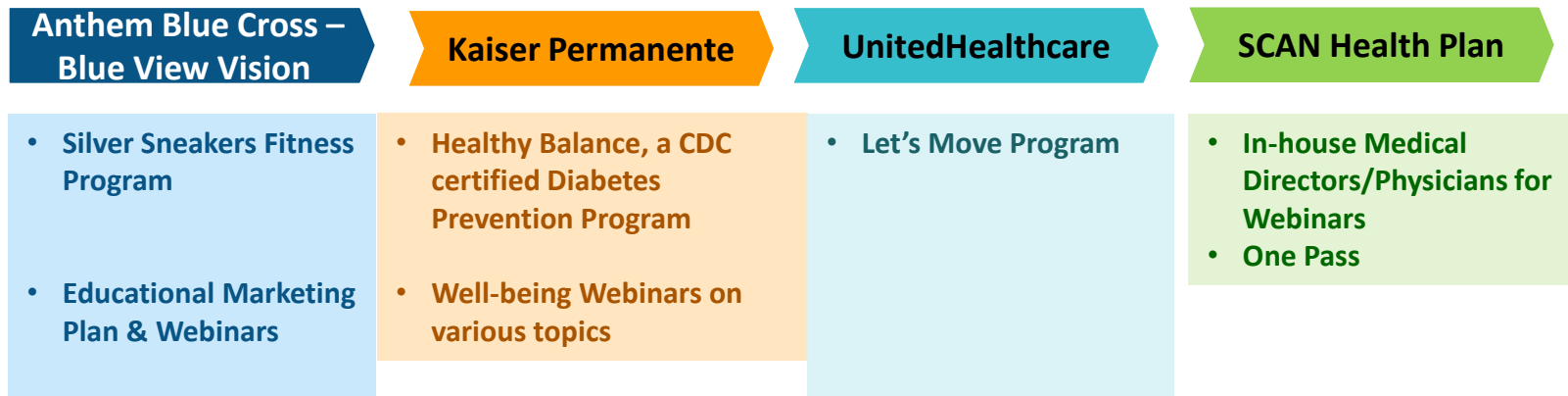
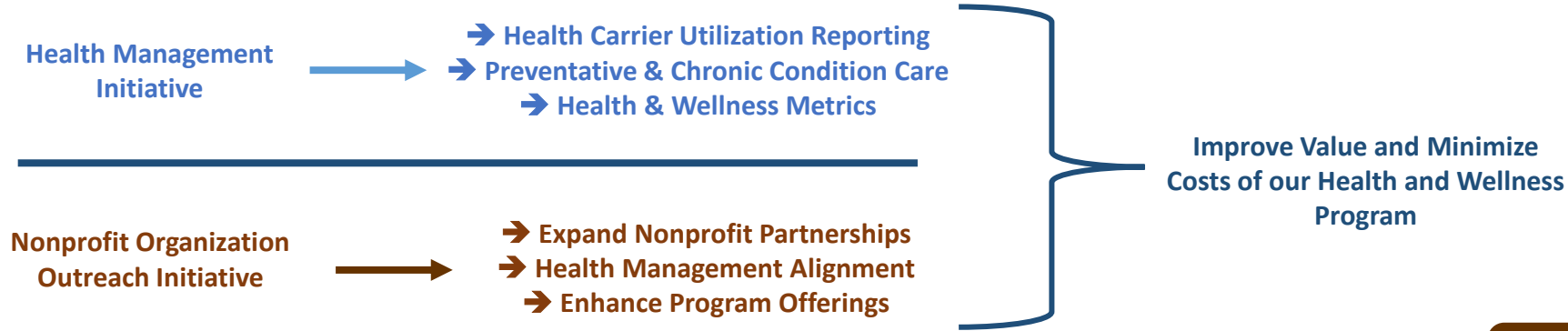


# 2025 Wellness Workplan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Aging Well Discussion group – 1 <sup>st</sup> Wednesdays	Active											
Mom’s Computer Technology Classes – 2 <sup>nd</sup> Wednesdays	Active											
A Stronger U Fitness Classes – 3 <sup>rd</sup> Wednesdays	Active											
Anthem Benefit Webinars – 4 <sup>th</sup> Wednesdays	Active											
Champion Program In-Person & Virtual Activities	Active											
Brain Health Classes – 4 <sup>th</sup> Wednesdays	Active											
Kaiser Well-Being Webinars – 2 <sup>nd</sup> Thursdays		Active					Active					
St. Barnabas Service Center – Language Classes –Every Tuesday			Active						Active			
St. Barnabas Service Center – Disaster Preparedness Classes					Active	Active		Active	Active			
County of L.A. – Financial Scams, Preserving Memory, Holiday Blues w/Dr. Fakhrabadi					Active	Active					Active	
Coping with Grief & Loss Webinar					Active							Active
Fitness 5k Hike/Walk/Run				Active		Active						
Summer Dance Classes							Active					
Mom’s Computer Technology Workshop							Active		Active			
SCAN-Kaiser Lunch and Learn Meetings								Active				
Financial & Estate Planning Workshop									Active			
LACERS Carrier Summit			Active									
Open Enrollment Virtual Meetings										Active		
Open Enrollment In-Person Meetings										Active	Active	

# Proposed Strategic Plan Initiatives Fiscal Year 2025

Focus on preventing and managing diabetes, hypertension, and depression



# Wellness Strategic Plan Initiative Support

## Objective

Expand wellness services by collaborating with health plan carriers, nonprofits, and community organizations to empower members in managing their health. Focus on preventing chronic conditions through innovative workshops, fostering social connections via group activities, and leveraging technology to enhance access to health education and resources, all while promoting physical, emotional, and social well-being.

## Benefits

- Align resources to scale programming
- Support Member education, assistance and participation
- Integrate health management in wellness programming

## Next Steps

- Identify health carrier & nonprofit resources & reporting
- Define metrics for reporting and enhance existing dashboard

## Team Leaders

- Kristal Baldwin, LACERS
- Alejandra Zuniga, LACERS

## HWABD Management Support

- Karen Freire, LACERS
- James Kawashima, LACERS

## Executive Sponsor

Dale Wong-Nguyen

## Support

- LACERS Well Team
- Keenan and Associates
- Health Plan Carriers
- Nonprofit Organizations





# Wellness Program Results & Goals



## 2024 Results

- 3,448 Program Participants
- 77 Webinars/Classes
- 12 In-Person Workshops/Events
- 17 Champion Volunteers
- 6 Nonprofit or Senior Agency Partnerships

## 2025 Goals

- 4,000 Program Participants
- 80 Webinars/Classes
- 15 In-Person Workshops/Events
- 17 Champion Volunteers
- 7 Nonprofit or Senior Agency Partnerships

**Note:** The Wellness Program seeks to help minimize health care costs, in addition to addressing challenges with aging through the health care management and nonprofit strategic initiatives in collaboration with local agency support from LACDMH, LACAD, ALZLA, etc.



# Wellness Budget Proposal

Annually, health plan carriers provide funds at the beginning of the calendar year to support the LACERS Well program. In 2025, health carriers have committed the amounts below for the program. The proposed 2025 budget is shown on the chart to the right.

Health Carrier	Amount
Anthem	\$100,000
Kaiser	\$150,000
United Healthcare	\$8,500
Delta Dental	\$20,000
Anthem Blue View Vision	\$10,000
<b>Total</b>	<b>\$298,500</b>

**Note:** The LACERS Health Carrier Account (HCA) balance as of 1/31/2025 is \$1,192,197.39

Account/Expense	Budget
1000: Fitness Events (Zumba, Dancing, 5k)	\$6,000
2000: Workshops (Technology, Financial Planning, Disaster Prep)	\$7,000
3000: Community Events	\$1,000
4000: Informational Meetings (Meet the Dr., Lunch & Learns, Carrier Summit)	\$9,000
5000: Champion Meetings/ Wellness Staff Activities	\$10,000
6000: Passport to Health Initiatives (Gift Cards via Keenan)	\$3,000
7000: Technology Courses (Mom's Computer Contract)	\$18,000
8000: Fitness Instruction (Personal Wellness Corp. Contract)	\$17,000
9000: Older Adult Education Seminars (Foundation for Senior Services Contract)	\$8,000
10000: Open Enrollment Meetings	\$70,000
11000: Mailings	\$5,000
12000: Promotional Items (Custom items, promotional videos)	\$12,000
13000: Training	\$5,000
14000: Salaries, Overtime, Mileage	\$123,500
15000: Various Instructional Classes (St. Barnabas Senior Center of Los Angeles Contract)	\$3,000
16000: Kaiser Permanente Education (Webinars)	\$1,000
17000: HWABD Vehicle	\$80,000
<b>Total</b>	<b>\$378,500</b>





**LACERS WELL**

**Questions?**



**2025 BUDGET FOR LACERS WELLNESS PROGRAM AND DELEGATION OF  
AUTHORITY TO THE GENERAL MANAGER**

PROPOSED RESOLUTION

WHEREAS, the Los Angeles City Employees' Retirement System (LACERS) developed the LACERS Well program to support and improve the health of Retired Members;

WHEREAS, the health plan carriers provide annual funding to the LACERS Well programs;

WHEREAS, LACERS Well has contracted with vendors to provide services and activities to help Retired Members better manage their health while minimizing long-term healthcare costs;

WHEREAS, the Calendar Year 2025 Wellness Program budget provides funds for expenditures related to wellness events;

WHEREAS, Charter Section 343(b) and Administrative Code Section 5.36, provides authority to the head of the department, the LACERS Board of Administration, to transfer between budgetary items, within limits prescribed by the City Administrative Officer;

WHEREAS, the Board is authorized to delegate to the General Manager to move funds in order to meet priorities in the most efficient and timely manner;

NOW, THEREFORE, BE IT RESOLVED, that the Board:

1. Approve the 2025 LACERS Well Budget; and,
2. Authorize the General Manager or designee to transfer funds between Wellness budget accounts, as necessary, within the approved 2025 budget.

February 25, 2025



**REPORT TO BENEFITS ADMINISTRATION COMMITTEE**  
**From: Todd Bouey, Acting General Manager**

**MEETING: FEBRUARY 25, 2025**  
**ITEM: V**

*TB*

**SUBJECT: AMENDMENT TO THE BENEFITS ADMINISTRATION COMMITTEE CHARTER AND WORK PLAN AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Committee recommend Board approval of the revisions to the Benefits Administration Committee charter and work plan.

**Executive Summary**

The Benefits Administration Committee charter and work plan are reviewed every three years to ensure it remains appropriate. The last review of the Benefits Administration Committee charter and work plan by the Committee was on October 26, 2021, and the Board on November 9, 2021.

**Discussion**

Staff reviewed the charter and work plan and propose revisions for the Committee's consideration. The revisions update the division title, extend timing for a workplan deliverable, and capture minor grammatical changes. These revisions are tracked in the attached copy of the charter.

Prepared By: Tenah Johnson-Taylor, Senior Benefits Analyst I, Health, Wellness, and Buybacks Division

TB/DWN:KF:MLD:tjt

Attachment: 1. Board Manual Section 3.0 Duties and Responsibilities, 3.7 Benefits Administration Committee Charter – Redline Version

ARTICLE I. BOARD GOVERNANCE STATEMENT

Section 3.0 DUTIES AND RESPONSIBILITIES

**3.7 Benefits Administration Committee Charter**

*Adopted: March 26, 2013; Revised: September 23, 2014, November 9, 2021*

**A. PURPOSE/ROLE**

The purpose of the Benefits Committee (Committee) is to provide assistance to the Board in fulfilling its oversight of the pension and retiree health care programs and related services.

**II. AUTHORITY**

The Committee is authorized to seek any information it requires from LACERS staff, consultants, or external parties as long as requests for staff time are not extraordinary and the expense for consultants or external parties, if any, has been approved by the Board in advance.

**III. COMPOSITION OF COMMITTEE**

The Committee shall consist of three LACERS Board Members. All members shall be appointed by the LACERS Board President. The LACERS Board President shall appoint a Committee Chair.

The Committee Chair is responsible for setting the agendas for each Committee Meeting. The Chair shall take as an agenda item any matter referred by the LACERS Board. The Chair shall also take as an agenda item any matter submitted by two or more members of the Committee. Additionally, the Chair may consider agenda items recommended by staff.

**IV. FREQUENCY OF MEETINGS**

The Committee shall meet no less than four times during the calendar year, or more often as needed. Meetings will be conducted in accordance with open meeting and other applicable laws. Through the General Manager, the Retirement Services Division and the ~~Health Benefits and Wellness~~ Health, Wellness, and Buyback Division managers shall support the Committee's activities and ensure appropriate staff time and other resources, such as actuaries and consultants, are available to assist it. The managers shall schedule meetings, prepare meeting agendas and other materials after conferring with the Committee Chair, review minutes and draft reports, perform research, and render other types of assistance as reasonably requested by the Committee.

**V. DUTIES AND RESPONSIBILITIES**

The Committee's responsibilities are to:

- Recommend to the Board rules, policies and procedures for Member benefits and departmental administration in accordance with relevant laws and the LACERS mission statement
- Approve and recommend processes to monitor implementation of rules and policies within the Board's purview
- Propose adjustments to operations that the Committee deems appropriate for the sound administration of Member benefits and the Department as a whole

ARTICLE I. BOARD GOVERNANCE STATEMENT

**Section 3.0 DUTIES AND RESPONSIBILITIES**

- Review and make necessary recommendations to the Board on [RFPsRequest for Proposals \(RFPs\)](#) and contract awards
- Evaluate insurance providers, consultants and other benefits contractors and make recommendations to the Board regarding the establishment or modification of services, and associated fees, provided to the Board, staff, and Members
- Review and recommend to the Board medical and dental subsidies and Medical Premium Reimbursement Program reimbursement limits
- Review and recommend to the Board annual medical, dental, and vision plan premium costs and any related plan design changes
- Review information on services and progress of programs
- Monitor progress of benefits-related goals in the strategic plan
- Address other issues as directed by the Board

**VI. CHARTER REVIEW**

The Committee and the Board will review this Charter at least every three years to ensure it remains appropriate. The Committee will recommend any changes to the Board for review and approval. The Board may adjust the Charter at any time.

**Benefits Administration Committee Work Plan**

*Approved by the Board: November 9, 2021*

August	October	November	February	April/ May	June/July
Consider and approve recommendation to the Board regarding health plan, health related RFP's, health plan premium rates, health plan subsidies, and medical plan premium reimbursement amounts (A)	Review the <del>wellness-LACERS Well</del> program plan for the coming year (I)	Evaluate whether additional benefits service providers are required (A)  Monitor progress of benefits-related goals in the strategic plan (I)	Review <del>wellness-the LACERS Well</del> program annual report of previous year (I)	Review information on services and programs (I)  Selection of health plan RFP finalists (A)  Review Health Plan Financial and <del>Wellness-Health Management</del> Dashboards (I)	Selection of health plans from RFP (A)  Initial review of health plan renewals (I)  Review and possible recommendation to the Board for <del>the Year-End Accounting for the Anthem Blue Cross Medical plans, Self-funded plans Delta Dental PPO, and vision-Vision plans. plan-Year-End Accounting</del> (A)

**(A) = Action**  
**(I) = Information**

BAC Meeting: 2/25/25  
Item: VI



**LACERS**

# Overview of Prescription Drugs and Pharmacy Benefit Managers (PBMs)

February 25, 2025

Presented by: Bordan Darm, Vice President

# Agenda

	Page
• LACERS Retiree Health Plans	3
• Pharmaceutical Industry Stakeholders	5
• LACERS Total Rx Cost	6
• Generic vs. Brand vs. Specialty	7
• Formulary vs. Non-Formulary	8
• GLP-1 Drugs	9
• The Evolving Pharmacy Landscape	10
• Key Specialty Trends	11
• The Prescription Drug Process	12
• The Pharmacy Benefit Manager	13
• The Big 3 PBMs' Lawsuit	14
• The Biden Administration and Prescription Drugs	15
• The Trump Administration and Prescription Drugs	16



# LACERS' Retiree Health Plans

- LACERS offers medical and prescription drug (Rx) coverage to the City of Los Angeles retirees, eligible survivors, and their dependents through four carriers:
  - **Under Age 65 Plans**
    - Anthem PPO
    - Anthem HMO
    - Kaiser HMO (Budget-based model)
  - **Age 65+ (Medicare) Plans**
    - Anthem Medicare Supplement Plan
    - Anthem Medicare Preferred (PPO)
    - Kaiser Senior Advantage HMO
    - UHC Medicare Advantage (CA, NV, and AZ)
    - SCAN Medicare Advantage
- Medical and Prescription Drug plan experience (claim cost and utilization data) are only available for the under age 65 plans (including members age 65+ with Medicare Part B only) and the Anthem Medicare Supplement Plan.
- The Medicare Advantage plans do not provide plan experience.
  - Carriers offering these plans receive a dollar assignment for each plan participant from Medicare.
  - In 2024, Medicare assigned \$462 billion to insurance carriers to cover 32.8 million Medicare Advantage plan participants making the average assignment \$14,085 annually per eligible member.
  - For LACERS' Members covered by the Medicare Advantage plans, the Carrier receives the allotted dollar assignment from Medicare and the carrier premium from LACERS.
  - Due to the confidentiality of carrier Medicare assignments, claim cost would be skewed if provided.



# LACERS' Health Plans – Rx Plan Design

- LACERS' Health plans may require copayments and coinsurance.
- LACERS' Rx plan designs vary from carrier to carrier and for health plans for age under 65 versus 65+ Medicare eligible plans.
- Carriers typically require Members to receive their Rx benefits through the carrier's Pharmacy Benefits Manager (PBM).
- Failure to follow the carriers' Rx plan can result in significant out of pocket expense for LACERS' Members.
- Copayments vary within the plan based on whether the drug is:
  - Filled via retail or mail order pharmacy
  - Generic or Brand
  - On the carriers' preferred vs. non-preferred drug list
  - On the carriers' formulary or non-formulary list
  - Is a specialty drug
  - Is federally mandated to be available at a certain copayment
  - *Please note Kaiser's retail pharmacies can also fill mail order scripts for their Members*

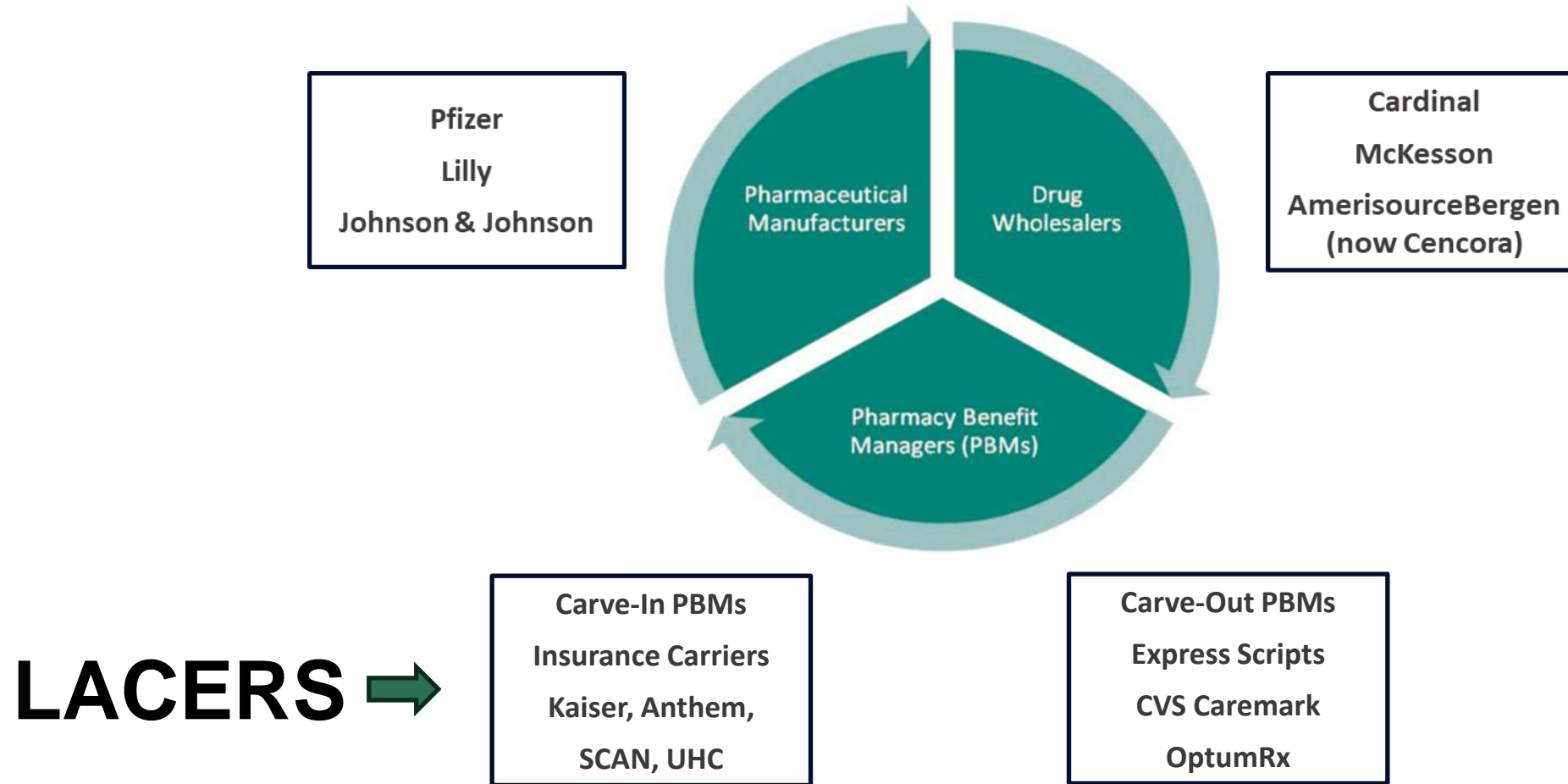
Under Age 65	Anthem Blue Cross			Kaiser
Medical/Rx Plans	PPO		HMO	HMO
Network	In	Out	In	In
<b>Retail</b>	<b>&lt;= 30 Days</b>		<b>&lt;= 30 Days</b>	<b>&lt;= 30 Days</b>
Generic	\$10	20% of Cost, No Deductible	\$10	\$15
Brand	\$30		\$30	\$35
Non-Formulary	\$50		\$50	N/A
<b>Mail Order</b>	<b>&lt;= 90 Days</b>		<b>&lt;= 90 Days</b>	<b>&lt;= 100 Days</b>
Generic	\$20	Not Covered	\$20	\$30
Brand	\$60		\$60	\$70
Non-Formulary	\$100		\$100	N/A

Age 65+ (Medicare)	Anthem Blue Cross			Kaiser	SCAN	UHC*
Medical/Rx Plans	PPO Supplement		PPO Advantage	HMO Advantage	HMO Advantage	HMO Advantage
Network	In	Out	In	In	In	In
<b>Retail</b>	<b>&lt;= 30 Days</b>		<b>&lt;= 30 Days</b>	<b>&lt;= 100 Days</b>	<b>&lt;= 100 Days</b>	<b>&lt;= 30 Days</b>
Generic	\$0-\$5	See Evidence of Coverage	\$0-5	\$15	\$5-\$10	Tier I \$10
Preferred Brand	\$25		\$25	\$15	\$20	Tier II \$20
Non-Preferred Brand	\$50		\$50	Not Applicable	\$20	Tier III \$50
Non-Formulary	\$50		\$50		Not Covered	Tier IV \$50
<b>Mail Order</b>	<b>&lt;= 90 Days</b>		<b>&lt;= 90 Days</b>	<b>&lt;= 100 Days</b>	<b>&lt;= 100 Days</b>	<b>&lt;= 100 Days</b>
Generic	\$0-\$10	Not Covered	\$0-\$10	\$15	\$10-\$20	Tier I \$20
Preferred Brand	\$50		\$50	\$15	\$40	Tier II \$40
Non-Preferred Brand	\$100		\$100	Not Applicable	\$40	Tier III \$100
Non-Formulary	\$100		\$100		Not Covered	Tier IV \$100

\* CA, NV, AZ - Tier I primarily Generics, Tier II Preferred Brand & Higher Cost Generics, Tier III Non-Preferred Brand, Tier IV Specialty

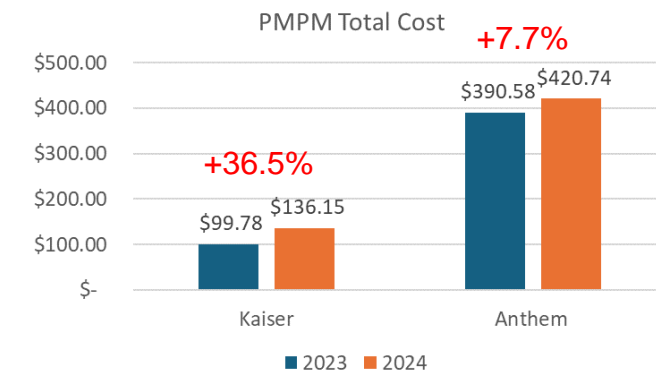
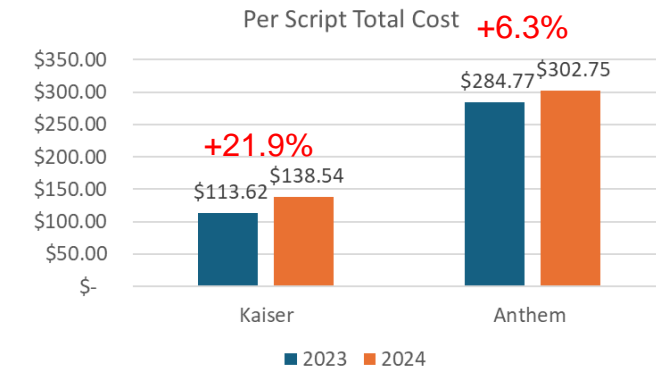
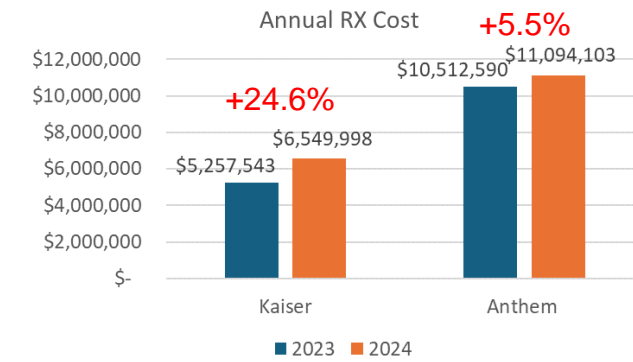


# Pharmaceutical Industry Stakeholders



# LACERS' Rx Total Cost

- As we review LACERS prescription drug costs, please note:
  - Kaiser totals include Members for under 65 retirees only in the Kaiser HMO
  - Anthem totals include:
    - Members under age 65 and Members age 65+ with Medicare Part B only enrolled in the Anthem HMO or Anthem PPO
    - Members age 65+ enrolled in the Anthem Medicare Supplement plan
- Total cost for 2024 was \$17.6m, an increase of \$1.9m over 2023 or 11.9%
  - Kaiser increased \$1.3m, Anthem increased \$580k
- Total scripts remained level at 83,924, an increase of 735 scripts or 0.9%
  - Kaiser increased 2.2% or 1,006, while Anthem decreased -0.7% or -271
- Average enrollment decreased from 6,634 to 6,206, a decrease of -6.4% or -428
  - Kaiser decreased -8.7% to 4,009, while Anthem decreased -2.0% to 2,197
- Pmpm cost for 2024 was \$236.91, an increase from \$198.10 in 2023 or 19.6%
  - Kaiser increased \$36.37, Anthem increased \$30.16
- Cost per script for 2024 was \$210.24, an increase from \$189.57 in 2023 or 10.9%
  - Kaiser increased \$24.92, Anthem increased \$17.97



# LACERS' Rx Generic vs. Brand vs. Specialty

## Generic

- Chemical copies of brand name drugs with the same active ingredients and benefits (\$)
- Generic drugs are approved by the FDA and are created after the patent for a brand drug expires

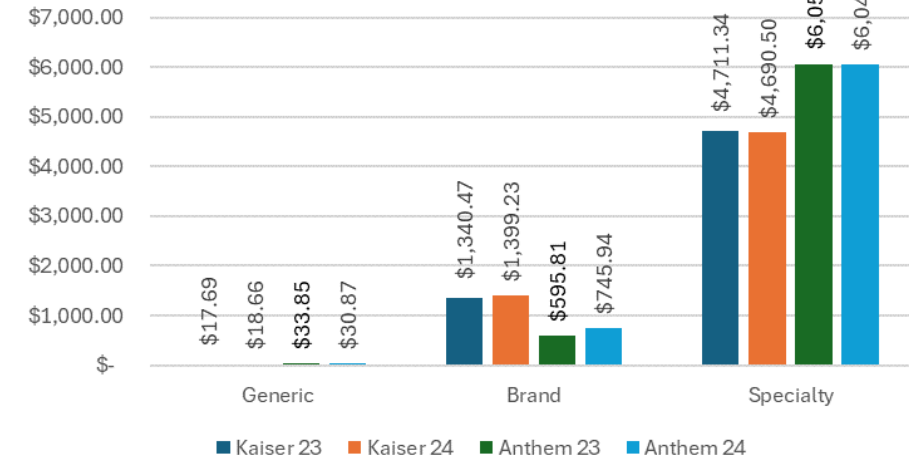
## Brand

- First version prescription drugs to enter the marketplace (\$-\$-\$-\$)
- Patent protected for up to 20 years; allowing for preclinical research, clinical trials, regulatory review, and FDA approval before entering the marketplace
- When arriving at the marketplace, the remaining patent life is typically 7 years

## Specialty

- Specialty drugs are used to treat rare, complex, and chronic health conditions such as cancer, diabetes, hemophilia, infertility, hepatitis, kidney disease, rheumatoid arthritis, multiple sclerosis, Crohn's disease, psoriasis, cystic fibrosis, or ulcerative colitis (\$\$\$\$)
- **Biologics** - medicines made from living cells/organisms requiring a complex manufacturing process, may require special handling and be administered via injections or infusion
- **Biosimilars** - a new biologic medication that is highly similar (only has minor differences in clinically inactive components) to an FDA-approved biologic product. Also known as a reference product (\$-\$-\$-\$)

Dollar Cost per Script



	Kaiser			
Cost	Generic	Brand	Specialty	Total
2024	\$ 817,114	\$ 4,532,117	\$ 1,200,767	\$ 6,549,998
2023	\$ 768,758	\$ 3,475,847	\$ 1,012,938	\$ 5,257,543
Scripts				
2024	43,784	3,239	256	47,279
2023	43,465	2,593	215	46,273
	Anthem			
Cost	Generic	Brand	Specialty	Total
2024	\$ 903,853	\$ 4,832,923	\$ 5,357,328	\$ 11,094,103
2023	\$ 997,996	\$ 3,875,125	\$ 5,639,468	\$ 10,512,590
Scripts				
2024	29,280	6,479	886	36,645
2023	29,481	6,504	931	36,916

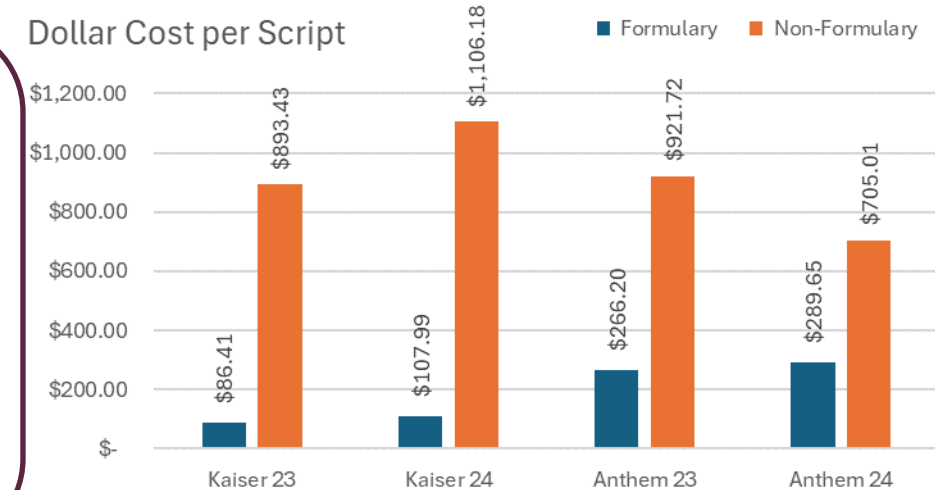
# LACERS' Rx Formulary vs. Non-Formulary Drugs

Formulary  
Drugs

- Formulary drugs are preferred medications listed with an insurer
- Drugs are placed on different tiers within the formulary list
- Tier placement will impact plan and patient cost
- Patients will pay little or no out of pocket costs if they are prescribed medicines that are on the “lowest” or most **preferred formulary** tier
- Lower-tier medicines are usually medicines that have been found to work well in most people with that condition, and they are often generic medications
- Generic, Brand, & Specialty drugs can be on a carriers’ formulary list
- Formulary drugs may produce a manufacturer’s rebate if the drug is contracted between the manufacturer and the insurer
- Rebates can be passed on from the insurer to the client

Non-Formulary  
Drugs

- A non-formulary drug is a medication that is not included in the list of drugs (formulary) covered by an insurance plan
- A “Closed” formulary means drugs not on the insurer’s list will typically require an exception before being covered and may result in higher cost
- An “Open” formulary means drugs on the formulary list are covered “**preferred drugs**” over covered, non-formulary, non-preferred drugs
- Lack of clinical evidence for effectiveness, safety concerns, high cost compared to alternative drugs, limited availability, and new or experimental drugs are all reasons to place drugs on a non-formulary list
- Non-formulary drugs are typically not contracted drugs and therefore typically do not create a Rx rebate



	Kaiser		
Cost	Formulary	Non-Formulary	Total
2024	\$ 4,949,355	\$ 1,600,643	\$ 6,549,998
2023	\$ 3,863,787	\$ 1,393,756	\$ 5,257,543
Scripts			
2024	45,832	1,447	47,279
2023	44,713	1,560	46,273
	Anthem		
Cost	Formulary	Non-Formulary	Total
2024	\$10,279,814	\$ 814,289	\$11,094,103
2023	\$ 9,548,467	\$ 964,123	\$10,512,590
Scripts			
2024	35,490	1,155	36,645
2023	35,870	1,046	36,916

# LACERS' GLP-1 Drugs

- GLP-1 drugs made up 13.1% of the Anthem 2024 drug spend, 7.8% of the Kaiser drug spend (data from top 25 drug list).
- GLP-1 drugs include the following drugs:

Drug Name	Brand Name	Treatment	Annual Cost	% of Rx Cost	\$ Cost/Script	Carrier
Dulaglutide	Trulicity	Anti-Diabetic, heart disease	\$192,652	1.7%	\$1,302	Anthem
Exenatide	Byetta	Anti-Diabetic				
	Bydureon	Anti-Diabetic				
Liraglutide	Victoza	Anti-Diabetic				
	Saxenda	Obesity, Weight Loss				
Lixisenatide	Adlyxin	Anti-Diabetic				
Semaglutide	Ozempic	Anti-Diabetic, Weight Loss	\$746,347	11.4%	\$690	Kaiser
			\$866,437	7.8%	\$1,309	Anthem
	Rybelsus	Anti-Diabetic				
	Wegovy	Weight loss, high blood pressure, high cholesterol	\$163,813	1.5%	\$1,781	Anthem
Tirzepatide	Mounjaro	Anti-Diabetic, pancreatitis	\$233,282	2.1%	\$1,268	Anthem
	Zepbound	Weight loss, sleep apnea				



# The Evolving Pharmacy Landscape



Pharmacy costs have more than DOUBLED over the past 5 years.  
Pharmacy manufacturers setting prices significantly higher in the USA



Non-Specialty (chemical-based drugs) – very little new production



Specialty (Biosimilars, Injectables) – majority of new drugs to market



Emerging trends for Gene Therapy - likely to cost at least \$1.5 million (latest is \$4.25M)



Use of GLP-1s for weight loss is creating financial anxiety for clients (\$700 to \$1,800 a month per claimant) and causing shortages in the drug supply. GLP-1 usage expected to double by 2030.

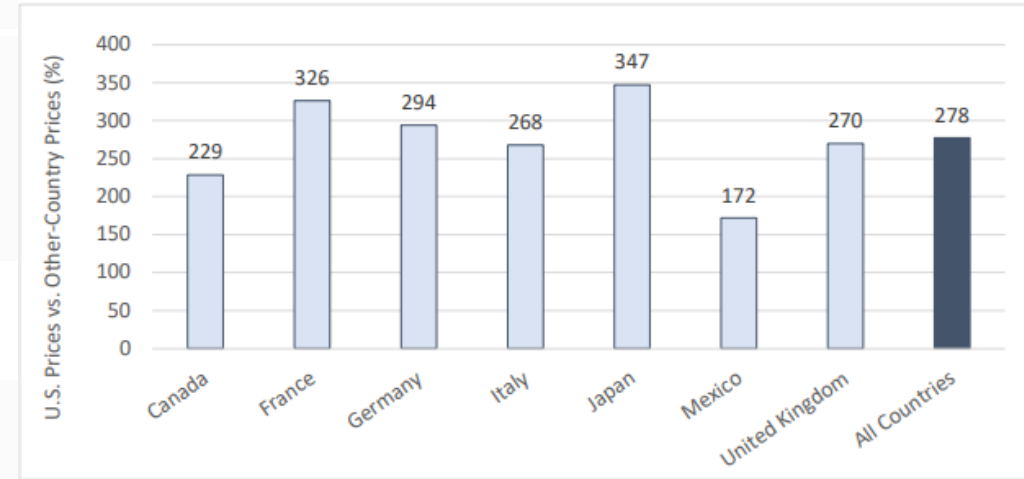


Carve-Out PBMs earning excess profits with non-transparent policies, pricing, and actual cost. There is pending litigation against The “Big 3” PBMs (Express Scripts, CVS Caremark, and OptumRx).



Legislative changes at state & federal level seek to alter cost structures & regulate PBM industry overall (majority of states have pending or passed PBM legislation)

Figure 3.1. U.S. Prescription Drug Prices as a Percentage of Prices in Selected Other Countries, All Drugs, 2022



SOURCE: Authors' analysis of 2022 sales and volume data from IQVIA, undated (run date May 19, 2023).

# Key Specialty Trends



## Annual Price Hikes

Specialty drug prices rise **7-8%** per year



## Specialty Drugs Dominating PBM Spend

Specialty drugs account for **53%** of PBM spending but just **2-3%** of total prescriptions



## New Specialty Drugs

10 new drugs launched in Q1 2024, driving a **5-6% increase** in total spending



## Employer Healthcare Costs

Premiums are **rising 8-10%**, with employers **spending \$25,000** per employee annually



## High Out-of-Pocket Burden for Patients

Patients face **\$500 to \$1,000** out-of-pocket per specialty prescription



## Chronic Inflammatory Costs

Treatments like Humira and Enbrel **cost \$70,000 to \$100,000** annually

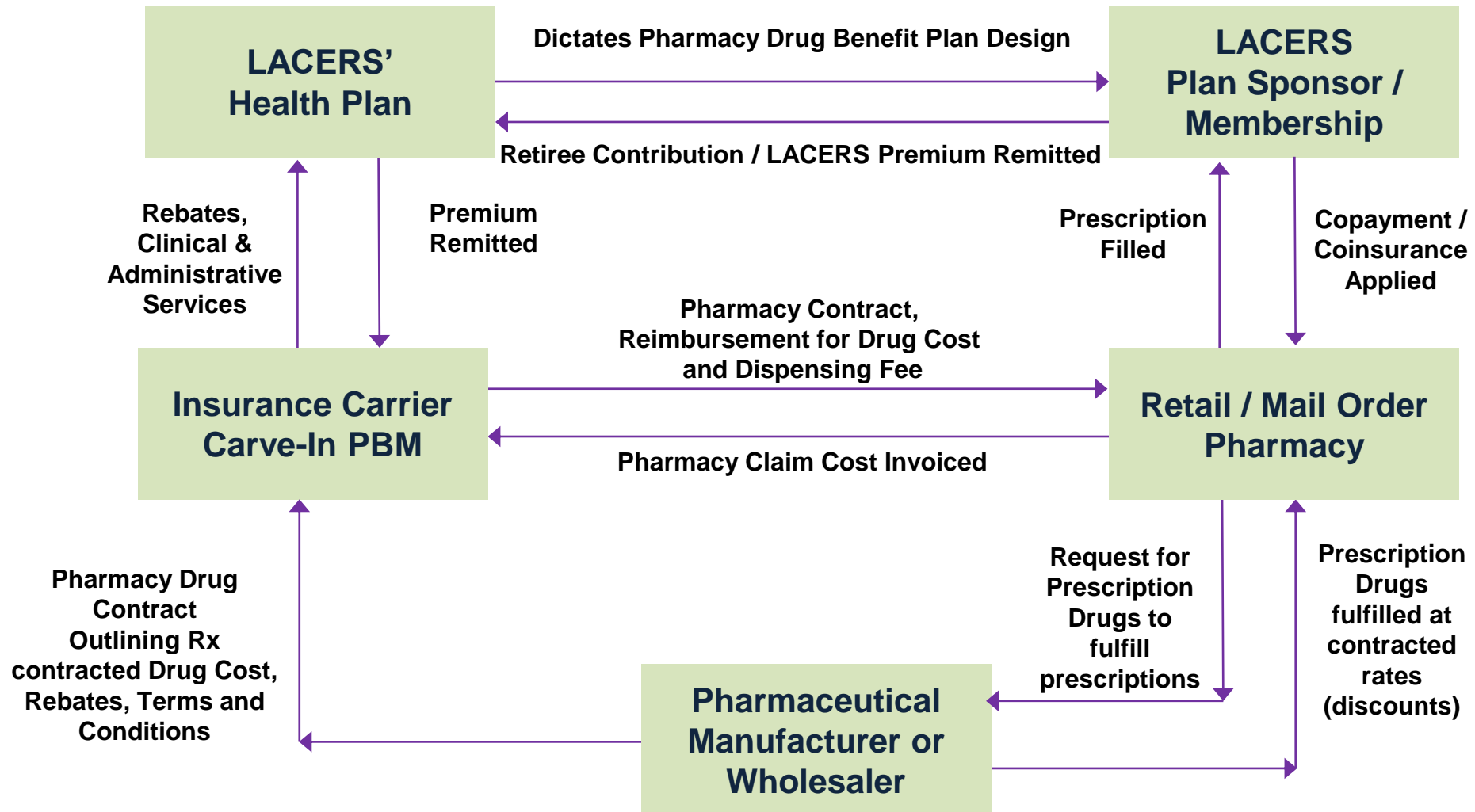


## Oncology Drugs Spending

Oncology drugs represent 40% of specialty costs, with treatments **exceeding \$150,000** annually



# The Prescription Drug Process



# The Pharmacy Benefit Manager

- Pharmacy Benefit Managers (PBMs) provide a range of services aimed at managing prescription drug costs and benefits for health plans and their members.
- These services include:
  - Negotiating drug prices with manufacturers;
  - Developing formularies;
  - Managing pharmacy networks;
  - Processing claims;
  - Developing and tracking rebates;
  - Providing mail-order pharmacy services;
  - Providing financial and clinical reporting to clients; and,
  - Providing customer service to all covered members.
- In essence, PBMs act as intermediaries between health plans, pharmacies, and pharmaceutical companies.
- In their role as intermediaries, their fiduciary responsibility to their clients appears, at times, to have been compromised, as more and more PBMs find themselves facing litigation. Specific claims include:
  - Prescription drug pricing, rebating, and discounting. Acquiring drugs at one price point, applying another price point to health plans, and profiting from the difference.
  - Price setting for certain prescription drugs higher than what the market is charging

# The Express Scripts, CVS Caremark, and OptumRx PBM Lawsuit

## **Federal Trade Commission (FTC) Claim:**

- The FTC alleges that the three PBMs' practices, particularly their "chase-the-rebate" strategy, have led to skyrocketing list prices for insulin medications, ultimately harming patients, especially those with deductibles and coinsurance.

## **"Chase-the-Rebate" Strategy:**

- This strategy involves PBMs negotiating rebates with drug manufacturers, which are then often not passed on to patients at the pharmacy counter. Instead, the PBMs may use these rebates to offset their own costs or to increase their profits, contributing to higher list prices and out-of-pocket expenses for patients.

## **Impact on Patients:**

- The FTC argues that these practices harm patients, particularly those with deductibles or coinsurance, who often have to pay the full list price of insulin, which has increased dramatically in recent years.

## **Antitrust Concerns:**

- The FTC's lawsuit is based on Section 5 of the FTC Act, which prohibits unfair or deceptive acts or practices affecting commerce. The FTC alleges that the PBMs' practices violate this law by artificially inflating insulin prices and harming patients.

## **PBMs' Response:**

- The three PBMs have filed a lawsuit against the FTC, arguing that the agency is overstepping its authority and trying to restrict their ability to negotiate lower prices for their clients. They also argue that the FTC's claims are based on subjective policy preferences rather than objective evidence of anti-competitive behavior.

## **Industry Scrutiny:**

- The FTC's lawsuit is part of a broader trend of increased scrutiny of PBMs by regulators, lawmakers, and the public. There are concerns about PBMs' role in driving up drug costs and their impact on patient access to affordable medications.
- In essence, the lawsuit centers on the FTC's contention that the PBMs' practices, particularly their "chase-the-rebate" strategy, artificially inflate insulin prices and harm patients by shifting the burden of high list prices onto them.

# The Biden Administration and Prescription Drugs

The Biden/Harris Administration signed the Inflation Reduction Act into law, which had the following impact on Rx:

- **Medicare received the power to negotiate lower drug prices:**
  - **Effective January 1, 2026**, the Medicare negotiated lower prices for Eliquis, Jardiance, Xarelto, Januvia, Farxiga, Entresto, Enbrel, Imbruvica, Stelara, and Fiasp/NovoLog, which treat conditions like cancer, diabetes, and blood clots, will go into effect
  - **Effective January 1, 2027**, the second round of Medicare negotiated lower prices will go into effect. These drugs include: Ozempic, Rybelsus, and Wegovy for Type 2 diabetes, Type 2 diabetes and cardiovascular disease, and Obesity/overweight and cardiovascular disease; Trelegy Ellipta for Asthma and Chronic obstructive pulmonary disease; Xtandi for Prostate cancer; Pomalyst for Kaposi sarcoma and multiple myeloma; Ibrance for Breast cancer; Ofev for Idiopathic pulmonary fibrosis; Linzess for Chronic idiopathic constipation and Irritable bowel syndrome with constipation; Calquence for Chronic lymphocytic leukemia/small lymphocytic lymphoma and Mantle cell lymphoma; Austedo and Austedo XR for Chorea in Huntington's disease and Tardive dyskinesia; Breo Ellipta for Asthma and Chronic obstructive pulmonary disease; Tradjenta for Type 2 diabetes; Xifaxan for Hepatic encephalopathy and Irritable bowel syndrome with diarrhea; Vraylar for Bipolar I disorder, Major depressive disorder, and Schizophrenia; Janumet and Janumet XR for Type 2 diabetes; and Otezla for Oral ulcers in Behçet's Disease, Plaque psoriasis, and Psoriatic arthritis.
  - **By 2030**, 80 of the most expensive Medicare drugs will have lower prices because of these negotiations
- **Lowered insulin costs:**
  - Effective January 1, 2023, monthly insulin copays for people on Medicare are capped at \$35 per prescription
- **Capped out-of-pocket costs:**
  - Effective January 1, 2025, a new prescription drug cap of \$2,000 per year will apply on out-of-pocket costs
  - Estimated savings is \$462 per year for over 38 million Americans
- **Free vaccinations:**
  - 50.5 million seniors are eligible for no-cost vaccinations, including RSV, DtaP, seasonal flu, and the usually costly shingles vaccine
  - Seniors on Medicare Part D saved over \$400 on average on vaccinations in 2023

# The Trump Administration and Prescription Drugs

It is anticipated that the Trump Administration will continue at least some of the Biden/Harris Administration prescription drug agenda, including the following Medicare-impacting initiatives:

- Medicare negotiating lower drug prices
- Lowered insulin copayment (\$35 per script per month)
- Capped out-of-pocket prescription drug cost (\$2,000 annually), and
- Free vaccinations for Medicare recipients

So far, the Trump Administration has given mixed signals on PBM reform. Before taking office, Trump nixed the January Continuing Resolution (CR) deal to fund the government, which included a bipartisan agreement on PBMs. The agreement would have done the following:

- Require PBMs for large fully insured or self-insured plans to pass 100% of rebates or other discounts directly to the employer plan sponsor,
- Enact stringent reporting requirements,
- Enact additional limits when dealing with Medicare & Medicaid (ban spread pricing, require NADAC and dispensing fee, prohibit tying compensation to size of discount negotiated)

Members of Congress are likely to try to get this language into budget legislation this year.



Questions