WEST VIRGINIA LEGISLATIVE AUDITOR

PERFORMANCE EVALUATION AND RESEARCH DIVISION

Preliminary Performance Review

Public Employees Insurance Agency Finance Board

The Public Employees Insurance Agency Finance Board's Reforms Assist the Board in Achieving Financial Stability

February 2005
PE 04-31-342

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February 6, 2005

The Honorable Edwin J. Bowman
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The Honorable J.D. Beane
House of Delegates
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Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Preliminary Performance Review of the *Public Employees Insurance Agency Finance Board*, which will be presented to the Joint Committee on Government Operations on Sunday, February 6, 2005. The issue covered herein is "The Public Employees Insurance Agency Finance Board's Reforms Assist the Board in Achieving Financial Stability."

We transmitted a draft copy of the report to the Public Employees Insurance Agency Finance Board on January 21, 2005. We held an exit conference with the Finance Board on January 26, 2005. We received the agency response on January 31, 2005.

Let me know if you have any questions.

Sincerely,

John Sylvia

JS/wsc

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The Public Employees Insurance Agency (PEIA) Finance Board was created in 1990 to bring fiscal stability to the PEIA through the development of annual financial plans and long-range plans. In 2003, the Legislative Auditor's Office issued a Preliminary Performance Review of the Finance Board that indicated the board had implemented several internal reforms in an effort to bring about financial stability to the PEIA. These new initiatives were:

In 2003, the Legislative Auditor's Office issued a Preliminary Performance Review of the Finance Board that indicated the board had implemented several internal reforms in an effort to bring about financial stability to the PEIA.

- Change in Pharmacy Benefits Manager (PBM)
- Education Targeting Unnecessary Utilization
- Kidney Disease Management Program
- Accessible Intelligent Medication Strategies (AIMS)
- Medicaid Transfer
- Tobacco Cessation Incentive

The Legislative Auditor has reviewed each of these programs along with the Pathways to Wellness program. This performance review found that each program is important to the PEIA towards gaining financial stability. However, the Kidney Disease Management Program actually *costs* the PEIA in the short-run, while the plan for the program is to deter the higher costs associated with kidney disease in the future. The change in Pharmacy Benefits Manager, and AIMS both received Innovation Awards, which is further evidence of their significance. With exception to the Kidney Disease Management Program, the savings these programs provide are either placed in reserve or are used for other wellness and care management programs. Each month the PEIA meets with its claims processor (Acordia) and receives monthly reports from its data warehouse manager, Express Scripts, and vendors who track specific cost items to monitor each of the reviewed programs to assess whether they are functioning to bring the PEIA closer to financial stability.

This performance review found that each program is important to the PEIA and its efforts towards gaining financial stability.

Recommendations

1. *The Legislative Auditor recommends that the PEIA Finance Board be continued for six years.*

2. *The Legislative Auditor recommends that each of the PEIA programs be continued as efforts to assure financial stability to the Public Employees Insurance Agency.*

Review Objective, Scope and Methodology

This Preliminary Performance Review of the Public Employees Insurance Agency (PEIA) Finance Board is required and authorized by West Virginia Sunset Law Chapter 4, Article 10 of the West Virginia Code, as amended. The main function of the PEIA Finance Board is to bring fiscal stability to the PEIA.

Objective

The objective of this report is to determine if the initiatives set forth by the PEIA Finance Board are performing effectively to achieve their created purpose of ensuring the financial stability of the PEIA.

Scope

The scope of this evaluation covers the period from August 2003 to December 2004. Information from the years 1998-2002 were also utilized.

Methodology

Information compiled in this report was acquired through correspondence and interviews with the PEIA, reviewing meeting minutes, financial reports and previous preliminary performance reviews of the PEIA Finance Board. Every aspect of this review complied with Generally Accepted Government Auditing Standards (GAGAS).

Issue 1

The Public Employees Insurance Agency Finance Board's Reforms Assist the Board in Achieving Financial Stability.

Issue Summary

The Public Employees Insurance Agency (PEIA) Finance Board was created in 1990 with the purpose of bringing fiscal stability to the PEIA. The Finance Board has been reviewed by the Legislative Auditor's Office previously in January 2001, February 2001, and August 2003. In the August 2003 evaluation, it was found that several internal reforms were made in an effort to ensure the financial stability of the PEIA. These reforms were:

Information provided by the PEIA indicates that each of the programs have performed favorably with some resulting in award winning services.

- Change in Pharmacy Benefits Manager (PBM)
- Education Targeting Unnecessary Utilization
- Kidney Disease Management Program
- Accessible Intelligent Medication Strategies (AIMS)
- Medicaid Transfer
- Tobacco Cessation Incentive

The Legislative Auditor reviewed each of the initiatives to determine its effectiveness and impact on the PEIA. The PEIA Pathways to Wellness program is also included in this current review because it is a major initiative that has been utilized by the PEIA since 1998. The PEIA routinely tracks the performance of each program to ensure they continue to be effective measures of establishing the financial stability of the PEIA. Information provided by the PEIA indicates that each of the programs have performed favorably with some resulting in award winning services. The Kidney Disease Management Program will have long-term savings, but will initially cost the PEIA because additional services are provided to patients that are intended to deter the need for costlier procedures and services in the long run. The PEIA finds that each program is significant to the PEIA because each program supports the Finance Board's efforts of bringing financial stability to the PEIA. **The Legislative Auditor recommends that each of the PEIA programs be continued as efforts to assure financial stability to the Public Employees Insurance Agency.**

PEIA Reforms

The PEIA Finance Board approved internal reforms which were listed in the 2003 Preliminary Performance Review conducted by the Performance Evaluation and Research Division. These reforms include:

- Change in Pharmacy Benefits Manager (PBM)
- Education Targeting Unnecessary Utilization
- Kidney Disease Management Program
- Accessible Intelligent Medication Strategies (AIMS)
- Medicaid Transfer
- Tobacco Cessation Incentive

Each of the programs included in this review are important to both the PEIA and its members because they provide services that can prevent high premium increases in the future.

In order to determine the effectiveness of these reforms, the Legislative Auditor reviewed each program in detail. The PEIA reviews these programs regularly and all provide actual savings or will provide savings to PEIA in the future. Each of the programs included in this review are important to both the PEIA and its members because they provide services that can prevent high premium increases in the future.

Change in Pharmacy Benefits Manager (PBM)

Under this contract, ESI is paid on a per-claim basis by the PEIA, and as a result, the PEIA receives 100% of the rebates from the drug manufacturers. Essentially, this means that all rebates flow back to the PEIA.

As stated in the 2003 Preliminary Performance Review of the PEIA Finance Board, *"The PEIA changed pharmacy benefits managers on July 1, 2002 to obtain a more favorable drug rebate program."* This change resulted in Merck-Medco no longer being the Pharmacy Benefits Manager (PBM) and Express Scripts (ESI) being awarded a contract to be the new PBM for the PEIA. Under this contract, ESI is paid on a per-claim basis by the PEIA, and as a result, the PEIA receives 100% of the rebates from the drug manufacturers. Essentially, this means that all rebates flow back to the PEIA. Table 1 displays the manufacturer rebate revenues for fiscal years 1998-2004. The significant increase in rebates for fiscal years 2003-2004 can be attributed to more stringent contract language with Express Scripts, than was previously written in the Merck-Medco contract. In Table 1, the years 2003 and 2004 denote the ESI rebates that flowed back to the PEIA. After the PBM change, the amount of rebates collected increased by nearly $10 million.

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Table 1 Manufacturer Rebate Revenues FY 1998-2004			
Before PBM Change		**After Change to Express Scripts**	
Fiscal Year	**Rebate Revenue**	**Fiscal Year**	**Rebate Revenue**
1998	$1,901,218	2003 ESI	$12,029,814
1999	$1,398,678	2004 ESI	$15,642,963
2000	$5,010,000		
2001	$5,088,685		
2002	$5,713,862		
Source: PEIA Chief Financial Officer			

A Pharmacy Management Account was also provided under the new contract with ESI. This account serves the purpose of providing payment of the PEIA expenses that were the result of the transition to the new contract.

The PEIA's change in PBMs is also a result of the Multi-State Pharmacy Benefit Management Service (RxIS). **The RxIS increases the leverage states have in negotiating with PBM's resulting in lower prescription drug costs and increases in the amount of manufacturer rebates**. As a result:

- PEIA experienced an 11% increase in the cost of prescription drugs for FY 2003 compared to a projected increase of 23% (the 2003 actual national non-Medicare retail increase was 14.3%).
- PEIA had approximately 200% increase in rebates

There are two steps involved in the RxIS project. As outlined in a May 2002 article of *PEIA News*, these steps are as follows:

> *The first is to use the states' market share to negotiate lower prices with the pharmacy benefits manager. The second step is to leverage the collective buying power of the increased number of lives to obtain more of the rebates offered from the drug manufacturers.*

The PEIA won the *Innovation Award* from the Council of State Governments for the Multi-State Pharmacy Benefit Management Service. Due to the favorable outcomes of the change in PBM and the RxIS, the PEIA plans to continue each in an effort to ensure savings.

Education Targeting Unnecessary Utilization

The PEIA won the Innovation Award from the Council of State Governments for the Multi-State Pharmacy Benefit Management Service.

Among PEIA members there has been an increase in the utilization of emergency room services and out-of-state provider utilization. These two areas are targeted for unnecessary utilization through the PEIA's Education Targeting Unnecessary Utilization program. The PEIA views targeting these two groups as a *"crucial aspect of controlling costs."* This program is tracked weekly from reviews of the claims run report and the monthly utilization management reports. These reports provide a breakdown of the services being utilized, as well as whether or not the services were provided in West Virginia. If an increase in the utilization of emergency room services or an out-of-state facility is identified by the PEIA, then action is taken to both reduce the usage and provide education on the cost effects of utilizing these types of services.

As shown in the table, 2003 had an increase of 2,403 non-emergency visits to the emergency room. However, the number of visits dropped during 2004 to below the 2002 level, saving $63,102 when compared to 2003.

The Emergency Room Project is a program that educates PEIA members on the costs of utilizing the emergency room for non-emergencies. Table 2 illustrates the number and costs of unnecessary emergency room visits for fiscal years 2002-2004. The costs shown in the table reflect the amount PEIA pays towards the emergency room visits that were deemed unnecessary. Any other costs for these types of visits were paid by either the member's deductible, out-of-pocket, or Medicare (if applicable). As shown in the table, 2003 had an increase of 2,403 non-emergency visits to the emergency room. However, the number of visits dropped during 2004 to below the 2002 level, saving $63,102 when compared to 2003.

Table 2
Emergency Room Visits for Non-Emergencies
FY 2002-2004

Fiscal Year	Number of Visits	Costs of Visits
2002	1,498	$36,685
2003	3,901	$97,978
2004	1,386	$34,876

Source: PEIA Deputy Director for Insurance Programs and Services

Educational pamphlets were mailed out by the PEIA to all members who were found to be using the emergency room for services that were considered non-emergencies. The pamphlet, which can be viewed in Appendix B, outlines the out of pocket, copay and deductible costs the members would have to pay as a result of utilizing the emergency room.

PEIA members are also being educated on the unnecessary utilization of out-of-state providers. The Winchester Plan (utilization steerage) was implemented in December 2002 to deter the use of out-of-state providers who were found to be more expensive, and to encourage the utilization of West Virginia providers. This plan is currently used in the eastern panhandle. Letters and brochures are sent to PEIA members who utilize providers that are considered to be expensive. Also, letters are mailed to West Virginia providers educating them on the benefits of in-state referrals. To further encourage the use of West Virginia providers and to avoid increased payment to out-of-state providers, the PEIA waives the coinsurance for certain services at select in-state hospitals. Currently, the PEIA is scheduled to meet with two West Virginia hospitals that have been increasingly referring PEIA members to out-of-state providers. In an effort to control the utilization of out of state hospitals, the PEIA simply removes out-of-state hospitals from the PEIA PPB Plan out-of-state provider network that are both expensive and not willing to negotiate proper discounts. In July 2002, three hospitals were removed from the previously mentioned network.

To further encourage the use of West Virginia providers and to avoid increased payment to out-of-state providers, the PEIA waives the coinsurance for certain services at select in-state hospitals.

In an effort to control the utilization of out-of-state hospitals, the PEIA simply removes out-of-state hospitals from the PEIA PPB Plan out-of-state provider network that are both expensive and not willing to negotiate proper discounts.

Kidney Disease Management Program

In FY 2002, the costs directly related to PEIA members with End-Stage Renal Disease (ESRD) was approximately $3.5 million. The Kidney Disease Management Program began in April 2003 as an effort to manage the care of people with ESRD and thus curb the costs of ESRD services. The program focuses on the member, provider education, intensive care planning, and the prevention of complications and hospitalization. This program is monitored on a weekly, monthly and quarterly basis. In the beginning, the PEIA worked with the nation's leading disease management program for people with Chronic Kidney Disease (CKD) and ESRD, Renal Management Strategies (RMS) Disease Management Inc. The contract with RMS cost the PEIA $225,000 per year. However, as a result of the program being tracked, the contract with RMS was terminated once it was found that it was not producing the desired results. Once the RMS contract was terminated, the program began to be, and currently is, managed by Acordia. With Acordia, the PEIA now pays $0.10 per non-medicare policyholder per month or approximately $74,400 per year. This partnership has made funds available for the coordination of care for the members in the kidney disease management program as well as for the PEIA's other disease management

programs.

There are currently 32 patients with end-stage renal disease and 58 patients with chronic kidney disease enrolled in the Kidney Disease Management Program. A weekly census report of renal care patients is received by the PEIA along with the number of contacts the renal nurse has made. **However, at this time the PEIA is unable to provide any concrete savings**. This is mainly attributed to this program absorbing costs that are more likely to occur in the future. Table 3 highlights the number and costs of dialysis services for the fiscal years 2002-2004. From the table, it is apparent that in fiscal years 2003 and 2004 the number of dialysis services increased, which can be attributed to the Kidney Disease Management Program increasing the awareness of managing kidney disease. It should be noted that the costs of these services decreased in FY 2003 and 2004 due to a reduction in reimbursement for dialysis services. RMS assisted the PEIA in setting this new reimbursement rate.

Programs such as the Kidney Disease Management program initially cause costs to increase due to the increased awareness of the patient's health status.

Table 3
Dialysis Services
FY 2002-2004

Fiscal Year	Number of Services	Amount Paid by PEIA	Amount Paid by PEIA per Service
2002	15,448	$3,453,115	$224
2003	20,304	$2,523,331	$124
2004	29,862	$2,841,756	$95

Source: PEIA Chief Financial Officer

If patients/members do not participate in the Kidney Disease Management program, the alternatives could be very poor health leading to hospitalization, surgery, and/or the need for full-time care.

Programs such as the Kidney Disease Management program initially cause costs to increase due to the increased awareness of the patient's health status. (The increased awareness, in effect, brings about more frequent doctor visits in order to receive the necessary treatment and care.) However, the initial cost increase will be cheaper than the alternative of members not being a part of the management program and allowing their diseases to go untreated. If patients/members do not participate in the Kidney Disease Management program, the alternatives could be very poor health leading to hospitalization, surgery, and/or the need for full-time care.

In conjunction with the Kidney Disease Management program, PEIA members with CKD were sent a brochure from the National Kidney Foundation and were provided educational materials by the PEIA Renal Nurse.

These members were also sent kits to maintain all medical records, newsletters and nephrologists and dialysis center provider reports. Under this program, members' transition to Medicare were closely monitored and the transplant application was accomplished early. PEIA members under the kidney disease management program with either CKD or ESRD are also closely monitored for several diabetic and renal disease indicators, such as: depression, blood pressure, dialysis, transplant evaluations, podiatric foot exams, and retinal exams, to name a few. In addition to screening PEIA members with CKD and ESRD, a renal nurse also participated in the National Kidney Foundation screenings at the West Virginia State Capitol Building.

The focus of AIMS is to enhance physician's prescribing knowledge while keeping patient outcomes top priority. This program serves the purpose of developing, implementing, and evaluating the academic detailing (educational outreach) of selected West Virginia physicians through the use of clinical educators (registered pharmacists).

Accessible Intelligent Medication Strategies (AIMS)

The costs of pharmaceuticals increase at a rate of 20% annually. Because these costs are predicted to continue to rise, the PEIA needed a program that would ensure the cost-effective and appropriate use of pharmaceuticals. Accessible Intelligent Medication Strategies was developed by the West Virginia University School of Pharmacy on behalf of the PEIA and was implemented in 2003. The focus of AIMS is to enhance physician's prescribing knowledge while keeping patient outcomes top priority. This program serves the purpose of developing, implementing, and evaluating the academic detailing (educational outreach) of selected West Virginia physicians through the use of clinical educators (registered pharmacists). Academic detailing is one-on-one physician education that provides physicians with the ability to utilize more cost-effective prescribing. Studies show a high level of responsiveness to academic detailing. This is supported by a report done by a pharmacy management company which shows that,

> *Approximately 200 physicians interviewed said that they highly valued the academic detailers for providing actionable information, quality service, patient-oriented discussions, and supportive relationships. More than 80 percent of them strongly felt the program helped to reduce medical expenses for their patients.*

As a result of AIMS and other factors such as plan design, over the last three plan years the PEIA observed an increase in generic utilization.

AIMS is tracked both monthly and quarterly. Feedback from PEIA members and providers along with generic utilization are a couple of areas of AIMS that are assessed to attain the effectiveness of the program. As a result of AIMS and other factors such as plan design, over the last three plan years the PEIA observed an increase in generic utilization. Table 4 illustrates the savings generated from generic utilization.

Table 4 Estimated Savings from Generic Utilization FY 2003-2005		
Fiscal Year	**Generic Utilization**	**Savings**
2003	46%	$44,213,777
2004	48.6%	$38,952,606
2005 (projected)	52% (projected)	$41,974,765 (projected)
Source: PEIA Chief Financial Officer		

As shown by Table 4, the percentages for generic utilization increased from 46% in 2003 to 48.6% in 2004, and is projected to increase 52% in 2005.

Nationally, AIMS is the first program of its kind whereby a state government agency will work with an academic institution, to have instructors educate physicians on pharmaceutical usage in treatments for patients.

Nationally, AIMS is the first program of its kind whereby a state government agency works with an academic institution, in which educators visit physicians and provide them with clear and evidence-based information pertaining to pharmaceutical usage in the treatment of different diseases. These educators will also pass along other information such as current medical literature, summaries of drug comparisons in selected therapeutic categories, and the pros and cons of available disease treatment options. All the information provided by the clinical educators is well researched by the WVU School of Pharmacy faculty and reviewed by the PEIA medical director. Currently, the program focuses on prescribing information for five therapeutic categories: antibiotics, antihypertensives, acid-suppression medications, NSAIDSs and lipid lowering medications. The goals of AIMS, which were listed in the Summer 2004 issue of ProviderNews, are as follows:

- *Provide physicians unbiased, evidence-based drug information;*
- *Respond to provider drug information needs accurately and quickly;*
- *Affect the rate of growth of pharmaceutical costs through health care management;*
- *Reduce disparities in treatment across populations of patients and providers;*
- *Encourage the use of the most cost-effect medication within a given class; and*
- *Increase use of generic medications where appropriate.*

Each educator maintains monthly tracking reports and field reports which detail both the topics covered and the number of offices visited. The program has two pharmacists acting as the educators in the Charleston and Morgantown areas but there are plans to add another pharmacist to cover the Huntington area.

In August 2004, AIMS received the Innovation Award from the panel of state officials at the Council of State Governments Southern Legislative Conference.

In August 2004, AIMS received the *Innovation Award* from the panel of state officials at the Council of State Governments Southern Legislative Conference. This award is presented to state programs that address issues facing state programs such as new healthcare guidelines and increasing trends. **AIMS was one of the two programs selected from 237 national applicants**.

A comparable program to AIMS is the RegenceRx program. This program is run by the Portland, Oregon based insurer, The Regence Group. RegenceRx has been utilized for approximately four years in Oregon, Idaho, Washington, and Utah. Cumulatively, RegenceRx has saved an estimated $140 million over the mentioned four year time period. These savings are from the costs that would have been incurred through claims and administrative fees if an external pharmacy benefits manager had been used. This program employs 15 pharmacists and has formed a nationwide network of 49,500 pharmacies. The Regence Group is now preparing to market RegenceRx to health plans nationwide.

As stated in the FY 2003 Comprehensive Annual Financial Report, "One of fiscal year 2003's major initiatives dealt with the transfer of funds that the PEIA is normally the recipient of to be transferred to the West Virginia Bureau for Medical Services - Medicaid Program (Medicaid)."

Medicaid Transfer

The Medicaid Transfer was retroactively implemented in November 2002 and was one of PEIA's major initiatives in fiscal year 2003. As stated in the FY 2003 Comprehensive Annual Financial Report, *"One of fiscal year 2003's major initiatives dealt with the transfer of funds that the PEIA is normally the recipient of to be transferred to the West Virginia Bureau for Medical Services - Medicaid Program (Medicaid)."* As a result of this transfer, Medicaid will be able to receive federal matching on the revenue, increase hospital reimbursement, and allow PEIA to lower its hospital reimbursement. **The benefit to the PEIA is approximately $6 million per fiscal year**. According to the PEIA Chief Financial Officer, the Medicaid Transfer transaction is as follows:

1. *The Legislature approves a supplemental appropriation to Medicaid using the PEIA reserve fund established by §5A-2-14a.*
2. *Medicaid then uses this additional state funding for federal match, which is approximately three to one.*

3. *Medicaid then increases their reimbursement to W[est] V[irginia] hospitals.*
4. *PEIA then decreases their reimbursement to W[est] V[irginia] hospitals by $12 million.*

The Medicaid Transfer is tracked semi-annually and annually. There are also monthly reviews of PEIA's various hospital claim costs reports, which are necessary to determine the effectiveness of the transfer. There is a lag time for confirming that all claims are processed, which means that the transfer is not formally reconciled until six months after the end of the fiscal year. When assessing the effectiveness of this initiative, the PEIA specifically tracks the inpatient surgical line item trend. Table 5 highlights the effectiveness of the Medicaid Transfer.

Table 5
Medicaid Transfer Effectiveness
FY 2003-2005 (projected)

Projected Inpatient Hospital Facility			Actual Inpatient Hospital Facility			
Fiscal Year	**Claims Paid**	**Trend**	**Fiscal Year**	**Claims Paid**	**Trend**	**Savings**
2003	$87,289,463	9.5%	2003	$71,698,173	-10.06%	$15,591,290
2004	$95,581,962	9.5%	2004	$69,136,403	-3.57%	$26,445,560
2005	$104,662,249		2005*	$86,105,348*		$18,556,900*

** Projected*
Source: The information in this table are estimates provided by PEIA Chief Financial Officer

The West Virginia Legislature initially approved the transfer for three fiscal years, but due to the satisfaction of the PEIA, Medicaid, and the West Virginia Hospital Association, this time period was recently extended for three ad ditional years until FY 2008.

As a result of the Medicaid Transfer, the PEIA was able to mitigate the effects of rising costs in FY 2003. The West Virginia Legislature initially approved the transfer for three fiscal years, but due to the satisfaction of the PEIA, Medicaid, and the West Virginia Hospital Association, this time period was recently extended for three additional years until FY 2008.

Tobacco Cessation Incentive

The Tobacco Cessation Incentive was implemented in fiscal year 2002 as an effort to encourage PEIA members to give up smoking. As a result, the PEIA began to offer tobacco-free premiums for optional life insurance and health coverage. With regards to life insurance premiums, tobacco users will see approximately a 30% increase from their January 2003 optional life insurance premiums while tobacco-free members will see approximately, a 10%

reduction from their January 2003 optional life premium. Basic life and dependent life premiums will be unaffected by this incentive. Initially, the tobacco premium differential was $10 for individual coverage and $20 for family coverage. However, in FY 2004 this was changed to $15 and $30 respectively. This means that tobacco users will pay an additional $5 per month for single coverage and $10 per month for family coverage. As a result of this increase, an extra $3 million will be generated in annual premiums for the PEIA from tobacco users. By implementing the tobacco differential, the PEIA Finance Board will be able to reduce the across-the-board premium increase by about 20%. **It should be noted that the PEIA does not have a formal way of determining whether a member truly is tobacco free. Discussions have taken place among the PEIA on requiring cotinine tests (tests that determines the level of nicotine in someone's system), but no decision has been made regarding such tests.**

Initially, the tobacco premium differential was $10 for individual coverage and $20 for family coverage. However, in FY 2004 this was changed to $15 and $30 respectively.

The Y-Not-Quit telephone service and the internet-based option are available to PEIA PPB and HMO members to aid in their efforts to cease tobacco use. The quit line began in 2000 and is a statewide program that is sponsored by the PEIA along with West Virginia Bureau for Medical Services (Medicaid) and the Bureau for Public Health. PEIA members are able to receive free nicotine patches through these programs. Participation in the quit line services is greatly affected by the PEIA's tobacco premium differential. For the state of West Virginia, cigarette use is over 27%, while for PEIA members it is 14.1%. In 2002 there were 1,804 PEIA members who utilized the services of the quit line, and for 2003 and the first six months of 2004 there were 1,137 members utilizing the services. The quit rate for each time period noted was 32.3% and 28.6% respectively. Annually, PEIA has an estimated 381 members ceasing the use of tobacco. **The estimated cost of smoking related medical expenditures and loss of productivity is approximately $4,671 per year. Therefore, the estimated 381 PEIA members that quit each year, results in yearly savings to the PEIA of an estimated $1,779,651. Table 6 highlights the significant data related to the PEIA's efforts towards tobacco cessation.**

For the state of West Virginia, cigarette use is over 27%, while for PEIA members it is 14.1%.

Table 6
Tobacco Cessation

Estimated Quit Rates	32.3%
Estimated Annual Quitters	381
Estimated Yearly Expenditures (Quit Line)	$453,000
Estimated Yearly Savings (Quit Line)	$1,779,651

Source: PEIA Health Promotions Manager

Pathways to Wellness

The Pathways To Wellness Program is a statewide program that began in 1998 as a result of four pilot sites that were established in 1992. Pathways is a project of the PEIA that functions as a health promotion benefit for members of the PEIA and is administered by Partners In Corporate Health Inc (PCH). This program is marketed through several different means which include the PEIA and PCH staff, PEIA benefit fairs, PEIA newsletters, and posters, to name a few. Through Pathways, work sites as well as individual employees reap the benefits of many programs which are designed to promote educational awareness and changes in behavior. These programs and campaigns include, but are not limited to, portion control, Stepping Stones Pedometer Program, a fitness center discount program, 5-A-Day nutrition awareness campaign, and the Quit Line. The work sites also have access to an informational website and a comprehensive resource library sponsored by PCH.

Through Pathways, work sites as well as individual employees reap the benefits of many programs which are designed to promote educational awareness and changes in behavior.

The goals and objectives for the Pathways program are set each year. The goals for July 2003-June 2004, as stated in the *"PEIA Pathways to Wellness: An Assessment of Health Screenings 1998-2003 August 2004"*, were as follows:

Goal 1:	*Educate and motivate insured to care more about their own health through education and awareness building.*
Goal 2:	*Begin to address the needs of seniors and children in order to increase educational awareness and reduce health risks in this population.*
Goal 3:	*Identify individual risk, provide appropriate and effective interventions that reduce these risks and provide incentives to enhance participation.*
Goal 4:	*Educate and train public worksites to develop and promote health promotion activities in order to become a healthy workplace.*
Goal 5:	*Increase quality of life of employees and their families.*

After six years, the program is covering 3/4 of its eligible PEIA workforce and is experiencing an employee participation rate of 53%.

Pathways To Wellness has been successful in its six years of existence. Since 1998 it has grown from a pilot health-screening program to a comprehensive screening and at-risk intervention program. After six years, the program is covering 3/4 of its eligible PEIA workforce and is experiencing an employee participation rate of 53%. Of the participating work sites,

47% have been participating for only one year while 5% have been participating for six years. Within its first year, Pathways had enrolled 23 PEIA work sites and had conducted 1,887 health screenings. By the year 2003, the program had 430 PEIA work sites participating and had conducted a total of 29,447 screenings (18,661 or 63% were first time screenings and 10,036 or 37% were repeat screenings). Table 7 illustrates the total screenings and participating work sites for 1998-2003.

Members have not shown progress in weight management and managing cholesterol which shows a need for a comprehensive program that will address the health problems of overweight PEIA families.

Table 7
Total Screenings and Participating Work sites
1998-2003

Year	Total Screenings	Individuals Screened	Total Participating Work Sites
1998	1,887	1,886	23
1999	2,564	2,564	50
2000	2,677	2,676	92
2001	3,939	3,939	97
2002	6,294	5,192	156
2003	12,086	11,051	336
Total	**29,447**	**18,611***	**430****

* Includes an unduplicated count of individuals screened from 1998 to 2003.
** Participating work sites as of 12/31/2003

Source: PEIA Pathways to Wellness: An Assessment of Health Screenings 1998-2003 August 2004

The success of the Pathways program can also be illustrated by the healthier behaviors of those people who have been participating in the program since its inception compared to those just entering the program. The following areas showed the most improvement: nutrition, cancer risk, fitness levels, stress management, coronary risk and smoking. These improvements can be attributed to the following Pathways interventions: Stepping Stones Pedometer, 100 miles in 100 Days, 5-A-Day Fruit and Vegetable and the YNOTQUIT tobacco cessation programs. However, members have not shown progress in weight management and managing cholesterol which shows a need for a comprehensive program that will address the health problems of

overweight PEIA families. Table 8 outlines all of the Pathways interventions and programs and the time in which they were implemented.

Table 8
Pathways To Wellness Programs & Interventions
1998-2004

Year	Program/Intervention	
1998	• Trained Pathways Staff	• Pilot Test Site Blood Work
1999	• IRMA Risk Management • Monthly Blood Pressure Checks • Walk 100 Miles in 100 Days • Personal Wellness Profile • Health Newsletter to all PEIA Insured	• Cholestech Lipid Testing • Quarterly Glucometer Checks • Monthly Lunch and Learn • Self Care Books
2000	• YNOTQUIT Tobacco Quit Line	
2001	• NextSteps Individual Risk Management	• Health Trip Incentive Program
2002	• YMCA Membership Discounts • 5 A Day Campaigns • Southern Community Screens	• Osteoporosis Screens • Take it Home Campaign
2003	• Colon Cancer Awareness • WellSteps One • Stepping Stones Pedometer Program	• PSA Tests Men 45+ • Supersize & Portions Campaign
2004	• WellSteps Heart & Diabetes Program • WOW Pilot Preparation	• Add it Up Campaign • Weight Management Benefits Preparation

Source: PEIA Pathways to Wellness: An Assessment of Health Screenings 1998-2003 August 2004

In 1999, the group of participants who had received health screenings had a combined mean cost (medical and drug) of $1,945 per person compared to $2,999 per person for the control group.

The *PEIA Pathways to Wellness: An Assessment of Health Screenings 1998-2003 August 2004* analyzed medical costs and drug costs for two groups. One group consisted of Pathways participants who had utilized any of the health screenings offered by the program. The second group was a control group of people who had never participated in any of the health screenings. In 1999, the group of participants who had received health screenings had a combined mean cost (medical and drug) of $1,945 per person compared to $2,999 per person for the control group. Another study conducted for the aforementioned report, surveyed 3,565 individuals participating in Pathways to find their level of satisfaction with the program. The surveys indicated a 68% very satisfied program rating, 30% satisfied and only 2% unsatisfied rating. According to the previously mentioned report,

The Pathways Program has been very successful in growing from a pilot to a comprehensive program in twelve years. Expansion needs to continue to bring the program to all work sites and to achieve an employee participation level of 80% of employees (presently 53%) to bring about significant reductions in medical claims costs.

The Pathways Program, in addition to improving the health of long time participating employees, provides an environment which improves health behaviors of those who are new to the program.

Conclusion

The savings received from the programs are either placed in reserve or used for other PEIA care management and wellness programs.

The seven programs reviewed by the Legislative Auditor are performing beneficial services for the Public Employees Insurance Agency. Each program addresses a different aspect of healthcare while working towards the common goal of gaining financial stability for the PEIA. However, the Kidney Disease Management Program presently costs the PEIA money, yet the plan for the program is to deter higher costs relating to end-stage renal disease in the future. Excluding, the added costs of the Kidney Disease Program, the savings received from the programs are either placed in reserve or used for other PEIA care management and wellness programs. The PEIA routinely tracks each program to ensure they are performing as effective cost saving measures. **Cumulatively, these programs have saved the PEIA an estimated $126,982,884 and added $27,672,777 in rebate revenue.** AIMS and RxIS both received Innovation Awards, which further supports their significance to the PEIA. Each program (including the Kidney Disease Management Program) should be continued so that the PEIA's financial stability can be attained because they address different aspects of healthcare that will continue to provide cost savings to the PEIA.

Recommendations

1. The Legislative Auditor recommends that the PEIA Finance Board be continued for six years.

2. The Legislative Auditor recommends that each of the PEIA programs be continued as efforts to assure financial stability to the Public Employees Insurance Agency.

Appendix A: Transmittal Letter

WEST VIRGINIA LEGISLATURE

Performance Evaluation and Research Division

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX

John Sylvia
Director

January 21, 2005

Mr. Jason Haught, CFO
PEIA
Building 5, Room 1001
1900 Kanawha Blvd., East
Charleston, WV 25305

Dear Mr. Haught:

This is to transmit a draft copy of the Preliminary Performance Review of the PEIA Finance Board. This report is scheduled to be presented during the February 6-8, 2005 interim meetings of the Joint Committee on Government Operations. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have.

We would like to schedule an exit conference for January 25, 2005 to discuss any concerns you may have with the report, we will contact you regarding the time. We need your written response by noon on January 31, 2005, in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, February 3, 2005 to make arrangements.

We request that your personnel treat the draft report as confidential and that it not be disclosed to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

John Sylvia

John Sylvia

We all know how expensive healthcare can be. The PEIA PPB Plan is here to provide you with quality healthcare while keeping the cost to you as low as possible. One way your medical expenses can be kept low is to avoid going to the Emergency Room for non-Emergency cases. An ER visit can cost you 15 times what you might pay for other treatment options:

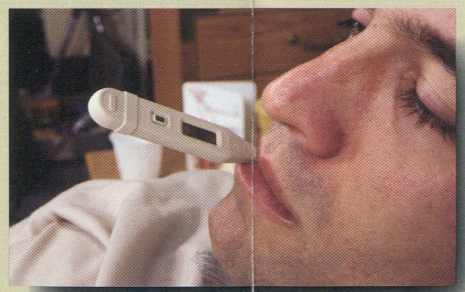
Cost of a Visit for the Flu

	Doctor's Office	Urgent Care	ER
Total allowed charge	$ 57.88	$ 57.88	$ 350.00
YOUR Cost*			
• Copayment	$ 15.00	$ 15.00	$ 50.00
• Deductible	$ 0.00	$ 0.00	$ 150.00
• Coinsurance	$ 0.00	$ 0.00	$ 30.00
Your cost TOTAL	**$ 15.00**	**$ 15.00**	**$ 230.00**

* This assumes no diagnostic testing, which would increase costs.

Emergency Room *Traumas*

ERs are very costly because they are set up to deal with the worst and most traumatic of cases. Their purpose is to ensure that the patient survives long enough to receive long term treatment from their physician or hospital. Yet nearly 53% of cases seen by ERs in the past year were classified as "non-Emergencies" – patients with simple ailments which could easily be treated by their Family Physician.



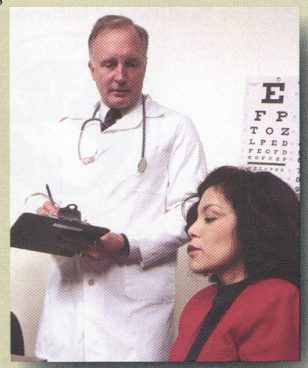
Emergency Room *Dramas*

In addition to the high cost of ERs, consider the ER experience: waiting for hours in an uncomfortable chair surrounded by people sicker than you, watching more severe cases come and go ahead of you, before finally being treated by a rushed, overworked physician or resident with no knowledge of your medical history. All this CAN be avoided.

Emergency Room *Alternatives*

If you have an emergency medical situation you should go to the Emergency Room. But how do you know if you are an emergency case?

- The best way to deal with potential medical emergencies is to discuss them before they happen with your Family Physician. Of course, no one can predict all possibilities, but you and your doctor can devise a plan of action for dealing with common after-hours ailments.
- In many communities, an Urgent Care Center may be an option. These clinics accept walk-ins and are priced like a standard office visit, thereby saving you money. Also, since patients are taken on a first come, first served basis, your wait time will be significantly reduced. Your Family Physician can recommend Urgent Care Centers in your area.
- Finally, be sure to seek medical attention for your illness promptly. If you feel ill during the day, call your doctor. If you wait until the middle of the night to seek relief, the costly ER may be your only option.



Appendix C: Agency Response

Joe Manchin, III
Governor

Keith Huffman
General Counsel

WV Toll-free: 1-800-654-4406 • Phone: 1-304-558-7850 • Fax: 1-304-558-2516 •
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January 31, 2005

Mr. John Sylvia, Director
West Virginia Legislature
Performance Evaluation and
Research Division
Building 1, Room W314
1900 Kanawha Blvd. E.
Charleston, WV 25305

Dear Mr. Sylvia:

The Preliminary Performance Review of the PEIA Finance Board has been presented and discussed with the PEIA Finance Board (Board). The Board concurs with the issues as presented and will comply with the recommendation through continuation of the various programs reviewed. The Board will also continue to explore other initiatives in an effort to bring financial stability to PEIA. The Board thanks you for the opportunity to respond to this review.

Sincerely,

J. A. Haught, CPA
Chief Financial Officer,
Co-Acting Director

State Capitol Complex • Building 5, Room 1001 • 1900 Kanawha Boulevard, E. • Charleston, WV 25305-0710