

**PEIA
Annual Report to the
Legislature's Joint Committee on Government and Finance
Pursuant to
W.Va. Code §5-16-3(e)**

PEIA reports the following programs and initiatives:

1. Increasing generic fill rates. PEIA is constantly looking at programs to increase the use of effective low cost generic medications. PEIA has step therapy on several classes of medications. Step Therapy requires a trial of a generic medication in the same therapeutic class before a brand name medication is covered. The PEIA generic fill rate is up to 86%.
2. Managing specialty pharmacy costs. For plan year 2013, PEIA implemented a specialty drug management program. Specialty drugs are typically very expensive. Partnering with HealthSmart, our third party administrator, PEIA has established a program to acquire each individual specialty drug prescription from the specialty pharmacy offering the best price. This financial savings is coupled with aggressive drug case management and pre-certification to get medications delivered in the most cost effective manner. We believe the annual savings for Plan Year 2014 will exceed \$2 million.
3. Implementing and evaluating medical home models and health care delivery. PEIA has been pursuing a global fee based medical home model for several years. This model assigns PEIA members who voluntarily participate to a certain "medical home" provider which coordinates the member's care and provides primary care for an agreed monthly global fee. This program has grown to 78 locations servicing over 4,300 members.
4. Coordinating with providers, private insurance carriers and, to the extent possible, Medicare to encourage the establishment of cost effective accountable care organizations. PEIA went active January 1, 2013 with our first Accountable Care contract with three primary care Federal Qualified Health Centers (FQHCs) with our medical home global fee based program. Accountable Care Organizations (ACOs) have been very slow to develop in the state of WV.
5. Exploring and developing advanced payment methodologies for care delivery such as case rate, capitation and other potential risk-sharing models and partial risk-sharing models for accountable care organizations and/or medical homes. In addition to the initiatives discussed in items 3 and 4 above, PEIA plans to begin a pilot for a global physical therapy package following knee surgery in the first quarter of 2014.
6. Adopting measures identified by the Centers for Medicare and Medicaid Services to reduce cost and enhance quality. PEIA follows Medicare payment guidelines and is a rapid follower in adopting new Medicare programs.
7. Evaluating expenditures to reduce excessive use of emergency room visits, imaging services and other drivers of PEIA's medical rate of inflation. PEIA monitors ER usage monthly to identify high flyers and move these members to a medical home. "High Flyers" are those who over-utilize the ER for care that should occur at other medical provider facilities or offices at a fraction of the cost. In some instances PEIA has limited people to one pharmacy and one emergency room to minimize drug shopping and abuse of the medical system.
8. Recommending cutting-edge benefit designs to the Finance Board to drive member behavior and control costs for the plan. PEIA evaluates the benefit design of the plan continuously. PEIA has been a leader in wellness programs and value based copays for many years. New ideas are presented to the finance board and the public annually. Beginning in FY 2014, PEIA will add out of state copays to some routine outpatient services conducted in non-state facilities that can be done much less expensively in the state of West Virginia with comparable quality outcomes.

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9. Implementing programs to encourage the use of the most efficient and high-quality providers by employees and retired employees. PEIA is developing a provider report card in an attempt to provide meaningful information and feedback to our providers and our members.

10. Identifying employees and retired employees who have multiple chronic illnesses and initiating programs to coordinate the care of these patients. FY14 will see the addition of several new programs to keep PEIA members engaged in healthy lifestyles. PEIA has joined forces with WVU Extension to offer ongoing classes such as "Dining with Diabetes". And, PEIA is planning to partner with Marshall University to provide additional worksite wellness programs.

11. Initiating steps to adjust payments by the agency for the treatment of hospital acquired infections and related events consistent with the payment policies, operational guidelines and implementation timetable established by the Federal Centers of Medicare and Medicaid Services (CMS). The agency will attempt to protect employees and retired employees from any provider upward adjustment in payment for such hospital acquired infections. See number 6 above.

12. Initiating steps by the agency to reduce the number of employees and retired employees who experience avoidable readmissions to a hospital for the same diagnosis related group illness within thirty days of being discharged, consistent with the payment policies, operations guidelines and implementation timetable established by the Federal Centers of Medicare and Medicaid Services (CMS). See number 6 above.

Respectfully submitted:



Ted Cheatham, Director



Date