Operating Engineers Trust Fund of Washington, D.C. Health & Welfare Fund Local No. 77

Consultant's Report

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Agenda

- LaborFirst
- Financial Update
  - Projected vs. Actual
- High-Cost Gene Therapy
  - Exclusion
  - Bundled-Pricing Approach
- CVS Formulary Update
- IUOE PBM Coalition with OptumRx

Financial Update

- Financial Update through June 2023:
  - Total Revenue: 0.2% below projected
    - Total Contributions: 3.3% below projected
    - Investment Result: 41.8% above projected
  - Total Disbursements:
    - Benefit Expense: 12.7% below projected
    - Administrative Expense: 11.3% above projected
  - Net Assets in Months:
    - Current estimate (through June 2023): 20.4 (approximately $29.2 million)

Projected vs. Actual

Operating Engineers Local 77 Trust Fund

Projected vs. Actual Results

For the Six Months Ended June 30, 2023

	Projected Annual '23	Projected Monthly	Projected 1/23 - 6/23	Actual 1/23 - 6/23	Actual Monthly	Variance 1/23 - 6/23
Receipts						
Total Contributions	$ 17,215,163	$ 1,434,597	$ 8,607,581	$ 8,321,390	$ 1,386,898	$ (286,191)
Investment Earnings (net)	1,303,072	108,589	651,536	923,608	153,935	272,072
Total Revenue	**$ 18,518,235**	**$ 1,543,186**	**$ 9,259,118**	**$ 9,244,998**	**$ 1,540,833**	**$ (14,119)**
Disbursements						
Benefit Expense	$ 17,015,883	$ 1,417,990	$ 8,507,942	$ 7,423,415	$ 1,237,236	$ (1,084,526)
Administrative Expense	1,240,225	103,352	620,112	690,248	115,041	70,136
Total Disbursements	**$ 18,256,108**	**$ 1,521,342**	**$ 9,128,054**	**$ 8,113,664**	**$ 1,352,277**	**$ (1,014,390)**
Surplus/(Deficit)	**$ 262,127**	**$ 21,844**	**$ 131,064**	**$ 1,131,335**	**$ 188,556**	**$ 1,000,271**
Estimated net months in reserve				***20.4***		

High-Cost Gene Therapy

FDA approves world's most expensive drug at $3.5M a dose

- In November 2022, the U.S. Food and Drug Administration (FDA) approved Hemgenix (previously referred to as "EtranaDez"), a gene therapy from CSL Behring for patients living with Hemophilia B, a bleeding disorder caused by a deficiency in blood clotting Factor IX.
- It is administered through IV infusion.
- Gene Therapy is a type of treatment that uses genetic material with the goal of changing the course of a disease. It is a therapeutic approach that is being investigated for the treatment of multiple diseases. Though many gene therapies are currently in early research or clinical trials, multiple gene therapies have already been approved by the US Food and Drug Administration (FDA).
- Along with a significant cost, gene therapy drugs also come with multiple risks for the patient themselves, such as immune reactions, insertional mutagenesis, off-targeting and unintentional gene inactivation.

High-Cost Gene Therapy – What Can We Do?

- Exclusion: exclude gene therapy treatments from Fund coverage and call it out in the plan document/SPD accordingly.
  - "Pro" = protects the Fund from the significant negative financial impact.
  - "Con" = would not be a covered service for a member who feels it would benefit them.
    - Grandfathering Status?
  - Current SPD is silent on gene therapy treatment, which is not surprising since these treatments are new to the market.

- Bundled-pricing approach: continue to cover gene therapy treatments through a vendor who supports "bundled" pricing for these gene therapy treatments. There is a vendor, Accarent, that Bolton has identified and vetted in the market, who has partnered with the service providers and hospital systems who provide these gene therapy treatments and has gotten them to agree to a "bundled" price for the gene therapy treatments.
  - "Pro" = member can still get the treatment and the Fund can achieve significant savings.
  - "Con" = the 'bundled" price is still a significant cost.
    - Recent example = provider bill of $2.50M for a gene therapy treatment, that after the CareFirst discount of 50%, was lowered to a claim amount due by the plan sponsor of $1.25M. For this same treatment, Accarent's "bundled" price would have been $549K.

- Do Nothing: pay the full discounted costs if one of these rare treatments ever occurs.

CVS Formulary Update

- All the PBMs are starting to roll out their options as it relates to the new proposed government mandates involving limiting the price of insulin.

- CVS is providing all clients with two options for 2024:
  1) The Fund pays a lower upfront cost now that insulin will cost less, but the Fund in turn will receive less rebates on the back end since a higher upfront cost is no longer being paid by the Fund.
     - This option means **no disruption** for membership as they can continue taking their current medications.
     - CVS estimates that this option saves the Fund $707 based on 56 impacted Brand scripts compared to the current arrangement.
  2) The Fund switches to a new Choice Formulary that allows the Fund to continue to pay higher upfront costs and therefore still receive higher rebate payments on the back end.
     - This option means that members **would be disrupted** as they would need to take new drugs that still achieve high rebate amounts.
     - CVS estimates that this option saves the Fund $1,748 based on 56 impacted Brand scripts compared to the current arrangement.

- CVS is implementing Option 1 for all of Aetna's fully-insured business and will be the default option for any self-funded groups that do not provide a response by the August 15th deadline.

PBM Market Update

Coalition		HCCCC	HCCCC	IUOE
Year		2023	2024	
PBM		CVS	CVS	OptumRx
Retail 30-Day Network		**Guaranteed**	**Guaranteed**	**Guaranteed**
Brand Discount	AWP -	20.00%	20.05%	19.80%
Generic Discount	AWP -	85.25%	85.35%	86.60%
Dispensing Fee Brand	Per Script	$0.30	$0.30	$0.50
Dispensing Fee Generic	Per Script	$0.30	$0.30	$0.50
Retail 90-Day Network		**Guaranteed**	**Guaranteed**	**Guaranteed**
Brand Discount	AWP -	20.75%	20.75%	22.30%
Generic Discount	AWP -	85.25%	85.35%	87.60%
Dispensing Fee Brand	Per Script	$0.00	$0.00	$0.00
Dispensing Fee Generic	Per Script	$0.00	$0.00	$0.00
Home Delivery		**Guaranteed**	**Guaranteed**	**Guaranteed**
Brand Discount	AWP -	25.00%	25.00%	26.20%
Generic Discount	AWP -	89.00%	89.10%	88.40%
Dispensing Fee Brand	Per Script	$0.00	$0.00	$0.00
Dispensing Fee Generic	Per Script	$0.00	$0.00	$0.00
Specialty		**Guaranteed**	**Guaranteed**	**Guaranteed**
Brand Discount	AWP -	18.25%	18.25%	20.50%
Dispensing Fee	Per Script	$0.00	$0.00	$0.00
Rebate Sharing		**Guaranteed**	**Guaranteed**	**Guaranteed**
Retail 30		$279.98	$303.75	$275.00
Retail 90		$671.96	$729.00	$950.00
Home Delivery		$799.93	$850.68	$990.00
Specialty		$3,127.89	$3,842.03	$2,830.00

- The IUOE PBM Coalition contract with OptumRx is expiring at the end of 2024.
- Therefore, the IUOE is conducting a PBM RFP, and they expect to have their new contract for 2025 through 2027 in place by March 2024.
- The IUOE is willing to provide a quote based on the new pricing once available for no cost.