

## **Minutes**

State, Local Education and Local Government Insurance Committees

May 22, 2025

1:00 P.M.- 3:00 P.M. (central)

The State, Local Education and Local Government Insurance Committees met on Thursday, May 22, 2025 at 1:00 p.m. (central), in the Nashville Room, Third Floor, William R. Snodgrass TN Tower, Nashville, TN and via Cisco Webex.

Chairman Jim Bryson, Commissioner of Finance and Administration, called the Insurance Committees meeting to order at 1:00 p.m. (central) and noted the following delegate in attendance: Greg Cothron on behalf of Comptroller Jason Mumpower.

### **State Insurance Committee Members**

#### **Present:**

- Jim Bryson, Commissioner, Finance and Administration, Chairman of the State Insurance Committee
- David Lillard, State Treasurer
- Greg Cothron, representing Jason Mumpower, Comptroller of the Treasury
- Carter Lawrence, Commissioner, Commerce and Insurance (by teleconference)
- Juan Williams, Commissioner, Human Resources
- Judi Knecht, state employee representative
- Michelle Consiglio-Young, state employee representative
- Keisha Pittman, Tennessee State Employees Association
- Rob Chance, representing Higher Education (UT System)

#### **Absent:**

- Sen. Bo Watson, Chair of Senate Finance, Ways and Means Committee
- Rep. Gary Hicks, Chair of House Finance, Ways and Means Committee

### **Local Education Insurance Committee Members**

#### **Present:**

- Jim Bryson, Commissioner, Finance and Administration, Chairman of the Local Education Insurance Committee
- David Lillard, State Treasurer
- Greg Cothron, representing Jason Mumpower, Comptroller of the Treasury
- Carter Lawrence, Commissioner, Commerce and Insurance (by teleconference)
- Maryanne Durski, Chief Financial Officer, Department of Education
- Jennifer White, Tennessee School Board Association (by teleconference)
- Erin Johnson, East TN School Employee representative (by teleconference)

**Absent:**

- Vacant seat in West TN
- Vacant Seat in Middle TN

**Local Government Insurance Committee Members**

**Present:**

- Jim Bryson, Commissioner, Finance and Administration, Chairman of the Local Government Insurance Committee
- David Lillard, State Treasurer
- Greg Cothron, representing Jason Mumpower, Comptroller of the Treasury
- Shanna Boyette, Tennessee County Services Association
- Jennifer Moody, Tennessee Municipal League

**Determination of Necessity for Local Education Insurance Committee**

Chairman Bryson detected a quorum for each committee. The Local Education Insurance Committee did not have a physical quorum in the room. Under T.C.A. Section § 8-44-108, the Committees are allowed to rely on the participation of members by electronic or other means to constitute a quorum only upon a finding of a determination of necessity by the Committee.

Chairman Bryson moved to approve a Determination of Necessity for the Local Education Insurance Committee due to the time-sensitivity of the matters on the today's agenda. Mr. Cothron seconded the motion. No further discussion occurred, and a roll call vote was taken.

Cothron	Yes	Lillard	Yes
Lawrence	Yes	Durski	Yes
White	Yes	Johnson	Yes
Bryson	Yes		

Benefits Administration (BA) staff will file this with the Secretary of the State's office in a timely manner.

**Agenda Item #1 – Public Comment**

No one in the room or virtually asked to be recognized to address the committee members.

**Agenda Item #2 – [Action] April 24, 2025 Minutes (All Committees)**

Chairman Bryson asked if there were any questions or comments regarding the April 24, 2025 minutes.

For the State Insurance Committee Treasurer Lillard moved to approve the minutes from April 24, 2025. The motion was seconded by Mr. Cothron. No discussion occurred and a roll call vote was taken.

Cothron	Yes	Lillard	Yes
Lawrence	Yes	Williams	Yes
Consiglio-Young	Yes	Knecht	Yes
Chance	Yes	Pittman	Yes
Bryson	Yes		

For the Local Education Insurance Committee Ms. Durski moved to approve the minutes from April 24, 2025. The motion was seconded by Mr. Cothron. No discussion occurred and a roll call vote was taken.

Cothron	Yes	Lillard	Yes
Lawrence	Yes	Durski	Yes
White	Yes	Johnson	Yes
Bryson	Yes		

For the Local Government Insurance Committee Ms. Boyette moved to approve the minutes from April 24, 2025. The motion was seconded by Mr. Cothron. No discussion occurred and a roll call vote was taken.

Cothron	Yes	Lillard	Yes
Boyette	Yes	Moody	Yes
Bryson	Yes		

### **Agenda Item #3 – [Action] Approval of Disability Program Changes for Next RFP (State Committee)**

Chairman Bryson recognized Bob Smith, Director of Voluntary and Supplemental Benefits for BA, to present to the State committee the recommended changes for the next Short and Long Term Disability RFP. Mr. Smith presented the following.

- The program was approved by the state committee and then offered on January 1, 2018.
- Short-term disability (STD) insurance offered to central state government and state higher education employees.
- Long-term disability (LTD) for central state government employees had four options.
- State legislature appropriated funding of premiums for all central state and higher education employees for LTD, option 3, starting January 1, 2024.

Enrollment in the four options for LTD was the following:

Enrollment as of April 30, 2025	
LTD 1	495
LTD 2	431
LTD 3	71,341
LTD 4	1,121

Mr. Smith explained that BA staff met with potential responding companies to the RFP, researched publicly available information on disability insurance plans offered by other states and employers, and discussed with BA's actuarial consulting firm, Aon, to determine recommendations for the next RFP for the disability program.

For STD, BA recommends moving to a single plan (Plan A) and highlighted the key differences:

- Employers generally only offer one plan option.
- Reducing the maximum benefit period from 26-weeks to 13-weeks.
  - This is to have a smooth STD benefit period transition into the LTD benefit period.
  - This also has a potential of a 28% decrease in the premium rate.
- No longer offer a conversion option, which gives the plan member a chance to convert to a non-State sponsored product after employment with the state ends. At this time, only two former members enrolled in a conversion policy.
  - This could also result in another premium rate savings of 1-5%.

For the LTD, BA recommends:

- To continue the LTD 3 option, and eliminate LTD options 1, 2 and 4.
- To remove the Cost of Living Adjustment.
  - This is no longer the standard in the marketplace
  - Results in premium rate savings of approximately 6%
- To no longer offer the conversion option in the LTD.
  - This is not a common feature of employer-sponsored LTD products. At this time, no members have utilized this option.

The following responses were provided to Committee member questions:

- The recommendation is intended to make a smooth transition between the STD and LTD products. and the 13-weeks in the STD would count towards the 90-day elimination period in the LTD.
- The LTD plan 1, 2 and 4 were employee paid options and the LTD 3 is the option for which legislators appropriated money as a fully employer-paid option. Mr. Smith confirmed that as long as the legislators continue to appropriate money that is how it would operate.
- There have been a little over 600 open and closed claims through STD from January 2022 through December 2024.
- As the STD product is employee-paid and the LTD is paid by the State, there is not the potential to 'offset' costs in one program from savings in another. As the STD is paid by

employees, the recommendations would reduce the cost to the member and be a better benefit overall for member and the plan.

For the State Insurance Committee, Chairman Bryson moved to approve the BA staff recommendations as presented on slide 13 of the presentation. The motion was seconded by Ms. Knecht. No further discussion occurred, and a roll call vote was taken.

Cothron	Yes	Lillard	Yes
Lawrence	Yes	Williams	Yes
Consiglio-Young	Yes	Knecht	Yes
Chance	Yes	Pittman	Yes
Bryson	Yes		

#### **Agenda Item #4 – [Action] Approval of Benefits and Premiums for Calendar Year 2026 (All Committees)**

BA staff and Aon Consulting presented the proposed calendar year 2026 benefits and premiums. Ms. Colleen Huber and Ms. Lynn Xiong began the presentation. For reference, the presentation is attached to these minutes.

Ms. Huber presented historical medical and pharmacy trends, the cost and utilization of anti-obesity and specialty pharmaceuticals, and the proposed benefit design and premium recommendations for Calendar Year 2026. Key highlights include the following:

- Medical trend is starting to tick up again and was about 5% at the end of March 2025
- Rx spending trend continues to increase faster than medical and is about 14%
- Combined medical and pharmacy trend is about 9%; said another way, if we based the premium increase purely on the claims trend, it would mean a 9% increase in premium
- Anti-Obesity GLP1 drug costs continue to rise – currently ~ 21,000 users
- Specialty drugs are also driving the cost pressures; when you look at allowed cost per plan year which is about a 46% increase in the last couple of years; approximately a 36% increase in specialty drug claims
- 2026 focus is how to mitigate the Rx trend and align member cost share with spending

Dr. Missy Tucker, Director of Pharmacy, FSA and HSA Benefits, continued with the presentation and stated that the goal is to continue to provide members with comprehensive benefits and preserving and sustaining cost effectiveness of the plan for all members. Dr. Tucker presented the recommendations to address cost drivers to the plan, which include:

- Anti-obesity medications
- Specialty medications
- Broad networks

Dr. Tucker presented BA's recommendation regarding weight loss drugs and a new option for a limited prescriber network. The prescriber network was presented for Committee approval later in the meeting with the proposed procurement schedule. The aim of the recommendations is to continue to provide access to these effective treatments while maintaining a balanced and sustainable benefits portfolio.

The first recommendation is to move weight loss drugs cost share to 25% coinsurance and amend the contract rebate guarantees to reflect this change. As there are manufacturer coupons available to assist members with cost sharing this would maximize those savings and preserve most of the rebate dollars earned.

The following responses were provided to Committee member questions:

- CVS Caremark is making a formulary change July 1, 2025 with weight loss drug manufacturers. Caremark has indicated that there would be a 10-15% savings on these drugs, but this has not yet been validated by BA.
- Use of manufacturer rebates is a common practice. Manufacturers have their own rules for coupons, but based on our research the coupons are generally accessible to everyone, those with commercial insurance and for those with no coverage through insurance.
- For anti-obesity the PA criteria include body mass index (BMI) and an allowance for lower BMI with co-morbidities. Members should also be participating in a lifestyle/weight management program. This benefit design would not apply to GLP1s for diabetes or other conditions. BA also implemented more stringent quantity limits for the AOM/GLP-1 medications. Since these drugs require some trial and error to prescribe the appropriate dose, we discovered that the standard quantity limits were allowing more claims to process in some instances. BA brought this issue to Caremark for review. As a result of our discovery, Caremark made the decision to offer the tighter controls to their book of business clients.
- Other plan sponsors use the coupons to help members offset the costs. Approximately only half of large employers and state-sponsored programs cover the anti-obesity medications. Several state plans have recently decided to drop the weight loss benefit from their plan as it was not sustainable for them to keep. BA believes it is important to try to preserve the benefit.
- If the coupons are no longer available BA would review and keep the committees updated.
- At the end of 2024 around 21,000 members (~ 7% of plan members) use this benefit. We have not seen a net decline in cost yet due to those coming off the drugs due to either side-effects or improved health.
- Regarding the potential of a limited prescriber network for weight loss medications, this would likely be primarily virtual, providing consistency and a sustainable path forward. A virtual model provides access no matter where the member is located. The prescribers would be specialized in the treatment of obesity, such as certification through American Board of Obesity Medicine with more expertise in handling and prescribing these types of medications.

Ms. Kendra Gipson presented the next two recommendations, which are related to specialty pharmacy. The recommendations are to create a separate Maximum Out of Pocket (MOOP) for specialty drugs and change in-network specialty pharmacy cost share to 30%. The goals are to:

- Preserve the medical MOOP while capping member exposure to specialty pharmacy costs if a coupon is not used
- Create more parity with all other plan members who must meet their medical MOOPs or who are not using coupon cards
- Prevent specialty pharmacy costs from overwhelming a patient's total healthcare expenses

In response to member questions:

- There are ~9400 members currently on specialty medications, many already using coupons. There is an opportunity to work with the PBM to reach out to members to help others understand if coupons are available.
- Savings to the plan are coming from two areas: 1) maximizes the amount the plan would receive from members using coupons; and 2) members who are currently paying nothing toward their MOOP would pay more.

Ms. Huber presented the rationale for the proposed broad network buy-up increases and then summarized all the recommendations for benefit changes and premiums for calendar year 2026:

- Change member cost share for weight loss medications to 25% from the current copay amount or coinsurance amount, if less than 25%, and amend the CVS Caremark rebate guarantees accordingly.
- Add a separate maximum out-of-pocket (MOOP) for specialty drugs processed through the pharmacy benefit.
- Change in-network specialty pharmacy cost share to 30%.
- Increase aggregate 2026 premiums:

State Active	State Retiree	Local Education	Local Government
5.7%	5.7%	5.0%	7.7%

- Increase monthly buy-up amounts for broad networks by:

Employee Only	Employee + Child(ren)	Employee + Spouse	Employee + Spouse + Child(ren)
\$15	\$15	\$30	\$30

For the State Insurance Committee, Commissioner Williams moved to approve the recommended 2026 State Plan benefit changes and premiums as presented by BA and Aon staff. It was seconded by Chairman Bryson. No further discussion occurred, and a roll call vote was taken.

Cothron	Yes	Lillard	No
Lawrence	Yes	Williams	Yes
Consiglio-Young	No	Knecht	Yes

Chance	Yes	Pittman	No
Bryson	Yes		

For the Local Education Insurance Committee, Chairman Bryson moved to approve the recommended 2026 Local Education Plan benefit changes and premiums as presented by BA and Aon staff. The motion was seconded by Ms. Durski. No further discussion occurred, and a roll call vote was taken.

Cothron	Yes	Lillard	No
Lawrence	Yes	White	Yes
Johnson	Yes	Durksi	Yes
Bryson	Yes		

For the Local Government Insurance Committee, Chairman Bryson moved to approve the recommended 2026 Local Government Plan benefit changes and premiums as presented by BA and Aon staff. The motion was seconded by Ms. Moody. No further discussion occurred, and a roll call vote was taken.

Cothron	Yes	Lillard	No
Boyette	Yes	Moody	Yes
Bryson	Yes		

#### **Agenda Item #5 – [Action] Approval of Procurement Calendar Year 2025/2026 (All Committees)**

Chairman Bryson recognized Heather Pease, Director of Procurement and Contracts, to present the procurement schedule for Calendar Year 2025/2026, which include the following programs:

Procurement Type	Product
RFP	Variable Copay Benefit
RFP	Short and Long-Term Disability Insurance
RFP	The Tennessee Plan (a self-insured supplemental medical insurance plan for retirees with Medicare)
RFP	Employee Assistance Program (EAP) and Behavioral Health Services
RFP or Point Solution* through an existing contract	Anti-Obesity Medication Management

\*Point Solution – specialized service or product designed to address a specific healthcare need or challenge within a benefits program.

Ms. Pease explained the background and research and development process for each program.



For the State Insurance Committee, Treasurer Lillard made the motion to approve the procurement schedule for Calendar Year 2025/2026. The motion was seconded by Mr. Cothron. No further discussion occurred, and a roll call vote was taken.

Cothron	Yes	Lillard	Yes
Lawrence	Yes	Williams	Yes
Consiglio-Young	Yes	Knecht	Yes
Chance	Yes	Pittman	Yes
Bryson	Yes		

For the Local Education Insurance Committee, Ms. Durski made the motion to approve the procurement schedule for Calendar Year 2025/2026. The motion was seconded by Treasurer Lillard. No further discussion occurred, and a roll call vote was taken.

Cothron	Yes	Lillard	Yes
Lawrence	Yes	White	Yes
Johnson	Yes	Durski	Yes
Bryson	Yes		

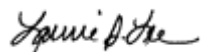
For the Local Government Insurance Committee, Ms. Boyette made the motion to approve the procurement schedule for Calendar Year 2025/2026. The motion was seconded by Ms. Moody. No further discussion occurred, and a roll call vote was taken.

Cothron	Yes	Lillard	Yes
Boyette	Yes	Moody	Yes
Bryson	Yes		

Chairman Bryson asked if there was any further business to come before the committees. Ms. Durski made a request to have the slide deck be shared with the committee members. Ms. Lee acknowledged the request and said that BA staff would send the presentation to the members.

With no further business, Chairman Bryson adjourned the meeting at 3:04 p.m. (central). The next meeting of the State, Local Education and Local Government Insurance Committees is scheduled for June 26, 2025 at 1:00 p.m. (central) in the Nashville Room.

Respectfully submitted,



Laurie S. Lee