

GAGE, VICTORIA L

From: PEREZ, SANDRA K.
Sent: Tuesday, March 31, 2015 11:41 AM
To: HUTTON, DAVID P.; MARTINEZ, MATTHEW R.; GARCIA, TERESITA M.; GAGE, VICTORIA L; SCHIAVO, NICK A.; ROMERO, PATRICK L.
Cc: TRUJILLO, LYNETTE A.
Subject: Group Insurance Advisory Committee meeting - Monday 4/6 - working lunch
Attachments: City of SF Copay alternatives March 2015.pdf; Copy of Blank Plan Design Option Sheet 3-31-15.xlsx; VARIOUS COST SAVINGS OPTIONS DISCUSSED.docx; Option 2A finance committee 3-30-15.pdf; Additional Savings Options - copays increase massage therapy eliminates.docx

Good Morning everyone,

Last night the Finance Committee met to discuss various options related to benefit changes within the medical portion of the Health Plan. I have attached the option 2A the committee went with coupled with one modification, that being – premiums would be calculated to an amount so as not to exceed \$5 million balance in the fund and the fund balance would extend to FY 19/20.

The information will be forwarded to the Governing Body for final approval 4/8/15. I informed the Finance Committee that we would call a meeting with you to discuss this option and to also entertain any suggestions you might have that returns \$860,000 in savings but may be different than the categories presented in the summary. To assist you in preparing for our meeting on Monday, I am attaching a “blank” worksheet in excel that will allow you plug in pieces from our “a la carte” menu of savings pieces. Please pay attention to the individual sheets we put together in December as well as the updated information from AON 3/12/15.

Even though the Committee adopted as presented the benefit changes listed in option 2, I believe it is the total savings of \$860,000 that is of most importance. The option 2 summary sheet will be presented to the Governing Body from the Finance Committee, Vicki – Lynette – and I will be in attendance for the presentation and will be happy to present a different summary version of \$860,000 if our committee discovers one on Monday.

It is imperative that you discuss this matter with the member group you represent on this committee.

Monday, Please plan to bring your own lunch or have something delivered – we will be on a very tight timeframe.

Thanks,
Sandi

**City of Santa Fe
Copay Alternatives**

PCP	Specialist	Urgent Care	Projected Annual Savings
\$15	\$15	\$15	\$150,000
\$20	\$20	\$20	\$255,000
\$15	\$30	\$30	\$255,000
\$20	\$40	\$40	\$345,000
\$25	\$40	\$40	\$375,000
\$30	\$50	\$50	\$480,000

MRI/PET/CAT Scans

\$100	\$15,000
\$200	\$30,000
\$250	\$45,000

Basic Lab and X-ray

Coinsurance 10%	\$105,000
Coinsurance 20%	\$210,000

VARIOUS COST SAVINGS OPTIONS DISCUSSED

INPATIENT HOSPITAL (PREMIUM PLAN):

Increase current \$250 Co-Pay as follows:

\$500	=	\$ 45,000 savings
\$1000	-	\$151,000 savings

(Admits run 200 per year and 45 of those are from the ER)

OUTPATIENT SURGERY (PREMIUM PLAN):

Increase current \$75 Co-Pay as follows:

\$150	=	\$ 30,000 savings
\$250	=	\$ 76,000 savings

OFFICE VISITS (PREMIUM PLAN):

Increase current \$10 Co-Pay as follows:

\$15 across the board	=	\$150,000 savings
\$20 across the board	=	\$290,000 savings

\$15 PCP visit*	}	=	\$180,000 savings
\$30 Specialist visit			
\$30 Urgent Care visit			

\$15 PCP visit/\$10 Child	}	=	\$170,000 savings
\$30 Specialist visit			
\$30 Urgent Care visit			

Rx (PREMIUM PLAN):

Increase current \$10/\$15/\$0 Co-Pay for Tier 1/2/3 as follows:

\$10 Tier 1 (stays as is)	}	=	\$100,000 savings
\$20 Tier 2			
\$40 Tier 3			

Discussion around moving to a coinsurance on Specialty Meds for severe illnesses (e.g. multiple sclerosis, rheumatoid arthritis, etc.) was held but the savings was negligible (\$40k) compared to value to those few individuals currently utilizing them.

MASSAGE THERAPY (PREMIUM PLAN)

Increase current \$10 Co-Pay as follows:

\$30 per visit (max \$2400 annually) = \$125,000 savings

Discussion around maximum # of visits vs. maximum \$ amount annually was held and will continue to be analyzed and discussed.

Discussion around eliminating the Massage Therapy benefit all together was held and AON has been asked to provide us the \$ savings for doing this. If it is significant enough then discussion around only increasing the co-pay for Chiro/Accup/Nap to \$15 would continue.

CHIROPRACTIC, ACCUPUNCTURE, NAPROPATHY (PREMIUM PLAN):

Increase current \$10 Co-Pay and maximum # of 24 visits each (24 Chiro/24 accup/24 nap) as follows:

\$30 per visit with max of 24 visits all total = \$ 75,000 savings

\$15 per visit with max of 24 visits all total = \$ 20,000 savings

Discussion around eliminating the Massage Therapy benefit all together was held and AON has been asked to provide us the \$ savings for doing this. If it is significant enough then discussion around only increasing the co-pay for Chiro/Accup/Nap to \$15 would continue.

ENTIRE HEALTH PLAN – OVERALL CHANGE TO CO-PAYS:

Increase ALL co-pays in the medical plan, exclusive of Rx, to \$15 = \$200,000 savings

3 PLANS OFFERED THROUGH THE CITY – PREMIUM, CORE, VALUE:

Discussed differences in the 3 plans and the fact that the majority of all employees electing coverage go with the Premium plan, as we discuss changes to the plan design we must be mindful of overlap into the Core plan.

Eliminating the Premium Plan & rolling into Core Plan = \$500,000 savings

EMERGENCY ROOM VISITS (PREMIUM PLAN):

Increase current \$125 Co-Pay as follows:

\$150 co-pay (if results in admission co-pay is waived) = \$ 15,000 savings

\$200 co-pay (if results in admission co-pay is waived) = \$ 45,000 savings

(Note: Core Plan is currently at \$175 and Value Plan is \$225)

CO-PAYS vs. DEDUCTIBLES – HOSPITALIZATION, OUTPATIENT, ER:

Eliminate co-pays for In-hospitalization; out-patient surgery; and ER moving to a co-insurance model
= \$106,000 savigs

Difference between increasing co-pays for in/out hospitalization & ER = \$16,000 more.

SHIFT PREMIUM COSTS FROM CITY TO EMPLOYEE'S SHARE¹:

Current City of SF share of Premium costs = 76.5% totaling \$14.6 million, with the remaining \$4.5 million funded by employee payroll deduction (23.5%). *Each increase in the employee share of the premium will decrease the City's costs by about \$150,000 annually.*

If the City were to move to an income based employee contribution strategy, we'd start by deciding on an overall employee share, say \$5.0 million, then redistribute that based on the salary bands used.

MOVING PLAN DESIGN TO MIRROR OTHER DESIGNS²:

Costs in the 2013-14 plan year were:

- Total plan cost \$18.0 million
- Employee cost \$9.4 million, or 52% of total cost
- Spouse \$4.7 million, or 26% of total cost
- Dependents \$3.9 million, or 22% of total cost

In the 2013-14 plan year, total claims were \$17.7 million. Of that, the City paid \$16.65 million, or 94%. Employees and their family members paid 6%. To put that in perspective (again,) a Platinum plan, the richest benefit plan available on the health exchanges, is expected to pay 90% of total claims with the remaining 10% being the members' responsibility.

Moving to the *State of NM's HMO plan* - assuming the same \$17.7 million in claims, the City's share would be reduced to \$15.2 million, *an annual savings of \$1.45 million*. Savings may even be greater, because a reduction in utilization of services is expected as well.

Moving to the *City of RR's Plan B* would result in an annual *savings to the City of \$600,000*.

¹ As reported by AON 12/17/14

² As reported by AON 12/17/14

Additional Savings Option¹:

Increase various Co-Pays and Eliminate Massage Therapy as follows:

OFFICE VISITS; Increase current \$10 Co-Pay as follows:

\$15 PCP visit*	}	=	\$180,000 savings
\$30 Specialist visit			
\$30 Urgent Care visit			

PRESCRIPTIONS; Increase current \$10/\$15/\$0 Co-Pay for Tier 1/2/3 as follows:

\$10 Tier 1 (stays as is)	}	=	\$100,000 savings
\$20 Tier 2			
\$40 Tier 3			

MASSAGE THERAPY; No coverage

Employee's pay 100% for these visits = **\$400,000** savings

(Note: Discussion was held that if this benefit were eliminated that talks with the providers would be advanced in order to identify if the providers would be open to offering a discount to City Employee's for this service)

CHIROPRACTIC/ACCUPUNCTURE/NAPROPATHY;

Increase current \$10 Co-Pay and maximum # of 24 visits each (24 Chiro/24 accup/24 nap) as follows:

\$15 per visit with max of 24 visits all total = **\$ 20,000** savings

EMERGENCY ROOM VISITS; Increase current \$125 Co-Pay as follows:

\$150 co-pay (if results in admission co-pay is waived) = **\$ 15,000** savings

OUTPATIENT SURGERY; Increase current \$75 Co-Pay as follows:

\$150 co-pay = **\$ 30,000** savings

TOTAL SAVINGS = \$745,000

¹ This option was developed after the working sessions ended. We received the savings # from AON 12/26/14 for the elimination of the massage therapy benefit. It was agreed at the working session that if this number were significant it would be plugged in for an additional option. Please note the Group Insurance Advisory Committee has NOT discussed this option together.

**Option # 2 - \$860,000 Benefit Changes
\$2,000,000 Fund Balance FY 17/18**

	<u>CURRENT</u>	<u>PROPOSED</u>	
	Premium Plan In-Network	Premium Plan In-Network	
SERVICES			
Deductible <i>per Person / per Family</i>	None	None	
Out-of-Pocket Maximum <i>per Person / per Family</i>	N/A	N/A	
Preventive Services	Plan pays 100%	No Change*	*required by Affordable Health Care Act
Primary Care Office Visits	\$10 copay	\$15 copay	
Specialist Care Office Visits	\$10 copay	\$30 copay	= \$255,000
Urgent Care	\$10 copay	\$30 copay	(03/12/2015)
Hospital Inpatient	\$250 copay	No Change	
Outpatient Surgery	\$75 copay	\$150 copay	= \$30,000
Lab and X-ray	Plan pays 100%	no change	(12/26/14)
MRI / PET / CAT Scans	Plan pays 100%	no change	
Emergency Room	\$125 copay	no change	
ALTERNATIVE MEDICINE			
Acupuncture	\$10 copay / 24 visit limit	\$30 copay + combined 24 visits	= \$75,000
Chiropractic	\$10 copay / 24 visit limit	\$30 copay + combined 24 visits	
Naprapathy	\$10 copay / 24 visit limit	\$30 copay + combined 24 visits	
Medical Massage	\$10 copay / \$2400 per plan year	Eliminate	= \$400,000
			(12/26/14)
PHARMACY			
Retail (up to 31-day supply) Tier 1	\$10 copay	\$10 copay	
Tier 2	\$15 copay	\$20 copay	
Tier 3	N/A	\$40 copay	
Home Delivery - Mail Order			= \$100,000
Tier 1	\$10 copay	\$10 copay	
Tier 2	\$15 copay	\$20 copay	
Tier 3	N/A	\$40 copay	(12/26/14)
MONTHLY PREMIUM COST - FAMILY (Employee Share)	\$399.2 /month	427.94 / month	7.2% premium increase across all coverage levels
		Total:	\$860,000

CURRENT

PROPOSED

**Premium Plan
In-Network**

**Premium Plan
In-Network**

Deductible <i>per Person / per Family</i>	None	None
Out-of-Pocket Maximum <i>per Person / per Family</i>	N/A	

SERVICES

	Plan pays 100%	No Change *	
Preventive Services			*required by Affordable Health Care Act
Primary Care Office Visits	\$10 copay		=
Specialist Care Office Visits	\$10 copay		
Urgent Care	\$10 copay		
Hospital Inpatient	\$250 copay		
Outpatient Surgery	\$75 copay		
Lab and X-ray	Plan pays 100%		
MRI / PET / CAT Scans	Plan pays 100%		
Emergency Room	\$125 copay		

ALTERNATIVE MEDICINE

Acupuncture	\$10 copay / 24 visit limit		=
Chiropractic	\$10 copay / 24 visit limit		
Naprapathy	\$10 copay / 24 visit limit		
Medical Massage	\$10 copay / \$2400 per plan year		

PHARMACY

Retail (up to 31-day supply) Tier 1	\$10 copay		=
Tier 2	\$15 copay		
Tier 3	N/A		
Home Delivery - Mail Order Tier 1	\$10 copay		
Tier 2	\$15 copay		
Tier 3	N/A		

MONTHLY PREMIUM COST - FAMILY (Employee Share)

\$399.2 /month	427.94 / month
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7.2% premium increase across all coverage levels

Total:

City of Santa Fe
Health Insurance Fund - Five Year Projection OPTION 2A
\$860,000 Benefit Changes
Premiums Trend >

	A	B	C	D	E	F	G
	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 Year Total</u>
Contributions							
1 Beginning Cash	\$5,779,462	\$5,579,276	\$6,229,591	\$6,927,043	\$7,672,728	\$8,458,723	\$90,313,532
2 City Contribution (Health Fund)	\$13,951,842	\$15,760,375	\$16,832,080	\$17,959,829	\$19,199,058	\$20,562,191	\$0
2a City Cont. (Workers Comp)	\$750,000	\$0	\$0	\$0	\$0	\$0	\$0
3 Total City Contribution	\$14,701,842	\$15,760,375	\$16,832,080	\$17,959,829	\$19,199,058	\$20,562,191	\$90,313,532
4 Employee Contribution	\$4,516,252	\$4,841,422	\$5,170,639	\$5,517,072	\$5,897,750	\$6,316,490	\$27,743,373
5 Total Contributions	\$19,218,094	\$20,601,797	\$22,002,719	\$23,476,901	\$25,096,807	\$26,878,681	\$118,056,905
6 Employee % of Premium	23.5%	23.5%	23.5%	23.5%	23.5%	23.5%	23.5%
7 Total Funding % Increase	8.5%	7.2%	6.8%	6.7%	6.9%	7.1%	
Expenses							
8 Medical Claims	\$15,066,818	\$16,196,829	\$17,217,229	\$18,301,914	\$19,454,935	\$20,680,596	\$91,851,503
8a Benefit Changes	\$0	(\$860,000)	(\$914,180)	(\$971,773)	(\$1,032,995)	(\$1,098,074)	(\$4,877,022)
9 Pharmacy Claims	\$2,263,604	\$2,431,111	\$2,717,982	\$3,038,704	\$3,397,271	\$3,798,149	\$15,383,217
10 Individual Stop Loss	\$844,125	\$945,420	\$1,058,870	\$1,185,934	\$1,328,246	\$1,487,636	\$6,006,106
11 Aggregate Stop Loss	\$66,053	\$68,035	\$70,076	\$72,178	\$74,343	\$76,573	\$361,205
12 UHC Administration	\$572,217	\$589,384	\$607,066	\$625,278	\$644,036	\$663,357	\$3,129,121
13 ACA Reinsurance Fee	\$168,000	\$139,200	\$105,600	\$35,200	\$0	\$0	\$280,000
14 PCORI Fee	\$3,200	\$6,400	\$6,656	\$6,922	\$7,199	\$7,487	\$34,664
15 Life Ins Premium	\$406,270	\$406,270	\$406,270	\$406,270	\$406,270	\$406,270	\$2,031,350
16 Vision Premium	\$27,993	\$28,833	\$29,698	\$30,589	\$31,507	\$32,452	\$153,079
17 Total Expenses	\$19,418,280	\$19,951,482	\$21,305,267	\$22,731,216	\$24,310,812	\$26,054,446	\$114,353,223
18 Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19 Contributions - Expenses	(\$200,186)	\$650,315	\$697,452	\$745,685	\$785,995	\$824,235	\$3,703,682
20 Ending Fund Balance	\$5,579,276	\$6,229,591	\$6,927,043	\$7,672,728	\$8,458,723	\$9,282,958	
Increase/Decrease in Cash from							
21 Prior Year	(\$200,186)	\$650,315	\$697,452	\$745,685	\$785,995	\$824,235	
22 City Actual Contribution Increase	\$1,156,512	\$1,058,533	\$1,071,705	\$1,127,749	\$1,239,228	\$1,363,133	
Employee Actual Contribution	\$355,268	\$325,170	\$329,217	\$346,433	\$380,678	\$418,740	
% expense increase/decrease from							
24 prior year	5.1%	7.2%	6.8%	6.7%	6.9%	7.1%	

Beginning with 2012-13, City's portion of Life Ins Prem assumed to be 60%, Vision 100%.

Assumed annual increases - ISL 12%, ASL 3%, Admin 3%, Life 0% and Vision 3%. Assumes no plan migration.

Medical and Pharmacy costs annually increase per AON's Health Care Trend Rate Estimates:

Medical	7.5%	5.8%	6.3%	6.3%	6.3%	6.3%
Pharmacy	7.4%	11.3%	11.8%	11.8%	11.8%	11.8%

Contribution increases in lines 22 and 23 are included in lines 2-4. Assumes 1,251 employees enrolled.