

City of Somerville

Health Insurance Strategic Planning Considerations For Discussion and Education Only

November 8, 2010

Agenda

- ⇒ Current City Health Insurance Overview
- ⇒ Current External Health Insurance Market Overview
- ⇒ Strategic Alternatives
 - Plan Design Changes
 - Plan Consolidation
 - BCBS Tiered Network Plans
 - Mass Municipal Association Plan (MIA)
 - West Suburban Health Group (WSHG)
 - Group Insurance Commission (GIC)
- ⇒ GIC Overview
- ⇒ Questions and Answers

Current City Enrollments (10/2010)

	Active Employees	Medicare Retirees	Non-Medicare Retirees	Surviving Spouses	Total
Active/Non-Medicare Plans					
Tufts EPO	337	0	73	4	414
Harvard Pilgrim HMO	350	0	136	8	494
Blue Care Elect PPO	139	0	37	2	178
HMO Blue	562	0	93	17	672
BCBS Master Medical	36	0	10	3	49
Subtotal	1,424	0	349	34	1,807
Medicare Plans					
Medex III	0	646	0	149	795
Harvard Pilgrim Medicare Enhance	0	54	0	6	60
Tufts Medicare Preferred	0	124	0	18	142
Subtotal	0	824	0	173	997
Grand Total	1,424	824	349	207	2,804

Current City Projected Annual Costs

Annual Period 10/1 - 9/11	Total Projected Costs	City Projected Costs	Employee/ Retiree Projected Costs
Active and Non Medicare Retirees	\$31,308,306	\$25,286,155 80.8%	\$6,022,150 19.2%
Medicare Retirees	\$4,924,508	\$3,693,381 75.0%	\$1,231,127 25.0%
Totals	\$36,232,814	\$28,979,538 80.0%	\$7,253,277 20.0%

Current City Health Insurance Plans

⇒ Most plans are self-insured

- City pays claims, takes risk, sets up a reserve account
- Carriers are used for administrative services and claim payment
 - Access to network discounts, medical management programs
- City purchases reinsurance to protect from “catastrophic” claims on any one member (currently claims over \$175,000 per member) in the policy period
- Rates are set annually based on the claims experience of the City’s members, plus the administrative and reinsurance premium costs

⇒ Rate history

- 10/1/10 19% increase
- 10/1/09 15% increase

Current City Utilization Statistics - Annual

⇒ Utilization data limitations

- Plans report and collect data differently
- Slightly different time periods
- Differences in plan design

⇒ Active and Non-Medicare retirees

- Average of 2,089 employees covered
- Average of 4,142 members covered

⇒ 1,234 emergency room admissions (30% of members)

⇒ 490 inpatient admissions (12% of members)

⇒ 604 outpatient surgeries (15% of members)

Current City Utilization Statistics - Annual

⇒ Office visits – average 6 per member per year

⇒ Prescription drugs – average 20 scripts per member per year

⇒ Other utilization data

- 15 BCBS Network Blue Members accounted for \$2.3M in claims
- Top diagnosis (reasons for seeking care)
 - Depression, hypertension, cancers, pregnancy, accidents
- Top prescription drug categories
 - Cholesterol lowering medications, blood pressure, ulcer & heartburn, Anti-infectives, antidiabetics

Current City Utilization Statistics – Top Hospitals

Facility
BETH ISRAEL DEACONESS
BRIGHAM AND WOMEN'S HOSP
CAMBRIDGE HOSPITAL
FAULKNER HOSPITAL
LAHEY CLINIC HOSPITAL
LAWRENCE GENERAL HOSPITAL
MASS EYE AND EAR INFIRMARY
MASS GENERAL HOSPITAL
MT AUBURN HOSPITAL
NE BAPTIST
NE MEDICAL CENTER
ST. ELIZABETH'S MEDICAL CENTER
WINCHESTER HOSPITAL

Current Health Insurance Market

⇒ Health Care Reform Laws (MA and Federal)

- Create minimum required levels of benefits
- Removed certain annual and lifetime benefit limits
- Require certain services to be covered with no member cost sharing
- Require payments from providers and insurers (e.g., fees, taxes, etc.)
- Create additional member protections
- Create a “Cadillac” tax on high value health plans (40% tax in 2018)

⇒ Federal Mental Health Parity Law

- Requires M/H benefits to be offered on an equal basis as other medical benefits

⇒ Mandated Benefits

- State reviewing adding more mandated benefits (e.g., autism)
 - Coverage for certain conditions that may otherwise be excluded

Current Health Insurance Market

- ⇒ Major plans in Massachusetts are “non-profit” entities
- ⇒ Historically have relied on investment income to offset operating losses
 - Investment of prepaid premiums for fully insured plans
- ⇒ The Division of Insurance is “reviewing” proposed small group rate increases each quarter
 - Premium rates for employers with 50 or fewer employees are “regulated” by the Division of Insurance (small group market) [moves to 100 in 2017]
 - Carrier losses in the small group market are expected to impact large group rates

Current Health Insurance Market – YTD Q2

⇒ Tufts Health Plan

- 737,411 members
- \$40.4M loss

⇒ Blue Cross Blue Shield of Massachusetts

- 2,901,798 members
- \$79.5M loss

⇒ Harvard Pilgrim Health Care

- 1,119,000 members
- \$20.5M loss

As of June 30, 2010

Current Health Insurance Market – YTD Q2

⇒ Fallon Community Health Plan

- 218,246 members
- \$21.3M loss

⇒ Group Insurance Commission (GIC)

- 300,000+ members
- \$35M deficit FY09
- \$50M estimated Early Retiree Reinsurance Program (ERRP) reimbursements expected
 - Money required to be used to reduce plan participant costs

As of June 30, 2010

Current Health Insurance Market

⇒ Projected medical trend rates (large groups)

- HMO 12%-15%
- PPO/POS 13%-17%
- Prescription Drug 9%-12%

Strategic Alternatives to Current Plans

- ⇒ Plan Design Changes (e.g., copays, deductibles, etc.)
- ⇒ Plan Consolidation to One Vendor
- ⇒ BCBS Tiered Network Plans
- ⇒ Mass Municipal Association Plan (MIA)
 - City is too large/claim experience not favorable
- ⇒ West Suburban Health Group (WSHG)
- ⇒ Group Insurance Commission (GIC)

Strategic Alternatives to Current Plans

- ⇒ Plan design changes to current plans (Examples)
 - Increase office visit copay from \$5 to \$15 (2.2%)
 - Increase ER copay from \$25/\$30 to \$75 (.2%)
 - Add \$250 inpatient copay (2.1%)
 - Add \$250 outpatient surgery copay (1.8%)
 - Change prescription drug copays to \$15/\$30/\$50 2x/3x mail (4.9%)
- ⇒ Savings are not “guaranteed” under a self insured arrangement
 - No reduction in administration costs or reinsurance premiums
- ⇒ Plan design changes shift cost to members
- ⇒ Changes would not impact Medicare plans

Strategic Alternatives to Current Plans

- ⇒ Consolidation to One Vendor
- ⇒ Would need to be on a fully insured basis in order for this alternative to “guarantee” savings
 - Limited administrative savings
- ⇒ Consolidation gross savings range from 1.5%-3% alone; would need to be coupled with plan design changes for additional savings
- ⇒ One year alternative; potential for large renewal increases in years 2 and 3

Strategic Alternatives to Current Plans

⇒ Consolidate with BCBS “Options” Plans

- Options plans have “tiered” providers; can access any BCBS provider, but tier will determine out of pocket costs
- Would need to secure a fully insured quote in order to “guarantee” savings
- No other plans would be permitted to be offered

⇒ Gross savings can range from 10%-12%

⇒ Cost shifting to members as well as utilization savings

⇒ No tiering in Medicare retiree plans

Strategic Alternatives to Current Plans

⇒ West Suburban Health Group - WSHG

- Group Purchasing Arrangement -16 municipalities
- Offer Harvard Pilgrim, Tufts, Fallon, BCBS HMOs, also PPO
- Higher rates for first year municipalities
- Surcharge to rates also possible based on claim experience
- Similar to GIC, but City *applies* in December for 7/1 effective date

⇒ Medicare Part D reimbursements are retained by WSHG

- Approximate reduction in City savings of \$ 350,000 - \$ 400,000

⇒ Gross savings could range from 8-10%

⇒ Additional out of pocket costs for members

- “Rate Saver” plans

Strategic Alternatives to Current Plans

⇒ Group Insurance Commission (Key Points)

- No BCBS plans offered
- December 1st notification date; 7/1 effective date
- Rates and plan designs finalized in March/April
- Current active and Non Medicare retiree plans include up front deductibles and tiering of providers

⇒ Gross savings range from 15%-20%

⇒ No additional deductibles or tiering on the Medicare retiree plans

⇒ Medicare Part D payments are returned to the City

Strategic Alternatives – Projected Costs

Projected Plan Cost Summary <i>Fiscal Year 2012</i> Estimates Only for Illustration	Current Plans No Changes	Plan Design Changes	FI Plan Consolidation w/Plan Changes	BCBS Tiered Network	WSHG	GIC
Total Projected Costs	\$39,490,000	\$35,740,000	\$35,210,000	\$35,150,000	\$35,460,000	\$30,870,000
City Projected Costs	\$31,590,000	\$28,590,000	\$28,160,000	\$28,110,000	\$28,360,000	\$24,690,000
Employee/Retiree Projected Costs	\$7,900,000	\$7,150,000	\$7,050,000	\$7,040,000	\$7,100,000	\$6,180,000
Projected Impact (Premiums and Additional Out of Pocket Costs Only)						
Total		(\$3,750,000)	(\$4,280,000)	(\$4,340,000)	(\$4,030,000)	(\$8,620,000)
City		(\$3,000,000)	(\$3,430,000)	(\$3,480,000)	(\$3,230,000)	(\$6,900,000)
Employee/Retiree		(\$750,000)	(\$850,000)	(\$860,000)	(\$800,000)	(\$1,720,000)
Projected Additional Out of Pocket Cost		\$1,800,000	\$1,800,000	\$1,900,000	\$1,300,000	\$2,300,000
Net Employee/Retiree Cost		\$1,050,000	\$950,000	\$1,040,000	\$500,000	\$580,000

Group Insurance Commission (GIC)

- ⇒ Established in 1955
- ⇒ GIC Covers 300,000 + State and Municipal Employees
- ⇒ Offer Harvard Pilgrim, Tufts, Health New England, Neighborhood Health, Fallon and Unicare Plans
- ⇒ 11 Municipal Groups Participated Prior to 7/1/09
 - Athol-Roylston School District, Groveland, Gill-Montague Regional School District, Hawlemont Regional School District, Holbrook, Millis, Mohawk Trail Regional School District, Old Colony Planning Council, Saugus, City of Springfield, Southeastern Regional Planning and Economic Development District, Winthrop

Group Insurance Commission (GIC)

⇒ New Municipalities for 7/1/09

- Blue Hills Vocational School District
- City of Melrose
- City of Quincy
- City of Pittsfield
- Groton-Dunstable Regional School District
- Pioneer Valley Planning Commission
- Town of Norwood
- Town of Randolph
- Town of Stoneham
- Town of Swampscott
- Town of Watertown
- Town of Wenham
- Town of Weston
- Town of Weymouth

Group Insurance Commission (GIC)

⇒ New Municipalities for 7/1/10

Town of Brookline

Town of Hopedale

Wachusett Regional School District

Merrimack Valley Planning Commission

City of Lawrence (10/1/10)

Group Insurance Commission (GIC)

⇒ “New” Chapter 32B Section 19 Language

- Adopted July 25, 2007 (Chapter 67 of the Acts of 2007)
- Similar to previous language
 - Requires a Public Employee Committee (Coalition Bargaining)
 - 70% weighted average votes required
- City/Employee contributions are negotiated
 - Contributions must be uniform by plan type (e.g., HMO, PPO)
- Three year initial commitment (minimum)
- Current notification deadline is December 1st
 - Agreement needs to be in place prior to this date, there are no extensions
 - Will revert back to October 1st on January 1, 2012
- Active rates are finalized in March/April for following 7/1 effective date

Group Insurance Commission (GIC)

- ⇒ GIC does not offer BCBS
 - At least until July 1, 2011
 - Could be until July 1, 2013
- ⇒ Waiting period for new hire enrollment is 60 days
 - Provision for immediate enrollment if certain criteria are met
- ⇒ No HRAs or other non-premium based subsidies allowed after FY11
 - Bills pending (e.g., S. 1047) to allow HRAs beyond FY11
 - Legislation required for any outside agreements
- ⇒ Only the medical plan is offered through the GIC
 - Dental, vision, life, etc. still through the City

Group Insurance Commission (GIC)

- ⇒ Formal enrollment and verification process for spouses and dependents
- ⇒ Medicare Part D subsidy returned to the City by formula

Group Insurance Commission (GIC)

⇒ Weighted Average Premium Increases (all plans)

▪ FY04	8.5%
▪ FY05	9.9%
▪ FY06	13.50%
▪ FY07	7.30%
▪ FY08	3.75%
▪ FY09	6.37%
▪ FY10*	3.19%
▪ FY11	7.91% (Estimated)

- Increases include net impact of plan design changes
- *Premiums decreased and copays/deductibles increased on February 1, 2010

Group Insurance Commission (GIC)

- ⇒ GIC offers multiple plan options for active, retired Medicare and non-Medicare participants
 - PPO, HMO, Indemnity, Medicare Supplement Plans
- ⇒ Non-Medicare plans include “tiered” copays for doctors and hospitals
 - Tier levels are based on cost and quality data
- ⇒ Your out-of-pocket costs will depend on the doctors and hospitals you select
- ⇒ Non-Medicare plans include up-front calendar year deductibles

Group Insurance Commission (GIC)

⇒ Plan Design Differences (as of 2010-2011 plan year)

- Two main differences – deductibles and tiered networks
- Other differences by plan type and vendor (e.g., PCP selection, copayments, out of network care, etc.)
- Deductibles – a fixed dollar amount paid by the member before the plan pays benefits for certain services
- Deductible does not apply to:
 - Prescription drugs
 - Most office visits
 - Preventive care
 - Mammograms
 - Pap Smears
 - Colonoscopies

Group Insurance Commission (GIC)

⇒ Plan Design Differences (as of 2010-2011)

- Deductible does apply to:
 - Emergency room
 - Outpatient surgery
 - Inpatient hospitalizations
 - Labs, X-rays, MRIs and scans
- Other cost sharing may also apply (e.g., copayments, etc.)

⇒ Deductible amounts (in-network, 2010-2011)

- Single \$250
- Two Person \$500
- Family \$750
- No more than \$250 per member, per calendar year regardless of coverage category

Group Insurance Commission (GIC)

⇒ Tiered networks

- Plans group providers – physicians and hospitals into “Tiers” or classes based on different cost, quality, and outcome measures
- Plans use different criteria and different tiering methodology
- Example of tiering
 - Tier I Hospital Copay \$250
 - Tier II Hospital Copay \$500
 - Tier III Hospital Copay \$750
- Member would pay a different copay (after deductible, if not previously satisfied) depending on the tier the hospital was grouped in
- Tier listed on health plan’s website
- Some plans also tier physicians

Top Hospital Tiering – BCBS and GIC Plans

Facility	BCBS	HPHC	Tufts	Unicare
BETH ISRAEL DEACONESS	Tier 2	Tier 2	Tier 2	Tier 2
BRIGHAM AND WOMEN'S HOSP	Tier 2	Tier 3	Tier 2	Tier 3
CAMBRIDGE HOSPITAL	Tier 1	Tier 1	Tier 1	Tier 1
FAULKNER HOSPITAL	Tier 2	Tier 2	Tier 2	Tier 2
LAHEY CLINIC HOSPITAL	Tier 2	Tier 3	Tier 2	Tier 3
LAWRENCE GENERAL HOSPITAL	Tier 2	Tier 1	Tier 2	Tier 2
MASS EYE AND EAR INFIRMARY	Tier 2	Tier 2	Tier 2	Tier 2
MASS GENERAL HOSPITAL	Tier 3	Tier 3	Tier 2	Tier 3
MT AUBURN HOSPITAL	Tier 1	Tier 1	Tier 1	Tier 2
NE BAPTIST	Tier 2	Tier 2	Tier 2	Tier 2
NE MEDICAL CENTER	Tier 3	Tier 2	Tier 1	Tier 3
ST. ELIZABETH'S MEDICAL CENTER	Tier 1	Tier 2	Tier 2	Tier 2
WINCHESTER HOSPITAL	Tier 1	Tier 2	Tier 2	Tier 1

Questions and Answers

⇒ GIC Current Plans/Plan Designs

⇒ Current Hospital Tiering Lists

- BCBS
- Harvard Pilgrim
- Tufts
- Unicare