



Creating a Sustainable Health Care Plan

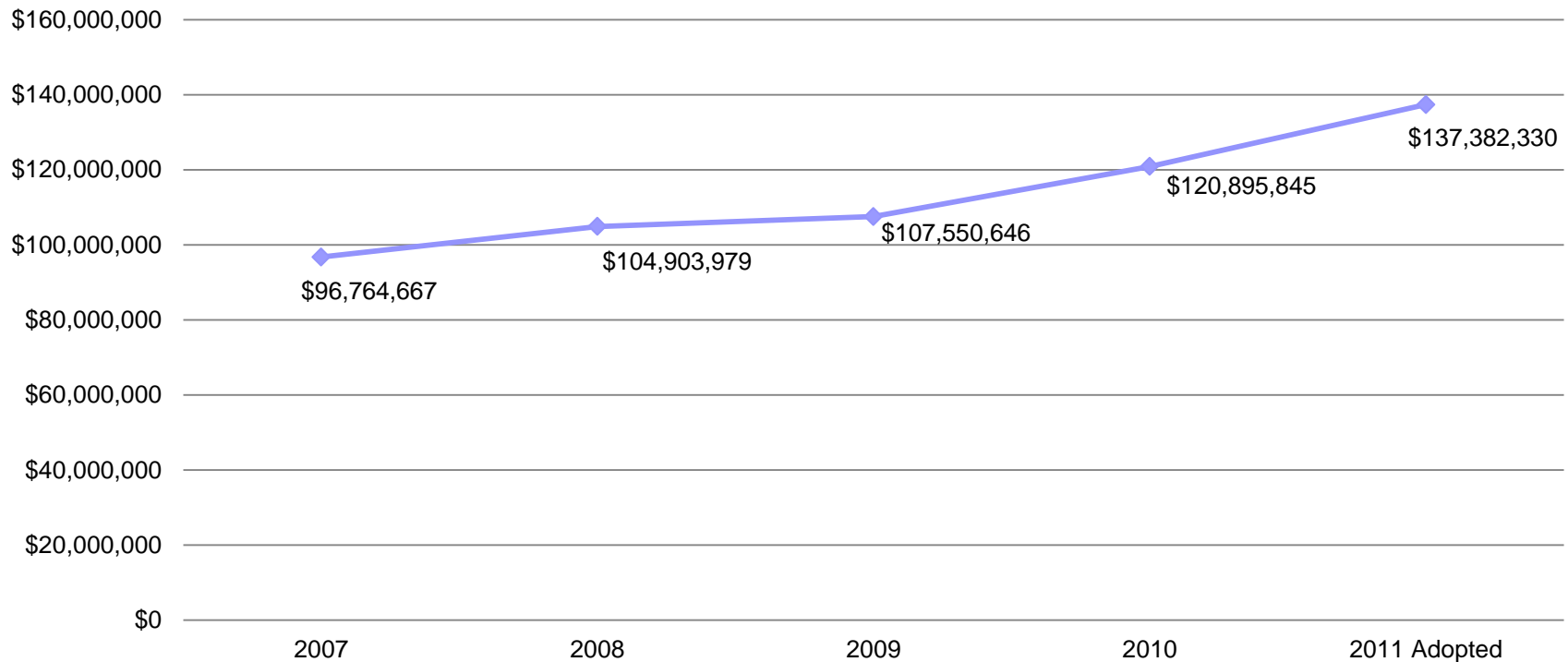
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Reasons for Health Care Changes

- Preserve fiscal capacity for services in the face of State aid cuts, levy limits, and future pension liability (2013 and beyond)
- Preserve employee health care benefits while improving the balance between employee and taxpayer responsibility
- Implement Smart Benefit Design Changes
 - Lower the total premium for both employees and the employer in the long run and encourage more appropriate utilization
 - Continue Wellness Initiative with Workforce Health
- Mitigate the need for benefit design changes in the near future

Health Care Expenditures

HMO & Basic Plan Net Expenditures



- Annual Growth of health care expenditures over the last 5 years
- Average expenditure increase of 9%+ annually is not sustainable
- Given the ongoing financial challenges facing the city, a more sustainable health care plan is needed

Health Care Change Recommendations

- Make changes to both HMO/EPO Plan and Basic/PPO Plan for all employees to reduce total cost
- Active general city employees will pay 12% of the total premium for their health care
- Implement new benefit design changes
 - Deductible
 - Co-Insurance
 - Out of Pocket Maximum
- Change the rate structure from current 2-tier single/family to 4-tier
 - Tier 1 One Adult
 - Tier 2 One Adult w/Dependents
 - Tier 3 Two Adults No Dependents
 - Tier 4 Two Adults w/Dependents
- Change monthly health insurance deductions to bi-weekly to reduce the impact on single check

Design Change Details

Basic Plan/HMO Comparison	HMO/EPO Proposed Benefits	Basic Plan Proposed Benefits
Preventive Care	Covered at 100%	Covered at 100%
Deductible in network*	\$500 Single/\$1,000 Family	\$750 Single/\$1,500 Family
Deductible out of network*	No Coverage	\$1,500 Single/\$3,000Family
Hospital in network*	90% after deductible	90% after deductible
Hospital out of network*	No Coverage	70% after deductible
Co-Insurance in network*	90% after deductible	90% after deductible
Co-Insurance out of network*	No Coverage	70% after deductible
Out of Pocket Maximum in network*	\$1,000 Single/\$2,000 Family	\$1,500 Single/\$3,000 Family
Out of Pocket Maximum out of network*	No Coverage	\$3,000 Single/\$6,000 Family
Emergency Room Visits	\$150 co-pay after deductible and out of pocket maximum reached	\$150 co-pay after deductible and out of pocket maximum reached
Drug Co-Pays	\$5/\$25/\$50 Co-Pay	\$5/\$25/\$50 Co-Pay
Employee Premiums	12% of projected monthly cost (general city only)	12% of projected monthly cost (general city only)
Premium Tier Structure	Four Tier	Four Tier

**Can be pre-tax through flexible spending*

Definition of Terms

■ Monthly Employee Premium:

- Amount paid monthly by each member, or member contribution.
- The Employee Benefits Division (EBD) is proposing an employee premium of 12% of the total premium.
- With few exceptions, most non-safety public employees throughout the state will be paying 12% of the total cost of their premium.

■ Deductible:

- Amount paid before health plan pays first dollars (\$500 single/\$1,000 family with HMO)

■ Co-insurance:

- Co-insurance is a specific percentage of the total cost of a service that is paid by a member.
- Once the deductible is met, the employee pays the co-insurance until an out of pocket maximum is reached

■ Maximum out of Pocket:

- Beyond a certain contribution by the employee, services are covered at 100% by the employer or health insurance plan
- The City is proposing a \$1000 Single/\$2,000 Family out of pocket maximum per person for the HMO plan. After this, with exception of emergency room co-pay, medical costs would be paid at 100%.

■ Co-pays:

- Co-pays are specific dollar amounts that a member pays for a service.
- City employees have a three-tier co-pay for drugs at \$5/\$25/\$50 and a \$150 ER co-pay once the out of pocket max is reached

■ Steerage:

- Steerage is used to direct employees to a narrow network or providers or hospitals that have higher quality and lower cost, or are in a “network.”
- Steerage typically means that an employer will pay a higher percentage for “in-network” service (90%) and a lower percentage (70%) for “out of network” services.

Estimated Annual Premium Payments With 4 Tiers

	New Annual Premium	Current Annual Premium	Difference from Current Premium	New Bi-Weekly Premium	New Monthly Premium
Tier 1: Single	\$864	\$240	\$624	\$36	\$72
Tier 2: Single Adult w/Dependents	\$1,296	\$480	\$816	\$54	\$108
Tier 3: Two Adults no Dependents	\$1,728	\$480	\$1,248	\$72	\$144
Tier 4: Two Adults w/Dependents	\$2,592	\$480	\$2,112	\$108	\$216

Payment Examples with Benefit Design Changes

- Single Employee (no dependents) with Knee Surgery Costing \$15,000
 - Employee pays \$500 deductible
 - Employee then pays 10% Co-Insurance of remaining medical costs until out of pocket maximum (\$1,000) is reached
 - 10% of \$14,500 is \$1,450
 - Since employee already paid \$500 deductible, would only pay another \$500 instead of \$950
 - Total Cost to Employee: \$1,000

- Single Employee (no dependents) with ER visit Costing \$1,400
 - Employee pays \$500 deductible
 - Employee then pays 10% Co-Insurance on remaining medical costs
 - 10% of \$900 is \$90
 - Total Cost to Employee: \$590
 - Employee does not pay \$150 ER Co-Pay since Out of Pocket Maximum has not been reached

- Employee with Family Coverage with Outpatient Surgery Costing \$3,300
 - Employee pays \$500 per member deductible
 - Employee then pays 10% Co-Insurance of remaining medical costs until out of pocket maximum (\$1,000 per member or \$2,000 total) is reached
 - 10% of \$2,800 is \$280
 - Total Cost to Employee: \$780

Health Care Benefit Investment

- Projected 2011 HC expenditures of \$137M would be reduced to \$112M in 2012
- Anticipated Avoided Costs of \$25 million
 - Reduction from switching to an EPO
 - \$6 million
 - Reduction from Benefit Design Changes for active employees and retirees
 - \$15 million
 - Reduction from Premium
 - \$4 million

Retiree Health Care Coverage

- Retirees both general city and sworn would have a new benefit design for both the HMO/EPO plan
- New retirees (retiring after Jan 1, 2012) would pay the same premium (12%) as active general city employees
 - Employees under 65 who go through regular retirement before their current labor contract expires would have a premium established by that labor contract
 - General City employees under 65 who go through regular retirement after their labor contract expires would pay the same as active general city employees
 - Sworn retirees under 65 would have their retiree premiums established through labor negotiations
 - Medicare retirees would have the choice of the Basic Plan/City PPO plan as a Medicare supplement with the same benefit design as active employees with the in-network and out of network deductibles, co-insurance and out of pocket amounts



Questions?