



2015 – 2018 Benefit Recommendations

City Council Insurance Sub Committee
May 14, 2015



Objectives

Health Care Plan

- Provide quality care at an affordable price
 - Provide choice in plan selection
 - Maintain existing service levels
 - Provide a free premium selection for employees
 - Provide an effective disease management program
 - Ensure plan provisions are compliant with the Affordable Care Act (ACA)
 - Encourage use of preventive care
 - Provide tools and support development of wellness
- Provide an effective and competitive offering for our City paid and voluntary benefits



Process

- Request for Proposal (RFP) for all benefit products
- EO/EA department vendor review and approval
- Vendor evaluation committee
 - Included: Human Resources, Finance, Risk Management, Public Safety, Water Management, Solid Waste, and EO/EA
- Broker evaluation
- City Manager and DCM review
- Council Insurance Sub-Committee



Health Care Recommendation

Selected Vendor – Aetna

Determinant Factors in Selection:

Factor	Details
ASO Rate Guarantee <i>(\$27.50 PEPM Year 1-3; \$28.33 PEPM Year 4-5 vs. \$31.02 PEPM proposed by BCBSNC)</i>	\$497,328 savings over next five years
Greater Claims Discount <i>(55.3% vs. 53.2% proposed by BCBSNC)</i>	Potential savings of \$6.7M over next three years assuming a 60% enrollment in new product (DUKE ACO)
Discount Penalty for not achieving claims discount <i>(Penalty begins at 53.89% vs. 52.99% proposed by BCBSNC)</i>	\$43,400 for every 1% up to \$217,100
Requirements	Must enroll minimum number of employees in new product to obtain discounts



New Product Opportunity

Duke Medicine Accountable Care Organization (ACO)

Aetna and Duke Collaboration

- Benefit design specifically for the City of Durham based on location to providers in the Duke Medicine Network
- Aligns with Duke's desire to improve the healthy outcomes of the residents of Durham
- 95% of claims are already in Aetna's network and 70% of claims are already in the Duke Medicine ACO

Benefit to Employees

- Employees will receive lower co-pays, deductibles, and out of pocket maximums
- Maximizes quality of care patients receive while optimizing utilization and decreasing cost of care through DukeWELL's model of chronic disease management
- Reduced premium increases in future years

Benefit to the City of Durham

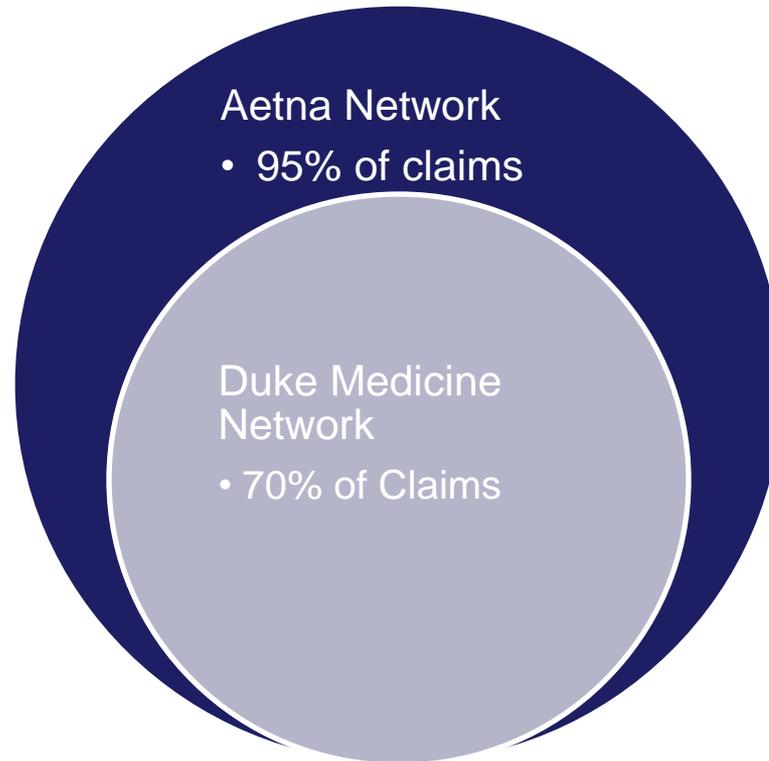
- Greater claims discounts which reduces premium increases for future years
- Employees' health is effectively managed through DukeWELL's model of disease management



Health Benefits

How is Aetna projecting these savings?

- 12 months of actual City of Durham claims
- Evaluated through their proposed network





Duke Medicine Network (ACO)



Map Legend

- Alameda Regional Medical Center
- DLP Maria Parham Medical Center
- DLP Person Memorial
- DLP Wilson Medical Center
- Duke Raleigh Hospital
- Duke Regional Hospital
- Duke University Hospital
- WakeMed Cary Hospital
- WakeMed Raleigh Campus



Aetna Savings Analysis

Percentage of City Employees Enrolled in Duke Medicine Plans	Percentage of City Employees Enrolled in Traditional BCBSNC PPO Plans	City's 3 Year Medical Claims Savings Over BCBSNC
90%	10%	\$ 8,670,002
80%	20%	\$ 8,024,246
70%	30%	\$ 7,383,521
60%	40%	\$ 6,736,564
50%	50%	\$ 6,092,152
40%	60%	\$ 5,445,924
30%	70%	\$ 4,800,783

Notes:

1. Based on the City of Durham's most recent twelve months of medical claims experience as supplied in the RFP
2. Applies a 1.076 medical trend to each year
3. Basic and Core Plans are the City's existing plan designs
4. Duke Medicine Plans offer enhanced benefits at Duke, WakeMed and other Tier 1 providers



City of Durham Savings Comparison

Rate Increases	Current	2016	2017	2018	2019	2020
BCBSNC	n/a	3%	5%	7%	8%	8%
AETNA	n/a	3%	4%	5%	5%	6%
EE Contributions						
BCBSNC	\$3,708,000	\$3,793,000	\$3,984,000	\$4,239,000	\$4,552,000	\$4,889,000
AETNA	n/a	\$3,175,000	\$3,193,000	\$3,353,000	\$3,520,000	\$3,731,000
Difference \$		\$618,000	\$791,000	\$886,000	\$1,032,000	\$1,158,000
2016 % Change - BCBSNC		2.29%				
2016 % Change - AETNA		-14.37%				
ER Contributions						
BCBSNC	\$22,625,000	\$23,199,000	\$24,456,000	\$26,234,000	\$28,359,000	\$30,654,000
AETNA	n/a	\$22,958,000	\$23,981,000	\$25,180,000	\$26,439,000	\$28,025,000
Difference \$		\$241,000	\$475,000	\$1,054,000	\$1,920,000	\$2,629,000
2016 % Change - BCBSNC		2.54%				
2016 % Change - AETNA		1.47%				



Health Plans Offered

- Maintain the existing Basic and Core Health plan design
- Add the Duke ACO
 - 3-tier benefits
 - Duke Medicine Network
 - Standard Aetna Network
 - Out-of-Network
 - Employees can move in between Duke Medicine Network and Standard Network
- Shift the free employee option from Basic to Duke ACO
- Increase health premiums by 3% for 2015-2016 to maintain costs
- City intentionally decreased potential savings in 1st year to pass savings along to employees to promote the ACO option



Premium Comparison

Core Plan

- 3.0% increase with 55% City contribution for dependent coverage

Basic Plan

- 3.0% increase with City contribution for dependent coverage matching the renewal Core Plan

Duke ACO Plan

- 8.0% reduction of current Core Plan with 65% contribution for employee/spouse and employee/children, and 75% for family



Medical Recommendation 2015-2016

Monthly Employee/City Contributions

	<u>Employee Only</u>	<u>Emp/Spouse</u>	<u>Emp/Children</u>	<u>Family</u>
Core Plan				
Total Cost	\$589.42	\$1,009.40	\$952.75	\$1,658.30
City Cost	\$555.94	\$820.41	\$789.25	\$1,177.30
City %	94.32%	81.28%	82.84%	70.99%
Employee Cost	\$33.48	\$188.99	\$163.50	\$481.00
Basic Plan				
Total Cost	\$538.59	\$957.90	\$885.80	\$1,426.55
City Cost	\$528.59	\$820.41	\$789.25	\$1,177.30
City %	98.14%	85.65%	89.10%	82.53%
Employee Cost	\$10	\$137.49	\$96.55	\$249.25
ACO Plan				
Total Cost	\$526.47	\$901.60	\$851.00	\$1,481.20
City Cost	\$526.47	\$792.34	\$759.45	\$1,258.25
City %	100.00%	87.88%	89.24%	84.95%
Employee Cost	\$0	\$109.26	\$91.55	\$222.95



Employee Monthly Premium Comparison

Plan	2014-2015	2015-2016	\$Change
Core			
Single	\$32.50	\$33.48	\$0.98
Employee/Spouse	\$183.49	\$188.99	\$ 5.50
Employee/ Child	\$158.74	\$163.50	\$ 4.76
Family	\$466.99	\$481.00	\$14.01
Basic			
Single	\$0.00	\$10.00	\$10.00
Employee/Spouse	\$113.49	\$137.49	\$4.00
Employee/ Child	\$93.74	\$96.55	\$2.81
Family	\$241.99	\$249.25	\$7.26
Duke ACO			
Single	NA	0	NA
Employee/Spouse	NA	\$109.26	NA
Employee/ Child	NA	\$91.55	NA
Family	NA	222.95	NA



Example of Out of Pocket

Scenario – employee is admitted to the hospital for inpatient surgery and spends 2 days there. Allowable cost is \$20,000. The employee also had 6 specialist visits relating to the surgery.

Basic Plan Employee Charge

Allowable bill: \$20,000

Co-pay: \$300

Co-insurance: \$2,700

Deductible: \$1,500

Total Out of Pocket: \$4,500

Core Plan Employee Charge

Allowable bill: \$20,000

Co-pay: \$240

Co-insurance: \$1,760

Deductible: \$750

Total Out of Pocket: \$2,750

Duke ACO Plan Employee Charge

Allowable bill: \$20,000

Co-pay: \$180

Co-insurance: \$1,570

Deductible: \$750

Total Out of Pocket: \$2,500



Potential Risks and Mitigations

Employees don't embrace the Duke Medicine ACO

- Plan design makes enrollment in the ACO a very attractive option for employees
- Communication and education push

Discounts don't materialize at the rate expected

- Strong reserves in the Insurance Fund
- Adjust plan design and premiums in out years to encourage participation in ACO

3-5% of employees could be out of network

- The City could decide to pay out-of-network claims as in network if no provider exists in the area where service is obtained

Differences in prescription coverage, transition of information, etc.

- Accept that there will be some change and ensure that we effectively communicate the differences



Wellness Grant

\$65,000 Annual Wellness Grant

- Biometric Screening
- Gym maintenance and fitness classes
- Wellness related consultative services from physicians, licensed therapists, registered dieticians and other health care professionals
- Health assessments
- City-sponsored wellness events
- Health and Wellness onsite educational classes



Wellness Program

New

- Wellness strategy to be developed with assistance from Duke physicians
- Strong care management platform
- DukeWELL's chronic disease management program

Continuing

- Health and wellness staff position
- Health and Safety Expo
- Activities and learning sessions to improve health



Summary of Wellness Benefit Recommendation

BCBS 2014-2015	Aetna 2015-2016
Health Assessment – Required to qualify for wellness credit towards 2015-2016 insurance premium	Health Assessment – Required to qualify for wellness credit towards 2016-2017 insurance premium
Wellness Activities – One required by May 1, 2015 (Challenges, Lunch and Learns, Online Seminars, City Sponsored Wellness Events, Benefit Fairs, Physicals)	Wellness Activities – One required (Challenges, Educational Sessions, Lunch and Learns, City Sponsored Wellness Events, Expos, Physicals)
Biometric Screenings – Mandatory for 2014-2015 to qualify for wellness credit towards 2015-2016 insurance premium	Biometric Screenings – Mandatory for 2015-2016 to qualify for wellness credit towards 2016-2017 insurance premium



Other City Paid Benefits

Dental – Change from BCBSNC to Delta Dental

- Expanded network to reduce in-network claims cost
- Increased cost of admin fees (6.4%)
- 5% increase in premiums
- Out of network providers paid directly
- Holistic approach to oral health

	Total Cost	City Cost	City %	Employee Cost
Single	\$45.32	\$30.37	67%	\$14.95
Emp/Spouse	\$78.17	\$45.34	58%	\$32.83
Emp/Children	\$78.63	\$45.61	58%	\$33.02
Family	\$140.42	\$47.74	34%	\$92.67



City Paid Benefits

Life and Disability – Change from UNUM to Reliance Standard Life Insurance (RSLI)

- Increased overall savings for City sponsored life insurance of \$116k (3-year)
- Critical Illness Benefit
- No EOI for open enrollment and premium disability waiver
- 5% reduction in premiums for stop loss if bundle benefit products
- Basic Life - City Paid at Annual Salary
- Employee Paid Options - voluntary
 - Supplemental and dependent life options
 - Short and long term disability options



City Paid Benefits

Stop Loss – Remain with RSLI

- Most affordable with 12% premium increase

EAP – Remain with ComPsych

- Reduction in unnecessary sessions, addition of Work/life services with an overall reduction in fees

Cobra – Remain with P&A

- No premium increase over existing contract

Flexible Spending Account & Health Reimbursement – Remain with Laymon

- Cost significantly less than other providers
- Outstanding service



Voluntary Benefits

Workplace Benefits – Change from Colonial to TransAmerica

- Cost guarantee issue, improved communication
- Employee can keep current coverage without direct bill

Vision – Change from Community Eye Care to Superior Vision

- Significant discounts on eyewear with reduced premium
- 20% disruption expected

Other Continuing Vendors

- Liberty Mutual – Auto and homeowner
- Hyatt Legal – Prepaid Legal
- Mattioli and Associates – Long Term Care



Recommended Administrative Costs

Third Party Administrator	2014-2015	2015-2016
Administrative Fees (medical)	\$30.12 PEPM (per employee per month)	\$27.50 PEPM for 1 st 3 years/\$28.33 PEPM for last 2 yrs
Administrative Fees (broker)	\$5.00 PEPM	\$5.00 PEPM
Administrative Rate Guarantees	3 rd year of a 3 year guarantee	1 st year of a 5 year rate guarantee
Stop Loss \$225,000 Specific Stop Loss with \$250,000 Aggregating Deductible	\$25.15 PEPM	\$28.25 PEPM (estimated)/1 year renewal (possible 5% reduction to \$26.83)
Dental Admin. Fee	\$3.02 PEPM	\$3.31 PEPM
Life insurance	\$0.14 per 1,000 life \$0.028 per 1,000 AD&D	\$0.13 per 1,000 life \$0.028 per 1,000 AD&D
Laymon – Flexible Spending & HRA	\$2.50 PPM (per participant per month) + \$10 per claim	No increase in cost with 3 year rate guarantee
EAP	\$2.03 PEPM	\$1.65 PEPM
COBRA	Additional \$0.46 PEPM	No increase in cost with 3 year rate guarantee
Network Discounts	53.4% (Performance Guarantee)	55.3% (Performance Guarantee)



Next Steps

- **Receive approval from Insurance Sub-Committee to move forward**
 - May 14, 2015
- **Working Session**
 - May 21, 2015
- **City Council Meeting**
 - June 1, 2015
- **Open Enrollment**
 - Shift by one week
 - June 22, 2015 to July 23, 2015

DURHAM



1869
CITY OF MEDICINE



QUESTIONS?