

2014

HEALTH

CARE PLAN

CITY OF MINNEAPOLIS

BLMC PROCESS

- **Since 2000, all decisions regarding plan design, insurance provider and cost sharing have been made by the Benefits Labor Management Committee (BLMC).**
- **The Mission of the BLMC is to provide quality health care in the most cost effective manner without bankrupting people with serious medical conditions.**
- **When considering plan changes, the focus is on the value of the premium savings relative to the cost shift to the end users – as a group and as individuals.**

2014 RENEWAL ISSUES

- **For the preceding 12 month period, health care claims paid by the plan were 20% higher than the premiums collected.**
- **Medica calculated the 2014 renewal to justify a 25.5% increase. However, the initial renewal increase that Medica proposed was 16.8%.**
- **Our consultant negotiated a decrease from 16.8% to 15%, this included removing some non-standard benefit provisions in the plan:**
 - Eliminate the 4th Quarter carryover
 - Change Rx to 31-day supply (currently-34 day supply)
 - Eliminate 100% coverage for preventative care conducted out-of-network

2014 RENEWAL ISSUES (CONTINUED)

- **Medica was also willing to reduce the increase to 3.4% if we increased the deductible and out of pocket maximums.**
- **Other issues for the BLMC relating to health insurance included:**
 - VEBA
 - Retiree eligibility issue
 - Double coverage issue for employees married to other City employees.
 - Wellness program
 - Qualifying threshold
 - Options to meet requirements
 - Who should participate

SUMMARY OF CHANGES FOR 2014

- **Premiums and share paid by employer and employees**
 - slight decrease for Elect/Essential
 - slight increase for Choice
- **Increases to Deductible and Out of Pocket Maximum**
 - Deductible \$2,000 – Single; \$4,000 Family
 - Out of Pocket Max \$3,000 – Single; \$6,000 Family
- **Rx change to 31-day supply**
- **Elimination of 4th Qtr Carryover**
 - Deductible and OOP Max will reset on January 1

SUMMARY OF CHANGES FOR 2014 (CONTINUED)

- **Elimination of Out of Network Preventative care**
- **Elimination of Double Coverage**
 - Employees with spouses who work for the City may each take single coverage; but if one takes family coverage, the other is not eligible to elect additional coverage.
- **No re-entry for retirees**
 - for employees who retire after 12/31/13, they can continue to participate in the City plan, but if they leave the City plan after separation, they cannot return.
- **Additional VEBA incentive contribution - \$200**
- **Purchasing tool and incentives – new consumer tool to be implemented by City and BLMC**
- **Increase in death benefit for Employer-paid life insurance**
 - 1x times salary up to \$50,000

BLMC ANALYSIS OF MEDICA CHANGES

- **4th Quarter Carryover** – this provision allowed claims paid from a member’s deductible during October thru December to roll forward into the next year.
 - Rarely used benefit
 - No impact on high-end users in that they exceed their deductible long before October.
- **31-day Rx Supply** – this does have the effect of requiring people to get 12 refills per year when the 34-day supply would allow for 11 refills per year.
 - Only affects “maintenance drugs”
 - Minimal cost to members since nearly 80% of all Rx for members are generic for which the cost is \$10.
- **Preventative Services** – no record of members going out of network for preventative services.

BLMC ANALYSIS OF OTHER PLAN PROVISIONS

- **Eliminate double coverage for employees with spouses working for City**
 - Un-intended benefit that plan can no longer afford
- **Plan re-entry option for retirees eliminated for people who retire after 12/31/13**
 - No longer necessary because law now prohibits denial of coverage based on illness or pre-existing condition

CHANGES TO DEDUCTIBLE AND OUT OF POCKET MAX

Current:

Deductible:

Single - \$1,000

Family - \$2,000

OOP Max:

Single - \$2,000

*Claims of \$6,000**

Family - \$4,000

*Claims of \$12,000**

New:

Deductible:

Single - \$2,000

Family - \$4,000

OOP Max:

Single - \$3,000

*Claims of \$8,000**

Family - \$6,000

*Claims of \$18,000**

* Indicates the total claims cost necessary to hit OOP Max

BLMC ANALYSIS - IMPACT ON TOTAL PREMIUMS

15% Increase

Elect/Essential (W)

Single: \$600.77

Family: \$1,682.17

Elect/Essential (B)

Single: \$639.12

Family: \$1,789.55

Choice (W)

Single: \$639.12

Family: \$1,789.55

Choice (B)

Single: \$679.91

Family: \$1,903.78

3.4% Increase

Elect/Essential (W)

Single: \$540.17

Family: \$1,512.49

Elect/Essential (B)

Single: \$574.66

Family: \$1,609.04

Choice (W)

Single: \$574.66

Family: \$1,609.04

Choice (B)

Single: \$611.33

Family: \$1,711.75

Annual Savings: \$750 – Single; \$2,150 – Family

BLMC ANALYSIS - IMPACT ON INDIVIDUAL EMPLOYEE

- **Increase in deductible and OOP Max only affects people who exceed the present thresholds.**
- **2012, 10% of employees with single coverage hit the OOP Max. 7% of employees with family coverage hit the OOP Max. Overall chance of hitting the OOP Max was about 9% (less than once every ten years).**
- **From 2010 through 2012, only 2.2% of employees hit OOP Max all three years.**
- **Plan members who hit OOP Max account for 80% of claims**

BLMC ANALYSIS - PREMIUM IMPACT ON INDIVIDUAL EMPLOYEE PREMIUMS

Single (Choice – Wellness)

2013	\$61.58/mo	\$738.96/yr
2014 – prior cost share	\$75.07/mo	\$900.84/yr
2014 – City position (+10%)	\$99.69/mo	\$1,196.28/yr
2014 – plan changes	\$67.60/mo	\$811.20/yr

Family (Choice – Wellness)

2013	\$225.16/mo	\$2,701.92/yr
2014 – prior cost share	\$270.40/mo	\$3,244.80/yr
2014 – City position	\$333.09/mo	\$3,997.08/yr
2014 – plan changes	\$239.97/mo	\$2,879.64/yr

BLMC ANALYSIS - \$ IMPACT ON INDIVIDUAL WITH SINGLE COVERAGE

Normal - \$750 annual claims cost (Choice Wellness)

Current: OOP Costs + Premium Less VEBA = **\$866.28**

New: OOP Costs + Premium Less VEBA = **\$281.20**

High - \$2,500 annual claims cost

Current: OOP Costs + Premium Less VEBA = **\$1,416.28**

New: OOP Costs + Premium Less VEBA = **\$1,631.20**

Worst Case - \$8,000+ annual claims cost

Current: OOP Costs + Premium Less VEBA = **\$2,116.28**

New: OOP Costs + Premium Less VEBA = **\$2,531.20**

BLMC ANALYSIS - \$ IMPACT ON INDIVIDUAL WITH FAMILY COVERAGE

Normal - \$1,500 annual claims cost (Choice Wellness)

Current: OOP Costs + Premium Less VEBA = **\$3,217.08**

New: OOP Costs + Premium Less VEBA = **\$1,899.64**

High - \$6,000 annual claims cost

Current: OOP Costs + Premium Less VEBA = **\$4,517.08**

New: OOP Costs + Premium Less VEBA = **\$4,799.64**

Worst Case - \$18,000+ annual claims cost

Current: OOP Costs + Premium Less VEBA = **\$5,717.08**

New: OOP Costs + Premium Less VEBA = **\$6,399.64**

BLMC ANALYSIS – METRO COMPARISON

- **In 2013, the most prevalent plan design among the metro comparison group (Mpls, St. Paul and suburbs over 25,000 population) was:**
 - Deductible \$2,500 – Single; \$5,000 – family.
 - Out of Pocket Max \$2,500 – Single; \$5,000 – family

- **In 2013, only 5 other cities had a deductible below \$2,000. One of those was St. Paul and their deductible is rising to \$2,000 in 2014 and to \$2,500 in 2015.**

- **The average deductible among the metro cities in 2013 is:**
 - Single - \$2,073
 - Family - \$4,100

- **The average OOP Max among the metro cities in 2013 is:**
 - Single - \$2,583
 - Family - \$4,667

BLMC ANALYSIS - OTHER BENEFITS CHANGES TO OFFSET INCREASES

- **To help offset increased risk of out of pocket costs, employees can earn an additional \$200 to VEBA if:**
 - Single (or family with children only) – earn more than 300 wellness points
 - Family – have spouse take health assessment
- **New online transparency tool to help determine costs and provide incentives to use the most cost-effective providers and facilities.**
 - City and BLMC preparing RFP for firm to provide costing and incentive program for 2014
 - City to pay cost of participation
- **Life Insurance – increasing from \$10,000 to annual earnings up to \$50,000.**

EMPLOYEE MONTHLY PREMIUMS PER FINAL AGREEMENT

2013

Elect/Essential (W)

Single: \$41.72

Family: \$144.77

Elect/Essential (B)

Single: \$71.72

Family: \$244.77

Choice (W)

Single: \$61.58

Family: \$225.16

Choice (B)

Single: \$91.58

Family: \$325.16

2014

Elect/Essential (W)

Single: \$33.11

Family: \$143.42

Elect/Essential (B)

Single: \$67.60

Family: \$239.97

Choice (W)

Single: \$67.60

Family: \$239.97

Choice (B)

Single: \$104.27

Family: \$342.68

WELLNESS PROGRAM PER FINAL AGREEMENT

- **Qualifying threshold remains at 300 points**
- **More options added for more choice**
- **Remains employee only participation to earn reduced premium**
- **Option to exceed minimum threshold for additional VEBA contribution**

SUMMARY OF FACTORS SUPPORTING CHANGES

- **Significant premium savings to plan and to individual employees**
- **Deductible and OOP Max increases will affect less than 10% of members (retirees better off too as they get 100% of premium savings) and are in-line with metro public employers**
- **Additional VEBA incentive benefit helps offset risk (and for vast majority, will fully cover additional risk over time)**
- **Cost tool will greatly improve purchasing power**
- **Additional life insurance**
- ***THE FINAL PACKAGE REPRESENTS THE BEST ALTERNATIVE AND IS CONSISTENT WITH THE BLMC GOALS***