City of Las Vegas

Memorandum

Insurance Committee

To: Betsy Fretwell, City Manager

From: Val Sharp, Chairman, Insurance Committee

CC:

Teresa Boyce, Dan Tarwater, Candace Falder, Latosha James, Benet Murphy
Vicki Robinson, Dan Rigato

Date: September 20, 2011

Re: Recommended Changes to the City's Group Benefit Plans

The Insurance Committee met last week to address the 2012 employee group benefit renewals. We received renewal information from our broker and have developed plan changes which will minimize the impact of the rates on the city as well as employees. These proposed changes will allow the city to continue to offer a strong and sustainable benefit package to our employees.

Human Resources, in conjunction with our broker, have researched various alternatives for these group benefits and plan designs for the existing programs. The goal was to minimize employee impact, shift costs to those employees that use the plan and provide a sustainable benefit program for the city. Human Resources worked with our broker to develop the following suggested revisions to the plan to offset the cost increases which have been proposed.

Coordinated Health/Care (C H/C)

Last year, during the HSC hospital rate negotiations, Human Resources and our broker proposed plan changes that would minimize the impact on the plan if a hospital system left the HSC network. At that time the Insurance Committee approved those changes and they were proposed this year as well. The initial premium increase proposed by our broker's actuary showed a 7% increase. By implementing the plan changes the only premium increase will be for family coverage. The family rate has been underwater for several years and was being subsidized by the city and employees with employee only or employee +1 coverage. For 2012 we recommend that the actuary rate, developed by our broker, be used for setting employee premiums for family coverage. With the plan changes to our Sierra PPO those employees adversely impacted by this premium change do have a clear and less expensive option for family coverage.

The insurance committee recommends the following plan design changes:

- Pre-certification of all inpatient hospital admissions and scheduled surgical procedures. Quantum Health, the City's health management vendor, was hired to partner with the City in managing the health of sick employees in a coordinated, cost effective manner, focused on surrounding the patient with support and education. Quantum's team of Care Coordinators will work with City employees to make sure that care is rendered in the most effective setting and these services are not duplicated. Providing cost reductions for the city as well as our employees.
    - In concert with this change we are recommending that all employees enrolled in C H/C that participate in a Lifesigns annual physical must submit their results to C H/C. The purpose is to provide C H/C with all the information we can about the employee so C H/C can provide support and education. Improving employee health and driving down plan costs.
- Reduce the out-of-network benefit percentage from 70% to 60% to drive care to contracted providers and decrease the in-network level from 90% to 80% to cost share with employees who use the plan

more.

- Increase out-of-pocket maximums for both in and out-of-network services. In-network benefits remain very rich with current HRA allocations of 1000/2000/3000 and low bridge/deductibles of 500/750/1000. We recommend that In-Network Out Of Pocket and Out-of-network (OOP) maximums should be increased to reduce plan costs for employees who choose to leave the area to use non-contracted hospitals.

Plan Provision	**Current Plan**	**Proposed Change**
HRA amount	$1,000/$2,000/$3,000	No change
Annual Bridge/Deductible	$500/$750/$1,000	No change
Coinsurance %	In-Network:90% Out-of-Network: 70%	In-Network: 80% Out-of-Network: 60%
Annual Out-of-Pocket Maximum (not considering bridge)	$2000/$3000/$4000 (plus applicable bridge)	In-Network: $2500/3500/4500** Out-of-Network: $6000/$7000/$9,000 (plus applicable bridge)

Catalyst

The cost of our pharmacy benefit continues to increase exceeding benefit trend and more costly drugs are being produced that could dramatically impact plan costs. Our broker recommended that we implement the Catalyst Formulary Advantage Program (FAP) which will increase generic usage, currently 63.6% similar plans average 75%, by targeting employee usage of 11 drug classes for generic utilization. For every 1% increase in generic utilization we should see a 1% decrease in our pharmacy spend. The program is run by Catalyst and relies heavily on employee and physician communication. Of the 11 drug classes in the FAP the psychotic and growth hormone drugs will be grandfathered. These drug classes are very specific to an individual needs and once a patient is using a specific combination it is not advantageous to move them to a generic or preferred brand.

Dental Benefit

It has been several years since the dental benefit plan had any increase in premium. The actuary study completed for 2012 suggested a 24% increase in premium. The plan design for this benefit has not been changed for several years and with costs increasing about 10% annually the benefit level we are providing to employees has not kept pace with inflation. Therefore, we are proposing a 31% increase in premium and adding on an additional $500 in benefit.

HPN HMO

The proposed premium increase for this plan is 7%. This is below medical trend and in line with past increases. No plan changes were recommended for this plan.

Sierra PPO

The initial renewal increase for this plan was 9%. Human Resources and our Broker reviewed various alternatives and suggested that the following major changes be made to minimize the premium increase.

- Change the Annual Deductible from $250/$500/$1000 to $500/$1000/$1000 (Employee, Employee +1 and Family)

- Increase the copay on prescriptions from $10/$35/$55 to $15/$40/$60 (Generic/Preferred Brand/Non-Preferred brand)

Moving to this new plan will result in a 12% premium decrease for the 2012 plan year.

The current PPO plan we have is no longer offered by this vendor. The broker recommended the new proposed plan due to the rate decrease as well as the plan design offers employees a solid benefit plan which fits between the HMO and Coordinated Health/Care plans from a benefit level and pricing perspective.

Recommendation

Therefore, following review of all the alternatives, and the proposed revisions to the plan, the Insurance Committee recommended the following:

- Acceptance of Coordinated Health/Care plan changes and rates

- Acceptance of Catalyst Formulary Advantage Program

- Acceptance of the Sierra PPO plan changes and rates

- Acceptance of the HPN rates – no plan changes

- Acceptance of the Dental plan benefit increase and rates

- Details of the plan rates for bi-weekly employee contributions are attached

Collectively, the proposed revisions would be expected to save approximately $600,000 or greater over the 2012 plan year.

These plan changes will be communicated to employees during open enrollment meetings as well as an open enrollment newsletter. As a committee, we believe the above recommendations, if followed, will provide our employees with continued access and choice for their medical services, at rates which are fair and equitable, while protecting the financial sustainability of the city's group benefit insurance plans.

Please call me if you have any questions or wish to discuss the Committee's recommendations.

Thank you.

Val Sharp

Employee Bi-Weekly premium changes.

BI WEEKLY	2011	2012	Difference/Pay	Difference/Year
Dental				
EE	$0	$0	$0	$0
EE +1	$5.00	$6.76	$1.76	$45.76
Family	$12.00	$15.69	$3.69	$95.94
HPN				
EE	$0	$0	$0	$0
EE +1	$69.97	$74.77	$4.80	$124.80
Family	$110.58	$118.38	$7.80	$202.80
CDH				
EE	$0	$0	$0	$0
EE +1	$126.79	$126.79	$0	$0
Family	$222.86	$256.99	$34.13	$893.36
SIERRA				
EE	$0	$0	$0	$0
EE +1	$142.32	$124.62	$-17.77	$124.80
Family	$224.96	$197.00	-$27.96	-$431.08

Increasing the CDH family rate allows us to market our CDH and Sierra plans more in line with the features and benefits associated with each plan. The CDH is a premier health plan which should be reflected in the premiums. The Sierra plan is a middle of the road plan with lower benefits and lower premiums. The information highlighted in yellow is done to demonstrate the difference in the rates. Last year the difference in employee rates was only $2.00.