

Memorandum



CITY OF DALLAS

DATE April 3, 2015

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Employee and Retiree Health Benefits Overview

On April 6, 2015 the Budget, Finance and Audit Committee will be briefed on an Employee and Retiree Health Benefits Overview. The briefing will be presented by Molly Carroll, Director of Human Resources. Briefing materials are attached for your review.

Please let me know if you need additional information.

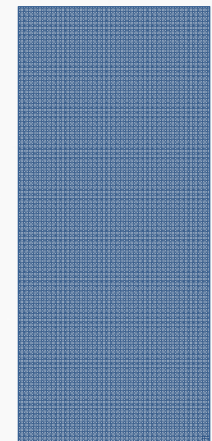


A.C. Gonzalez
City Manager

c: Honorable Mayor and Members of City Council
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager

Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager
Molly Carroll, Director, Human Resources

EMPLOYEE AND RETIREE HEALTH BENEFITS OVERVIEW



Budget, Finance and Audit Committee
April 6, 2015

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HEALTH PLAN OVERVIEW

COST, PARTICIPATION AND OPTIONS

FY14-15 HEALTH PLAN COST

	City Contributions	Employee/Retiree Contributions
Medical Plans HRA Plan PPO – 70/30/3k Medicare Plans	\$70.9 million	\$48.1 million \$22.0 million from EE \$26.1 million from Ret.
Other Benefits (Dental, Vision, FSA, etc.)	No City Contributions	\$16.5 million

- *2012 Milliman Total Compensation Study revealed that City of Dallas health plan is in the bottom quartile compared to other employers*

HEALTH PLAN PARTICIPATION

Status	Plan	Lives Covered
Active	HRA	14,699
Active	EPO	4,741
Terminated	COBRA	6
Retirees	Plan	Lives Covered
Pre-65	HRA	960
Pre-65	EPO	1655
Post-65	HRA	10
Post-65	EPO	155

- Two medical plan options
 - 75/25 Health Reimbursement Account (HRA)
 - 70/30 Exclusive Provider Organization (EPO)
- 22,226 lives covered
- 2,047 Employees have waived coverage
- 4,438 Retiree supplemental Medicare plans are purchased

HEALTH PLAN OPTIONS

Benefit	Covered	Vendor(s)	Funding	Option
Self-Insured Medical & Pharmacy	Active Employees & Pre-65 Retirees	UnitedHealthcare CVS/Caremark	City & Employees/Retirees	<u>Two Plans:</u> <ul style="list-style-type: none"> • 75/25 HRA (Health Reimbursement Account) • 70/30/\$3,000
Fully-Insured Medicare Supplemental Plans	Medicare Eligible Retirees	UnitedHealthcare	City & Retirees	5 Medicare Supplement Plans, 2 Part D Plans and 2 Medicare Advantage Plans
Fully-Insured Dental	Active Employees, Pre-65 Retirees & Medicare Eligible Retirees	UnitedHealthcare	100% Employees & Retirees	<u>Three Options:</u> <ul style="list-style-type: none"> • HMO • EPO • PPO
Fully-Insured Vision	Active Employees, Pre-65 Retirees & Medicare Eligible Retirees	UnitedHealthcare	100% Employees & Retirees	<u>Two Options:</u> <ul style="list-style-type: none"> • Standard Plan • Buy-Up Plan
<u>Flexible Spending</u> Medical FSA Dependent Care FSA	Active Employees, Pre-65 Retirees & Medicare Eligible Retirees	UnitedHealthcare	100% Employees	\$2,500 Maximum \$5,000 Maximum

“FULLY INSURED” VERSUS “SELF INSURED”

- Employers provide healthcare coverage for employees by either being “Fully Insured” or “Self Insured”

Fully Insured

- Employer purchases an insurance plan from an insurance company
 - Can compare prices of insurance companies and buy the product that best fits their needs
- When a person on the insurance plan receives health care (doctor visit, medical procedure, etc.), the claim is paid by the insurance company

Self Insured

- Employer sets aside money to pay for healthcare claims
- When a person on the health plan receives health care (doctor visit, medical procedure, etc.), the claim is paid by the employer
- Usually, the employer hires a “Plan Administrator” to manage the healthcare plan

MITIGATING TREND

STRATEGIES, HISTORICAL SPENDING, HEALTHCARE COST

HISTORICAL HEALTHCARE SPENDING MANAGING “TREND”

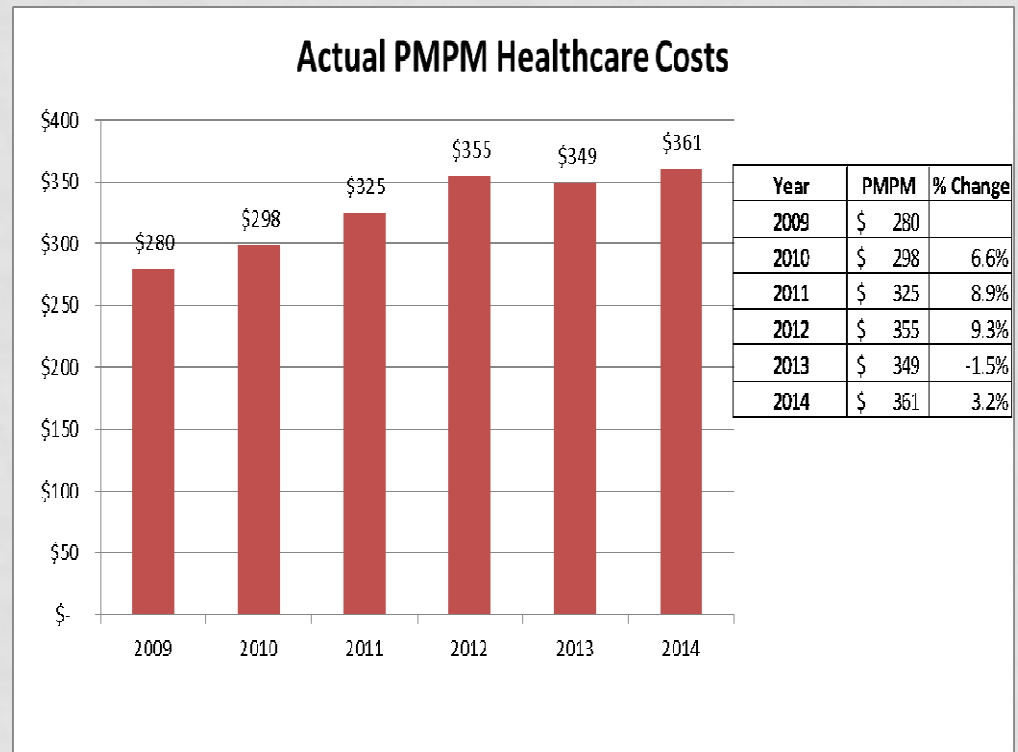
- “Trend” is the increase in costs that health plans experience
- The DFW market is one of the most expensive healthcare markets in the country
- Managing the trend on the City’s healthcare plan is critical to the City’s fiscal health

Year	PMPM	Dallas' % Change (Trend)	DFW Market Trend
2009	\$ 280		10.9%
2010	\$ 298	6.6%	11.4%
2011	\$ 325	8.9%	11.5%
2012	\$ 355	9.3%	11.5%
2013	\$ 349	-1.5%	9.9%
2014	\$ 361	3.2%	10.2%

PMPM = “Per Member Per Month”

DALLAS' HEALTHCARE COSTS

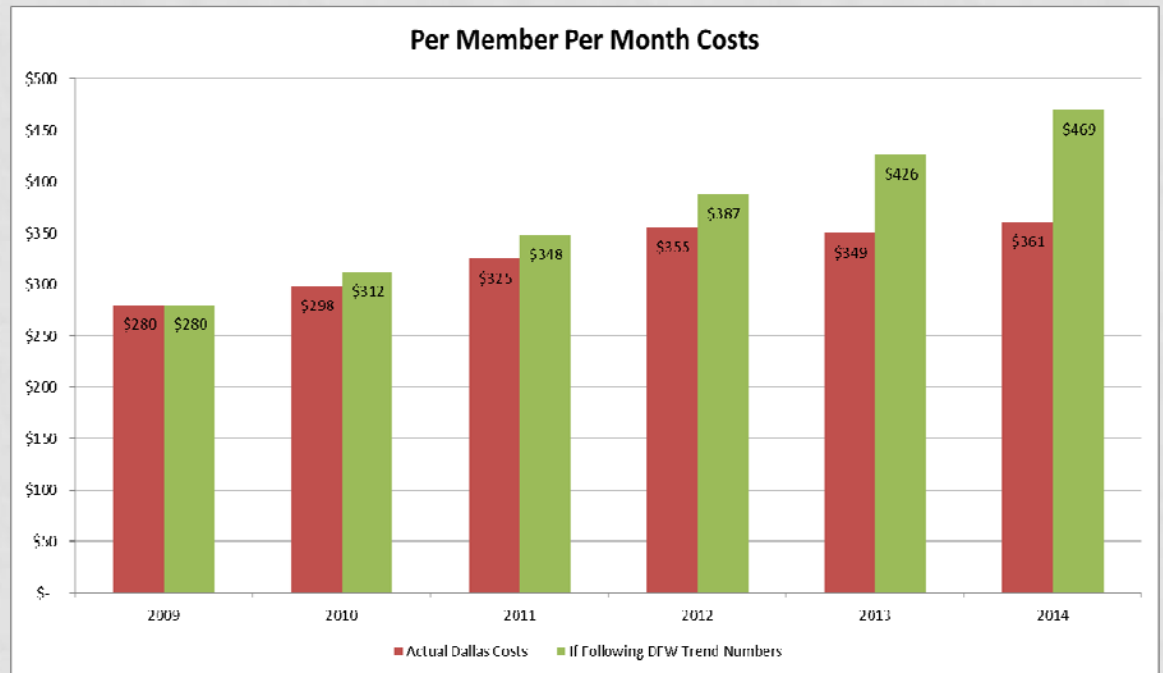
- WellPoints Program created in 2012, to encourage member engagement in exchange for reduced premiums
- In 2013, costs went down 1.5%



PMPM = "Per Member Per Month"

DALLAS' HEALTH COST INCREASES VERSUS AVERAGE FOR DFW AREA

- If the City's healthcare costs had matched the actual DFW healthcare trend during the past five years, the City would have incurred **\$64.8M more** in expenses
- If Dallas had matched DFW market trend since 2009, the **2014 costs would have been about \$27.7M more** than actual



COST MITIGATION STRATEGIES

- Four major ways for employers to mitigate health plan costs
 1. Plan design changes to incentivize more efficient utilization of the healthcare. This includes strategies such as:
 - Increasing member utilization of in-network providers
 - Dallas' in-network utilization is 95.8%
 - Public Entities in North Texas average 93%
 - Increasing generic drugs utilization
 - Dallas' generic drug utilization is 81.8%
 - Best in class generic drug utilization is 81.3%
 - Implementation of a "Consumer Driven Health Plan" (CDHP) which increases employee engagement as consumers of healthcare
 - Encouraging members to use the appropriate health solution
 2. Plan design changes that shift costs to plan members, including:
 - Increasing deductibles
 - Increasing the co-insurance (percentage of the costs paid by members)
 - Increasing members' annual out-of-pocket maximums
 3. Improving member health
 4. Reducing the price paid for healthcare

PLAN PERFORMANCE

PERFORMANCE, COST DRIVERS, KNOWLEDGE IMPACT

WELLPOINTS OVERVIEW

- **WellPoints – Established October 2012**
 - Primary focus to promote knowledge and a reduction of risk factors
 - Participating members enrolled in the health plan have become more engaged in health
- **WellPoints – Notable Statistics**
 - Over 8,300 Health Assessments Completed since inception
 - Track over 21,000 individual activities per program year
 - Over 200 Departmental Activities (runs, walks, challenges and education)

HEALTH PLAN COST DRIVER IMPACT

- Continued emphasis on wellness and disease management is a critical strategy to improve the employees health
- Plan members have experienced slight improvements in health, however; the **burden of disease is still significantly higher than expected** based on the City's age /gender population demographics

HEALTH PLAN COST DRIVER IMPACT

- Actuaries assess health plans' age/gender mix to determine how many members per thousand are expected to have specific diseases
- Below is Dallas' actual disease experience versus what it expected based on the age and gender make up of the plan

Diagnosis	FY11-12	FY12-13	FY13-14	2-YR Change	Expected Claimants/1,000*
(Claimants per 1,000 members)					
Diabetes with complications	38.2	37.7	37.2	-2.6%	18.1
Diabetes without complications	69.9	70.0	68.7	-1.7%	46.6
Hypertension	140.8	134.5	127.9	-9.2%	88.4
Chronic Renal Failure	6.9	8.0	8.3	20.3%	3.5
Congestive Heart Failure	5.1	5.4	4.5	-11.8%	2.2
Intervertebral Disc Disorders (Back)	82.3	79.3	79.1	-3.9%	99.1

* Based on age/gender of plan members

KNOWLEDGE IMPACT

Health Assessment Category	2011	2012	2013
Body Mass Index - % of Population Overweight or Obese	80%	76.4%	75.5%
% Employees know their Cholesterol	29%	53.5%	59%
% of Employees that know their Blood Pressure	62%	80%	82%
% of Employees indicating they are ready to make a change	>80%	>90%	>90%

- Employees knowledge of their health status has increased through the WellPoints Program
- Obesity levels are down slightly

INCREASING WELLNESS

- The first step included appointing a Chief Wellness Officer to:
 - Plan, design, and implement a citywide wellness initiative that is:
 - Comprehensive
 - Sustainable
 - Complementary to existing health care plan
 - Program will focus on:
 - Education
 - Fitness (cardiovascular)
 - Nutrition
 - Musculoskeletal problems
 - Stress management
- Upcoming briefing on wellness initiative

INCREASING WELLNESS

- There are numerous areas for improvement, and City employees are ready to change!
- Employees must engage and see others leading by example
 - Senior leadership: need to change the culture of the organization
 - All City employees: serve as motivators, role models, and support group
- Results-oriented pilot programs will help us understand what works without disrupting job responsibilities
 - Four department wellness demonstration project
 - Metabolic syndrome project
 - Interactive website

NETWORK TIERS

NEXT STEPS

HEALTHCARE LANDSCAPE

- The Affordable Care Act is changing the health care landscape
- Healthcare providers and hospital systems are exploring ways to more efficiently deliver care
 - Providers are evaluating the current payment structure including transitioning to bundled payments and payments based on performance as opposed to fee for services but the system is not yet mature
- Employers are exploring value based contracting opportunities

NEXT STEPS

- The City of Dallas is poised to take advantage of the changing landscape
- Recommending a three year strategy

Year 1 – (2016 Plan Year)

- Tiered strategy for hospital systems through UnitedHealthcare's provider contracts for 2016
 - Develop a communication strategy to educate employees on benefits and the appropriate use of care
 - Develop a RFCSP for medical, pharmacy, dental and vision. Explore new market strategies for 2017

Year 2 – (2017 Plan Year)

- Implement strategy obtained through RFCSP
 - Explore opportunities to provide pre-65 retirees improved benefit options through the public/private exchange

Year 3 – (2018 Plan Year)

- Monitor plan performance and continue to educate employees

UPCOMING AGENDA ITEMS

Service	Current Provider	Recommendation	Requested Council Action	Agenda Date
Medical, Dental, Vision, FSA	UHC	Exercise the final 1- year renewal option for 2016	Approve a 1- year renewal	May 13, 2015
Pharmacy Benefits Manager	CVS/ Caremark	Exercise the final 1- year renewal option for 2016	Approve a 1- year renewal	May 13, 2015

The Human Resources Department is requesting that the City Council approve the following items on May 13, 2015:

- Approve a **1-year extension** to the UnitedHealthcare contract for medical, dental, vision and flexible spending accounts
- Approve a **1-year extension** to the CVS/Caremark contract for pharmacy services

A RFCSP will be issued during the fall of 2015 for medical and pharmacy services in preparation for 2017 plan year.