

City of Houston
Long-Range Financial Management Task Force
Healthcare Benefits Questions

1. Who administers the City's healthcare plan? Is the City self-insured or does it use an insurance company to process its claims?

Effective May 1, 2011, Cigna was selected to be the administrator for the City's self-insured medical plan. Cigna was selected after an extensive RFP process involving all the major carriers in the market place. Prior to May 1, Blue Cross Blue Shield was the insurer for the City's primarily fully-insured medical plan.

2. Does the city carry stop-loss insurance to cushion the impact of expensive cases?

The City carries both individual stop loss insurance and aggregate stop loss insurance. The individual stop loss protects the City from any covered member's claims exceeding \$500,000 in any one plan year. The aggregate stop loss insurance policy protects the City's from the total liability of the plan exceeding the expected level of claims plus a 5% margin.

3. Have the City, Harris County, HISD, et al. discussed the potential benefits (e.g., purchasing power, reduced administrative costs, more flexible and cost-effective benefits, etc.) of having one common plan?

As part of the RFP process earlier this year, a partnership with HISD was explored. Due to various insurance regulations and state and federal laws, it is not possible to have one common plan for the entities named above. Using Segal Consulting, we explored the value of using HISD's program for economies and simplification. After an extensive review, it was determined not in the best interest of the City to pursue the partnership.

4. What's the potential liability related to healthcare benefits for current employees (under 65 years old and over 65) and retirees (under 65 and over 65)?

- a. What does it cost today? FY12 Health benefits liability is projected at \$204,799,594 for active employees and retirees under 65, and a few over age 65 retirees, covered under the Cigna Plans. The calendar-year 2012 projected liability is \$12,322,905 for over age 65 retirees /dependents covered under the Medicare Advantage Plans.
- b. What are today's demographics and number of members of these groups – current employees and retirees (< 65 &> 65)?

57,150 members are covered under the Cigna Plans

- 25,085 are employees and retirees.
- 32,065 dependents.

6,061 retirees and dependents are enrolled in Medicare Advantage Plans.

City of Houston
Long-Range Financial Management Task Force
Healthcare Benefits Questions

- c. Health of groups – any particular issues and/or patterns?

Health Assessment

During the first 90 days after implementation of the new Healthcare Delivery System, employees were required to take the Health Assessment; 85% of employees participated in the wellness initiative. However, about 9,400 employees obtained onsite biometric screenings, given by skilled clinicians.

Key findings from the onsite biometrics:

- 26% are pre-diabetic or have diabetes
- 83% have borderline high blood pressure or high blood pressure
- 37% have an undesirable cholesterol ratio
- 83% have a body mass index (BMI) indicating they are overweight or obese
- 49% have undesirable waist circumference

First plan-quarter

These are utilization highlights derived from the first quarter data

Active Employees

- Catastrophic claims drove 10.2% of costs.
- Catastrophic claimants per 1,000 members (>\$50K) were below norm (Cigna BOB); the average cost per claimant of \$162,726 was above norm (Norm= \$116,664).
- Non-Catastrophic claims were driven by inpatient and outpatient utilization /costs.
- Short gestation deliveries were higher than the Cigna norm on a per 1,000 basis.
- Emergency and Urgent Care visit rates were below norm.
- Health Assessment completion was significantly higher than norm at 85%.
- Health advocacy programs (inpatient / outpatient/specialty case management and 24-hour health information line) savings were \$326,780.
- 26.6% of the total population was identified for Your Health First Programs – telephonic health counseling and online educational programs that provide specific interventions for various conditions, including hypertension, weight, diabetes, stress, tobacco cessation, and other health issues for which member seek one-on-one counseling.

Retired Employees

- Catastrophic claims drove 19.1% of costs.
- There were 13 catastrophic claimants (>\$50K).

City of Houston
Long-Range Financial Management Task Force
Healthcare Benefits Questions

- Average cost per catastrophic claimant was \$144,425.
 - Non-Catastrophic claims were driven by inpatient and outpatient utilization/costs.
 - Health advocacy programs (inpatient/outpatient/specialty case management and 24-hour health information line) savings were \$102,309.
 - 31.8% of the retiree population was identified for Your Health First Program– telephonic health counseling and online educational programs that provide specific interventions for various conditions, including hypertension, weight, diabetes, stress, tobacco cessation, and other health issues for which member seek one-on-one counseling.
- d. What are the projected demographics and number of employees and retirees in 5 years? 10 years? How does that impact projected healthcare costs going forward? See presentation
- e. What is today's health plan profile – for the under 65 group? See presentation
- f. Premiums – employer and employee portions? See presentation
- g. Deductibles? See presentation
- h. Copayments? See presentation
- i. Differences in cost between using in-network physicians & providers versus out-of-network coverage? See presentation
- j. Types of services covered versus not covered? See presentation
- k. Annual limits on coverages? See presentation

5. What types of discounts does the City get from the hospitals and physician practices that provide service?

While we are very early into the Cigna contract and do not have a firm discount percentage based on mature data from Cigna, we estimate the discounts will exceed 50% on both the facility claims and the non-capitated physician claims.

6. What is today's actual usage of health services?

- a. **What services are under/over utilized against coverages provided?** First quarter reports do not provide enough data to make these determinations
- b. **What are the budgeted versus actual costs per person? In total for the City?**
See presentation

7. In addition to today's picture, what is the historical trend over 3 years? 5 years? Longer? See presentation.

City of Houston
Long-Range Financial Management Task Force
Healthcare Benefits Questions

- 8. How does the above information for COH compare to other major cities? Consider not just costs, but the breadth of services provided under the health plan(s). See presentation**
- 9. What, if any, Federal regulatory mandates need to be incorporated into future plans (e.g., no lifetime limit for total covered benefits was enacted in the last year or so). What is the financial impact of these requirements?**

Based on the health plan's prior claims experience and actuarial projections for the current health plan, removal of lifetime limits will have minimal impact on the health program. We are working with our consultants to quantify future mandated benefits.

- 10. Based on today's and historical performance what should be changed in the healthcare benefits area**

- a. Types of services – preventive/diagnostic/therapeutic/chronic long-term
- b. Limits on coverage
- c. Deductibles
- d. Incentives for use of preventive care
- e. Incentives for healthy life style

May 1, 2011, the city implemented a Healthcare Delivery System with both a new carrier and a strategy to improve the health of its population. The health plans include items listed above, although the incentive is a monthly \$25 non-compliant surcharge that employees pay when they don't engage in wellness initiatives, in addition to a monthly \$25 surcharge paid when employees provide medical coverage for tobacco-users. The new vendor will assertively engage employees in disease management programs designed for various chronic conditions. The contractual arrangement includes aggressive Performance Guarantees geared toward the health-care vendor improving the health of city employees.

- 11. How would these changes impact healthcare costs without sacrificing care – based on history of services used & needed**

Theoretically, employees who engage healthy lifestyles, obtain preventive care, eat nutritiously, timely seek medical attention, exercise, take medication as prescribed become healthier over time and incur less medical costs, causing health-care costs to increase at a slower rate.

City of Houston
Long-Range Financial Management Task Force
Healthcare Benefits Questions

12. What control, if any, does the City have over coverage for the over 65 group as long as Medicare is the provider? Does the City pay for supplemental Medicare insurance? If so, then there is some control via coverage, etc.

May 1, 2011, City-sponsored Medicare Advantage Plans (six plans) are the only health-care options available to retirees over age 65 and their over-age 65 dependents. Private insurance companies assume financial liability for and responsibility to coordinate healthcare for that aging population. See presentation