



## Legislation Text

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**File #:** 18-0803, **Version:** 1

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Recommendation to authorize City Manager, or designee, to execute contract amendments with Anthem Blue Cross, the City's third party administrator for the Preferred Provider Organization (PPO) and the Health Maintenance Organization (HMO) group health plans and Medicare Supplement plan; UnitedHealthcare Medicare Advantage PPO Plan; Scan Health Plan for the Medicare Advantage Plan; and Vision Service Plan (VSP) for the vision plan; CVS Caremark as the Prescription Benefit Manager (PBM) for the Prescription Drug Plan for the PPO and HMO plans; Delta Dental for the fee-for-service dental plan (DPPO) and Delta Dental USA (HMO plan); The Standard Insurance Company for employer-paid life insurance, voluntary life insurance, and short- and long-term disability insurance; Union Mutual Life Insurance Company (UNUM), through Larry Lambert & Associates Insurance Services, for long-term care insurance; and any subsequent amendments necessary to maintain current benefit levels and remain in compliance with state and federal laws on all plans, at the discretion of the City Manager. (Citywide)

The Human Resources Department (HR) administers the City's employee benefits healthcare program, including group health plans for HMO, PPO, dental, vision, life insurance, long- and short-term disability, long-term, care and flexible spending plans (health and dependent care). The Program covers approximately 4,000 active employees, 2,000 retirees, and 7,400 dependents. In accordance with the Memoranda of Understanding (MOU) between the City and its employee organizations, the Health Insurance Advisory Committee (HIAC), which is comprised of representatives from each of the employee associations, annually reviews the status of the plan costs and makes recommendations to the City Manager on plan changes, benefit levels, and addition and deletion of plans.

HR staff, in conjunction with the HIAC and Alliant Insurance Services (Alliant), the City's benefits consultant, have had a series of meetings from January 2018 to August 2018 to review and evaluate various plan design options, review plan utilization data, trends, benefit plan benchmark comparisons, and meet with plan providers to submit recommendations for the 2019 Employee Benefit Program (Attachment A). In addition, Alliant conducts an actuarial analysis of the proposed benefit plan costs and negotiates with each provider on behalf of the City to obtain the most favorable rates. Alliant presented the results of their actuarial analysis and negotiation efforts to the HIAC. Alliant, HR, and HIAC were able to achieve favorable rates for the 2019 Plan Year and proposed to include benefits plan changes that will provide added value and contribute towards the City efforts to mitigate cost increases.

As recommended by HIAC, and as approved by the City Council on June 19, 2019, the City also utilized the services of a secondary benefit consultant, Keenan & Associates (Keenan), to review the Anthem HMO and PPO health plan renewals. The results of Keenan's review

were provided to the HIAC. Despite differences in actuarial methodologies used to analyze Anthem’s initial renewal quote, both benefits consultant firms’ (Alliant and Keenan) analyses are within similar margins (1-2 percent range) in terms of the recommended pricing of the medical renewal.

## SERVICE PROVIDER CONTRACT RENEWAL AND RATES

Annually, the City Manager with input from the HIAC, reviews and makes recommendations on benefit provider contract renewals and associated rate changes for the following plan year. Notably, for the third year in a row, the City’s PPO and HMO health plan renewals came in lower than industry standard trend and our carriers book of business trend. The favorable renewals were a result of persistent negotiations efforts made by Alliant, our benefit consultants, and the City’s improved plan performance as well as the elimination of the Affordable Care Act (ACA) Health Insurer fees. The overall impact of the renewals for the Anthem PPO and HMO plans is projected to result in a reduction of costs for both the City and its employees. A detail of 2019 proposed rates by tier and employee and employer contribution is provided in Attachment B.

HR and HIAC recommend that the City Council approve the proposed 2019 benefits package, which includes reduced employee-contribution rates for the self-insured PPO and fully insured HMO medical plans offered through Anthem Blue Cross. City Council approval is also requested to authorize the City Manager to execute contract amendments with various employee benefit providers for the 2019 employee benefits plan and incorporate the recommendations from the HIAC.

Following is a list of benefit contracts that require renewal and proposed rate changes for Plan Year 2019:

2019 Plan Renewals		
Plan	Industry Trend	Final Renewal
Anthem Blue Cross PPO	7.7%	0% increase
Anthem Blue Cross HMO - fully insured medical only	6.9%	2.00% decrease
Anthem Blue Cross HMO - self-funded Pharmacy	10.3%	3.90% decrease
United HealthCare - fully-insured Medicare Advantage	3.1%	2.00% decrease
SCAN Health - fully-insured Medicare Advantage	3.4%	3.80% increase
Ancillary Products		
Delta Dental DPPO	4.1%	0% increase
DeltaCare USA DHMO	4.1%	0% increase

Vision Service Plan (VSP)	2.0%	2.00% decrease
The Standard	Varies by Claim Experience	Basic Life/AD&D: 0% increase
		Voluntary Life: 0% increase
		Short-term Disability: 8.00% decrease
		Long-term Disability: 0% increase

Attachment B reflects rate plan adjustments to the (Anthem Blue Cross) HMO and PPO medical plans, which details a slight reduction to the employees’ and retirees’ cost share. Rates for the Dental HMO (DeltaCare USA) and Dental PPO (Delta Dental DPO) remain unchanged for 2019, and vision coverage rates are slightly reduced.

**BENEFIT PLAN CHANGES**

The Employee Benefits Plan aims to provide employees (including retirees) and their dependents with access to benefits that are high quality, competitive, sustainable, affordable, and promotes wellness. HR and HIAC reviewed the Employee Benefits Plan and considered a variety of options during a series of meetings. HR staff and HIAC recommend changes to the Employee Benefits Plan for the 2019 Plan Year that will provide employees and dependents greater access to health care, and includes a program to promote diabetes treatment, in addition to accidental death insurance coverage. These changes can be incorporated into the plan without additional cost to the City. The following is a summary of the proposed 2019 Employee Benefits Plan design changes:

- ***Implement Heal (Doctor House Calls), which allows members to see an in-network PPO doctor at the member’s home, office, or current location. Heal is available to Anthem PPO members only.***

- o Heal allows employees to schedule a doctor house call from 8:00 a.m. to 8:00 p.m., 7 days a week.

- o Heal provides licensed in-network physicians to visit members in the comfort of his/her home, office, or other desired location to conduct a medical visit for the purposes of: primary care, pediatric care, preventative care, urgent care, chronic disease management, sports and camp physicals, post-surgery care, and ancillary services, including physical therapy and lactation assistance.

- o Member copays will be \$20, which is the same as an office visit copay or a virtual doctor’s visit via Live Health Online under the Anthem PPO plan.

- o Heal is an on-demand house call application (app) and serves as a cost-saving and

an alternative option for visits to urgent care and/or the emergency room for non-emergent medical issues. Appointments can be scheduled via the computer or tablet or via phone or mobile app.

***Implement the CVS Caremark Transform Diabetes Care Program, which promotes diabetes treatment adherence by positively impacting health-related costs of unmanaged diabetes care.***

o Diabetes patients (including eligible dependents) enrolled in the City's Anthem Blue Cross HMO or PPO medical plan(s) will be automatically enrolled in the Transform Diabetes Care Program effective in 2019.

o As an incentive for continued adherence to medications and necessary lifestyle changes, which are two critical components in improving health outcomes for individuals who have been diagnosed with diabetes, the Transform Diabetes Care Program waives certain copayments for diabetes-related supplies (i.e., testing strips, syringes) when these items are purchased at the same time as a prescription for insulin at a CVS Pharmacy, either in-person or via mail order.

o Diabetes patients (including eligible dependents) that obtain diabetic medications at CVS will continue to have the current RX copays.

o Diabetes patients that obtain diabetic medications at non-CVS pharmacies will have higher out-of-pocket prescription costs. These members will be channeled to CVS pharmacies with added communication outreach.

o Approximately 725 members may be impacted. Research was conducted to ensure that all employees impacted by this new program had easy access to a CVS Caremark (within one mile), which is available through CVS and Target stores.

Under the Transform Diabetes Care Program, enrollees, upon request, will be provided a WIFI-connected glucometer, which will share blood glucose levels with a pharmacist-led team via an electronic health platform, enabling the team to identify potential issues and intervene with one-on-one coaching. Enrollees will also receive highly personalized support and coaching to help improve medication adherence, to better track and control blood glucose (A1C) levels and support healthy lifestyle behaviors through CVS Health consumer touch points. These interventions will be delivered to enrolled members, at no extra cost, either in person at a local CVS Pharmacy, or by telephone, and enrollees will also receive free comprehensive diabetes visits at MinuteClinic locations at no out-of-pocket cost, including A1C checks. In addition, enrollees will also have access to digital tools within the CVS Pharmacy mobile app, such as medication refill reminders and the ability to refill a prescription via two-way text messaging, to help reduce the complexity of daily disease management.

CVS Caremark has expressed its commitment to partnering with HR to ensure that robust and multiple communications are developed to assist impacted employees and their eligible dependents with the implementation of the Transform Diabetes Care program. To further promote diabetes medication and healthy lifestyle adherence, these members will also receive communications regarding the coaching tools and coordination of medical care that are available through the Anthem Blue Cross ConditionCare Program, which was designed specifically to assist members who are living with chronic conditions such as diabetes, Chronic Obstructive Pulmonary Disease (COPD), Coronary Artery Disease (CAD), Asthma, and Heart Failure.

***Add Accidental Death and Dismemberment Coverage (AD&D) and Expanded AD&D provisions package to all employees eligible for the existing City-paid Basic Life Insurance offered through The Standard.***

- o The Standard currently administers Basic Life Insurance on behalf of eligible City employees at no cost to the employee. Effective in 2019, Basic Life Insurance will be expanded to include Accidental Death and Dismemberment (AD&D) insurance coverage and will match the employer-paid Life Benefit amount, which varies by employee group. For example, an employee with \$20,000 in City-paid Basic Life insurance will also be eligible for \$20,000 in City-paid AD&D Insurance coverage.
- o AD&D coverage is an insurance policy that covers the accidental death or dismemberment (i.e., loss of hearing, limb(s), sight, etc.) of the employee, and when combined with the existing Basic Life coverage, the addition of the AD&D policy will allow greater financial support for employees and/or surviving beneficiaries who are deemed eligible for each benefit.
- o In addition, The Standard is offering added benefits for occupational assault and injury or death while riding (qualified) public transportation under their Expanded AD&D coverage provision.

***Add a special Line of Duty insurance provision for Police and Firefighters.***

- o The Expanded AD&D coverage includes a Line of Duty benefit specific to Firefighters and Police Officers, which would payout an additional AD&D benefit for safety officers when an event occurs that is AD&D payable and is also the result of a line of duty accident.

Communication pieces explaining the new provisions will be made available to employees during the Open Enrollment period.

There are no material plan design changes for the 2019 Plan Year for dental (HMO and

PPO); employer-paid and voluntary life insurance; short- and long-term disability; and/or the long-term care insurance plans for 2019.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on August 15, 2018, and by Interim Budget Bureau Manager Grace H. Yoon on August 23, 2018.

Human Resources is planning to utilize the month of September to communicate open enrollment changes to employees, who will update their health plan options online. Therefore, City Council action is requested on September 11, 2018, for adequate open enrollment planning.

There is sufficient appropriation for the City's cost of the health benefit plans in the Proposed Fiscal Year 2019 (FY 19) budget in the Employee Benefits Fund (IS 391) in the Citywide Activities Department (XC). The renewal rates are cost effective to the City in comparison with industry trend and may result in savings to the City's budget, which is being evaluated as part of the annual budget process. There is no local job impact associated with this recommendation.

Approve recommendation.

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APPROVED:

PATRICK H. WEST  
CITY MANAGER