

CABE/CAPSS Annual Convention

Connecticut Public Sector Health Benefits Negotiations

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Current Market Place

- Current Trends
 - Medical 7%
 - Prescription Drug 11%
 - Dental 5%
- Cost increases for local Boards of Education can be considerably greater
 - Large Claims activity, increased utilization, prevalent disease states
- Wellness Plans are regularly bargained
 - Lower contribution or greater H.S.A deposit
 - Requirements
 - Health risk assessments
 - Annual wellness physicals
- Coalition Purchasing Options
 - State Partnership Plan 2.0
 - Regional Purchasing Coalitions
 - ECHIP
 - LEARN
 - CT Public Sector Prescription Drug Purchasing Coalition

Standard Point of Service Plans

- Traditional POS plans are costly
 - Low copay structure has not kept up with inflation or cost increases
 - Employee share of cost through copays has diminished
- Traditional POS plans do not promote employee involvement or responsibility
- POS plans are dwindling
 - Office visit copays exceeding \$25
 - Hospital copays \$300/\$600 and increasing
- Employee Contribution
 - Contributions are now in excess of 20%
 - Traditional POS plans are commonly the buy-up option
 - No real increase due to CDHP popularity

Consumer Driven Health Plans with Health Savings Accounts (H.S.A)

- H.S.A pricing is approximately 15% -20% better than traditional POS
 - Cost shift to employees
 - Value of consumerism
 - Offset by amount of deposit into the H.S.A
- Virtually all municipalities now have some access to H.S.A plans
 - Straight Option
 - Core and buy up
 - Sole choice
- Todays standard plan design
 - Deductible \$2,000/\$4,000
 - Deposit 50% of deductible into the H.S.A
 - Post deductible copays required: \$10/\$25/\$40
- H.S.A being negotiated this season
 - Deductible \$2,500/\$5,000
 - Deposit 40% of deductible in the H.S.A, or define the dollar amount
 - Post deductible prescription drug copays are being increased

Sample Pricing Comparison

Analyzing the cost offset of the H.S.A

- Cost offsets are not solely based on the premium/theoretical premium differential of 15% to 20%
 - Employee revenues are decreased
 - Employees contribute on lower premium base
 - Unions expect cost differential, not just value of the dollar, but reduction in the percentage of premium
 - H.S.A deposits become a hard expense
- What the Union is looking for
 - Breakeven or winning position for their members
 - Drive employee contributions down to create savings
 - Maintain as high an H.S.A deposit as possible
- Negotiation strategies
 - Analyze and understand the value of your goals
 - Understand the breakeven position the union may be driving

Basic Cost Comparison

Traditional POS

	20%					
	<u>Current Employees</u>	<u>POS Rate</u>	<u>Employee Contribution</u>	<u>Annual Premium</u>	<u>Annual EE Contributions</u>	<u>Annual ER Cost</u>
Employee	45	\$ 815.95	\$ 163.19	\$ 440,613	\$ 88,123	\$ 352,490
Employee+1	40	\$ 1,754.29	\$ 350.86	\$ 842,059	\$ 168,412	\$ 673,647
Family	130	\$ 2,203.06	\$ 440.61	\$ 3,436,774	\$ 687,355	\$ 2,749,419
TOTALS	215			\$ 4,719,446	\$ 943,889	\$ 3,775,557

CDHP H.S.A

	17%					
	<u>Current Employees</u>	<u>H.S.A Rate</u>	<u>Employee Contribution</u>	<u>Annual Premium</u>	<u>Annual EE Contributions</u>	<u>Annual ER Cost</u>
Employee	45	\$ 638.02	\$ 108.46	\$ 344,531	\$ 58,570.24	\$ 285,961
Employee+1	40	\$ 1,371.38	\$ 233.13	\$ 658,262	\$ 111,904.61	\$ 546,358
Family	130	\$ 1,720.91	\$ 292.55	\$ 2,684,620	\$ 456,385.33	\$ 2,228,234
TOTALS	215			\$ 3,687,413	\$ 626,860	\$ 3,060,553
Difference/Savings				\$ 1,032,033	\$ (317,029)	\$ 715,004

Complete Cost Comparison

Traditional POS

	20%						
	Current Employees	POS Rate	Employee Contribution	Annual Premium	Annual EE Contributions		Annual ER Cost
Employee	45	\$ 815.95	\$ 163.19	\$ 440,613	\$ 88,123		\$ 352,490
Employee+1	40	\$ 1,754.29	\$ 350.86	\$ 842,059	\$ 168,412		\$ 673,647
Family	130	\$ 2,203.06	\$ 440.61	\$ 3,436,774	\$ 687,355		\$ 2,749,419
TOTALS	215			\$ 4,719,446	\$ 943,889		\$ 3,775,557

CDHP H.S.A

	17%						
	Current Employees	H.S.A Rate	Employee Contribution	Annual Premium	Annual EE Contributions	Employer H.S.A Contribution	Annual ER Cost
Employee	45	\$ 638.02	\$ 108.46	\$ 344,531	\$ 58,570	\$ 45,000	\$ 330,961
Employee+1	40	\$ 1,371.38	\$ 233.13	\$ 658,262	\$ 111,905	\$ 80,000	\$ 626,358
Family	130	\$ 1,720.91	\$ 292.55	\$ 2,684,620	\$ 456,385	\$ 260,000	\$ 2,488,234
TOTALS	215			\$ 3,687,413	\$ 626,860	\$ 385,000	\$ 3,445,553
Difference/Savings				\$ 1,032,033	\$ (317,029)		\$ 330,004

First Level per Employee Comparison

Traditional POS					
		20%			
	<u>POS Rate</u>	<u>Employee Contribution</u>	<u>Annual EE Contributions</u>		
Employee	\$ 815.95	\$ 163.19	\$ 1,958		
Employee+1	\$ 1,754.29	\$ 350.86	\$ 4,210		
Family	\$ 2,203.06	\$ 440.61	\$ 5,287		
CDHP H.S.A					
		17%			Annual EE
	<u>H.S.A Rate</u>	<u>Employee Contribution</u>	<u>Annual EE Contributions</u>		<u>Contribution Savings</u>
Employee	\$ 638.02	\$ 108.46	\$ 1,302		\$ 657
Employee+1	\$ 1,371.38	\$ 233.13	\$ 2,798		\$ 1,413
Family	\$ 1,720.91	\$ 292.55	\$ 3,511		\$ 1,777

Break Even Comparison per Employee 12%

Traditional POS

	20%						
	Current	POS	Employee	Annual	Annual EE		Annual ER
	<u>Employees</u>	<u>Rate</u>	<u>Contribution</u>	<u>Premium</u>	<u>Contributions</u>		<u>Cost</u>
Employee	45	\$ 815.95	\$ 163.19	\$ 440,613	\$ 88,123		\$ 352,490
Employee+1	40	\$ 1,754.29	\$ 350.86	\$ 842,059	\$ 168,412		\$ 673,647
Family	130	\$ 2,203.06	\$ 440.61	\$ 3,436,774	\$ 687,355		\$ 2,749,419
TOTALS	215			\$ 4,719,446	\$ 943,889		\$ 3,775,557

CDHP H.S.A

	12%						
	Current	H.S.A	Employee	Annual	Annual EE	Employer H.S.A	Annual ER
	<u>Employees</u>	<u>Rate</u>	<u>Contribution</u>	<u>Premium</u>	<u>Contributions</u>	<u>Contribution</u>	<u>Cost</u>
Employee	45	\$ 638.02	\$ 76.56	\$ 344,531	\$ 41,344	\$ 45,000	\$ 348,187
Employee+1	40	\$ 1,371.38	\$ 164.57	\$ 658,262	\$ 78,991	\$ 80,000	\$ 659,271
Family	130	\$ 1,720.91	\$ 206.51	\$ 2,684,620	\$ 322,154	\$ 260,000	\$ 2,622,465
TOTALS	215			\$ 3,687,413	\$ 442,490	\$ 385,000	\$ 3,629,923
Difference/Savings				\$ 1,032,033	\$ (501,400)		\$ 145,633

Breakeven Comparison Total Cost 8%

Traditional POS

20%							
	Current Employees	POS Rate	Employee Contribution	Annual Premium	Annual EE Contributions		Annual ER Cost
Employee	45	\$ 815.95	\$ 163.19	\$ 440,613	\$ 88,123		\$ 352,490
Employee+1	40	\$ 1,754.29	\$ 350.86	\$ 842,059	\$ 168,412		\$ 673,647
Family	130	\$ 2,203.06	\$ 440.61	\$ 3,436,774	\$ 687,355		\$ 2,749,419
TOTALS	215			\$ 4,719,446	\$ 943,889		\$ 3,775,557

CDHP H.S.A

8%							
	Current Employees	H.S.A Rate	Employee Contribution	Annual Premium	Annual EE Contributions	Employer H.S.A Contribution	Annual ER Cost
Employee	45	\$ 638.02	\$ 51.04	\$ 344,531	\$ 27,562	\$ 45,000	\$ 361,968
Employee+1	40	\$ 1,371.38	\$ 109.71	\$ 658,262	\$ 52,661	\$ 80,000	\$ 685,601
Family	130	\$ 1,720.91	\$ 137.67	\$ 2,684,620	\$ 214,770	\$ 260,000	\$ 2,729,850
TOTALS	215			\$ 3,687,413	\$ 294,993	\$ 385,000	\$ 3,777,420
Difference/Savings				\$ 1,032,033	\$ (648,896)		\$ (1,863)

Retiree Health Benefits

- Medicare Plan F
 - Effective January 1, 2020 Medicare ends Medigap plan F
 - No new members can enroll in Plan F
 - Anthem Bluescript F will also end effective January 1, 2020
 - Anthem will grandfather membership for January 1, 2020
 - Grandfathering based on group effective date and hire date
 - Like Medigap plan is Plan G
 - May be opportunity to implement Medicare Advantage plans
 - Potential for significant savings
 - Savings driven by Medicare subsidies for Part A and PDP

Wrap-up/Questions

- Current Negotiations
- State Partnership Plan 2.0
- H.S.A Plan Options & Comparisons
- Retiree Health Benefits