



Healthcare Budget Presentation

Budget & Finance Committee

January 22, 2019

Healthcare Program Information

- Risk Management implements, monitors and maintains the City of Cincinnati's health plans for all active employees.
- Deborah Allison is the Risk Manager for the City.
- Healthcare is based on a calendar year budget due to open enrollment dates.
- Healthcare benefits are bargained in all union agreements, any changes must be approved in the union agreements.
- 85% of all employees are covered under a bargaining agreement.

Healthcare Program Information

- The City is self-insured. This means the City pays all medical and pharmacy claims billed by medical providers – the insurance company does not pay anything.
- Other cities similar in size to Cincinnati are also typically self insured.
- Anthem is the City's Third Party Administrator (TPA). They are responsible for the processing of all medical claims and negotiating provider discounts (billed charges versus owed charges). Under this arrangement, the City has saved approximately \$25M over the past 10 years.
- OptumRx is the City's Pharmacy Benefit Manager (PBM) and plays a similar role as Anthem, but for pharmacy claims only.
- Both of these contracts are currently out to bid.

Healthcare Budget History

Employer Budgeted Premium Contributions FY 2016 – FY 2020

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
General Fund	38,509,810	39,705,151	40,899,181	46,709,630	51,440,790
Restricted Funds	23,725,555	25,497,606	25,448,374	29,033,582	31,974,357
Total	62,235,365	65,202,757	66,347,555	75,743,212	83,415,147

*FY 2020 is the current estimate that was included in the TTB.

Employer and Employee Average Premiums

Survey Benchmark	City of Cincinnati 2019	National	Regional	State	Gov't Industry Group	Professional Industry Group	Employer Size Category
Average Annual Costs Per Employee							
Average Annual Cost per Employee	\$17,702	\$10,313	\$11,024	\$11,191	\$12,875	\$10,634	\$10,894
Employer Share	\$15,932	\$5,872	\$7,304	\$7,829	\$9,451	\$5,427	\$7,870
Employee Share	\$ 1,770	\$4,441	\$3,720	\$3,363	\$3,424	\$5,207	\$3,024

City vs Benchmark:

- City's total annual cost per employee is **above** benchmark.
- City's employer cost share is **significantly above** benchmark.
- City's employee cost share is **significantly below** benchmark.

*All benchmark rates were based on a comparison of the City's 80/20 Plan to the United Benefits Advisory (UBA) National Health Plan Survey for 2017. UBA is the largest and most relevant benchmark resource available.

Anthem 80/20 Plan (“PPO”): Employee Contributions Comparison

Survey Benchmarks	City of Cincinnati 2019	National	Regional	State	Gov't Industry Group	Professional Industry Group	EE Size Category
Employee Share of Premiums							
Monthly Employee Premium Share (\$)							
Single	\$60.83	\$158	\$143	\$141	\$105	\$164	\$120
Family	\$150/\$182.94	\$493	\$345	\$316	\$302	\$906	\$370
Monthly Employee Premium Share (%)							
Single	10%	27%	21%	21%	20%	32%	24%
Family	8.2% / 10%	36%	22%	21%	22%	56%	31%

City vs. Benchmark:

- City’s employee cost share for healthcare is **2x or more below** benchmark from both a percentage and dollar amount share.

Anthem 80/20 Plan (“PPO”): Plan Design Comparison

Survey Benchmarks	City of Cincinnati 2019		National	Regional	State	Gov't Industry Group	Professional Industry Group	EE Size Category
In-Network Benefits	<small>Police/Fire Pre-2016 All other employees</small>							
Deductible - Single	\$300	\$500	\$1,500	\$1,500	\$1,255	\$750	\$1,500	\$1,000
Deductible - Family	\$600	\$1,000	\$3,000	\$3,000	\$3,000	\$2,000	\$3,000	\$2,000
Plan Coinsurance	80%	80%	80%	80%	80%	80%	80%	80%
Out-of-Pocket Maximum - Single	\$1,500	\$2,000	\$4,500	\$4,500	\$3,500	\$4,000	\$4,250	\$4,000
Out-of-Pocket Maximum - Family	\$3,000	\$4,000	\$10,000	\$10,000	\$7,500	\$8,000	\$10,000	\$8,000

City vs. Benchmark:

- City’s deductible levels are below benchmark.
- City’s out-of-pocket maximums are more than 2x below benchmark.
- City’s current coinsurance levels match benchmark.

Prescription Drug Coverage: Plan Design Comparison

Survey Benchmarks	City of Cincinnati 2019	National	Regional	State	Gov't Industry Group	Professional Industry Group	EE Size Category
	PPO 80/20						
Generic	\$10	\$10	\$10	\$10	\$10	\$10	\$15
Preferred Brand	\$20	\$40	\$40	\$35	\$40	\$40	\$35
Non-Preferred Brand	\$30	\$65	\$75	\$70	\$63	\$65	\$50
Specialty	N/A	\$100	\$100	\$75	\$80	\$100	\$100

City vs Benchmark:

- City's employee prescription copays are **below** benchmark.
- Majority of other employer groups have a four tier copay structure.

Healthcare Cost Management Tools

Cost Drivers

Utilization (\$\$\$\$)

Benefit Plan (\$\$\$)

Vendor Integration (\$\$\$)

Pricing & Contract (\$\$)

Levers

- Utilization management
- Site of care management
- Ongoing data and program analysis

- Premium
- Co-Pays
- Co-Insurance
- Out of Pocket Maximums
- Clinical Programs
- Networks

- Contract Compliance
- Performance Guarantee
- Accurate Program Changes
- Proactive Approach from vendor

- Carved in/out
- Transparent/Traditional
- Direct or Group Purchasing
- Rebates
- 90 day supplies
- Split fills

Performance Metrics

Utilization Trend

Member Cost Share

Medical & Rx Coordination, Scorecards

Discount & Guarantee Trend

AUDIT

City Healthcare Cost Management Measures in Place

Cost Drivers

Utilization (\$\$\$\$)

Benefit Plan (\$\$\$)

Vendor Integration (\$\$\$)

Pricing & Contract (\$\$)

Action Taken or Planned

- Ongoing cost mitigation through vendor program implementation
- Healthy lifestyles participation
- Disease management - Kroger program
- Bundled services RFP for analysis

- Non-represented spousal surcharge implemented 1/1/19
- 116% increase in HRA enrollment for 2019
- Ongoing union negotiations throughout 2019
- Ongoing employee education and engagement

- Constant push for compliance
- Proactive approach from vendor is mandated
- Review of carve-in possibility with current RFP

- The City is currently out for bid for both Medical and Pharmacy for new contracts effective 1/1/20.

Expected Results

Utilization Trend

Member Cost Share

Medical & Rx Coordination

Increased rebates, higher discounts

Large Claimant Audits – Ongoing

2018 Spousal Audit & 2013 Full Dependent Audit

4MB Eligibility Audits – Ongoing

Medical & Rx claims & guarantee audits 2014 – 2017

Options to Reduce Healthcare Costs

- **Remove premium healthcare dollar caps from union contracts and retain 10% employee premium share / 90% city premium share:**

Projected Annual Savings of \$1.2M

- **Increase Police and Fire Plans for those hired prior to 2016 to the same as all other plans:**

Projected Annual Savings of \$500K

Options to Reduce Healthcare Costs

Increase Out of Pocket Maximums on all Plans:

- **\$2,500/\$5,000 Out of Pocket Max:**

Projected Annual Savings of \$320K

Increase Prescription Co-Pays:

- **\$10/\$25/\$35 Co-Pays:**

Projected Annual Savings of \$70K

- **Add a 4th Prescription Tier for Specialty Medication at 20% Co-insurance, max \$150:**

Projected Annual Savings of \$84K

Other Cost Reduction Strategies:

- Implement \$300 ER co-pay: \$1.4M
- Implement \$100 imaging co-pay: \$920K
- Implement \$50 Specialist co-pay: \$734K
- Terminate dependent coverage for ages 26 & 27: \$654K
- Implement \$50 monthly smoking surcharge: \$146K
- Implement \$100 monthly spousal surcharge: \$928K

QUESTIONS?

City of Cincinnati
Fiscal Year 2020 Budget Schedule
As of 1/1/19



Event	Date
New Fees, Fee Increases, New Taxes or Tax Increases Proposed	February 1, 2019
Tentative Tax Budget Process:	
Calendar Year 2020 Tentative Tax Budget Submitted to City Council	November 30, 2018
2020 Tentative Tax Budget Public Hearing Notice Posted in Clerk's Office	December 5, 2018
2020 Tentative Tax Budget Public Hearing (Special Meeting)	January 3, 2019
Calendar Year 2020 Tentative Tax Budget Passage	January 9, 2019
Tentative Tax Budget Deadine to County Auditor's Office	January 15, 2019
Budget Engagement:	
Launch FY 2020-2021 Biennial Budget Home Page	January 1, 2019
Invest In Neighborhoods Meeting- FY 2020-2021 Biennial Budget Process	January 30, 2019
Neighborhood Summit- FY 2020-2021 Biennial Budget	March 16, 2019
Invest In Neighborhoods training - "Your City Budget", date TBD	April, 2019
FY 2020-2021 Biennial Budget Policy Motion:	
Weekly Budget presentations at Budget and Finance Committee	January 22 - March 11
City Council Submits Draft of Budget Policy Motion to Committee	March 18, 2019
Public Hearing: -Budget Policy Motion	March 25, 2019
City Council Approves the Budget Policy Motion at Council	March 27, 2019
Final Adjustment Ordinance (FAO):	
Instructions Sent to Departments for February 28, 2019 Monitoring Period	March 14, 2019
Departments submit Monitoring and Proposed Transfers	April 1, 2019
Passage of FAO Ordinance	May 2, 2019
Final Budget Process:	
City Manager's FY 2020 Recommended Budget Delivered to Mayor	May 6, 2019
Mayor's Recommended Budget Delivered to City Council	May 20, 2019
City Manager FY 2020 Budget Presentation	May 28, 2019
Department Heads Budget Input Session 1	May 28, 2019
Department Heads Budget Input Session 2	June 10, 2019
Public Hearings in Neighborhoods (Tentative)	
East Location (TBD)	June 6, 2019
West Location (TBD)	June 10, 2019
Downtown Location (TBD)	June 11, 2019
Council Motions Due to Finance Chair	June 14, 2019
Budget and Finance Committee Meeting to Discuss Motions	June 17, 2019
Budget and Finance Committee Meeting to Approve Budget	June 24, 2019
City Council Adopts FY 2020 Budget	June 26, 2019