



OFFICE OF LABOR RELATIONS

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To: Bill de Blasio
Mayor, City of New York

Anthony Shorris
First Deputy Mayor

From: Robert Linn, Claire Levitt 

Re: **Report of Status of Healthcare Savings Q1/Q2 Fiscal 2015**

In May 2014, the Mayor's Office of Labor Relations (OLR) and the Municipal Labor Committee (MLC) reached an unprecedented agreement to work collaboratively to generate cumulative healthcare savings of \$3.4 billion over the course of fiscal years 2015 through 2018, with targeted savings of \$400 million for fiscal year 2015, \$700 million for fiscal year 2016, \$1 billion for fiscal year 2017 and \$1.3 billion for fiscal year 2018. The objective of both labor and management is to provide quality and effective healthcare benefits while achieving these savings. Since July, the parties have met frequently to discuss and implement initiatives to begin to meet these goals. The Office of Labor Relations is pleased to report that at the end of the second quarter of fiscal 2015 it is projecting that these efforts are on track to meet the goal of \$400 million in savings for fiscal year 2015. This anticipated success in attaining the first round of savings supports the OLR's confidence that the fiscal year 2016 goal and the four year \$3.4 billion goal are attainable.

To support the identification and implementation of cost savings strategies, OLR hired a new Deputy Commissioner for Healthcare Cost Management to oversee this program. Claire Levitt offers over 30 years of experience in healthcare cost management programs in labor and the private sector, and has prior experience as both a Taft-Hartley Fund Administrator and as President of a care management company. She brings a commitment to achieving the goals in the context of the "Triple Aim" – improving the patient experience of care, improving the health of the population and reducing costs.

Data is being obtained from all of the City's health care vendors to benchmark the City's performance and identify the areas for improvement. Simultaneously, the OLR and the MLC have been moving ahead on many fronts to implement a multi-faceted approach of operational changes, program changes and vendor negotiations that are designed to produce the recurring

savings required to bend the health care cost curve for the City's health plans. The parties are exploring approaches that include promoting access to more effective delivery of health care, audits, rate negotiations, improved care coordination and other strategies.

The initial successes in reducing health care expenditures is coming from many different initiatives including:

- **Funding structure change in the City's GHI Plan** - The funding structure was changed from a fully insured plan to a minimum premium plan arrangement. This results in significantly lower risk charges, administrative fees and positive tax implications
- **Premiums on the City's GHI Senior Care Plan finalized at 2%** - An 8% increase was budgeted for Senior Care premium increases which were only 2%
- **Empire Blue Cross Blue Shield reduction of their 2015 administrative charges** - Empire Blue Cross offered a significant reduction in their administrative fees.
- **Specialty Drugs (PICA) Audit Follow Up** - An audit of the specialty drug program revealed provisions in the contract with Express Scripts which were renegotiated to provide substantial savings to the City.
- **Dependent Eligibility Verification Audit (DEVA)** - The DEVA audit established whether dependents listed for City employees and retirees were eligible, to ensure that health premiums reflected an accurate headcount. Coverage for ineligible dependents was terminated, and where that resulted in a change from "family" to "individual" health coverage, savings were realized from lower health premiums.
- **Changes to the Care Management program** - In early 2015 the current care management programs will be updated and expanded to include programs such as enhanced pre-authorization programs, complex case management, chronic disease management, maternity management and readmission management programs.
- **Strategies to reduce emergency room utilization** - Changes in the approach to copays will be evaluated to see if they can lead to more appropriate health care choices, for example, lowering utilization of emergency rooms for non-emergency healthcare. In addition, services such NurseLine, physician telephonic access and on line appointments will be explored to increase access to primary care.

Future efforts will focus on exploring the funding mechanism with the carriers to identify additional savings, identification of ACO and medical home options to provide access to the highest quality care, exploring alternative vendors for specialty care - e.g. dialysis, radiology and mental health, exploring changes in coordination of benefits, opt out and eligibility, exploring changes to the retiree and Medicare Advantage programs, possible network and plan design changes, incentives for employees with other coverage to opt out of the City's programs and a focus on obtaining the best healthcare services for the sickest members of our City's population.

As a vital part of its approach, the City has created a cross agency team to explore ways to improve the health of the entire workforce in the city. Typically, 75% of health care costs are related to chronic diseases, much of which can be prevented and controlled with better lifestyle choices. According to the CDC, four high risk lifestyle choices - tobacco use, insufficient physical activity, poor eating habits and excessive alcohol use, contribute significantly to the illness, disability and premature death from chronic diseases. A "Culture of Health" team has been created that currently has representatives from OLR, DOH, DCAS, OMB and the Parks Department. The team is looking at the methodologies of other municipalities and the private sector in order to design a health and wellness approach suited to the unique characteristics of New York City. Among other things, we will be exploring approaches using incentives for

participation. Our first wellness effort was the Citywide Flu shot program which provided free flu shots to all city employees and increased access by making the shots available at worksites and pharmacies as well as physician offices. Even this program will generate cost savings for the City, which spent millions of dollars on hospitalizations and other medical care related to the flu last year. Future programs will explore methods to achieve smoking cessation and promote exercise and nutrition among the City's workforce.