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February 25, 2016

To: Bill de Blasio
Mayor, City of New York

Anthony Shorris
First Deputy Mayor, City of New York

From: Robert Linn
Claire Levitt

Re: Report of the Status of Healthcare Savings, Q2/Q3 Fiscal Year 2016

Introduction

We are extremely pleased to report on the extraordinary success of the Municipal Labor Committee (MLC) and the City towards meeting the health care savings targets -- not just for the current Fiscal Year 2016 -- but also for Fiscal Year 2017. We are able to project that the \$700 million targeted savings will be secured for FY 2016 and also that the \$1 billion in savings required for FY 2017 is already projected to be secured by the new agreement just approved by the City and the MLC. Details of the specific program savings for FY 2016 and FY 2017 are provided in Exhibit A and will be discussed in this report.

As a result of this agreement, there will be significant changes to the City's health plans for the first time in decades. These changes will not only secure the promised health savings but will also promote better utilization of health care resources and improved health outcomes for City employees. We will be implementing important modifications that provide economic incentives to rely more on primary care, which is widely recognized to be an important cornerstone to improving the quality of care and health outcomes while reducing costs. As an integral part of our new plan, we will also be implementing all the preventive care recommendations under the Affordable Care Act (ACA). As a result, NYC employees covered by the GHI/CBP plan will have

access to free preventive care, including free coverage for services such as annual physical exams, well woman visits, contraceptives, mammograms, colonoscopies and breastfeeding supplies.

Design Changes to the GHI CBP Health Plan

One of the most significant deficiencies in the City's ability to contain health care costs in the past twenty years was the failure to obtain and analyze data from its multiple health plans to understand the nature of the overall health care utilization and expense. As detailed in our Q1 report, for the first time, the City and the MLC were able to review data in order to get a clear picture of how our health care dollars are being spent.

As a result, the MLC and the City worked together to redesign the plan with changes that were developed to help encourage more appropriate utilization of health care resources. Recognizing that strong primary care is essential to improving health outcomes and lowering costs, new benefit design elements were incorporated into the plan to encourage employees to utilize the best site of care for their situation:

- To help address the high costs and overutilization of the hospital emergency room, much of which is for care that can be more effectively delivered elsewhere, the current copayment of \$50 per visit is being raised to \$150 per visit. If a patient is admitted to the hospital from the emergency room, the entire copay will be waived.
- To help address the low utilization of primary care and the high utilization of specialty care, the copay for a physician specialty care visit, which has been \$20 since 2004, is being raised to \$30, while the primary care and mental health copays remain at a low \$15 per visit. To encourage employees to utilize important preventive services, all preventive care visits and procedures will have a \$0 copay. For the first time, the CBP Plan will include physical exams at all ages, further encouraging access to primary and preventive care, as well as a \$0 copay for annual well woman exams, contraceptives, breastfeeding supplies and many other preventive services recommended for men, women and children. By agreement between the City and the MLC, the additional costs for these items in the CBP Plan will be borne by the Stabilization Fund rather than the City's Health Plan. A complete list of the preventive services covered under the ACA is provided in Exhibit B.
- To provide even better access to low cost and convenient primary care, we are entering an agreement with EmblemHealth to provide access to all the physicians at their 36 Advantage Care Physicians (ACP) locations in and around the City with a \$0 copay. Emblem is providing a guarantee to the City that the additional costs for the \$0 copay will be more than offset by the savings from the improved coordinated care at their locations.

- To help encourage the use of primary care while providing access to urgent care, the new copay for urgent care was set at \$50, well below the new copay for the emergency room but higher than the copay for physician care.
- To help address the costs and overutilization of high cost radiology procedures like MRIs and CT scans, the copay is being increased to \$50.
- To help address the costs and overutilization of diagnostic laboratory testing and physical therapy services, copays are being increased from \$15 to \$20.

These changes to the CBP Plan will result in savings of approximately \$85 million a year beginning in FY 2017.

To help support employees in adapting to these changes, we are also offering two important new programs to provide employees with tools to help them locate appropriate physician care and avoid unnecessary emergency room utilization:

- **Telemedicine** – Access to physician services will be offered online and via telephone 24 hours a day. This service will expand City employees’ access to immediate physician availability and help reduce the costs and inconvenience of unnecessary emergency room utilization.
- **ZocDoc Online Scheduling**– A New York City customized version of the ZocDoc website will be available shortly to enable employees to view and select available physician appointment times online. The site will direct employees to physicians in their network and also indicate those ACP physicians where the copay is \$0.

Recognizing that these are consequential changes for NYC employees, a very important aspect of implementing the changes will be educating employees how to use the new Plan effectively. In conjunction with the MLC, we will be devoting an intensive period until July 1 to help prepare everyone for the new program with letters, emails, instructional material, videos and onsite presentations. We want employees to know that while there are some changes that could potentially cost them more, if they make appropriate use of their benefits their out of pocket costs can actually be lower.

Design Changes to the HIP HMO Plan

Another extremely important change we are making effective July 1, 2016 is the introduction of a new and more cost effective HIP HMO Plan. This new program is called the HMO Preferred Plan

and it also provides an innovative approach to achieving better health outcomes. The plan provides the same coverage as the current HMO except that the plan encourages the use of preferred providers. The HIP HMO preferred providers are working under what are known as value based arrangements that provide incentives to improve medical management, enhanced quality management and early member engagement by meeting core measures that improve health. The copay for using preferred providers remains at \$0.

However, there is now a \$10 copay for care when a patient goes to a non-preferred provider. Disruption will be minimized by the fact that currently 60% of City employees in the HIP HMO Plan are already using the HIP preferred providers.

This program will result in over \$64 million in annual savings beginning in FY 2017. This program lowers costs significantly while providing better quality care for employees in that plan.

Details regarding the GHI CBP and HIP HMO plan changes and related FY 2017 savings are provided in Exhibit C.

Other FY 2016 Changes

- **Care Management Expansion** -- The City and the MLC together selected a new vendor for Care Management programs effective January 1, 2016. We believe the change in vendor will maximize the savings for the City and provide an intensive level of case management support to assist our sickest employees and their family members in navigating the health care system to obtain the highest quality and most cost effective care. At the same time, we implemented new pre-authorization requirements for outpatient procedures, consistent with what nearly every employer and insurance program has been doing for decades.
- **Diabetes Case Management Program** -- To help support our employees who are diabetic, beginning July 1, 2015, those diagnosed with diabetes and/or gestational diabetes have been offered one-on-one case management services with a registered nurse to help them manage their condition. Several hundred employees have already enrolled in the program and we are providing outreach to more and more employees.
- **Continuation of the Dependent Eligibility Verification Audit** -- The comprehensive DEVA audit, which saved over \$100 million last year, will be continued on a limited basis for three additional years to assure that newly enrolled dependents are eligible.

Finally, the City and the MLC also agreed to take approximately \$120 million from the Stabilization Fund to provide a one-time \$100 per employee and retiree contribution (\$60 million) to the welfare funds and a \$60 million payment to the City.

Savings Results

For FY 2017 and beyond, the plan design changes in the CBP and the HIP HMO alone represent about \$150 million per year in savings, while also encouraging better utilization of the important benefits offered by New York City to its employees. As a result of these changes, along with the carryover of changes made in FY 2015 and FY 2016 and several additional changes in FY 2016 in other areas, we are able to project that in FY 2017 we will exceed the \$1 billion target leaving us one and a half years to achieve additional savings to meet the FY 2018 \$1.3 billion target. We are currently projecting that we have already secured almost \$3.2 billion of the \$3.4 billion savings goal.

Promoting a Healthier Workforce

A cross agency team led by OLR has been working at advancing an improved and sustainable “Culture of Health” that will support our workforce in getting healthier and staying healthier. A number of programs have already been put into place and more will be implemented shortly to address fitness, nutrition and obesity, smoking cessation and stress reduction for the City’s workforce. Since so many of our employees stay with us for many years and continue their coverage with the City as retirees, our investment in their health is not only the right thing to do but can also have important future cost savings implications. While some of these approaches won’t have quantifiable savings we can specifically measure in the next year or two, they are a long term strategy to improve the health of the population and thereby reduce long term health care costs.

Fundamental to our programs, is our belief that making wellness programs available at the worksite will mean that they have an even greater chance of impacting people’s lives.

We have already had initial success implementing the CDC’s Diabetes Prevention Program at several agency locations. We plan to bring the program to a number of new locations this year.

We know that obesity impacts more than one third of the population, and that obesity related conditions include, heart disease, stroke, diabetes, hypertension and some forms of cancer, and these are leading causes of preventable death. To help address this, we are in the process of developing an arrangement with a nationally recognized weight management program, where we will be offering NYC employees access to their programs at a minimal cost -- in the workplace, in their communities and online. By agreement with the MLC, this will be a joint labor management initiative where 50% of an employee’s cost for the program will be subsidized by funding from the Stabilization Fund. With a significantly reduced rate offered by the program, an employee’s monthly cost to participate will be very low. We expect to begin offering this program later this year, while continuing to explore other weight management approaches.

The Culture of Health team is also working on the roll out of several agency based worksite wellness demonstration projects in 2016. The program will focus on helping employees address smoking cessation, stress management, hypertension, nutrition and fitness. We hope to use the demonstration project experience to validate the effectiveness of wellness programming on health costs, employee engagement and reduced absenteeism, so that we can support scaling the program Citywide.

We continue to promote the free flu shot program as an important preventive step to reduce more costly ER and doctor visits. The program, which began for employees in 2014, was expanded in 2015 to include covered dependents and pre-Medicare retirees.

To help support these programs, OLR has introduced a new section on its website for Employee Wellness that contains valuable information, links and tools to help maximize access to appropriate healthcare and to educate the workforce about health issues and the City's health and wellbeing programs.

In closing, we would like to recognize the efforts of all of the MLC unions and their leadership especially Harry Nespoli, President of the Sanitation Workers Union and Chairman of the Municipal Labor Committee, along with Arthur Pepper of UFT and Willie Chang of DC37, the co-chairs of the Labor Management Health Insurance Policy Committee. Their leadership and willingness to work with us to achieve our health care savings goals has helped transform our vision into reality. We are now well on our way to meeting the \$3.4 billion health cost savings goal -- and we are optimistic that it is possible to attain the excess savings required to generate the shared component of the savings. This effort between the City and its municipal unions has demonstrated that with labor management cooperation, we can tackle complex and challenging issues like health care costs. We look forward to continued collaboration and the possibility of exceeding the health care savings targets and sharing the excess savings with City employees.

EXHIBIT A

Projected FY 2016 and FY 2017 Savings		
	FY 2016	FY 2017
<p>Funding structure change in the City's GHI Plan The funding structure change last fiscal year from a fully insured plan to a minimum premium plan arrangement (resulting in lower administrative expenses and positive tax implications) provides continued savings to the City.</p>	\$61 M	\$62 M
<p>Dependent Eligibility Verification Audit (DEVA) The DEVA program, which was an audit of dependent eligibility for coverage, and that resulted in conversions of family to individual health contracts, provides continued savings from lower health premiums.</p>	\$108 M	\$101 M
<p>Changes to the Care Management program The care management program was enhanced in two phases. In March/April 2015, the then existing pre-authorization program was enhanced to provide a timely and comprehensive review of hospital admissions and length of hospital stays. In addition, the previously limited case management program was expanded to include case management for all complex and high cost acute and chronic conditions, providing much needed services to employees, dependents and retirees with severe medical conditions. Further, new maternity management and readmission management programs were implemented. Then, under the second phase, effective January 1, 2016, a new vendor was selected to administer the program with the added responsibility of also implementing new pre-authorization requirements for outpatient procedures. These program enhancements generate savings for the City.</p>	\$21 M	\$22 M
<p>Specialty Drugs (PICA) program changes The contract with Express Scripts for the specialty drug program that was renegotiated in the previous fiscal year, and which also included certain cost management provisions such as preauthorization and drug quantity management programs to enhance savings, continues to deliver savings.</p>	\$21 M	\$21 M
<p>HIP Rate Savings Based on historical trends, the City's budget estimated a 9% increase in the HIP rate for fiscals 2016 and 2017. However, the rate was finalized at 2.89% in FY'16 and 5.98% in FY'17. The HIP rate reduction generates savings as the amount representing the differential would have otherwise been paid into the stabilization fund for all active employees and pre-Medicare retirees.</p>	\$343 M	\$537 M
<p>GHI Senior Care Plan Savings Similar to the HIP rate, the 8% annual increase budgeted for Senior Care premium increases for fiscals 2015 and 2016 was finalized at 0.32% & -0.07%, respectively.</p>	\$76 M	\$85 M
<p>Lower Radiology Fees Emblem has renegotiated the contract with their radiology providers for lower fees resulting in lower costs for the City.</p>	\$10 M	\$20 M
<p>Lower (Durable Medical Equipment) DME Fees Emblem has selected a single source vendor for DME that offers lower fees resulting in lower costs for the City.</p>	\$1 M	\$2 M

Projected FY 2016 and FY 2017 Savings		
	FY 2016	FY 2017
<p>HIP HMO Preferred Plan The transition from the existing HIP HMO plan to the HIP HMO Preferred Plan effective July 1, 2016, not only lowers the overall cost to the City for employees enrolled in the program but also lowers the benchmark HIP rate that drives the payment for all employees. The City is obligated to make an equalization payment into a Health Insurance Stabilization Reserve Fund – jointly controlled by the City and the MLC -- representing the difference between the HIP HMO rate and the GHI PPO rate. The HIP HMO Preferred Plan lowers the benchmark HIP rate and thereby lowers the City’s obligation to the Stabilization Fund.</p>		\$64 M
<p>GHI CBP Program Changes Effective July 1, 2016, changes are being made to the GHI CBP program that will address the underutilization of primary care and the overutilization of the hospital emergency room and specialty care. Additionally, changes will address the costs and overutilization of high cost radiology procedures like MRIs and CT scans, and laboratory testing. The changes are expected to generate significant savings.</p>		\$85 M
<p>Telemedicine and ZocDoc The implementation of new programs such as telemedicine (i.e., access to physician services online and via telephone 24 hours a day), and ZocDoc (platform for online scheduling of doctor appointments) will expand City employees’ access to immediate physician availability and thereby reduce costs for unnecessary emergency room utilization.</p>	\$1 M	\$1 M
<p>Diabetes Management Program The program, which focuses on gestational diabetes and complex case management for Stage 2 and Stage 3 diabetes, and, for which employees diagnosed with diabetes and/or gestational diabetes are being offered one-on-one case management services with a registered nurse to help them manage their condition, is expected to generate savings.</p>		\$1 M
<p>Stabilization Fund Adjustment This is the adjustment to reflect a contribution from the stabilization fund (SF) to fill the gap between savings realized from program initiatives and the required savings target for the fiscal year. The actual SF adjustment is finalized at the end of the fiscal during true-up.</p>	\$58 M	
Total	\$700 M	\$1.001 B

EXHIBIT B

ACA Covered Preventive Services		
15 Covered Preventive Services for Adults	22 Covered Preventive Services for Women, Including Pregnant Women	26 Covered Preventive Services for Children
<p>1) Abdominal Aortic Aneurysm one-time screening for men of specified ages who have ever smoked</p> <p>2) Alcohol Misuse screening and counseling</p> <p>3) Aspirin use for men and women of certain ages</p> <p>4) Blood Pressure screening for all adults</p> <p>5) Cholesterol screening for adults of certain ages or at higher risk</p> <p>6) Colorectal Cancer screening for adults over 50</p> <p>7) Depression screening for adults</p> <p>8) Type 2 Diabetes screening for adults with high blood pressure</p> <p>9) Diet counseling for adults at higher risk for chronic disease,</p> <p>10) HIV screening for all adults at higher risk</p> <p>11) Immunization vaccines for adults--doses, recommended ages, and recommended populations vary (Hepatitis A, Hepatitis B, Herpes Zoster, Human Papillomavirus, Influenza (Flu Shot), Measles, Mumps, Rubella, Meningococcal, Pneumococcal, Tetanus, Diphtheria, Pertussis, Varicella</p> <p>12) Obesity screening and counseling for all adults</p> <p>13) Sexually Transmitted Infection (STI) prevention counseling for adults at higher risk</p> <p>14) Tobacco Use screening for all adults and cessation interventions for tobacco users</p> <p>15) Syphilis screening for all adults at higher risk</p>	<p>1) Anemia screening on a routine basis for pregnant women</p> <p>2) Bacteriuria urinary tract or other infection screening for pregnant women</p> <p>3) BRCA counseling about genetic testing for women at higher risk</p> <p>4) Breast Cancer Mammography screenings every 1 to 2 years for women over 40</p> <p>5) Breast Cancer Chemoprevention counseling for women at higher risk</p> <p>6) Breastfeeding comprehensive support and counseling from trained providers, as well as access to breastfeeding supplies, for pregnant and nursing women</p> <p>7) Cervical Cancer screening for sexually active women</p> <p>8) Chlamydia Infection screening for younger women and other women at higher risk</p> <p>9) Contraception: Food and Drug Administration-approved contraceptive methods, sterilization procedures, and patient education and counseling, not including abortifacient drugs</p> <p>10) Domestic and interpersonal violence screening and counseling for all women</p> <p>11) Folic Acid supplements for women who may become pregnant</p> <p>12) Gestational diabetes screening for women 24 to 28 weeks pregnant and those at high risk of developing gestational diabetes</p> <p>13) Gonorrhea screening for all women at higher risk</p>	<p>1) Alcohol and Drug Use assessments for adolescents</p> <p>2) Autism screening for children at 18 and 24 months</p> <p>3) Behavioral assessments for children of all ages (Age: Up to 17 years)</p> <p>4) Blood Pressure screening for children (Age: Up to 17 years)</p> <p>5) Cervical Dysplasia screening for sexually active females</p> <p>6) Congenital Hypothyroidism screening for newborns</p> <p>7) Depression screening for adolescents</p> <p>8) Developmental screening for children under age 3, and surveillance throughout childhood</p> <p>9) Dyslipidemia screening for children at higher risk of lipid disorders (Ages: 1 to 17 years)</p> <p>10) Fluoride Chemoprevention supplements for children without fluoride in their water source</p> <p>11) Gonorrhea preventive medication for the eyes of all newborns</p> <p>12) Hearing screening for all newborns</p> <p>13) Height, Weight and Body Mass Index measurements for children (Age: Up to 17 years)</p> <p>14) Hematocrit or Hemoglobin screening for children</p> <p>15) Hemoglobinopathies or sickle cell screening for newborns</p> <p>16) HIV screening for adolescents at higher risk</p> <p>17) Immunization vaccines for children from birth to age 18 – doses, recommended ages, and recommended populations vary: Diphtheria, Tetanus, Pertussis,</p>

ACA Covered Preventive Services		
15 Covered Preventive Services for Adults	22 Covered Preventive Services for Women, Including Pregnant Women	26 Covered Preventive Services for Children
	<p>14) Hepatitis B screening for pregnant women at their first prenatal visit</p> <p>15) Human Immunodeficiency Virus (HIV) screening and counseling for sexually active women</p> <p>16) Human Papillomavirus (HPV) DNA Test: high risk HPV DNA testing every three years for women with normal cytology results who are 30 or older</p> <p>17) Osteoporosis screening for women over age 60 depending on risk factors</p> <p>18) Rh Incompatibility screening for all pregnant women and follow-up testing for women at higher risk</p> <p>19) Tobacco Use screening and interventions for all women, and expanded counseling for pregnant tobacco users</p> <p>20) Sexually Transmitted Infections (STI) counseling for sexually active women</p> <p>21) Syphilis screening for all pregnant women or other women at increased risk</p> <p>22) Well-woman visits to obtain recommended preventive services</p>	<p>Haemophilus influenzae type b, Hepatitis A, Hepatitis B, Human Papillomavirus, Inactivated Poliovirus, Influenza (Flu Shot), Measles, Mumps, Rubella, Meningococcal, Pneumococcal, Rotavirus, Varicella</p> <p>18) Iron supplements for children ages 6 to 12 months at risk for anemia</p> <p>19) Lead screening for children at risk of exposure</p> <p>20) Medical History for all children throughout development (Age: Up to 17 years)</p> <p>21) Obesity screening and counseling</p> <p>22) Oral Health risk assessment for young children (Age: Up to 10 years)</p> <p>23) Phenylketonuria (PKU) screening for this genetic disorder in newborns</p> <p>24) Sexually Transmitted Infection (STI) prevention counseling and screening for adolescents at higher risk</p> <p>25) Tuberculin testing for children at higher risk of tuberculosis (Age: Up to 17 years)</p> <p>26) Vision screening for all children</p>

EXHIBIT C

Estimated FY'17 Savings from GHI CBP Plan Design Changes and HIP HMO Value Based Network		
CBP Plan Design Changes		
Plan Changes	Current Copay	New Copay
PCP Copay (including Mental Health)	\$15	\$15
ACP Generalist (PCP) Copay	\$15	\$0
ACP Specialty Copay	\$20	\$0
Non-ACP Surgical Specialty Copay	\$20	\$30
All Other Specialists Copay	\$15	\$30
ER Copay	\$50	\$150
Urgent Care Copay	\$15	\$50
MRI/CT Copay	\$15	\$50
Physical Therapy	\$15	\$20
Diagnostic/Lab Copay	\$15	\$20
Preventive Care*:		
Preventive - Non-Rx	<i>Varies</i>	\$0
Preventive - Rx	<i>Varies</i>	\$0
Savings from CBP Plan Design Changes		\$84,748,000
HIP Savings from Value Based Network		\$64,400,000
Subtotal HIP and GHI CBP Plan Savings		\$149,148,000
All Other Savings		\$851,800,000
Total Savings		\$1,000,948,000

* Preventive care costs are funded by the Stabilization Fund