As of the third quarter of Fiscal Year (FY) 2019, we are on track to attain the targeted health savings of a combined $500 million in FY 2019 and FY 2020, with approximately $200 million in FY 2019 and $300 million in FY 2020.
The savings that will be generated in the three-year FY 2019 – FY 2021 Health Savings Agreement will add to the more than $3.4 billion total savings and $1.3 billion in recurring savings that was successfully saved in the prior FY 2015 – FY 2018 Health Savings Agreement.

As with the prior Agreement, savings will be measured against the City’s Financial Plan for FY 2019 – FY 2021, which projected City health care cost increases of 7% in FY 2019, 6.5% in FY 2020 and 6% in FY 2021 for actives and pre-Medicare retirees, and 5% annually for Medicare retirees. The FY 2019 HIP HMO rate, which represents the City’s total health plan cost obligation, rose 6.84%. The Senior Care rate for Medicare retirees rose by 5.57%. However, as a result of changes made to the HIP HMO plan, the FY 2020 HIP HMO rate increase was only 3.5%, and is anticipated to be only 3% in FY 2021. The Senior Care plan increase for FY 2020 was 3.39%.

The new programs generating these savings include:

- Effective January 1, 2019, the HIP HMO added new programs for encouraging wellness and promoting the use of Centers of Excellence for oncology and orthopedics at Memorial Sloan Kettering Medical Center and Hospital for Special Surgery. This program will expand to the CBP later this year.
• Effective July 1, 2019, new employees of the City are being enrolled in the HIP HMO for their first year of coverage. There is a process to apply to opt out of this requirement based on either lack of geographic accessibility to HIP providers or medical continuity of care issues.

• Effective October 1, 2018, the WIN Fertility Program to assist families with infertility issues

• Effective October 1, 2018, changes to the prescription drugs provided under the CBP included the expansion from 60 to 90 day maintenance drug refills and a change to adopt the Express Scripts national formulary

• Effective January 1, 2019, the CBP added two more care management programs designed to reduce the costs of short length of stay hospital cases and to help direct patients to the appropriate site of service for outpatient procedures; for example, having routine colonoscopies performed in the doctor’s office rather than in a hospital facility.

The $600 million savings targeted in FY 2021 is undergoing additional planning efforts in partnership with the Municipal Labor Committee (MLC) and our insurers. To ensure achieving $600 million in savings in FY 2021 to meet the three-year $1.1 billion savings goal, and to ensure the long term sustainability of the health care program, the Health Savings Agreement also established a “Tripartite Health Insurance Policy Committee.” This committee, chaired by Martin Scheinman, Esq., and representatives of the MLC and the City, was created to study and make recommendations to the way health care is funded and provided. This Committee is charged with presenting a report no later than June 30, 2020.

The Tripartite Committee was tasked with looking at a number of options including funding arrangements such as self-insurance or minimum premium for the HIP HMO Plan, Medicare Advantage programs, consolidated drug purchasing and audits. The Tripartite Committee has been meeting monthly since November 2018.

Meanwhile, the City continues to accrue the benefits of the many savings programs that comprised the $1.3 billion in recurring savings generated by the FY 2015 – FY 2018 Agreement. Some of the major components of those continuing savings include:

• Changes to the copays to encourage preventive and primary care, while discouraging unnecessary emergency room and urgent care utilization
- Ongoing Dependent Eligibility Audits
- Care Management program
- Telemedicine
- Renegotiating drug prices including going out to bid
- Converting the CBP plan to minimum premium funding

Detailed results for FY 2019 will be available in the Fall of 2019, and we will issue a year-end report with a full savings update at that time.