

City of Denver

Office of Human Resources
2017 Benefits Presentation

2017
EMPLOYEE
BENEFITS



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EHIC Recommendations

The Employee Health Insurance Committee established per Chapter 18, Article VI, Division 2 of the DRMC. Responsible for advising the Career Service board and OHR Executive Director of the needs of persons in the employ of the City and County of Denver for medical, dental, life, and long-term disability insurance...

Councilman Wayne New
Stephanie Adams (Budget)
Janna Young (Council)
Gisela Shanahan (DIA)
Mitch McKee (DHS)
Arthur Gilkison (PR)
Brad Schipper (OHR)

James Whiteman (GS)
Roni Kirchhevel (DERP)
Bill Mitchell (DPD)
Robbie Gilmour (DPD)
Toni Jones (DSD)
Connie Coyle (DSD)



Medical Plans

Continue with same medical benefits introduced in 2016, except:

- The Committee recommends two plan design modifications:
 - Modify prescription benefit for Kaiser HDHP enrollees.
 - Modify the out of pocket maximum for UHC and Denver Health DHMO enrollees.
- The committee agreed to the required premiums increases from the insurance carriers.
- Recommended continuation of City HSA contribution.



Review of 2016 Changes

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Significant Changes

- Introduced High Deductible Health Plan (HDHP) in place of HMO plans.
- Health Savings Accounts
 - The City gave every individual HDHP enrollee \$600 and family \$1200 in their Health Savings Account
- Alternative to HDHP was DHMO (Navigate) plans.
- First major change in structure in decades.

	2015	2016	2016 (New)
Kaiser	HMO	DHMO	HDHP
United Health Care	HMO	DHMO (Navigate)	HDHP
DHMP	HMO	DHMO	HDHP



Paying for Services 2015 to 2016/2017

	HMO 2015	DHMO 2016/2017	HDHP 2016/2017
Office visits	Copay	Copay	Deductible/ coinsurance
Hospitalization	Copay	Deductible/ coinsurance	Deductible/ coinsurance
Prescription	Copay	Copay	Deductible/ Copays
Savings Vehicle	FSA	FSA	HSA



Cadillac Tax

Mandate of the Affordable Care Act (ACA) - 40% tax on Family plans valued over \$27,500. (originally effective 2018)

- **Value = City + employee cost + FSA medical pledge.**
- UHC Choice (HMO) family plan in 2015:
 - Actual Value = \$36,200
 - Taxable value is \$8,700 (\$36,200 – 27,500)
 - Potential Tax of \$3,480 assessed for each participant
- Lowering value meant eliminating high cost HMO and replacing with HDHP
- Multi-carrier environment requires parity
- Deadline extension announced at end of 2015 to 2020.

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High Deductible Health Plan HDHP

- Low up-front pay check cost (premium)
- Member is responsible for all costs to a preset deductible:
 - \$1350 deductible individual coverage and
 - \$2700 deductible if dependents enrolled.
- Member pays 20%* coinsurance for services after deductible is met.
- All expenses, including deductible, count toward annual out-of-pocket maximum of \$2,700 individual and \$5,400 family.
- Paired with a Health Savings Account (HSA)

*10% for Denver Health

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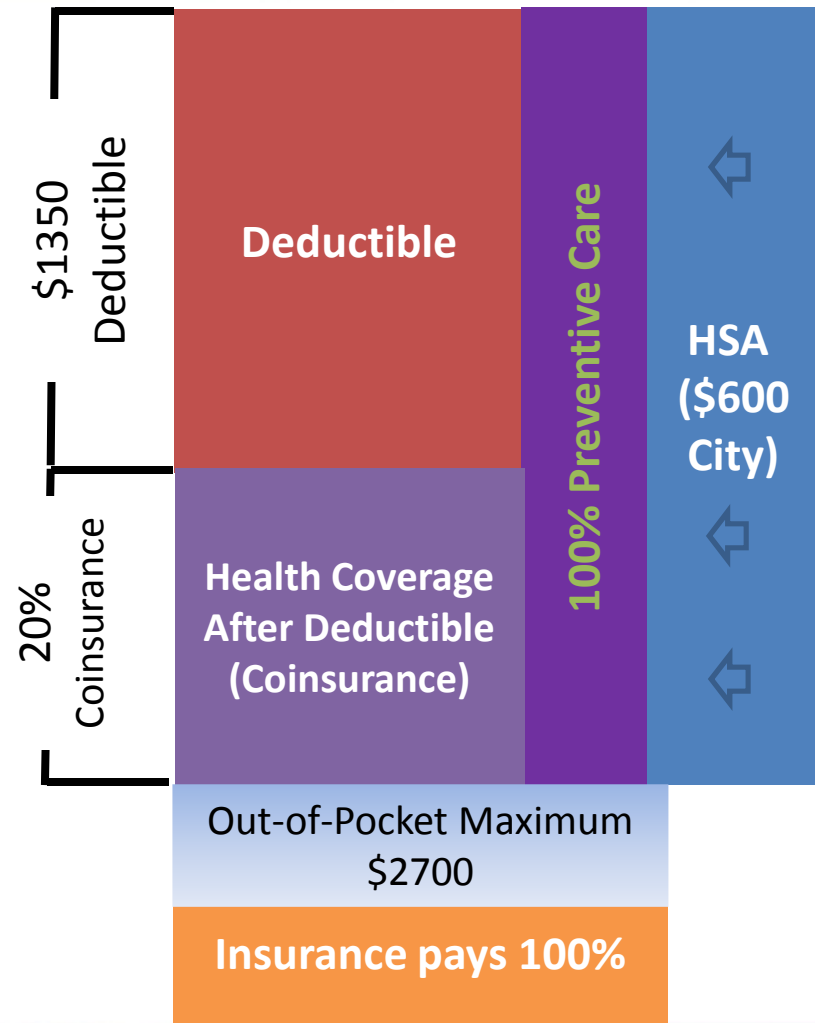


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Different...Not Difficult, single

High Deductible Health Plan (HDHP)

- Preventive care always free.
- Member responsible for all non-preventive costs up to a pre-set *deductible*.
- Once deductible is met, employees pay 20% of remaining costs, called *coinsurance*.
- Once expenses hit the *out-of-pocket maximum*, member pays nothing.
- An HSA is used to pay for expenses



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DHMO Plan Overview

Free Preventive

- Copays for Doctor Visits and Prescriptions
- Deductibles and Coinsurance for all other services
 - \$500 single / \$1,500 family Deductible
 - 20% Coinsurance
- Out-of-Pocket Max:
 - \$3,000 single / \$6,000
- Paired with Flexible Spending Account (\$2,500 max pledge, use it or lose it.)
- UHC calls their plan Navigate. Navigate has per occurrence deductibles (POD) for some services.



Summary of 2016 Enrollment

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Total Enrollment

- 60% of employees elected the new HDHP, double the industry average for first year.

Plan	Total Count	Percent
Kaiser DHMO	1536	18%
Kaiser HDHP	3153	38%
DH DHMO	167	2%
DH HDHP	304	4%
UHC Navigate	710	8%
UHC HDHP	1560	19%
No coverage	925	11%
Grand Total	8355	

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Total Medical Costs '15 to '16

- By moving to a HDHP, both the City and employees saw a premium reduction.
- Employees saw the greatest reduction in cost at 41.3%, but we're asked to pay for care differently.

Year	Total cost	City Cost	City % of Premium	Employee Cost
Actual 2015	\$106,936,210	\$85,490,897	80%	\$21,445,313
Actual 2016	\$97,156,385	\$84,568,874	87%	\$12,587,511
Annual Change	-9.1%	-1.1%		-41.3%



Employee Feedback

- Huge interest in HSA.
- Want HSA seed money in 2017 as well
- Issues with previous year's Flexible Spending Account and remaining balance.
- Crave ease of usage of HMO plans – no engagement.
- Perceived higher cost. Don't yet understand the savings from premiums (their paycheck).
- Prescription costs are higher than expected.
- Want to know why – combination of regulatory and market conditions.
- Feel like this was a take away



June through September

- The OHR staff continues to monitor questions/concerns.
- Consumerism education campaign will begin June 2016 as a result, topics are as follows:

Topic	Description
Know your Health Plan: HDHP and DHMO	How and when you pay, cost estimators, tools, key terms/Preventive vs. Diagnostic, limited Use FSA
Health Savings Accounts	Never too late to open, increase elections for 2017, eligible expenses, tax savings, nearing retirement?
Ways to Save on Rx	What you can expect to pay. Generic or mail order options, tools to shop around, rebates.



2017 Changes

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Plan Overview

Summary of Covered Services	Denver Health DHMO*	Kaiser DHMO	UHC Navigate
	Single/Family	Single/Family	Single/Family
Preventive Visit	Free	Free	Free
Deductible (Does not apply to Office visits and RX)	\$500 single/\$1500 family	\$500 single/\$1500 family	\$500 single/\$1500 family
Coinsurance (Does not apply to Office visits and RX)	20% after deductible	20% after deductible	20% after deductible + POD
Out-of-Pocket Maximum (OPM) (copays, deductibles and coinsurance count toward OPM)	\$3,000 single/\$6,000 Family*	\$3,000 single/\$6,000 Family	\$3,000 single/\$6,000 Family*
Office Visits and Prescriptions	Member pays flat copay based on service (no deductible)		
All Procedures and Hospitalizations and X-ray	1. Member pays procedure and hospital costs up to their individual \$500 annual deductible. Families pay up to 3 individual deductibles. 2. After deductible, each member pays 20% coinsurance. 3. Member pays deductible and coinsurance up to their individual OPM. Once all expenses reach the OPM, insurance pays 100%		
Lab	20% after deductible	No member cost	20% after deductible

**Indicates change from 2016, previously \$2,500/\$5,000*



Out-of-pocket Maximum Options

- Why \$3,000?
 - Brings plan parity
 - Allows for ease of explanation
 - Premium reduction for UHC and DHMP members, currently 10% of enrollment.

(lowering to \$2,500 would have created an increase for Kaiser members)

	Current Design	Status Quo Premium Increase	\$2,500/5,000	\$3,000/6,000
Kaiser (DHMO)	\$3,000/6,000	8.66%	10.29%	8.66%
UHC (Navigate)	\$2,500/5,000	3.9%	3.9%	2.33%
DHMP (DHMO)	\$2,500/5,000	4.8%	4.8%	4.4%



Summary of Covered Services

**Indicates change from 2016, previously 20% coinsurance*

	Denver Health				Kaiser		United Health Care			
	In Network		Cofinity Network		No Out-of-Network coverage		Choice Network		Out-of-Network	
	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family
Preventive Visit	No cost to member									
Deductible	\$1,350	\$2,700	\$1,350	\$2,700	\$1,350	\$2,700	\$1,350	\$2,700	\$3,000	\$6,000
Coinsurance	10%	10%	20%	20%	20%	20%	20%	20%	20%	20%
Out-of-Pocket Max	\$2,700	\$5,400	\$2,700	\$5,400	\$2,700	\$5,400	\$2,700	\$5,400	\$6,000	\$12,000
All Medical Services	<ol style="list-style-type: none"> Member pays non-preventive costs up to their deductible. Those with employee only coverage must meet the in network single deductible (\$1,350), those with dependents enrolled must meet the family deductible (\$2,700). Then member pays a percentage of costs, or coinsurance. Note: Prescription costs below. Once all expenses reach out-of-pocket maximum, insurance pays 100% 									
Prescription Drugs	After Deductible:		After Deductible:		*After Deductible.		After Deductible:			
Generic	\$10 copay		\$20 copay		\$10 copay		\$10 copay		Not Covered	
Preferred Brand	\$15 copay		\$40 copay		\$35 copay		\$35 copay			
Non-Preferred	\$30 copay		\$60 copay		\$60 copay		\$60 copay			



HSA With HDHP

- **City will continue with same contribution as 2016.**
- Pre-tax account used to pay for qualified health expenses.
- Must be enrolled in a HDHP to contribute.
- Can be funded by employee and employer contributions.
- Optum will be the City's provider
- Maximum contributions:

Coverage Level	Yearly Maximum	★ City Contribution	Max Employee Contribution
Single	\$3,400*	\$600	\$2,800
Employee + 1 or more	\$6,750	\$1,200	\$5,550
Employees > 55	Additional \$1,000		

*Indicates change in federal maximum from \$3,750 in 2016.



Proposed Monthly Premiums

Carrier	Proposed Increase	Employee only		Employee + Spouse		Employee + Children		Family	
		2016 Cost	2017 Cost	2016 Cost	2017 Cost	2016 Cost	2017 Cost	2016 Cost	2017 Cost
Kaiser DHMO	8.66%	\$68.10	\$74.00	\$224.73	\$244.19	\$181.60	\$197.33	\$363.20	\$394.65
Kaiser HDHP	8.66%	\$18.31	\$19.90	\$100.70	\$109.42	\$73.24	\$79.58	\$175.77	\$190.99
Denver Health DHMO	4.40%	\$84.52	\$88.23	\$278.91	\$291.18	\$225.38	\$235.29	\$450.76	\$470.59
Denver Health HDHP	3.03%	\$22.50	\$23.18	\$123.75	\$127.50	\$90.00	\$92.73	\$216.01	\$222.55
UHC Navigate	2.33%	\$95.74	\$97.97	\$315.95	\$323.30	\$255.32	\$261.26	\$510.71	\$522.60
UHC HDHP	3.90%	\$30.02	\$31.19	\$165.10	\$171.54	\$120.07	\$124.76	\$288.17	\$299.40

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Kaiser 2015
Kaiser 2017

Compare annual premiums with the plan’s out-of-pocket maximum.

- The out-of-pocket maximum (OPM) is the annual cap on all services members are expected to pay, including copays, deductibles and coinsurance.
- Maximum liability = Annual Paycheck Cost + OPM – Employer Contribution to HSA (if enrolled in HDHP)
- Members enrolled in the Kaiser HMO in 2015 who elect the HDHP in 2017 can save \$2,293.

Plan (Single Coverage)	Annual Paycheck Cost	+	Annual OPM	-	HSA Contribution	=	Total Liability
2015 Kaiser HMO	\$1632		\$3,000		\$0		\$4,632
2017 Kaiser HDHP	\$239		\$2,700		\$600		\$2,339
2017 Kaiser DHMO	\$888		\$3,000		\$0		\$3,888



Rate Challenges

- Early City Budget cycle
 - Insurance companies were asked to estimate 2017 costs without 2016 data.
 - Substituted 2015 data, which was a different plan design
 - Still unsure how new plan designs will impact utilization.
- Industry trend significant – cost of care industry wide increased
- Will have a full year's utilization for 2018 cycle.
- Kaiser is a captive group.



Expected Medical Costs '16 to '17

Year	Total cost	City Cost	City % of Premium	Employee Cost
Actual 2016	\$97,156,385	\$84,568,874	87%	\$12,587,511
<i>Projected 2017</i>	<i>\$101,820,949</i>	<i>\$88,507,345</i>	<i>87%</i>	<i>\$13,313,604</i>
Annual Change	4.8%	4.6%		5.8%
<i>Expected Cost of Continuing HMO Annualized at 8% from 2015</i>	<i>\$124,000,000</i>	<i>\$99,076,000</i>	<i>79.9%</i>	<i>\$24,924,000</i>

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Disability Plans

Will continue to partner with Standard Insurance as the City's Life and Disability provider, plans include:

- Basic Life – City paid, 2 X salary to \$100,000 max
 - No change in plans or premiums.
- Additional, Spouse and AD&D – employee paid
 - No change in plans or premiums.
- Disability
 - Short-term – City paid (PTO employees)
 - **16.7% decrease in cost, same plan design.**
 - Short-term – Employee paid (sick/vacation)
 - No changes in plans or premiums.
 - Long-term – City paid (all employees)
 - **6% decrease in cost, same plan design.**



No recommended Changes

The Health Insurance Committee recommends no changes in rates or plan designs from 2016 to 2017 for all remaining City-sponsored benefits, including:

- Dental
- Vision

