



2015 Health Insurance Updates

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The Office of Human Resources
on behalf of the Health Insurance
Advisory Committee



Advisory Committee

- Health Insurance Advisory Committee (EHIC),
Established per Chapter 18, Article VI, Division 2
of the DRMC.
 - Jeanne Faatz, City Council
 - Janna Young, City Council
 - Brendan Hanlon, BMO
 - Gisela Shanahan, DIA
 - Richard Gonzales, General Services
 - Ranea Taylor, OHR
 - Arthur Gilkison, PR
 - Roni Kirchhevel, DERP
 - Mitch McKee, DHS
 - Bill Mitchell, DPD
 - John Duran, DPD



2015 Plan Changes

1. Medical Rates
2. Life and Disability Rates
3. Vision provider change



2015 Medical Plans

- Six Medical Options Available in 2015
 - Three Insurance Carriers
 - Denver Health Medical Plan – Local, private clinic
 - +6.3% HMO/-4.2% DHMO
 - Kaiser Permanente (Kaiser) - Closed network, one-stop shop, integrated medical record
 - +3.6% HMO/-6.3% DHMO
 - United HealthCare (UHC) - national network
 - +5.4%
 - Each Carrier Offers one HMO and one DHMO plan



HMO vs. DHMO

- HMO
 - High up-front premium
 - Low/consistent cost at point of service in form of copay
- DHMO (Navigate for UHC)
 - Low up-front premium
 - Low Copays at point of service for office and RX
 - Deductible/Coinsurance for other services



Premiums and Maximums

- Focus on education of out-of-pocket maximums (OPM), premiums and paying differently .
 - Kaiser HMO plan has a \$3000 OPM and an annual premium of \$1631 annual individual premium (\$136/month).
 - The maximum “liability” under this plan is \$4631
 - Kaiser DHMO plan has a \$3000 OPM and an annual premium of \$240
 - The maximum “liability” under this plan is \$3240
 - Choosing the DHMO, even if a catastrophic event occurs, will save the member \$1391 for individual coverage and \$5000 for a family



Kaiser Premium Compare

Tier	HMO	DHMO	Difference (yearly)
Employee only	\$135.92	\$20.01	\$115.91 (\$1391)
Employee plus Spouse	\$388.74	\$110.05	\$278.69 (\$3344)
Employee plus Children	\$326.21	\$80.04	\$249.17 (\$2954)
Family	\$608.93	\$192.09	\$416.84 (\$5002)



UHC Choice/Navigate Premium Compare

Tier	HMO	Navigate	Difference (yearly)
Employee only	\$219.36	\$31.91	\$187.45 (\$2249)
Employee plus Spouse	\$627.38	\$175.53	\$451.85 (\$5422)
Employee plus Children	\$526.48	\$127.66	\$398.82 (\$4785)
Family	\$982.91	\$306.42	\$676.49 (\$8118)



Life and Disability

- RFP Conducted, retain incumbent
- Standard Insurance
 - Provides:
 - City-paid Basic Life and AD&D Insurance
 - Employee-paid Additional Life Insurance
 - City-paid Long-term Disability
 - Employee and City-paid Short-term disability
 - Reduced premiums for City-paid short and long-term disability and basic term life.



Vision

- Employee Paid Vision
 - Replace Anthem with VSP
 - Slight premium reduction
 - Larger material benefit



No Changes

- Dental
- Flexible Spending Accounts
 - Same annual maximums

DRMC Updates



Full-time Employee

- 1/1/15 - Affordable Care Act defines a full-time employee as someone working on average 30 hours or more/week.
 - Combine current $\frac{3}{4}$ time tier with full time tier
 - Applies to on-calls employed as of October 3, 2014.
 - A 'look back' period is required for on-call or seasonal employees. If over the last 12 months, an employee worked on average 30 or more hours/week, they are considered full-time and must be offered medical insurance over the corresponding 12 months after a 90 day administrative period.
 - Failure to offer medical insurance may result in a \$2000/full-time employee penalty if not offered to 95% of eligible employees.

Cadillac Tax



Cadillac Tax

- 40% penalty to City on Family plans valued over \$27,500 in 2017 (\$10,200 Individual).
 - Value = City contribution + employee contribution to Medical insurance + FSA Medical contribution.
 - In 2015 both UHC family tiered plans already over this threshold:
 - Annual premium Family UHC Choice plan = \$33,700 (\$11,800 employee cost/year)
 - Plus max FSA pledge (\$2500) value = \$36,200
 - Taxable value is \$11,200 (\$36,200 – 27,500)
 - Penalty of \$4480 if same plan in place in 2017



Cadillac Tax, Cont.

- Must reduce cost of the UHC plans
 - Cost drivers: Large / National network, copays, no referrals
 - Options to reduce cost:
 - Introduce more cost sharing in the form of deductibles and coinsurance
 - Limit network
 - Issues:
 - Deductibles and co-insurance require significant education
 - Network required for retirees and out of state dependents
- Plans offered by all carriers must match

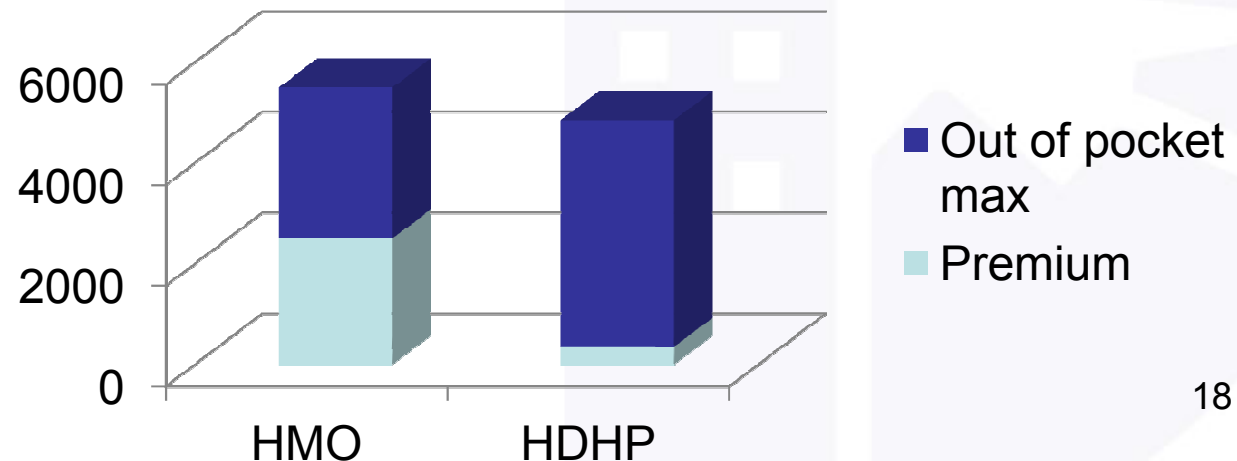


2016 Medical Plan

- 2016 United HealthCare Cost reduction
 - Retain current United Choice network, remove copays but introduce deductibles and coinsurance at point of service. Plan could be a High Deductible Health Plan (HDHP).
 - Fund HSA (Health Savings Account) along with HDHP
 - Retain United Navigate (DHMO) plan
- Other Carrier implications
 - Match United's plan designs (HDHP along with DHMO)

2016 Medical Plan

- High Deductible Health Plan (HDHP)
 - No copays, member is responsible for all costs up to a pre-set *deductible*.
 - Once deductible is met, insurance pays a certain percent of remaining costs, called *coinsurance*.
 - Once expenses hit a pre-set limit, member pays nothing, called *out-of-pocket maximum*.
- Illustration:





2016 Medical Plan

• Health Savings Account

- Pre-tax account used to pay for qualified expenses.
- Must be enrolled in a HDHP to contribute.
- Funded by employee and employer contributions.
- Unused funds roll over (no use it or lose it).
- Portable – employee's account
- Maximum contributions*:
 - Employee only coverage: \$3250
 - Employee plus 1 or more dependent coverage: \$6450
 - Age 55+: \$1000 additional



Benchmarking

- Locally
 - Of 18 surveyed municipalities*:
 - 5 have plans with copays (Denver included).
 - 13 remaining have deductible/coinsurance plans
- Nationally**
 - 81% of Employers offer PPO plans with deductibles and coinsurance.
 - 60% offer HDHPs
 - 36% offer HMOs



Opportunities

- **Continue to encourage cost sharing**
 - Deductible/co-insurance plans help raise employee's awareness of the real costs of health care, which has a positive impact on rising health care costs.
 - Deductible/co-insurance plans will allow the City stabilize future health care increases.
- **Survey**
 - Assess employee's knowledge of health care
- **Education**
 - Information sessions, one-on-one sessions, emails/flyers, home mailings, website, focus groups and simulations
- **Wellness Program**



City Council Action

- Approve 2015 rates
- Approve 2016 conceptual frame work – HDHP and HSA
 - OHR will begin education of key concepts, not specific plan designs.
- Approve modifications to Sec. (18)171- (18)176 to accommodate 30 hour full time employee ACA mandate.