

CITY OF MANITOWOC

2015 Benefit Plan Considerations

Following are benefit plan considerations that M3 recommends the City consider for the 2015 plan year. Further information regarding cost analysis and impact will be provided to the City with final recommendations.

1. Increase deductibles to \$2,000 single and \$4,000 family with \$500 single and \$1,000 family reimbursement through Health Reimbursement Arrangement.

M3 calculates there would be an estimated 4.36% or \$124,781 annual funding premium savings if changing health plan deductibles to \$2,000 single and \$4,000 family. See the spreadsheet included with this document titled 'Health Insurance Benefit Comparison' - refer to Alternate 1.

The City could utilize a portion of the funding premium savings and reimburse \$500 single and \$1,000 family through a Health Reimbursement Arrangement (HRA) towards the deductible (only if the member incurs deductible expenses greater than \$1,500 and \$2,000 or less). It is estimated that 75% of members would have to incur HRA reimbursement before the City would not see a return on savings. Based on experience with other HRA health plans, it is common to see less than 25% reimbursement. If 25% of members received HRA reimbursement, the City would still realize a savings of \$65,145 annually. At 50%, the City would still realize a savings of \$20,270. See the 2 spreadsheet included with this document titled 'Health Reimbursement Arrangement (HRA) Program Information'.

M3 recommends the City increase their health plan deductibles to \$2,000 single and \$4,000 family with \$500 single and \$1,000 family reimbursement through a HRA effective 1/1/2015.

2. Increase urgent care copayment from \$50 to \$75 – evaluate how certain lower cost quick care services can still be provided at \$50 copayment. Evaluate the Healthcare Coalition Cooperative's EasyCare fast clinic option.

M3 determined there is no rate impact if changing the urgent care copayment from \$50 to \$75; therefore we do not recommend the City change the copayment.

After further evaluation, the EasyCare fast clinic option offers little savings. That, coupled with some pending changes coming down the road for EasyCare, M3 does not recommend the City offer this program. Also, with the FocusHealth program, the City is taking a different provider direction with some steering away from Holy Family Memorial. The EasyCare option is through Holy Family Memorial so this may send a mixed message to employees.

3. Possible Flexible Spending Account administrator change.

M3 obtained proposals from Auxiant, Benefit Advantage, Diversified Benefit Services (DBS) and Employee Benefits Corporation (EBC) for flexible spending account (FSA) administration. As it turns out there is little savings opportunity between the vendors.

M3 recommends the City remain with BMO Harris for FSA administration to avoid disruption to employees.

FYI: As the administrator of the current wellness HRA, if the City moves forward with the health plan deductible HRA, we recommend the City work with Auxiant in order to facilitate consistency in administration of these services.

4. 1/1/15 tobacco surcharge implementation – \$100 per month additional employee health plan contribution. Evaluate vendor cost for administration of Reasonable Alternative Standard program(s) (RAS) as required by the Affordable Care Act.

M3 recommends the City contract with Holy Family Memorial to communicate and administer RASs for nicotine cessation.

Communication cost: \$4.20 per participant – one time charge (per nicotine user that engages in a RAS). The HRA completed in Spring of 2014 indicated there were 24 employees that utilized nicotine. Assuming this number, the cost for communication is \$101.

To determine nicotine users for the 2015 plan year, M3 recommends the City require all employees to take a cotinine test this fall (2014). The cost is \$23.35 per participant. Assuming 216 employees enrolled in the health plan (those waiving coverage don't have to take the test), this would be a cost of \$5,044. Employees enrolled in health plan coverage that do not take the cotinine test or are determined to be nicotine users will be charged the additional \$100 per month.

For any employee that is a nicotine user, M3 recommends the City contract with Holy Family Memorial to offer a 5-week course at a cost of \$650 per participant (this is the RAS). Total cost can not be determined as it's dependent upon who engages in the class.

Full HRAs with biometric testing (including a cotinine test) will be conducted every fall beginning in 2015 so that health plan contributions can be established for each employee.

5. Serve You Step Therapy program – requires members taking certain very expensive prescription drugs to try lower cost alternatives first – estimated \$10,000 annual claims savings.

There are 27 members currently taking medications that would be asked to try lower cost alternatives. Many times the disruption and then sometimes negative feedback employees provide Human Resources is not worth the minimal savings.

M3 recommends the City implement the Serve You Step Therapy program. However, we advise you to “grandfather” members currently on medications that would normally be

eligible for step therapy. This will negate the estimated \$10,000 annual claims savings. Only new prescriptions that are eligible under the step therapy program would be affected. Implementing a step therapy program could be an important feature in controlling future claim costs.

6. Serve You Adherence Monitoring Program – reaching out to members that are not medication compliant in the areas of diabetes, asthma, depression, cholesterol and hypertension.

M3 recommends the City engage in the Serve You Adherence Monitoring Program. At an expense of \$.36 per employee per month, annual cost would be approximately \$933 per year based on 216 enrolled employees. In comparison to other plan costs, this is an insignificant expense.

There are 13 members that are currently medication non-compliant. This equates to an estimated cost of \$72 per member. There is potential to affect a future large cost claimant if in fact through out-reach, Serve You is able to get a member medication compliant.

7. Prescription drug copayments applying towards out-of-pocket maximum (ACA requirement).

Today, the City health plan has “2 buckets” for total plan maximums of \$6,350 single and \$12,700 family. There is a dollar amount for the coinsurance and a dollar amount for health care copayments.

In 2015, because prescription drug copayments must now accumulate to the total out-of-pocket maximum, we recommend the City maintain “3 buckets” for total plan maximum: 1 for coinsurance, 1 for health care copayments and 1 for prescription drug copayments.

M3 recommends the City increase their total plan out-of-pocket maximum in 2015 to \$6,600 single and \$13,200 family. See the spreadsheet included with this document titled ‘Health Insurance Benefit Comparison’ - refer to Alternate 2. By doing this the City will help mitigate the expense of prescription drug copayments now being applied to total out-of-pocket maximum.

8. All staff health plan contributions at 12.5% - recognize there may be some constraints due to union contract negotiation requirements.

As of 9/1/14, everyone except the police is at a 12.5% contribution.

9. Additional recommendation: Eliminate coverage offering to all employees that work less than 30 hours per week (considered part-time).

9/5/14/nac