



OFFICE OF LABOR RELATIONS

40 Rector Street, New York, N.Y. 10006-1705
nyc.gov/olr

ROBERT W. LINN
Commissioner
RENEE CAMPION
First Deputy Commissioner
CLAIRE LEVITT
Deputy Commissioner
Health Care Cost Management

STEVEN H. BANKS
General Counsel
GEORGETTE GESTELY
Director, Employee Benefits Program

October 4, 2018

To: Bill de Blasio
Mayor, City of New York

Dean Fuleihan
First Deputy Mayor, City of New York

From: Robert Linn 
Claire Levitt 

**Re: Final Report on the Fiscal Years 2015 – 2018 Savings Program and
Fiscal Year End 2018 Healthcare Savings Report**

We are pleased to report the successful conclusion of the four year Agreement with the Municipal Labor Committee (MLC) to achieve \$3.4 billion in health care savings during Fiscal Years (FY) 2015 – 2018. In FY 18 we achieved \$1.335 billion in savings, exceeding our \$1.3 billion goal by \$35 million. Overall, we achieved total savings of \$3.486 billion, exceeding the four year goal by \$86 million. Pursuant to the FY 2015 – 2018 Agreement, the participating unions have elected to use the excess to carry over to the next health savings agreement.

Over this last four year period, the New York City Health Benefits Program, in collaboration with the Municipal Labor Committee, implemented the most transformational changes to its health plans in decades. Aligning the achievement of health care cost savings with the goal of improving health outcomes for our employees, led to the implementation of many new and innovative programs over the course of the

Agreement, including benefit plan design changes, care management changes, and operational changes. The attached exhibit identifies and elaborates on each of the efforts that contributed to the finalized savings, by program and by year, for Fiscal Years 2015-2018.

Ensuring that employees, dependents and retirees have access to high quality and effective health programs now and in the future remains the cornerstone of our work. Some of the most impactful changes involved using economic incentives to encourage the appropriate use of healthcare. By increasing copays on certain services and decreasing them on others, we hoped to create changes in utilization patterns. In fact, these changes produced significant and positive changes in utilization, resulting in savings that exceeded initial projections. Notably, emergency room utilization decreased by about 11.2%, urgent care visits decreased by 16.7%, specialist visits decreased by 14.7%, physical therapy visits decreased by 10.9%, and diagnostic X-ray and lab tests decreased by 10.1%. At the same time, we have seen significant increases in the number of preventive care visits and procedures, indicating that our workforce is taking better care of their health and the health of their families.

Some of the other notable new programs implemented under this Agreement have included:

- **Care Management** – enhancement of the care management programs included pre-authorization for outpatient treatment and case management for high-intensity, high cost cases. Case management assists patients with high cost illnesses in obtaining the highest quality and most effective care while avoiding unnecessary care.
- **DEVA Audit** – an ongoing validation process of dependent eligibility ensures that the City’s health plans only cover appropriate dependents, resulting in substantial savings.
- **Diabetes Management Program** – patients with diabetes or gestational diabetes are offered individualized nurse case manager attention to help them effectively manage their disease.
- **Oncology Expert Medical Review Program** – for employees and family members who have been diagnosed with cancer and are covered by the City’s GHI-

CBP plan. The *Best Doctors* program provides a review of medical records, tests and samples by oncology experts along with input from *Oncology Insight with Watson*. Watson's artificial intelligence supports oncology experts by providing additional tools including a clinical trial matching tool and a genomics tool that can recommend targeted therapies. The program generates cost savings by avoiding medical errors and getting patients to the most appropriate treatment, while also ensuring that NYC employees and family members get the best recommendations for the treatment of their disease.

- **Prescription Drugs** – the first competitive bid for prescription drug coverage in decades resulted in substantially lower drug pricing for the citywide specialty drug program.
- **Telehealth** – offers employees and dependents the opportunity to access physician care on a 24 x 7 basis telephonically or by video chat. This program helps avoid unnecessary urgent care and emergency room visits.
- **Weight Watchers (WW)** – employees have an opportunity to join Weight Watchers on a discounted basis with a 50% subsidy from the City, and family members have access to the discounted rate. Since June 2015, more than 35,000 NYC employees and family members have participated in the program, with more than 100 WW meetings being held at NYC worksite locations.
- **WorkWell NYC/ Healthy Workforce. Healthy City.** – WorkWell NYC is the City of New York's innovative workplace well-being and health promotion initiative. Under the direction of OLR and with clinical support from the DOHMH, its programs have touched thousands of employee lives with programs tailored to the needs of City employees, with a particular focus on providing programs at the workplace. WorkWell NYC has implemented its own Diabetes Prevention Program which is now certified by the Centers for Disease Control and Prevention (CDC); offered a Smoking Cessation program; offered a flu vaccine program that has greatly expanded the number of employees and dependents receiving the flu vaccine year-over-year; and is offering walking challenges between agencies to encourage physical fitness. Monthly health education webinars are offered Citywide, and programming for stress management and hypertension is currently under development.

Our recent agreement for Fiscal Year 2019 – 2021 set a new goal of attaining an additional \$1.1 billion in health care savings. Under the new agreement, we expect to build on many of the FY 15 – FY 18 initiatives with expanded care management programs, a Centers of Excellence program for oncology and orthopedics directing patients to exceptional facilities with outstanding quality outcomes, a special program for families with infertility issues and expanded wellness programs. In partnership with the Municipal Labor Committee and our insurers, we will continue to seek out and develop new programs that add value and efficiency to the City's benefit programs for its employees, their families and City retirees. We will continue to report in the future on the outcome of these initiatives.

EXHIBIT
FY'15 – FY'18 Savings

	FY 2015	FY 2016	FY 2017	FY 2018
<p>Funding structure change in the City's GHI Plan The funding structure change in FY'15 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. Savings in FY'17 and FY'18 are lower than in FY'16, reflecting the smaller spread in costs between a fully insured plan and a minimum premium arrangement that resulted from a moratorium of the ACA health insurer fee in calendar year 2017.</p>	\$58 M	\$61 M	\$41 M	\$51 M
<p>Dependent Eligibility Verification Audit (DEVA) The DEVA program – an audit of dependent eligibility for coverage – resulted in conversions of family to individual health contracts. This provides continued savings from lower health premiums. FY'17 and FY'18 also factor savings from an “on-going” DEVA audit to ensure continued and appropriate dependent eligibility for coverage.</p>	\$102 M	\$110 M	\$117 M	\$114 M
<p>Reduction in FY 2015 Administrative Charges The City's successful negotiation with one of its carriers on their FY'15 administrative fees resulted in savings for the City.</p>	\$4 M			
<p>Mental Health Parity “Relief” Federal mental health parity regulations required that mental health benefits be equal to medical benefits. The last administration contended that the cost of health plan compliance with this be borne by the Health Insurance Stabilization Reserve Fund, which is jointly controlled by the City and the MLC. The issue was arbitrated and in late 2014 it was ruled that the City had to reimburse the Stabilization Fund for mental health benefit costs covered by the fund during 2011 – 2015. However, the MLC agreed that the City could forgo the refund in favor of using that money to meet part of the FY 2015 healthcare savings obligation.</p>	\$148 M			
<p>Changes to the Care Management Program In March/April 2015, the existing pre-authorization program was expanded. The previously limited case management program was amplified to include case management for all complex and high cost acute and chronic conditions as well as maternity management and readmission management programs. In January 2016, a new vendor was selected to administer the programs and to implement new pre-authorization requirements for outpatient procedures.</p>	\$10 M	\$38 M	\$38 M	\$41 M
<p>Specialty Drugs (PICA) Program Changes The contract for the specialty drug program was renegotiated several times during the past few years and is generating savings from improved pricing and certain cost management provisions such as pre-authorization and drug quantity management programs. Projected savings for FY'18 include improved pricing as of October 1, 2017, and stems from a competitive proposal from the existing vendor in response to the City's Request for Proposal (RFP).</p>	\$10 M	\$32 M	\$37 M	\$51 M

	FY 2015	FY 2016	FY 2017	FY 2018
HIP Rate Savings Based on historical trends, the City's budget estimated a 9% increase in the HIP rate for fiscals 2015 through 2018. However, the rates were finalized at a lower than budgeted increase (see below). The HIP rate reduction generates savings as the amount representing the differential between the budgeted and actual increase would have otherwise been paid into the Stabilization Fund.				
<ul style="list-style-type: none"> • Rate increase of 2.89% vs. 9% in FY'16 	\$17 M	\$335 M	\$367 M	\$401 M
<ul style="list-style-type: none"> • Rate increase of 5.98% vs. 9% in FY'17 		\$8 M	\$173 M	\$190 M
<ul style="list-style-type: none"> • Rate increase of 7.84% vs. 9% in FY'18 			\$3 M	\$70 M
<ul style="list-style-type: none"> • Rate increase of 6.84% vs. 7% in FY'19 				\$1 M
HIP HMO Preferred Plan <ul style="list-style-type: none"> • Savings from Value Based Network (FY'17 - 4.88% for Preferred Plan vs. 5.98% for Non Preferred Plan) The transition from the HIP HMO plan to the HIP HMO Preferred Plan effective July 1, 2016 reduces the overall cost to the City for employees and pre-Medicare retirees enrolled in the program and lowers the benchmark HIP rate that drives the payment for their coverage. The City is obligated to make an equalization payment into the Stabilization Fund that makes up 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.		\$3 M	\$63 M	\$69 M
HIP HMO Plan Design Changes <ul style="list-style-type: none"> • Savings from Combined Plan Design Changes (Reduction in rate in FY'18 from 7.84% {Without Plan Changes} to 6.76% {With Plan Changes} See below. <ul style="list-style-type: none"> ○ HIP HMO – Urgent Care Copay Change from \$0/\$10 to \$50 (eff. 7/1/17) This change made the HIP HMO plan urgent care copay identical to that of the GHI CBP plan. It is intended to prevent unnecessary overutilization of care in more expensive settings. <ul style="list-style-type: none"> ○ HIP HMO – Change ER Copay Change from \$50 to \$150 (eff. 7/1/17) The change made the HIP HMO plan ER copay identical to that on the GHI CBP plan. It is designed to prevent unnecessary overutilization of care in more expensive settings. <ul style="list-style-type: none"> ○ Focus on Provider Efficiency in the HIP HMO Plan (eff. 1/1/18) Savings are generated from a focus on providers that are deemed efficient per the plan's standards. 			\$3 M	\$66 M
GHI Senior Care Plan Savings Similar to the HIP rate, the 8% annual increase budgeted for Senior Care premium increases for fiscal years 2015-2018 were settled at 0.32%, -0.07%, 4.73%, and 2.42%, respectively.				
<ul style="list-style-type: none"> • Rate increase of 0.32% vs. 8% in FY'15 	\$38 M	\$42 M	\$46 M	\$50 M
<ul style="list-style-type: none"> • Rate increase of -0.07% vs. 8% in FY'16 		\$35 M	\$39 M	\$43 M
<ul style="list-style-type: none"> • Rate increase of 4.73% vs. 8% in FY'17 			\$15 M	\$16 M
<ul style="list-style-type: none"> • Rate increase of 2.42% vs. 8% in FY'18 				\$26 M

	FY 2015	FY 2016	FY 2017	FY 2018
Lower Radiology Fees Emblem renegotiated the contract with their radiology provider resulting in lower costs that were phased in during the first half of CY 2016. Savings with their full effect are reflected from FY'17.		\$3 M	\$20 M	\$19 M
Lower Durable Medical Equipment (DME) Fees Emblem selected a single source vendor for DME with lower fees.			\$1 M	\$1 M
GHI CBP Program Changes Effective July 1, 2016, changes were made to the GHI CBP program to address the underutilization of primary and preventive care and the overutilization of emergency room, specialty and other care. All these changes generated significant savings.			\$89 M	\$104 M
Diabetes Management Program Patients with gestational and Type 2 diabetes requiring complex care management are offered individual case management services from a registered nurse to help them find the most effective and efficient care.		\$1 M	\$2 M	\$1 M
Focus on Provider Efficiency in the GHI CBP Plan (eff. 1/1/18) Savings are generated from a focus on providers that are deemed efficient per the plan's standards.				\$9 M
Additional CBP Plan Savings for FY'17 Reflected in FY'18 Savings reflect the true-up adjustment for FY'17 in FY'18 for CBP plan design changes (copay changes), radiology and DME fee changes, and diabetes management.				\$6 M
Oncology Expert Medical Review Program Introduction of a program that provides specialty medical review for treatment of cancer.				\$0.5 M
Telemedicine Program A program to lower the cost of care by reducing the overutilization of emergency room, urgent care, and unnecessary ancillary procedures/services.				\$2 M
Buy-Out Waiver Incentive Pilot Program Pilot program to determine the impact of an increased incentive for waiving coverage. The increased enrollment was not sufficiently large to offset the increased costs of the incentive so the program reverted to the previous \$500 and \$1,000 incentives in CY 2017.		(\$3 M)	(\$3 M)	
Weight Management Program The program results in meaningful weight loss among participants and generate savings from lower medical costs. <i>Savings in FY'18 reflect savings for the period covering June 2016 - June 2018.</i>				\$5 M
Stabilization Fund Adjustment This adjustment reflects a Stabilization Fund contribution to offset the intentional delay in the implementation of health plan changes.	\$13 M	\$36 M		
Total	\$400 M	\$700 M	\$1.051 B	\$1.335 B

4-Year Summary	FY 2015	FY 2016	FY 2017	FY 2018	Total
Goal	\$400 M	\$700 M	\$1.000 B	\$1.300 B	\$3.400 B
Total Achieved	\$400 M	\$700 M	\$1.051 B	\$1.335 B	\$3.486 B

Note: Totals may not add due to rounding.

