



Office of Labor Relations

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April 10, 2019

To: Bill de Blasio
Mayor, City of New York

Dean Fuleihan
First Deputy Mayor, City of New York

From: Renee Camplon
Claire Levitt

A handwritten signature in blue ink, likely belonging to Renee Camplon or Claire Levitt, written over the names in the "From:" field.

Re: Q1 and Q2 Fiscal Year 2019 Healthcare Savings Report

As previously reported, the Fiscal Year 2019 – 2021 Health Savings Agreement of June 28, 2018, set a new goal of attaining an additional \$1.1 billion in health care savings on top of the more than \$3.4 billion that was successfully saved in the Fiscal Years 2015 – 2018 Health Savings Agreement. In partnership with the Municipal Labor Committee and our insurers, we are continuing 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.

The new Agreement calls for healthcare savings of \$200 million in Fiscal Year 2019, \$300 million in Fiscal Year 2020 and \$600 million in recurring savings in FY 2021. As with the prior Agreement, savings will be measured against the FY 2019 – FY 2022 City Financial Plan, which projected City health care cost increases of 7% in FY 2019, 6.5% in FY 2020 and 6% in FY 2021. Savings targets for FY 2019 and FY 2020 can be achieved by any combination of savings meeting the two year target but the \$600 million in FY 2021 must be recurring and not "borrowed" from other years.

Some programs stemming from the new Agreement are already in place.

- Effective October 1, 2018, a special program to assist families with infertility issues was put in place under the City's "CBP" program, which is the PPO program utilizing the Empire Blue Cross hospital and Emblem Health medical plans. The program is expected to generate savings by reducing the incidence of premature births. Also effective October 1, 2018, changes to the drug program provided under the Emblem Health medical plan included the expansion from 60 to 90 day maintenance drug refills and a change to adopt the Express Scripts national formulary, both of which are expected to generate significant prescription drug savings.
- Effective January 1, 2019, the CBP also added care management programs that are designed to reduce hospital stays and 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 a hospital facility.
- 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. Patients are being encouraged to use Memorial Sloan Kettering Medical Center for oncology and Hospital for Special Surgery for orthopedic surgery. This program is expected to expand to the CBP later this year.
- Effective July 1, 2019, new employees of the City will be enrolled in the HIP HMO for their first year of coverage. There will be 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.

To ensure the long term sustainability of the health care program, the Agreement also established a "Tripartite Health Insurance Policy Committee", chaired by Martin Scheinman, Esq. and representatives of the MLC and the City, to study and make recommendations to the way health care is funded and provided, 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, audits, RFPs and the status of the Stabilization Fund.

The Tripartite Committee has been meeting monthly since November and has already authorized audits of Empire Blue Cross and Emblem Health. The Empire Blue Cross audit is scheduled to begin in March 2019, with the Emblem Health audit scheduled to begin a

few months after. The Tripartite Committee is also examining the issues of drug purchasing, hospital costs and the status of the Stabilization Fund.

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 15 -18 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.

Results of the programs that began in October 2018 and January 2019 are not yet available. We expect that preliminary results should be available by May or June 2019 so we expect to issue our next report by July 2019.