



# 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*

MAYRA E. BELL  
*General Counsel*

GEORGETTE GESTELY  
*Director, Employee Benefits Program*

November 25, 2015

**To: Bill de Blasio**  
Mayor, City of New York

**Anthony Shorris**  
First Deputy Mayor, City of New York

**From: Robert Linn**  
**Claire Levitt**

**Re: Report of the Status of Healthcare Savings, Q1 Fiscal Year 2016**

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## Introduction

Following the City's success achieving the FY2015 target of \$400 million in health care costs, we are confident that we will meet the goal of \$700 million in savings for FY16, and that we are on our way to meeting our goal of \$3.4 billion or more in total savings by FY 2019. We continue to work towards these goals with unprecedented collaboration with labor via the Municipal Labor Committee (MLC) and through a wide range of targeted strategies. In FY 2016, we are rolling out a series of initiatives that will help reduce costs across the system and make our employees healthier.

## Data Analysis

One of the most significant deficiencies in the City's ability to contain health care costs was the failure to obtain and analyze data from its multiple health plans to understand the nature of the overall health care utilization and expense. As of September 2015, for the first time, the City and the Municipal Labor Committee are collecting and reviewing data in order to get a clear picture of how its health care dollars are being spent.

The data analysis is being performed by our actuarial consultant, along with our health savings team.

Key findings from the initial data analysis have given us a clearer picture of the trends and expenses we need to address and have been extremely helpful in informing the prioritization and direction of our program development to bend the healthcare cost curve for the City's health plans.

The findings include the following:

- Overall, costs for the City's largest health plan (Empire Blue Cross/GHI-CBP) are between the midpoint and high benchmarks for total expense.
- Inpatient medical admission rates are very high compared to benchmarks.
- Emergency room and urgent care visits have exceptionally high utilization.
- Physician specialty care visit utilization is very high.
- Outpatient preventive services utilization (for example, colonoscopy, mammography, lipid panel tests) is very low.
- Radiology and pathology procedures performed in physician offices are very high utilization.
- There is extreme variation in hospital pricing in New York City. Costs per day and costs per admission at some hospitals are 3-4 times the costs of other hospitals, and are not necessarily indicative of better quality.

This data -- and, in particular, the significance of the overutilization of many services and the underutilization of preventive services -- is extremely helpful in ensuring the City is appropriately focusing its health care savings efforts.

Discussions with the Municipal Labor Committee are underway about plan design changes that can encourage employees to make better health care choices, including avoiding the emergency room and increasing preventive and primary care utilization.

The data also demonstrates that City health care expenses for cancer, heart disease, diabetes, and hypertension represent over 40% of the total health care spend, suggesting that programs to help address the lifestyle factors that contribute to these diseases could impact costs, as well as improve the overall health of New York City employees.

### **FY 2016 Savings**

Approximately \$656 million of the \$700 million goal for FY 2016 is already accounted for as a result of recurring savings from FY 2015, increased savings from the programs initiated later in FY 2015, and new programs currently being implemented. These savings include those derived from the change in the funding structure, the Dependent Eligibility Verification Audit, the enhanced Care Management program, changes to the Specialty Drug contract and program, HIP rate savings and GHI Senior Care savings.

There are also several important new initiatives that are being implemented or are under development for FY 2016 that are expected to deliver the balance of the savings goal for the year and set the stage for further expanding FY 2017 and FY 2018 savings.

These new programs include:

## **1. Increased Buy-Out Incentives**

In the Open Enrollment period currently underway, employees are being offered triple the amount previously offered to opt out of the City's health plans and use other coverage available to them. The City will now pay \$1,500 for an individual and \$3,000 for a family annually for employees that voluntarily select other coverage. Savings generated by the program will depend upon the extent of the growth in buy-outs.

## **2. Expanded Care Management Programs**

The City recently selected a new vendor for its Care Management programs and will be implementing expanded case management and chronic disease management programs, along with new pre-authorization requirements for outpatient surgical procedures. These programs will go into effect January 1, 2016 and will expand on the care management savings realized in FY 2015.

## **3. Diabetes Case Management Program**

Diabetes is a growing epidemic in the United States: nearly 30 million people have diabetes. Patients diagnosed with diabetes can prevent serious complications by carefully managing their disease. To help our employees who are diabetic, beginning July 1, 2015, patients with diabetes and/or gestational diabetes are being offered one-on-one case management services with a registered nurse to help them manage their condition. An outreach letter was sent to the first wave of potential enrollees; several hundred employees have already enrolled in the program.

## **4. Telemedicine Program**

In early 2016, we will be offering physician services online and via telephone. This service will expand City employees' access to immediate physician availability and potentially reduce costs for unnecessary emergency room utilization.

## **5. Online Appointment Scheduling**

In early 2016, we will be rolling out a City version of the ZocDoc website, which will enable employees to go onto the site and select available physician appointment times online. The site will direct employees to physicians in their network.

## **6. 24 Hour NurseLine Program**

Access to quick and low-cost medical advice will be an important factor in reducing more expensive alternatives. The 24-hour NurseLine program, currently offered to all City employees covered by the CBP plan, provides around-the-clock access to registered nurses for patients with symptoms or health questions. This valuable

program has not been well publicized and, therefore, has had minimal utilization – so the City is implementing a plan to publicize the availability of the program.

## **7. Flu Shot Program**

Flu shots are an important preventative step to reduce more costly ER and doctor visits. The free flu shot program, which began for employees last year, was offered again beginning in September 2015 through December 2015. This year it was expanded to include covered dependents and pre-Medicare retirees. Flu shots are being offered at no cost to employees at participating worksite locations, as well as at physician offices and participating pharmacies throughout the city. We are confident that we will substantially increase the number of people getting the flu shot in general, and especially at participating worksite locations.

## **8. Continuation of the Dependent Eligibility Verification Audit**

The comprehensive DEVA audit, which saved over \$100 million last year, will be continued on a limited basis for three additional years.

We also continue to work with the MLC to identify innovative models of health care delivery that could reduce our costs. These include Accountable Care Organization (ACO) programs, in which selected hospital and provider groups would accept risk and provide access to better coordinated care; tiered networks to promote the use of providers that have demonstrated quality and cost effectiveness by providing financial incentives to employees to use qualified providers; Centers of Excellence for transplants, radiology, dialysis, behavioral health, and other high-cost care; and primary care based “medical home” facilities.

We are confident that the full FY 2016 goal of \$700 million can be achieved as a result of the programs we are implementing and the changes being contemplated for this fiscal year.

### **Promoting a Healthier Workforce in FY 2016 and Beyond**

An important component of the overall approach to health care cost savings involves helping our workforce get healthier and stay healthier. To that end, we have been working on a number of different approaches to health and wellbeing. Several new programs are going into effect in FY 2016 that will advance an improved and sustainable “Culture of Health” among the citywide workforce, and many other approaches are being explored. These include the Diabetes Prevention Program, Weight Watchers Program, and Smoking Cessation program.

The Culture of Health team is also working on the roll out of a robust worksite wellness demonstration project at two agencies in 2016. The program will include health risk assessments, biometric screenings, and personal coaching, with an emphasis on addressing nutrition and obesity, fitness, and smoking cessation.

To help support these programs, OLR has introduced a new section on its website in the Employee Wellness section that contains valuable information and tools to help maximize access to appropriate healthcare and educate the workforce about health issues and the City’s health and wellbeing programs.

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We are pleased that the first fiscal year of the health care cost savings initiative was successful, both in reaching the initial savings goal and in creating a more collaborative approach between the City and its municipal unions in this important effort. With the valuable data we have obtained, in the second year of the health savings program we are able to focus more precisely on the specific problems we've identified. We believe our successful labor-management partnership will continue to meet -- and potentially exceed -- the savings targets for the upcoming fiscal years.