



Office of Labor Relations

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January 2, 2020

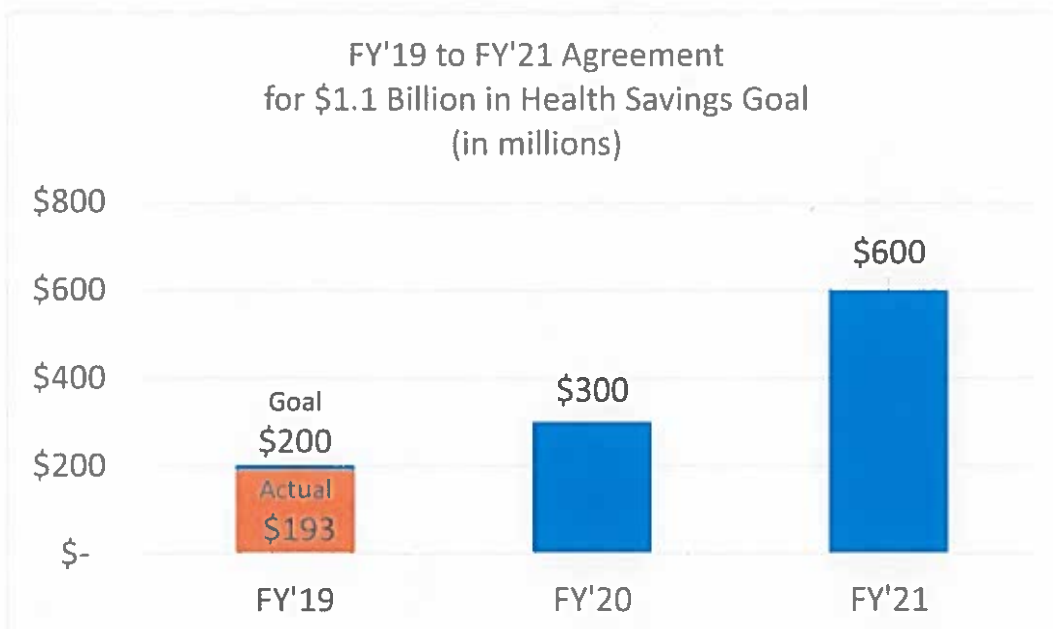
To: Bill de Blasio
Mayor, City of New York

Dean Fuleihan
First Deputy Mayor, City of New York

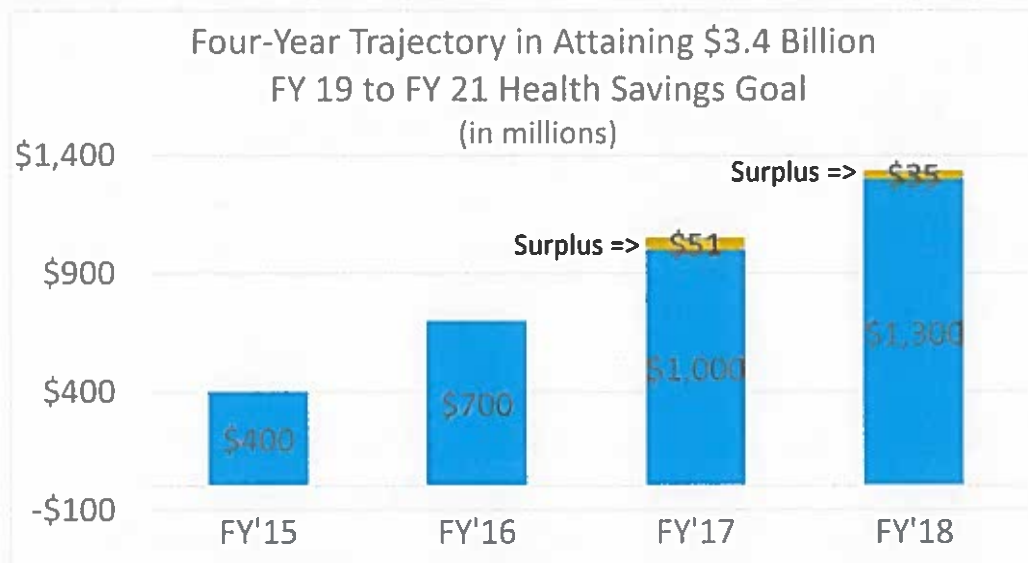
From: Renee Campion
Claire Levitt

Re: Fiscal Year End 2019 Healthcare Savings Report

The FY 19- FY 21 Health Savings Agreement between the City and the Municipal Labor Committee targets \$1.1 billion in additional health care savings over three years, with \$600 million of recurring savings in FY 21. The Agreement calls for a combined savings of \$500 million in FY 19 and FY 20. We are pleased to report that actual final savings for FY 19 were \$193 million, putting us on track to attain the required \$500 million of combined program savings for FY 2019 and FY 2020.



The savings that will be generated in the three-year FY 2019 – FY 2021 Health Savings Agreement will add to the more than \$3.4 billion total savings and \$1.3 billion in recurring savings that was successfully saved in the prior FY 2015 – FY 2018 Health Savings Agreement.



As with the prior Agreement, savings are measured against the City’s Financial Plan for FY 2019 – FY 2021, which projected City health care cost increases of 7% in FY 2019, 6.5% in FY 2020 and 6% in FY 2021 for actives and pre-Medicare retirees, and 5% annually for Medicare retirees. The FY 2019 HIP HMO rate, which represents the City’s total health plan cost obligation, rose 6.84%. The Senior Care rate for Medicare retirees rose by 5.57%. However, as a result of changes made to the HIP HMO plan, the FY 2020 HIP HMO rate increase was only 3.49%, and is anticipated to be only 3% in FY 2021. The Senior Care plan increase for FY 2020 is 3.39%.

The new programs generating these savings include:

- 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 at Memorial Sloan Kettering Medical Center and Hospital for Special Surgery. This program will expand to the CBP effective January 1, 2020.
- Effective July 1, 2019, new employees of the City are being enrolled in the HIP HMO for their first year of coverage. There is 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.

- Effective October 1, 2018, the WIN Fertility Program started assisting families with infertility issues.
- Effective October 1, 2018, changes were made to the coverage for prescription drugs provided under the CBP to include the expansion from 60 to 90 day maintenance drug refills and a change to adopt the Express Scripts national formulary.
- Effective July 1, 2020, the CBP will add two more care management programs to 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 in a hospital facility.
- The FY 2019 savings consist of the following items:

	(in millions)
Rollover savings This represents the surplus savings over the savings target in FY'17 and FY'18, plus an additional amount representing annual recurring savings. Per an agreement with the City in June 2018, the Municipal Labor Committee (MLC) decided to use these savings towards the FY'19 savings target.	\$127 M
HIP HMO Plan savings <ul style="list-style-type: none"> • Rate increase of 6.84% (excluding the 0.13% rate increase for coverage of statins in the base health plan) versus the budgeted 7.0% increase in FY'19 • Rate increase of 3.49% versus the budgeted 6.5% rate increase in FY'20 Based on historical trends, the City's budget estimated an annual increase in the HIP rate in FY'19 and FY'20 of 7% and 6.5%, respectively. However, the rates were finalized at a lower than budgeted increase (see above). The HIP rate reduction generates savings as the amount representing the differential between the budgeted and actual increase would have otherwise been paid by the City into the Stabilization Fund.	\$10 M \$10 M
Senior Care Plan additional costs <ul style="list-style-type: none"> • Rate increase of 5.57% versus the budgeted 5% increase in FY'19 This represents the additional costs to the City of a rate increase that is higher than the budgeted increase.	(\$3 M)
EBCBS/GHI CBP Plan Savings <p>Empire WINFertility Program eff. 10/1/18 This program generates savings from comprehensive care and case management for fertility treatment services. It reduces medical and pharmacy cost related to fertility treatment by guiding members to the fastest route to a successful singleton birth.</p> <p>Empire Length-of-Stay (LOS) Management eff. 1/1/19 This program involves intensive utilization review for hospital inpatient cases and, when clinically appropriate, determines when hospital care for short length of stay cases can still be safely provided at an <i>Observation Level of Care</i> instead of the more expensive <i>Inpatient Level of Care</i>.</p> <p>Emblem CBP Plan Drug Changes eff. 10/1/18 (i.e., Smart 90 Program & Change to ESI National Formulary) The <i>Smart 90</i> program allows for 90-day supplies of long term medications (e.g., diabetic drugs, ACA preventive care drugs, etc.) through the (i) Express Scripts Inc. pharmacy or (ii) Walgreens/Duane Reade retail pharmacy. Previously, the CBP mail order program was only for a 60-day supply. Drug discounts are higher than otherwise for longer duration supplies. Net pricing (after factoring rebates) is more favorable under the "ESI National Formulary" when compared to that in the plan's existing formulary.</p>	\$7 M \$23 M \$18 M
Total Savings	\$193 M

Total may not add due to rounding

The \$600 million savings targeted in FY 2021 is undergoing additional and continuing planning efforts in partnership with the Municipal Labor Committee (MLC) and our insurers. To ensure achieving \$600 million in savings in FY 2021 to meet the three-year \$1.1 billion savings goal, and to ensure the long term sustainability of the health care program, the Health Savings Agreement also established a “Tripartite Health Insurance Policy Committee.” This committee, chaired by Martin Scheinman, Esq., and representatives of the MLC and the City, was created to study and make recommendations to the way health care is funded and provided. This Committee is charged with presenting a report 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 and audits. The Tripartite Committee has been meeting regularly since November 2018.

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 2015 – FY 2018 Agreement. Some of the major components of those continuing savings include:

- Lower increases in insurance premiums costs than had been projected, which have also been lower than local and national trends.
- 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.