Educational Presentation - History of PEC and Relevant Healthcare Terms

March 12th, 2019

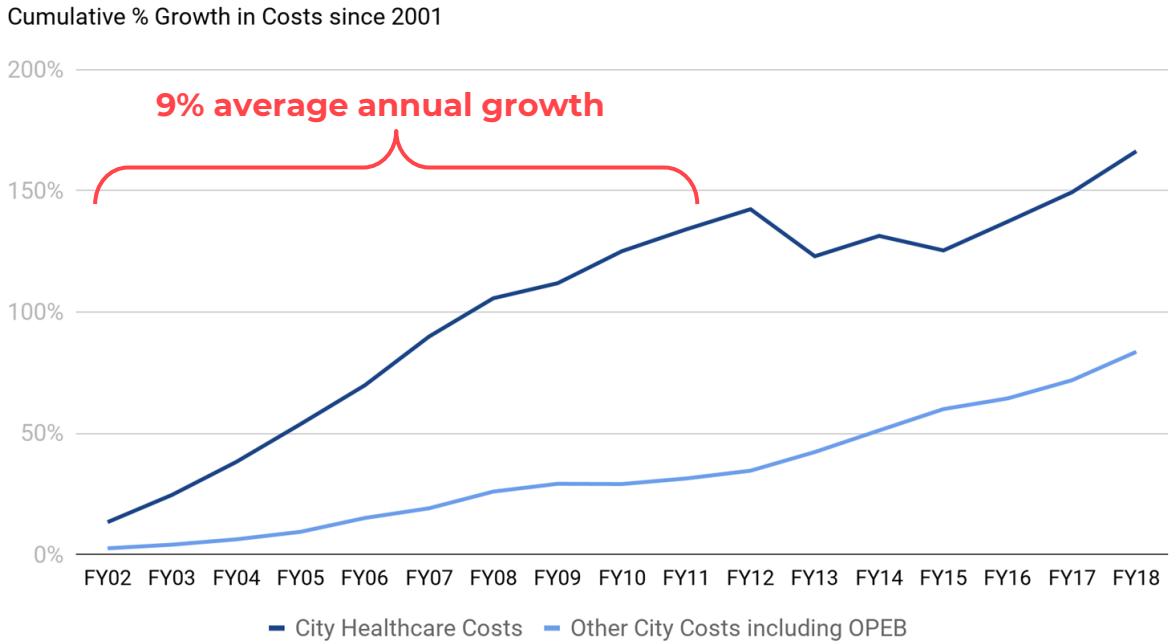
Agenda

I. History of Health Benefits in the City of Boston

II. Plan Design Elements

Before FY12, City healthcare costs increased dramatically

From FY01 to FY11, healthcare costs increased an average of 9% per year, compared to 3% per year for non-healthcare costs. Healthcare costs increased from 7.8% of the total City budget in FY01 to over 13% in FY11.



The City must control healthcare cost growth to afford other expenditures, such as new positions, wage growth, and other city services.

Rising healthcare costs also drive rising premiums, impacting members directly.

Prior to FY12, the City took initial steps to control costs

In response to increasing costs, the City bargained individually with each union to make changes in FY08-FY11 to reduce costs. As a result of this bargaining:

- Member premium share increased by five percentage points:
  - HMO: 10% to 15%
  - POS: 15% to 20%
  - PPO: 20% to 25%
- The costly non-Medicare Master Medical indemnity plan was eliminated.

The City also contracted with an actuarial firm to improve its financial analysis of health insurance.

FY12 Municipal Healthcare Reform

Significant cost increases for all municipalities led to changes to MGL Ch. 32B, which governs municipal healthcare.

Changes included:

- S.18: Mandatory Medicare enrollment
- S.21: Defined processes to follow in negotiating health insurance under S. 22-23, including approval by Mayor and City Council
    - S.22: Municipalities can design plans to achieve equal savings to what would be realized through adoption of the GIC benchmark (highest enrolled) plans, and add a limited network plan so long as a plan with a broader network is also offered.
    - S.23: Municipalities can transfer health insurance coverage to the GIC.

FY12 Municipal Healthcare Reform

The City chose not to pursue S.21-S.23.

Instead, the City worked with the unions to establish the Public Employee Committee (PEC) to negotiate health insurance pursuant to S.19 of Ch. 32B.

This allowed the City and the unions to work collaboratively to find solutions to limit cost growth while minimizing the impacts on members.

First PEC Agreement (FY12 - FY15)

The City and the Unions negotiated changes to member premium share and plan design:

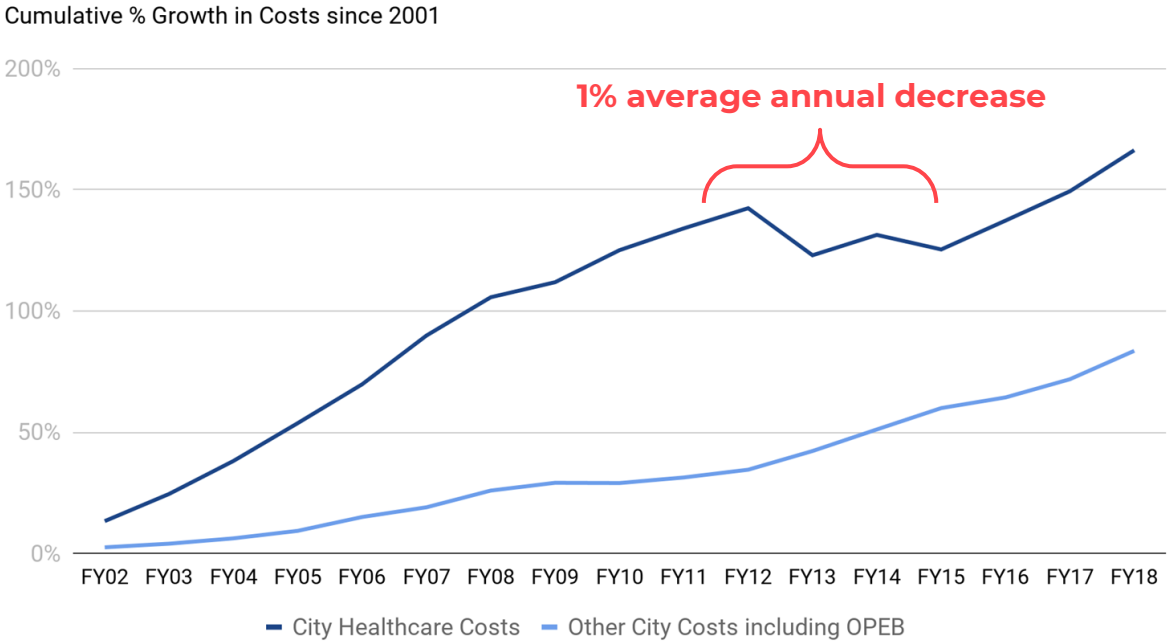
- Member premium share increased by 2.5 percentage points for non-Medicare plans and 1% for Medicare plans:
  - HMO: 15% to 17.5%
  - POS: 20% to 22.5%
  - PPO: 25% to 27.5%
  - Master Medical A&B (Medicare): 25% to 26%
  - Other Medicare: 10% to 11%
- Copays increased for non-Medicare plans:
  - Office visits (PCP): $10 to $15
  - 30-Day Rx:
    - Tier 1 $5 to $10
    - Tier 2 $10 to $25
    - Tier 3 $25 to $45
  - Specialists: $10 to $25
  - Emergency Room: $30 to $100

The City also implemented policy changes with the support of the PEC:

- Move from fully insured to self-insured for HPHC claims
- Implement mandatory Medicare enrollment per MGL S.18
- Move Tufts Medicare Supplement Plan Rx to a Prescription Drug Plan (PDP)

From FY11 to FY15, healthcare costs decreased

Over the four years of the PEC agreement, City healthcare costs decreased by an average of 1% per year, a significant change from the previous high increases.



The decrease was driven by:

- Implementation of mandatory Medicare
- Member cost share increases
- The move to self-insurance
- An overall lower healthcare cost trend.

Second PEC Agreement (FY16 - FY20)

In the second agreement, the City and Unions continued to work cooperatively to control costs for the City and employees. The City and the Unions negotiated further changes:

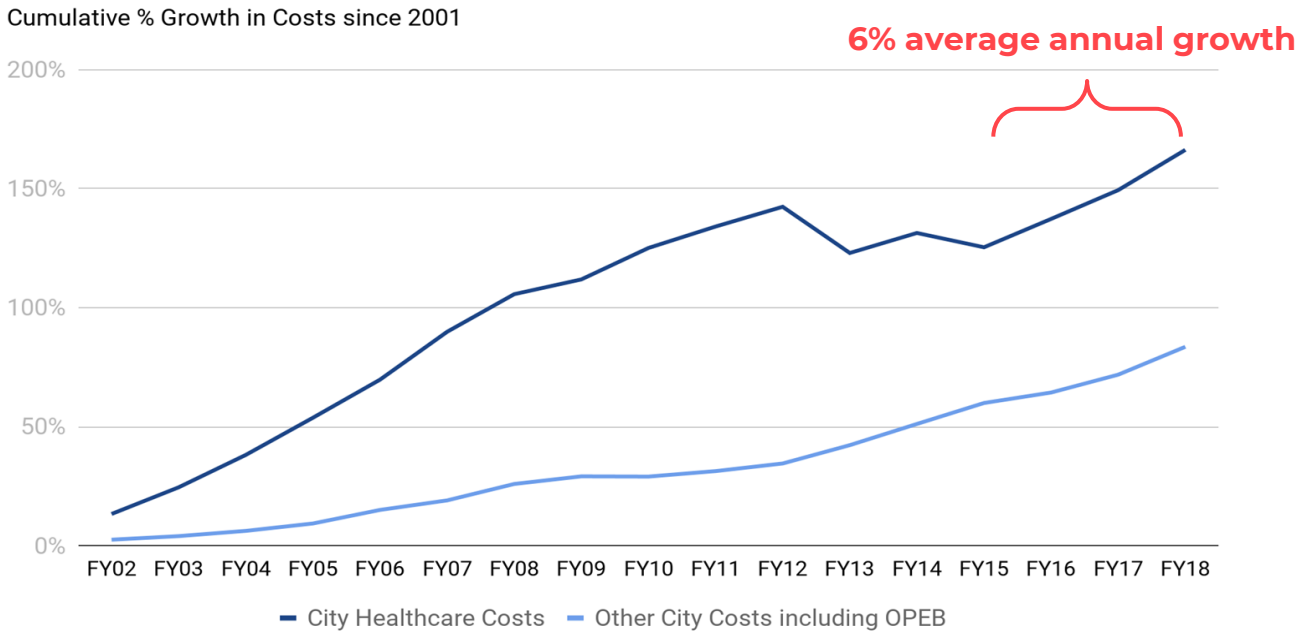
- Member premium share increased by another 2 percentage points for non-Medicare plans, and 1 percentage point for Medicare plans.
  - HMO: 17.5% to 19.5%
  - PPO: 27.5% to 29.5%
  - All Medicare plans except Master Medical: 11% to 12%
- Copays increased:
  - Office visits (PCP): $15 to $20
  - Specialist: $25 to $30
  - Medicare Plans: $50 Inpatient CoPay
- Master Medical A&B enrollment was frozen for one and a half years and replaced with Medex with a PDP. Member premium share decreased from 27% to 12%.

The City also implemented further policy changes:

- Self-insure the remaining City health claims (Tufts Medicare Supplement medical and NHP).

From FY15 to FY18, City Healthcare costs continued to increase

During the first three years of the second PEC agreement, City healthcare costs have increased at a slightly higher annual rate than other City expenses (average 6% vs. 5%, respectively).



Agenda

I. History of Health Benefits in the City of Boston

II. Plan Design Elements

Plan Design Elements: Member Cost Sharing

Type of Cost Sharing		Impact Cost/Benefits	Examples from Current City of Boston Plans
Premium Share	The percent of premium you pay for health insurance every month (from paycheck or pension). The employer pays the remaining percentage.	• All members pay the same amount, regardless of what services they use. • Amount paid increases annually with rate increases.	AllWays (NHP) and HPHC HMO - 19.5% BCBS PPO - 29.5% Medicare - 12%
Copayment	A fixed amount you pay for each covered health care service, in addition to your premium and any deductible.	• Predictable amount per service. • Members using more services pay more.	Office visit - $20 Specialist - $30 ER - $100 Rx - $10/ $25/ $45
Deductible	You pay in full for certain services until reaching the annual maximum deductible amount.	• Fixed max amount per year. • Members only pay if they use services.	BCBS PPO out-of-network - $250/ $750

Plan Design Elements: Co-Pays and Deductibles

Some plans have only copayments, and other plans have both deductibles and copayments. Premiums are generally higher for plans with copayments only and lower for plans with both copayments and deductibles.

Example: West Suburban Health Group (WSHG) benchmark plan includes deductibles and copays:

Deductible Only:

- Diagnostic blood work and x-rays
- Ambulance services

Deductible and Copay:

- High Tech Imaging
- Outpatient surgery
- Inpatient services
- Emergency room

Copay Only:

- Office visits - illness or injury
- Specialist visits
- Physical therapy
- Behavioral health visits

No Copay or Deductible:

- Routine physicals and well-child care visits
- Prenatal visits
- Screenings i.e. cancer, colonoscopy (non-diagnostic)
- Immunizations

Plan Design Elements: Member Cost Sharing

Example: Bob is enrolled in the WSHG benchmark plan, which includes a $300 deductible, $20 copay for PCP and $275 copay for inpatient services.

July 1 ***(Beginning of coverage period)***

Timeline	Paid Towards $300 Deductible	Total Paid YTD
➢ July: Bob receives his annual physical. **Bob pays no copay or deductible for this preventive visit.**	**$0**	**$0**
➢ October: Bob sprains his ankle. He visits his PCP for an office visit and receives an x-ray that costs $250. **Bob pays: $20 copay for non-preventive office visit, and $250 deductible for the x-ray because he has not yet met his $300 deductible.**	**$250**	**$270**
➢ February: Bob has hip surgery. The actual cost of the surgery is $2,000. **Bob pays: Remaining $50 deductible and $275 copay for inpatient surgery.**	**$50**	**$595**
➢ April: Bob is having a rough year. He has knee surgery. The actual cost of the surgery is $1,500. **Bob pays: $275 copay only as deductible has been met for the year.**	**$0**	**$870**

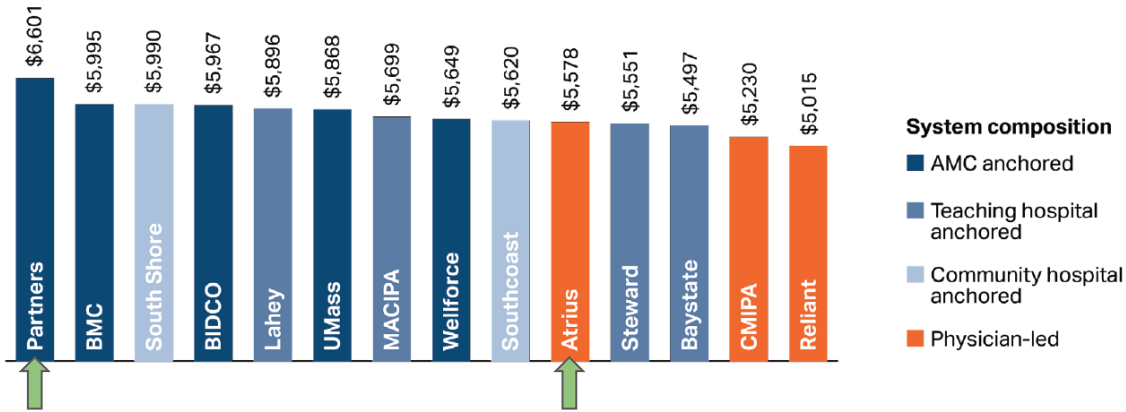
June 30 ***(End of coverage period)***

Plan Design Elements: Lower Cost Providers

Healthcare costs vary widely by providers in the Boston metro area. When members use higher cost providers, the higher claims costs drive up premiums.

Example: Average spending per member with a primary care provider at Partners is 18% higher than at Atrius

EXHIBIT 4.3 Average risk-adjusted commercial spending per member per year, by provider organization, 2015



Notes: AMC = academic medical center. Spending adjusted using the Johns Hopkins Adjusted Clinical Groups (ACG®) grouper applied to claims data. Data includes only adults age 18 and older. Commercial payers include Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care and Tufts Health Plan.

Sources: HPC analysis of Massachusetts All Payer Claims Database, 2015; Registration of Provider Organizations, 2016; SK&A Office and Hospital Based Physicians Databases, December, 2015

Plan Design Elements: Lower Cost Providers

There are multiple strategies to incentivize members to use low-cost, high-quality providers. These include:

- Limited networks
- Tiering copayments

These strategies mitigate cost growth in the long run by encouraging new members to choose low-cost providers, thereby reducing claim costs and premiums.

Plan Design Elements: Limited Network

A **limited network** excludes the highest cost providers, as determined by the health insurance provider, and includes only lower-cost providers that meet a certain quality threshold.

In a plan with a limited network, your insurance only covers services provided by a physician or hospital included in the network.

This is a viable option for:

- Members who prefer lower premiums over flexibility in provider choice.
- Members who already utilize providers that participate in the limited network.

Plan Design Elements: Limited Network

Example:

May *(Annual enrollment period)*

- ➢ Bob reviews the limited network health plan material and checks to see if his PCP and other physicians are in the network.
- ➢ Bob is already utilizing providers in the limited network and/or prefers the lower employee payroll deductions over the flexibility in provider choice.
- ➢ Bob enrolls in the health plan with the limited network.

July 1 *(Beginning of coverage period)*

- ➢ For services from providers within the network, **Bob pays the applicable cost sharing.**
- ➢ For non-emergency services from providers not in the network, **Bob pays the full cost.**

June 30 *(End of coverage period)*

City of Boston Healthcare - PCP Affiliation Limited Network

The HPHC Focus network is an example of a limited network. When we examined the PCP groups that City HPHC members used in CY18, we found that 76.7% of City members used PCP groups in that network.

Primary Care Group	Tier	Members	Total Members in Tier
Atrius Health Inc	In-Network	28.6%	76.7%
Medical Care of Boston	In-Network	3.9%	
Steward Medical Group Inc	In-Network	2.7%	
Roslindale Pediatric Associates PC	In-Network	2.0%	
Hyde Park Pediatrics PC	In-Network	1.9%	
Other In-Network Providers	In-Network	37.5%	
Brigham & Women's Physicians Organization	Out-of-Network	5.6%	23.3%
Mass General Hospital Ambulatory Care Division	Out-of-Network	2.2%	
Massachusetts General Physicians Organization	Out-of-Network	1.7%	
Other Out-of-Network Providers	Out-of-Network	13.7%	

*Illustrative data as reflects physicians that are no longer practicing or changed practices.

*PCP hospital affiliation tier does not always equate hospital tier

City of Boston Healthcare - Inpatient Limited Network

When we examined the hospitals that City HPHC members used in CY18 for inpatient services, we found that 52.3% used hospitals that are in the HPHC Focus limited network. This is a snapshot in time as emergency care would be treated as in-network, therefore, out-of-network is overstated. 2018 had 2,476 total IP admissions of which 1,003 were through the ER.

Name of Hospital	Tier	Members	Total Members in Tier
Beth Israel Deaconess	In-Network	15.4%	52.3%
Tufts Medical Center	In-Network	3.5%	
New England Baptist Hospital	In-Network	3.3%	
Children's Hospital Medical Center	In-Network	3.3%	
Boston Medical Center	In-Network	3.2%	
Other In-Network Hospitals	In-Network	23.7%	
Brigham & Women's Hospital	Out-of-Network	17.6%	47.7%
Newton Wellesley Hospital	Out-of-Network	8.2%	
Mass General Hospital	Out-of-Network	7.8%	
South Shore Hospital	Out-of-Network	6.8%	
Brigham & Women's Faulkner Hospital	Out-of-Network	3.7%	
Other Out-of-Network Hospitals	Out-of-Network	3.5%	

Plan Design Elements: Tiered Network

A **tiered network** encourages members to utilize cost-effective providers.

Providers are assigned to different tiers based on the insurers' determination of the relative value of the providers' cost and quality. A member's copay depends on the tier of their provider.

Members can save by choosing more preferred providers (Tier 1), but still have the choice to use less preferred providers (Tier 2 and Tier 3) but pay higher copays.

Plan Design Elements: Tiered Network

Example: The GIC Benchmark Plan includes tiering for PCP visits, specialists and inpatient hospital care.

Primary Care Office Visits	Tier 1: $10 per visit Tier 2: $20 per visit Tier 3: $40 per visit
Specialist Physician Office Visit	Tier 1: $30 per visit Tier 2: $60 per visit Tier 3: $75 per visit
Inpatient Hospital Care	Tier 1: $275 per admit Tier 2: $500 per admit Tier 3: $1,500 per admit

Plan Design Elements: Tiered Network

Example: Bob is enrolled in the GIC Benchmark Plan that includes tiering for PCP visits, specialists and inpatient hospital care.

July 1 ***(Beginning of coverage period)***

➢ August: Bob injures his knee and visits his PCP, who falls in Tier 1. **Bob pays: $10 for the non-preventive care visit.**
➢ September: Bob visits the rheumatologist referred by his PCP. **Bob pays: $60 as this physician is a Tier 2 specialist.**
➢ Bob needs knee surgery and works with his PCP to get a couple of orthopedic surgeon options from which to choose. ➢ Bob opts for the surgeon in **Tier 1**.
➢ October: Bob has an office visit with the orthopedic surgeon. **Bob pays: $30 for the Tier 1 specialist visit.**
➢ October: Bob is admitted for his knee surgery. **Bob pays: $275 for the Tier 1 hospital admission.**

Bob would pay $500 or $1,500 if he opted for a hospital in Tier 2 or Tier 3, respectively.

June 30 ***(End of coverage period)***

City of Boston Healthcare - PCP Affiliation Tiered Network

When we examined the PCP groups that City HPHC members used in CY18, we found that 75% used PCP groups who would be in Tier 1 and Tier 2 under the HPHC ChoiceNet tiered network plan.

Primary Care Group	Tier	Members	Total Members in Tier
Atrius Health Inc	Tier 1	28.6%	45.2%
Roslindale Pediatric Associates PC	Tier 1	2.0%	
Hyde Park Pediatrics PC	Tier 1	1.9%	
Other Tier 1 Providers	Tier 1	12.6%	
Medical Care of Boston	Tier 2	3.9%	29.9%
South Shore Medical Center	Tier 2	1.6%	
Other Tier 2 Providers	Tier 2	24.3%	
Brigham & Women's Physicians Organization	Tier 3	5.6%	21.2%
Mass General Hospital Ambulatory Care Division	Tier 3	2.2%	
Steward Medical Group Inc	Tier 3	1.9%	
Other Tier 3 Providers	Tier 3	11.5%	
Out-of-Network Providers	OON	3.8%	3.8%

*Illustrative data as reflects physicians that are no longer practicing or changed practices.

*PCP hospital affiliation tier does not always equate hospital tier

City of Boston Healthcare - Inpatient Tiered Network

When we examined the hospitals that City HPHC members used in CY18 for inpatient services, we found that 60% used hospitals that would be in Tier 1 and 2 under the HPHC ChoiceNet tiered network plan. This is a snapshot in time as emergency care would be treated as tier 1, therefore tier 2, 3, and out-of-network percentages are overstated. 2018 had 2,476 total IP admissions of which 1,003 were through the ER.

Name of Hospital	Tier	Members	Total Members in Tier
New England Baptist Hospital	Tier 1	3.3%	17.7%
Beth Israel Deaconess Hospital Milton	Tier 1	2.8%	
Other Tier 1 Hospitals	Tier 1	11.6%	
Beth Israel Deaconess	Tier 2	15.4%	42.4%
Newton Wellesley Hospital	Tier 2	8.2%	
Brigham & Women's Faulkner Hospital	Tier 2	3.7%	
Other Tier 2 Hospitals	Tier 2	15.2%	
Brigham & Women's Hospital	Tier 3	17.6%	38.3%
Mass General Hospital	Tier 3	7.8%	
South Shore Hospital	Tier 3	6.8%	
Other Tier 3 Hospitals	Tier 3	6.0%	
Out-of-Network Hospitals	OON	1.6%	1.6%

Discussion

Glossary

Healthcare Terms:

Types of Health Insurance Plans:

- **Health Maintenance Organization (HMO)** - A plan that usually limits coverage to care from doctors who contract with the HMO. It generally will not cover out-of-network care except in an emergency. An HMO requires you to live in its service area to be eligible for coverage. HMO plans also require a referral from your primary care doctor to see a specialist.
- **Point of Service (POS)** - A plan in which you pay less if you use doctors, hospitals, and other health care providers that belong to the plan's network. POS plans also require a referral from your primary care doctor to see a specialist.
- **Preferred Provider Organization (PPO)** - A plan in which you pay less to use providers that belong to the plan's network. You can use doctors, hospitals, and providers outside of the network for an additional cost. PPO plans do not require a PCP referral for a specialist visit.

General Health Insurance Terms:

- **Annual Enrollment** - The yearly period when employees/retirees can enroll in and change health insurance plans and coverage without a qualifying life event.
- **Fully-Insured vs. Self-Insured** - The financial arrangement between the insurance carrier/administrator and the purchaser. In a fully insured arrangement, a set annual premium is charged, regardless of actual costs incurred. In a self-insured arrangement, the purchaser pays actual claims costs and an administrative fee for claims management, retaining the risk of unexpected high claims, and the savings if costs are lower.
- **Massachusetts General Law (MGL)** - Statutes or laws of Massachusetts.
- **Prescription Drug Plan (PDP)** - Stand-alone prescription drug plan that is at least the Medicare Part D equivalent.

Glossary *continued*

- **Primary Care Physician (PCP)** - A physician who directly provides or coordinates a range of health care services for a patient.
- **Rx** - A medical prescription. The symbol "Rx" is usually said to stand for the Latin word "recipe" meaning "to take."
- **Specialist** - A physician who focuses on a specific area of medicine or a group of patients to diagnose, manage, prevent, or treat certain types of symptoms and conditions.

Health Carriers for City of Boston:

- **AllWays Health Partners [formerly Neighborhood Health Plan (NHP)]** - Provides one non-Medicare HMO plan.
- **Blue Cross Blue Shield of Massachusetts (BCBSMA)** - Provides one non-Medicare PPO and three Medicare plans.
- **Harvard Pilgrim Health Care (HPHC)** - Provides one non-Medicare HMO plan and one Medicare plan.
- **Tufts Health Plan** - Provides two Medicare plans.

Health Insurance Purchasing Cooperatives:

- **Group Insurance Commission (GIC)** - The GIC provides and administers health insurance and other benefits to 180,000 state employees, retirees, and their dependents, in addition to 70,000 subscribers from 41 municipalities and 17 school districts and collaboratives.
- **Group Insurance Commission Benchmark Plans** - Under Ch. 32b S.21 - 23, municipalities compare plan design and savings against the GIC's highest enrolled non-Medicare plan (currently Tuft's Navigator) and Medicare plan (Unicare Indemnity OME).
- **West Suburban Health Group (WSHG)** - Municipal joint purchase group organized under MGL Ch. 32B, §12 currently signed by 11 participating governmental employers located in the metrowest area (west and south of Boston) of the Commonwealth.