

Town of Barnstable

Health Insurance Program Evaluation Summary Report

October 18, 2012

Health Insurance Review Project – Two Phases

⇒ Evaluation and Analysis of the Town's Participation in the Cape Cod Municipal Health Group (CCMHG)

⇒ Evaluation and Analysis of Alternatives Including Cape Cod Municipal Health Group (CCMHG)

Agenda

- ⇒ Process Overview
- ⇒ Current Town Health Insurance Program
- ⇒ Cape Cod Municipal Health Group (CCMHG)
- ⇒ Current Enrollment and Financial Summary
- ⇒ CCMHG Benefits Provided to the Town
- ⇒ Top Medical Providers
- ⇒ Strategic Alternatives
- ⇒ Considerations and Results
- ⇒ Questions and Answers

Process Overview – Phase I

- ⇒ Evaluate Town’s participation in the Cape Cod Municipal Health Group (CCMHG) – 3 key elements
 - Pure Financial – review three years of claims vs. “premiums” paid
 - Operational – review the services provided and added benefits of being part of the CCMHG vs. alternatives
 - Other Financial – advantages of the CCMHG vs. alternative(s) [large group vs. smaller group]

- ⇒ Gather data and information from various sources
 - Group Benefits Strategies (GBS) – current consultant for the CCMHG
 - Insurance Carriers – Blue Cross Blue Shield, Harvard Pilgrim Health Care, Tufts Health Plan
 - Town Departments

- ⇒ Information reviewed, analyzed and exhibits prepared
 - Some information will also be utilized in Phase II

Process Overview – Phase II

- ⇒ Review results from Phase I
- ⇒ Review current insurance market and carriers
- ⇒ Investigate other purchasing groups/arrangements
- ⇒ Discuss stand alone fully insured and self-insured quotes for the Town with carriers
- ⇒ Review other potential cost saving measures
- ⇒ Model financial results based on known/received rate data
- ⇒ Review other considerations of alternatives to CCMHG

Town Health Insurance Plans

- ⇒ Barnstable has participated in the Cape Cod Municipal Health Group (CCMHG) since 1987 [since its inception]
- ⇒ CCMHG consists of 53 municipal entities on Cape Cod and Martha's Vineyard (approximately 10,722 subscribers - employees and retirees)
 - \$22.7M net assets as of FY11 (June 30, 2011)
- ⇒ Barnstable has approximately 1,181 subscribers, representing 11% of CCMHG's subscribers
- ⇒ Majority of subscribers are covered by a BCBS plan
- ⇒ Retired Municipal Teachers (RMTs) are covered by the Group Insurance Commission (GIC) plans

Town Health Insurance Plans – Enrollments

July 2012	Active Employees	Medicare Retirees	Non-Medicare Retirees	Total
Active/Non-Medicare Plans				
Blue Cross Blue Shield HMO	250	0	10	260
Blue Cross Blue Shield PPO	209	0	33	242
Blue Cross Blue Shield MH Plus	21	0	4	25
Harvard Pilgrim HMO	313	0	13	326
Harvard Pilgrim PPO	49	0	6	55
Subtotal	842	0	66	908
Medicare Plans				
Medex III	0	182	0	182
Managed Blue for Seniors	0	2	0	2
HMO Blue Medicare	0	2	0	2
Harvard Pilgrim Medicare Enhance	0	37	0	37
Tufts Medicare Preferred HMO	0	3	0	3
Tufts Medicare Prime Supplement	0	3	0	3
Subtotal	0	229	0	229
Waivers	429	0	0	429
Grand Total	1,271	229	66	1,566

Note: Not including Retired Municipal Teachers (RMTs) or those that pay 100% of premiums

Town Health Insurance Plans – Enrollments

⇒ Retired Municipal Teachers (RMTs)

- Insured through the Group Insurance Commission (GIC) plans for medical, dental, and life insurance (MGL Chapter 32A, Section 12)
- If retired prior to 7/1/1990, retirees pay a 10% contribution for medical
 - 54 enrollees
- If retired 7/1/1990 or later, retirees pay a 15% contribution for medical
 - 249 enrollees
- RMTs would stay in the GIC under alternative scenarios
- If the Town transfers all employees/retirees to the GIC; RMTs would stay in the GIC, but would be required to reenroll (limited information required)
- RMT costs are “charged” to the Town on the Cherry Sheet as a net reduction to local aid annually
 - FY 13 Cherry Sheet amount is \$1,999,215
 - Reflects Town’s projected cost less proportional share of federal Medicare Part D subsidy [prescription drug plan]

Town Health Insurance Plans – Costs

Annual Period - FY13	Total Projected Costs	Town Projected Costs	Employee/Retiree Projected Costs
Active and Non Medicare Retirees	\$12,476,892	\$6,238,446	\$6,238,446
Medicare Retirees	\$1,073,944	\$536,972	\$536,972
Retired Municipal Teachers (RMTs)	\$2,352,018	\$1,999,215	\$352,803
Totals	\$15,902,854	\$8,774,633	\$7,128,221

Note: RMT retiree and total cost estimated from FY13 Cherry Sheet

Town – CCMHG Cost Analysis

⇒ “Premiums” vs. Claims – three year review

- For a group of the Town’s size an 85% medical loss ratio is expected
- Medical loss ratio is claims divided by premiums for a specific time period
- The benchmark 15% difference between premiums and claims is for administration, reinsurance, other fixed costs and surplus contribution

⇒ Claims and enrollment data issues

- BCBS did not have Town specific historical claims and enrollment data
- HPHC had Town specific claims and enrollment data
- Historical claims and enrollment data was recreated from other sources
- My Medication Advisor program (no member cost prescription drugs) does not segregate claim data by municipal unit
- Beginning 7/1/12 all active and non-Medicare claims and enrollment data will be segregated; Medicare and My Medication Advisor plans/programs are still not segregated

Town/CCMHG Analysis – Premiums vs. Claims

Carrier	5/09 - 4/10			5/10 - 4/11		
	Premium	Claims	Loss Ratio	Premium	Claims	Loss Ratio
Active and Non-Medicare Retirees						
Blue Cross Blue Shield	\$8,995,940	\$11,320,662	125.8%	\$8,711,802	\$10,304,297	118.3%
Harvard Pilgrim Health Plan	\$4,014,361	\$3,547,102	88.4%	\$4,722,232	\$4,199,207	88.9%
Sub Total	\$13,010,301	\$14,867,764	114.3%	\$13,434,034	\$14,503,504	108.0%
Medicare Retirees						
Blue Cross Blue Shield	\$894,592	\$1,005,317	112.4%	\$863,612	\$1,123,698	130.1%
Harvard Pilgrim Health Plan	\$86,528	\$73,549	85.0%	\$83,328	\$113,063	135.7%
Tufts Health Plan	\$17,192	\$14,613	85.0%	\$22,246	\$18,909	85.0%
Sub Total	\$998,312	\$1,093,479	109.5%	\$969,186	\$1,255,670	129.6%
Grand Totals	\$14,008,613	\$15,961,243	113.9%	\$14,403,220	\$15,759,174	109.4%
Notes: Gross claims included. Premiums are working rates for self insured plans.						
5/09-4/10 HPHC Medicare Claims Estimated						
Tufts Medicare Claims Estimated						

Town/CCMHG Analysis – Premiums vs. Claims

Carrier	5/11 - 4/12			Totals		
	Premium	Claims	Loss Ratio	Premium	Claims	Loss Ratio
<i>Active and Non-Medicare Retirees</i>						
Blue Cross Blue Shield	\$8,533,897	\$9,515,245	111.5%	\$26,241,639	\$31,140,204	118.7%
Harvard Pilgrim Health Plan	\$5,591,237	\$6,158,049	110.1%	\$14,327,830	\$13,904,358	97.0%
Sub Total	\$14,125,134	\$15,673,294	111.0%	\$40,569,469	\$45,044,562	111.0%
<i>Medicare Retirees</i>						
Blue Cross Blue Shield	\$933,202	\$1,027,341	110.1%	\$2,691,406	\$3,156,356	117.3%
Harvard Pilgrim Health Plan	\$108,146	\$164,204	151.8%	\$278,002	\$350,816	126.2%
Tufts Health Plan	\$28,378	\$24,121	85.0%	\$67,816	\$57,644	85.0%
Sub Total	\$1,069,726	\$1,215,666	113.6%	\$3,037,224	\$3,564,815	117.4%
Grand Totals	\$15,194,860	\$16,888,960	111.1%	\$43,606,693	\$48,609,377	111.5%
<i>Notes: Gross claims included. Premiums are working rates for self insured plans.</i>						
<i>5/09-4/10 HPHC Medicare Claims Estimated</i>						
<i>Tufts Medicare Claims Estimated</i>						

CCMHG Projected Financial Benefits to Town

⇒ COBRA Administration	\$ 6,000
⇒ Independent Financial Audit	\$ 10,000
⇒ Employee Benefits Consulting	\$ 45,000
⇒ Medicare Part D Administration	\$ 7,500
⇒ Dependent/Enrollment Audit	\$ 10,000
⇒ My Medication Advisor Program	\$200,000
⇒ Wellness Programs/Stipends	<u>\$ 20,000</u>
Total Projected Annual Benefit	\$298,500

Town CCMHG Analysis – Summary

CCMHG vs. Fully Insured Plan

- ⇒ Average Annual Premium vs. Claims (Savings)/Cost
 - (\$4,526,937) (actual vs. 85% loss ratio last 3 years)
- ⇒ Additional Financial (Savings)/Cost
 - Medicare Part D Subsidy \$100,000
- ⇒ Additional Financial Benefits Provided by CCMHG
 - (\$298,500)
- ⇒ Total Projected Average Annual (Savings)/Cost of the CCMHG vs. Fully Insured Plan
 - (\$4,725,437)

Town CCMHG Analysis – Summary

CCMHG vs. Self Insured Plan

- ⇒ Average Annual Premium vs. Claims (Savings)/Cost
 - (\$3,467,909) (actual vs. claims and projected administration – 10%)
- ⇒ Additional Financial (Savings)/Cost
 - Stop Loss (\$35,269)
 - Medicare Part D Subsidy \$100,000
- ⇒ Additional Financial Benefits Provided by CCMHG
 - (\$298,500)
- ⇒ Total Projected Average Annual (Savings)/Cost of the CCMHG vs. Self Insured Plan
 - (\$3,701,678)

Provider Summary – Claim Dollars

- ⇒ Another aspect of the CCMHG review was to determine where claim dollars are being spent/where members are receiving care (reviewed 12 and 18 month time periods)
- ⇒ BCBS active non-Medicare plans [see notes on data]
 - 56.9% of inpatient and outpatient dollars were paid to Cape Cod Healthcare facilities
 - Mass General was the next highest at 8.7%; Children’s at 5.2%
 - Top physician provider accounted for only 1.5% of total dollars
 - Top 25 physicians account for 16.8% of total dollars
- ⇒ Harvard Pilgrim Health Care active non-Medicare Plans
 - 32.75% of total dollars paid to Cape Cod Healthcare providers
 - Brigham and Women’s was next highest at 4.64%; Beth Israel at 2.54%

CCMHG Compared to Own Plans

- ⇒ The large risk pool of the CCMHG provides economies of scale leading to lower health care “premiums” and long-term stability in rates
- ⇒ CCMHG has a hybrid funding arrangement. Member municipal units pay fixed amounts (i.e., the funding rates) into the CCMHG Trust Fund, from the municipality perspective this is like an insured arrangement. The CCMHG pays claims and other expenses (under a self-funded arrangement). Self-funding is the least expensive way to provide health benefits for large employer groups but can have large fluctuations in monthly/annual costs. The hybrid financial arrangement of CCMHG allows the municipalities to have the advantage of predictable monthly costs (as with a fully-insured plan) with all the advantages of self-funding
- ⇒ Municipalities that participate in CCMHG share proportionately in the Fund Balance through budgeted reductions in projected rates

CCMHG Compared to Own Plans

- ⇒ CCMHG offers programs at no additional cost to its participating municipal units. Some of these include COBRA administration, advice on law and regulations, Retiree Drug Subsidy (RDS) account management, Early Retiree Reinsurance Program (ERRP) administration, assistance with enrollment questions, entering enrollment data into the BCBS and HPHC enrollment databases, wellness programs and stipends to municipal units to provide additional wellness programming and incentives, an alternative import prescription drug program that enables plan members to get certain maintenance medications at no cost, and the Diabetes Rewards program
- ⇒ Municipal units that leave CCMHG and self-fund on their own will find their administrative costs are higher, the reinsurance deductible levels will be set considerably lower than the CCMHG's level and reinsurance premiums would be considerably higher
- ⇒ Municipal units have more choices of health plans to offer to employees through CCMHG than they could feasibly offer on their own

CCMHG Compared to Own Plans

- ⇒ CCMHG has a zero co-pay prescription drug import program for maintenance medications. The cost of the claims from this program would have to be added into the rate calculation for stand-alone health plans (i.e. outside CCMHG); whereas, through CCMHG these claims are funded through sources of revenue [subsidies or investment income] other than monthly premium collections
- ⇒ Municipal units that leave CCMHG are not eligible to apply for membership again until two years have passed since leaving the group

Strategic Alternatives to Current CCMHG Plans

- ⇒ Carve out plan design elements (e.g., Rx)
- ⇒ Duplicate GIC Type Plan Designs (up to allowed maximums)
- ⇒ Plan Consolidation to One Vendor/Plan
- ⇒ Tiered or Select/Limited Network Plans
 - Direct contracting or steerage plans for certain services
- ⇒ Mass Municipal Association Plan (MIIA)
- ⇒ Join Another Purchasing Group
- ⇒ Group Insurance Commission (GIC) Plans

Strategic Alternatives to Current CCMHG Plans

- ⇒ Savings are not “guaranteed” if provided in a self-insured arrangement outside a purchasing group
 - Plan design or network changes are based on projections
- ⇒ Plan design changes shift cost to members
 - Claim utilization savings can also occur if no Health Reimbursement Arrangement (HRA) offered
- ⇒ Most changes would not impact Medicare retiree plans

Strategic Alternatives – Separate Town Plans

⇒ Carriers were only willing to provide “illustrative” self insured quotes

- Too early for binding reinsurance quotes (usually 60 days prior to effective date)
- Loss ratio data and claim issues prevented the carriers from providing fully insured quotes
- Carve outs were unable to be quoted due to lack of detailed claim data availability on BCBS plans (e.g., pharmacy claim detail for BCBS members)
- MIAA declined to quote as their rates would not be competitive

⇒ Comparisons made to CCMHG projected costs

- Phase 1 analysis indicates CCMHG costs are understated
- Understatement becomes exacerbated with separate Town plans
- Separate Town plan quotes did not produce projected savings

Strategic Alternatives – Other Joint Purchasing Groups

- ⇒ Mayflower Municipal Health Group (MMHG)
 - Plymouth County municipalities
 - Projected additional \$1.1M total costs over CCMHG in FY14
- ⇒ West Suburban Health Group (WSHG)
 - West of Boston suburbs
 - Projected additional \$1M total costs over CCMHG in FY14
- ⇒ Southeastern Mass Health Group (SMHG)
 - Bristol County municipalities
 - Projected additional \$1.9M total costs over CCMHG in FY14
- ⇒ Group Insurance Commission (GIC)
 - Projected \$465k total savings over CCMHG in FY14

Project Summary

- ⇒ The Town of Barnstable and their employees and retirees are receiving an average annual financial benefit of \$3.7M - \$4.7M compared to purchasing health insurance and related services on their own
- ⇒ Alternative purchasing groups such as the MMHG, WSHG or SMHG would cost \$1M - \$2M more in total annually with no additional benefits or choice of plans
 - Costs could be higher if groups increase costs for new municipal units
- ⇒ The Group Insurance Commission plans would provide a projected annual savings of \$465,000 in total using conservative migration assumptions

Project Summary

- ⇒ The current claims utilization rates and costs for Town of Barnstable members prevent any other strategic alternatives from providing cost savings or increased benefits to the Town or its employees and retirees
- ⇒ There may be attractive opportunities in the future for the Town depending on the success of proposed healthcare and payment reforms in reducing costs and improving health and outcomes for members
- ⇒ Tracking Town specific claims and enrollments will be key to future analyses

Project Summary

- ⇒ The Town, through the Cape Cod Municipal Health Group, should work with Cape Cod Health Care to see if there are products or arrangements that could be developed to reduce claim costs, while maintaining quality and adequacy of care
- ⇒ Employee and retiree education efforts should continue regarding cost and utilization of services, and the impact to future rates
- ⇒ Utilize mitigation funds to assist members with out of pocket costs
- ⇒ Encourage enrollment in the healthcare Flexible Spending Account (FSA)

Questions and Answers

