

South Butler County School District

Health Care Executive Summary

9/18/2015

Agenda

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The illustrations presented herein are a high level comparison of benefits and costs and are an attempt to present coverage features. The summaries are not a contract and do not include all of the benefits that are included nor does it outline the exclusions and limitations. You must refer to the Insurance Company proposal and policies themselves for true definitions of coverage, exclusions, and limitations.

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- Over 60 Employees in 8 Offices across Pennsylvania, New York and Connecticut
- Provide Employee Benefit Consulting Services to nearly 70 School Districts across the state of Pennsylvania

2014 - 2015 Summary (page 1)

- SBCSD and FNBC began discussions related to the Health Insurance program in late 2014
- SBCSD Objectives:
 1. High Quality of Care for Employees and their Families
 2. Maintain Highmark Network of Hospitals and Physicians
 3. Minimize future increases to SBCSD costs
 4. Gain control over the Health Insurance costs, data and plan design
- FNBC Marketed the Health Insurance Program to Aetna, Cigna, UnitedHealthCare evaluating Fully-Insured and Self-Funded options
- Highmark Fully-Insured provided the most equitable option
- Consumer Driven Plan Design (CDHP) with Highmark and partnership with FNBC accomplishes all four objectives

2014 - 2015 Summary (page 2)

- FNBC Proposed a CDHP for SBCSD (entire population)
 - Provides the same Highmark Network and Coverages as today
 - Highmark Fully-Insured QHDHP (no copays, all services and prescriptions go toward deductible)
 - Preventive Care still covered at 100% and not subject to deductible
 - In-Network Deductible \$2,000 Single / \$4,000 Family
 - 100% Coverage In-Network after Deductible (Med + Rx)
 - HRA which reimbursed 50% of every dollar of the In-Network Deductible with SBCSD funds (employee responsible for other 50%)
- SBCSD hosted numerous sessions where FNBC educated the bargaining units on the CDHP

The Objectives

1. High Quality of Care for Employees and their Families
 - The Estimated Per Employee Out-of-pocket Cost in the Current PPO for the 2016-17 Plan Year for SBCSD is \$98 per month (*Out-of-pocket includes In-Network Deductible and Copays, does not include premium contributions through payroll deduction*)
 - Under the Proposed CDHP, the Expected Average Per Employee Out-of-pocket Cost in 2016-17 for SBCSD would be \$122 per month
 - The CDHP provides budget security through a Fixed Maximum In-Network Out-of-pocket cost at \$1,000 for single coverage and \$2,000 for family coverage
 - Members who pledge 100% of their deductible share via FSA contributions will receive a fully funded debit card which can be used for all covered In-Network Out-of-pocket costs.
2. Maintain strong Network of Hospitals and Physicians
 - Proposed program utilizes the same Highmark PPO Network of Hospitals, Physicians and Pharmacies as the current plan
3. Gain control over the Health Insurance costs, data and plan design
 - Achieved by contracting directly with Highmark
4. Minimize Future Increases to SBCSD Costs
 - Transition to CDHP can hold costs near current budget with estimated (80% HRA Utilization)

Consumer Directed Plans

- Significant Premium Reduction with Highmark
- SBCSD and SBCSD Employees taking on risk corridor from \$2,000 / \$4,000
- Consumerism
 - Price Awareness
 - Involved in Purchase of Health Services
 - Use of Consumer Tools
 - Stronger Purchasing Decisions – Shared Savings
 - Over the Counter vs. Generic vs. Brand Name
 - PCP vs. Urgent Care vs. Emergency Room
 - Avoidance of unnecessary services
 - Quest Diagnostics v. Hospital

Consumer Directed Plans

- **“SHRM 2015 Employee Benefits” Report** Describes a CDHP as generally being comprised of an HRA or HSA, underlying Medical Plan and education and information support tools
- **March, 2015** - National Bureau of Economic Research (NBER) studied enrollment and claims data from 2004 to 2007 regarding health plans offered to **54 large U.S. firms** covering **13 million individuals** (5 million in firms offering a CDHP and 8 million from those that did not)
 - Firms offering a CDHP **lowered** their healthcare costs **6.6 %** more than non-CDHP firms in year one, **4.3%** in year two and **3.4%** in year three.
 - Annualized growth on **drug spending** was **5% to 9% lower** among these firms than those who did not offer a CDHP.
 - In addition to the **lower** employer healthcare costs, a CDHP, in theory, **reduces** what consumers pay for healthcare services.
 - Consumers often think twice about the care they receive and **shift their behavior** in order to keep costs down.
 - <http://www.nber.org/papers/w21031.pdf>
- **Capital BlueCross 2016 Trends**
 - PPO 11%, PPO Rx 10.5%, QHDHP 8%
- “From 2011 to 2012, high-deductible health plans (HDHP) with health savings accounts (HSA) experienced a **two-point** lower rate of cost increase than PPOs – (*Aon Hewitt 2013 Health Care Survey*)
- “Full-Replacement Choice Fund [CDHP] customers have **12%** lower medical cost trend in first year” – (*Cigna Choice Fund 8th Annual Experience Study; May 21, 2014*)

Consumer Directed Plans

- **FNBC has implemented CDHPs with many PA School Districts including:**
 - Karns City Area School District
 - Hermitage School District
 - West Middlesex Area School District
 - Farrell Area School District
 - Jefferson County Dubois Area Vo Tech
 - Neshannock Township School District
 - Brookville Area School District
 - Punxsutawney Area School District
 - Commodore Perry School District
 - Jamestown Area School District
 - Otto Eldred School District
 - Port Allegany School District
 - Williamsport Area School District
 - Big Spring School District
 - Montoursville Area School District
 - Canton Area School District
 - Northern Tier Career Center

Historical Financial Review

Out of Pocket Costs

Three Year Average
July 1, 2012 through June 30, 2015
Annual Out-of-pocket Costs:
Employees Average: \$1,032 per Year

- The information above represents the average of three complete years of Out-of-pocket that employees are spending on healthcare.
- All aspects of the current medical plan: Rx Co-pays, Deductibles, Medical Co-pays and Co-Insurance are being factored.
- Based off of this data, we are able to project a comparison of the out of pocket costs between the current and proposed plans for lower users, medium users and higher users displayed on the next slide.

Employees can
view their
History:

www.highmarkbcbs.com

“Claims And
Spending Tab”

Historical Financial Review

Low/Medium/High Users



- Below is a three tiered comparison between what employees would spend out of their own pocket in 2016-17 under the Current PPO compared to what employee's will spend out of their pocket on average under the CDHP plan.
- This analysis break takes SBCSD's specific claims data and utilization summaries and classifies employees into three tiers: Low/Medium/High Users

	Low Users		Medium Users		High Users	
Percentage of Employees	41%		39%		20%	
# of Employees	66		64		33	
Single Enrollment	18.2%	12	18.8%	12	21.2%	7
All other Tiers	81.8%	54	81.3%	52	78.8%	26
Out of Pocket Expenses	Current Plan	CDHP Plan*	Current Plan	CDHP Plan*	Current Plan	CDHP Plan*
Single	Deductible	\$195	\$138	\$627	\$174	\$1,000
	Medical Co-Payments		\$297		\$374	
	Rx Co-Payments		\$117		\$148	
	Total	\$312	\$195	\$552	\$627	\$696
All Others	Deductible	\$1,222	\$383	\$2,000	\$483	\$2,000
	Medical Co-Payments		\$825		\$1,039	
	Rx Co-Payments		\$327		\$412	
	Total	\$868	\$1,222	\$1,535	\$2,000	\$1,934

*Proposed Plan employee deductible liability (out of pocket spend) at the 50% EER /50% EE reimbursement split

PPO Plan: Average Per EE Monthly Out-of-pocket \$98
CDHP Plan: Average Per EE Monthly Out-of-pocket \$122

Historical Financial Review

Rx Claims



Period	Rx Average Plan Payments Per Member
2012-13	\$894.72
2013-14	\$972.42
Highmark Average	\$601.68

Utilization is higher due to low copay structure and soft generic provision.

Prescription Drug (retail)	\$5 Generic / \$35 Brand Formulary / \$50 Brand Non-Formulary Copays Mandatory Mail Order After 60 days of Retail Usage Up to a 34 day supply Premier Pharmacy Network Choice Formulary with Soft Mandatory Generic Provision ⁹
Prescription Drug (mail order)	\$5 Generic / \$35 Brand Formulary / \$50 Brand Non-Formulary Copays Up to a 90 day supply Choice Formulary with Soft Mandatory Generic Provision ⁹

⁹ Under the Soft Mandatory Generic Provision, the member is responsible for the payment differential when a generic drug is available and the **patient** elects to purchase a brand name drug. The member payment is the price difference between the generic and the brand name, in addition to copayment or coinsurance amounts which apply.

Proposed Plan – Rx subject to deductible and Mandatory Hard Generic which means only the generic equivalent cost would accumulate towards the deductible even when the physician requests “dispense as written”, and only the generic equivalent cost would be paid after the deductible has been met.

Historical Financial Review

Prescription Drug Usage

Pharmacy	# of Rx	Payments
The Medicine Shoppe	218	\$66,654.30
Giant Eagle Pharmacy	817	\$27,287.03
Saxonburg Drug Store	702	\$21,740.46
Vicksburg Special Care Ph	6	\$21,677.22
Rite Aid	543	\$21,219.27
Pharm Prov ID-1629183413	3	\$17,336.10
Walgreens	247	\$14,325.90
Colonial Pharmacy	116	\$13,888.05
Vandergrift Pharmacy	24	\$10,031.64
Cvs	126	\$6,754.09
All Other Pharmacies	481	\$29,552.02
Total	3,283	\$250,466.08

This chart to the left is a list of the most commonly used pharmacies based on payments in 2013. Now that members are responsible for the negotiated cost, it is important to understand that certain pharmacies are significantly more/less expensive than others. Potentially slightly more inconvenient, the big-box retail pharmacies below are going to be the cheapest options. Since employees are now paying a percentage, the bit-box retailers can be a great way to save money for the same drugs.



****You do not need to be a member for Sam's Club or Costco to use their Pharmacy****

Historical Financial Review

Professional Services

Period	Professional Services Per 1,000
2012-13	23,228
2013-14	23,780
Highmark Average	20,985

Utilization is higher due to low/no copay structure and no limitations.

Therapy Services		
Spinal Manipulation Services	100% after \$15 copay per visit	80% after deductible
	<i>Note: Specialist office visit copay may apply, if an office visit is billed.</i>	
Physical Therapy Services	100% after deductible	80% after deductible
	<i>Note: Specialist office visit copay may apply, if an office visit is billed.</i>	
Speech & Occupational Therapy Services	100% after deductible	80% after deductible
	<i>Note: Specialist office visit copay may apply, if an office visit is billed.</i>	
Cardiac Rehabilitation, Chemotherapy, & Dialysis Treatment	100% after deductible	80% after deductible
Infusion, Radiation, & Respiratory Therapy Services	100% after deductible	80% after deductible

Proposed Plan – Therapy services will be subject to deductible.

Historical Financial Review

Chiropractor Utilization

- Chiropractic Utilization / 1,000 members for SBCSD was 1,940.8 between June 2014 and May 2015 as compared to the Highmark Book of Business figure of 763.0
- SBCSD is 2.5 times greater than the Utilization Benchmark
- The CDHP will incentivize SBCSD members to seek more cost effective care and avoid unnecessary services

The Plans

In-Network Benefits	Current PPO	SBCEA PPO	CDHP*
Single Deductible	\$250	\$400	\$1,000
Family Coverage Deductible	\$500	\$800	\$2,000
Preventive Care	100%	100%	100%
PCP Copay	\$15 each visit	\$20 each visit	100% After Ded.
Specialist Copay	\$25 each visit	\$25 each visit	100% After Ded.
ER Copay	\$50 each visit	\$75 each visit	100% After Ded.
Chiropractor	\$15 each visit	\$15 each visit	100% After Ded.
Diagnostic Services	\$10 each date of service per provider	\$10 each date of service per provider	100% After Ded.
Prescription Drugs	\$5/\$35/\$50 Soft Mandatory Generic	\$0/\$45/\$60 Soft Mandatory Generic	100% After Ded. Hard Mandatory Generic
Single Total Max Out of Pocket	\$6,350	\$6,350	\$1,000
Family Total Max Out of Pocket	\$12,700	\$12,700	\$2,000

**These are the amounts the employee is responsible for, the actual deductible in Highmark's system is \$2,000/\$4,000 and 50% is reimbursed through the HRA*

The Plans

Out-of-Network Benefits	Current PPO	SBCEA PPO	CDHP
Single Deductible	\$500	\$800	\$4,000
Family Coverage Deductible	\$1,000	\$1,600	\$8,000
Coinsurance After Deductible	20%	20%	20%

The CDHP and SBCEA PPO utilize the exact same Highmark network of hospitals and physicians as the Current PPO

**SBCSD In-Network Utilization in
2013 was 99.7%**

**Out-of-Network Out-of-pocket costs are not limited by Highmark's contracts and providers may balance bill amounts in excess of Highmark's determination of U&C*

The Plans – SBCEA PPO and CDHP

Low/Medium/High Users



- Below is a three tiered comparison between what employees would spend out of their own pocket in 2016-17 under the SBCEA PPO compared to what employee's will spend out of their pocket on average under the CDHP plan.
- This analysis break takes SBCSD's specific claims data and utilization summaries and classifies employees into three tiers: Low/Medium/High Users

	Low Users		Medium Users		High Users	
Percentage of Employees	41%		39%		20%	
# of Employees	66		64		33	
Single Enrollment	18.2%	12	18.8%	12	21.2%	7
All other Tiers	81.8%	54	81.3%	52	78.8%	26
Out of Pocket Expenses	SBCEA Plan	CDHP Plan*	SBCEA Plan	CDHP Plan*	SBCEA Plan	CDHP Plan*
Single	Deductible	\$195	\$248	\$627	\$313	\$1,000
	Medical Co-Payments		\$317		\$397	
	Rx Co-Payments		\$95		\$120	
	Total	\$371	\$195	\$660	\$627	\$830
All Others	Deductible	\$1,222	\$691	\$2,000	\$869	\$2,000
	Medical Co-Payments		\$879		\$1,104	
	Rx Co-Payments		\$266		\$334	
	Total	\$1,029	\$1,222	\$1,836	\$2,000	\$2,307

*Proposed Plan employee deductible liability (out of pocket spend) at the 50% EER /50% EE reimbursement split

SBCEA Plan: Average Per EE Monthly Out-of-pocket \$117

CDHP Plan: Average Per EE Monthly Out-of-pocket \$122

Claims Example – CDHP

Cost of an MRI – Lower Back

**Without Consumerism
Incentives, Decisions are
Made based on Physician
Referral, Word of Mouth,
Proximity, etc.**

**Possible Proximity
Decision
Butler Memorial
Hospital 8.6 Miles
from SBCSD**

**Estimated Cost
\$701 - \$1,183**

**Employee Cost
\$350 - \$591**

**With Consumerism
Incentives Decisions are
supplemented through
use of tools like “Care
Cost Estimator”**

**Possible Proximity
and Price Decision
North Pbgh.
Imaging Specialist,
LLC 15.4 Miles
from SBCSD**

**Estimated Cost
\$478 - \$602**

**Employee Cost
\$239 - \$301**

Claims Example – CDHP

Cost of Removal of Mole Removal

**Without Consumerism
Incentives, Decisions are
Made based on Physician
Referral, Word of Mouth,
Proximity, etc.**

**Possible Proximity
Decision
Physician A - 0.5
Miles from SBCSD**

**Estimated Cost
\$145**

**Employee Cost
\$72**

**With Consumerism
Incentives Decisions are
supplemented through
use of tools like “Care
Cost Estimator”**

**Possible Proximity
and Price Decision
Physician B - 6.5
Miles from SBCSD**

**Estimated Cost
\$46**

**Employee Cost
\$23**

Claims Example – CDHP

Prescription Drug - Crestor

**Without Consumerism
Incentives, Decisions are
Made based on Physician
Prescription with Limited
Incentive to Evaluate
Alternatives**

**Treat High Cholesterol
with Crestor 20Mg Daily.
90 Day Maintenance
Supply**

**Mail Order Cost
\$589
[Retail Cost
\$662]**

**Employee Cost
\$294**

**With Consumerism
Incentives Decisions are
supplemented through
use of tools like “Price a
Medication”**

**Talk to Physician
about Generic
Alternative
Atorvastatin**

**Mail Order Cost
\$10**

**Employee Cost
\$5**

Claims Example - CDHP

Medical Expenses assumes in-network coverage	Contracted Allowance w/ Carrier discount	Amount Towards Deductible	HRA Reimburses	Member Out of Pocket
Office Visits				
Preventive Care -all 5 family members	\$800			
Chiropractor - 12 visits	\$1,500	\$1,500	\$750	\$750
Dermatologist - 4 visits	\$800	\$800	\$400	\$400
Specialist Office Visit - Lower Back	\$120	\$120	\$60	\$60
Specialist Follow-up	\$120	\$120	\$60	\$60
Physical Therapy - 18 visits	\$1,800	\$1,460	\$730	\$730
Dermatologist - Mole Removal	\$50			
Sick Visit - 5 visits	\$500			
Outpatient Care				
MRI - Lower Back	\$250			
X-ray - Lower Back	\$75			
X-ray - Ankle	\$75			
X-ray - Ankle	\$75			
Emergency Room				
ER Visit - Sprained Ankle	\$800			
Durable Medical Equipment				
Crutches	\$75			
Walking Boot	\$200			
Back Brace	\$150			
Prescription Drug				
Prescription Medications - 3 Brand Maintenance Medications Via Mail Order	\$6,000			
Prescription Medications - 2 Generic Maintenance Medications Via Mail Order	\$400			
Prescription Medication - Generic - Back	\$20			
Prescription Medication - Generic - Antibiotic	\$15			
Prescription Medication - Generic - Antibiotic	\$15			
Prescription Medication - Generic - Antibiotic	\$15			
TOTAL COSTS	\$13,855	\$4,000	\$2,000	\$2,000



Claims Example

Getting Your HRA Reimbursement



- TPA Who Manages the HRA – Innova Benefits
- Getting Your 50% Reimbursement Is Easy
 - Use a debit card at point of payment (if you fund your part of the deductible via FSA)
 - Or... submit a claim once you get your EOB
 - Easy to use claim form - online or paper
 - Speedy reimbursement via direct deposit
 - Monitor reimbursement status online or by phone call
 - You can get your reimbursement before you have to pay your bill (or cc bill for Rx)

Claims Example – SBCEA PPO

Medical Expenses assumes in-network coverage	Contracted Allowance w/ Carrier discount	Medical Copay	Prescription Copay	Deductible
Office Visits				
Preventive Care -all 5 family members	\$800			
Chiropractor - 12 visits	\$1,500	\$180		
Dermatologist - 4 visits	\$800	\$100		
Specialist Office Visit - Lower Back	\$120	\$25		
Specialist Follow-up	\$120	\$25		
Physical Therapy - 18 visits	\$1,800	\$450		
Dermatologist - Mole Removal	\$50			\$46
Sick Visit - 5 visits	\$500	\$100		
Outpatient Care				
MRI - Lower Back	\$250	\$10		
X-ray - Lower Back	\$75	\$10		
X-ray - Ankle	\$75	\$10		
X-ray - Ankle	\$75	\$10		
Emergency Room				
ER Visit - Sprained Ankle	\$800	\$75		
Durable Medical Equipment				
Crutches	\$75	\$0		\$75
Walking Boot	\$200	\$0		\$200
Back Brace	\$150	\$0		\$150
Prescription Drug				
Prescription Medications - 3 Brand Maintenance Medications Via Mail Order	\$6,000		\$540	
Prescription Medications - 2 Generic Maintenance Medications Via Mail Order	\$400			
Prescription Medication - Generic - Back	\$20			
Prescription Medication - Generic - Antibiotic	\$15			
Prescription Medication - Generic - Antibiotic	\$15			
Prescription Medication - Generic - Antibiotic	\$15			
TOTAL COSTS	\$13,855	\$995	\$540	\$471

Financial Analysis 1-Year

- The Cost of Doing Nothing is Unaffordable

Plan Year	Plan Design	Annual Estimated Plan Cost ¹	Increase (Decrease)
2016-17	Current PPO	\$3,117,127	\$0
2016-17	SBCEA PPO	\$3,064,470	-\$52,657
2016-17	CDHP w/ HRA	\$2,620,608	-\$496,519

1. Utilizes Highmark Quote from 9/8/15; Includes Applicable HRA, FSA and Consulting Fees

- The CDHP w/ HRA Strategy holds prices at the current 2015-16 Year and is expected to increase at a lesser rate than the PPO Plans
- 2016-17 Monthly Out-of-pocket costs for Employees estimated to be
 - Current PPO - \$98
 - SCEA PPO - \$117
 - CDHP w/ HRA - \$122

Financial Analysis

5-Year Projection



	2016/17	2017/18	2018/19	2019/20	2020/21	Total
CDHP Underlying Plan Single/Family Deductibles	\$2,000 / \$4,000	\$2,000 / \$4,000	\$2,500 / \$5,000	\$3,500 / \$7,000	\$5,000 / \$10,000	
Single (per EE)	\$1,000	\$1,000	\$1,100	\$1,100	\$1,200	
Any other tier (per EE)	\$2,000	\$2,000	\$2,200	\$2,200	\$2,400	
Level 1 - EE HRA Funding % on first \$2,000/\$4,000	50%	50%	55%	55%	60%	
Level 1 - SBCSD HRA Funding % on first \$2,000/\$4,000	50%	50%	45%	45%	40%	
Level 2 - SBCSD HRA Funding % on Deductible Past \$2,000/\$4,000	NA	NA	100%	100%	100%	
Estimated CDHP Premium	\$2,345,292	\$2,556,368	\$2,702,848	\$2,798,799	\$2,867,649	\$13,270,956
HRA/FSA/Consulting Fees	\$37,509	\$37,392	\$37,893	\$39,220	\$40,593	\$192,607
HRA Funding (SBCSD)	\$237,806	\$250,750	\$314,175	\$495,305	\$726,290	\$2,024,326
Estimated Total CDHP Costs	\$2,620,607	\$2,844,510	\$3,054,916	\$3,333,324	\$3,634,532	\$15,487,889
Estimated PPO Cost	\$3,117,126	\$3,395,295	\$3,698,499	\$4,029,800	\$4,390,874	\$18,631,595
Estimated Cost Reduction	-\$496,519	-\$550,785	-\$643,583	-\$696,476	-\$756,342	-\$3,143,706

Estimated Cost Reduction of CDHP w/ HRA compared to SBCEA PPO: \$2,986,341

Illustrative 5-Year Outlook for CDHP vs. PPO at 9% Annual Increases

Attachments

- CDHP Plan Design
- Highmark Flyer – How to look up your Out-of-pocket Costs

- 49% of Employers in the Northeast report offering a CDHP in 2014 Mercer National Survey of Employer-Sponsored Health Plans (33% of Government Employers)
- PPO Strategy is unsustainable considering studies show 2% reduction in annual increase by move to CDHP
- Increasing Deductibles and Copays is a short term strategy