

# Memorandum



CITY OF DALLAS

DATE September 1, 2017

TO Honorable Members of the Government Performance & Financial Management Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **Employee & Retiree Health Benefits**

On Tuesday, September 5, 2017, the Human Resources Office will brief the Government Performance & Financial Management Committee on Employee & Retiree Health Benefits. I have attached the briefing for your review.

Please let me know if you need additional information.

A handwritten signature in cursive script that reads "M. Elizabeth Reich".

M. Elizabeth Reich  
Chief Financial Officer

Attachment

c: Honorable Mayor and City Council  
T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Biliera Johnson, City Secretary (Interim)  
Daniel F. Solis, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jo M. (Jody) Puckett, Assistant City Manager (Interim)  
Nadia Chandler Hardy, Chief of Community Services  
Raquel Favela, Chief of Economic Development & Neighborhood Services  
Theresa O'Donnell, Chief of Resilience  
Directors and Assistant Directors

# Employee & Retiree Health Benefits

Government Performance and Financial  
Management  
September 5, 2017

Molly Carroll, CEBS  
Director, Human Resources Department  
City of Dallas



# Presentation Overview

- Background
- Proposed Action
- Next Steps



# Background

- Health Plans are either fully-insured or self-insured. The City of Dallas Benefits Plan is a **self-insured**.

Fully Insured	Self Insured
Plan purchased from insurance company	Plan is designed by the employer
Claims paid by insurance company	Claims paid with money set aside by employer
Plan managed by insurance company	Plan managed by Third Party Administrator (TPA)
More expensive	Less expensive

3

# Background

- Most large employers opt to self-insure and hire a TPA who provides two major services:
  - Access to a “network” of healthcare providers
  - Adjudication of claims
- Cigna is the City of Dallas’ TPA

# Background

- There are four major TPAs in the market
  - Aetna
  - Blue Cross Blue Shield
  - Cigna
  - UnitedHealthcare

# Background - Vendors

Products	FY17 Vendor	Contract Term	Contract Options	Funding
Medical	Cigna	Jan 1, 2017 – Dec 31, 2019	3 years; 2 – 1 year renewal options	City & Employee/Retiree Contributions
Pharmacy	CVS Caremark	Jan 1, 2017 – Dec 31, 2019	3 years; 2 – 1 year renewal options	City & Employee/Retiree Contributions
Dental	MetLife	Jan 1, 2017 – Dec 31, 2019	3 years; 2 – 1 year renewal options	Employee & Retiree Contributions
Vision	Davis Vision	Jan 1, 2017 – Dec 31, 2019	3 years; 2 – 1 year renewal options	Employee & Retiree Contributions
Retiree Solutions (Medicare)	UnitedHealthcare	Jan 1, 2017 – Dec 31, 2019	3 years; 2 – 1 year renewal options	Retiree Contributions (City provides subsidies)
Basic Life Insurance	Standard Life	Jan 1, 2016 – Dec 31, 2018	3 years; 2 – 1 year renewal options	City Contributions

6

# Background – Plan Participation

Employee Status	Plan	Lives Covered
Active	HRA	15,358
Active	EPO	4,069
Terminated	COBRA	20
Retiree Status	Plan	Lives Covered
Pre/Post-65	HRA	1,673
Pre/Post-65	EPO	886

- Two medical plan options – 75/25/HRA plan and 70/30/3000 plan
- 25,993 Lives Covered
  - 22,006 Lives Covered
    - 1,366 Employees have waived coverage
  - 3,987 Retirees enrolled in Medicare Supplemental Plans



# Background – Wellness Program

- Wellness Program through the years

Year(s)	How Wellness Program Evolved
2007	Benefits Specialist for Wellness hired
2008	Benefits Specialist position transitioned to Benefits
2010-2014	WellPoints Program launched
2015	Chief Wellness Coordinator position created and wellness program moved from HR
10/1/2016	Wellness Program transitioned back to Human Resources

# Background - Wellness Program

- Fitness Center is comprised of the following staff
  - Wellness Program Manager
  - Fitness Supervisor
  - Fitness Specialist
  - Nutritionist

# Background – Wellness Program

- There are 1850 Members at 2 locations (City Hall and OCMC)
- Human Resources manages the Fitness Center Staff
- Equipment and Building Services manages the Fitness Center budget

# Background – Benefits Rewards

- Benefits Rewards - members are being engaged in health
- Members earn points through the following:
  - Completing health assessment
  - Completing an annual physical – meet biometric targets (Blood pressure, BMI, Glucose, and Cholesterol)
  - Completing alternative activities

11



# Background – Benefits Rewards

- Members receive discounted benefit premiums and an additional allocation in HRA
- The City has received:
  - Fit Friendly Award – American Heart Association
  - Well Deserved Award – UnitedHealthcare

# Background - Financials

Products	FY17 City Contributions	FY17 Emp/Ret Contributions	FY18 City Contributions	FY18 Emp/Ret Contributions
Medical / Pharmacy	<b>\$80.5M</b>	<b>\$52.7M</b> \$24M – Emp. \$28.7M – Ret.	<b>\$86.1M</b>	<b>\$52.6M</b> \$23.5M – Emp. \$29.1M – Ret.
Voluntary Benefits	No City Contributions	<b>\$15.6M</b> \$14.7M – Emp. \$900K – Ret.	No City Contributions	<b>\$15.6M</b> \$14.7M – Emp. \$900K – Ret.
Basic Life Insurance	<b>\$320K</b>	No Emp. or Ret. Contributions	<b>\$317K</b>	No Emp. or Ret. Contributions

13

# Background – Other Cities’ Contributions

	Dallas	Houston	Fort Worth	San Antonio	Austin
FY 15/16 City Healthcare Contributions	\$78M	\$250M	\$75M	\$150M	\$161M
City’s Contributions per Employee	\$6,077	\$11,858	\$12,238	\$16,402	\$13,417

- Dallas’ contribution to healthcare is less than other large Texas cities

# Background – Recent Contract Changes

Year(s)	Contract	Savings
2015	Pharmacy contract renewal savings	(\$200,000)
2017-2019	Rx Plan – Formulary Changes and Improved Rebates	(\$2,000,000)
2017-2019	Medical TPA switched from United Healthcare (\$6,906,000) to Cigna (\$4,667,000) to improve in-network penetration and lower admin fees	(\$6.7M) (over three-year term of contract)



# Background – Recent Plan Design Changes

Year	Plan Change
2015	<ul style="list-style-type: none"> <li>• Reduced Out-Of-Pocket maximum on 70/30 plan from \$10,000 to \$6,350</li> <li>• ACA Temporary Employee Coverage</li> <li>• 1<sup>st</sup> Transitional Reinsurance Fee (\$1M)</li> <li>• Rx Plan – Formulary Changes</li> </ul>
2016	<ul style="list-style-type: none"> <li>• Advanced Control Specialty Formulary</li> <li>• Generic Step Therapy</li> <li>• Baylor/Methodist Enhanced Benefit tier with improved discounts</li> <li>• 2<sup>nd</sup> Transitional Reinsurance Fee (\$814k)</li> </ul>
2017	<ul style="list-style-type: none"> <li>• ER copay increase from \$100 to \$250</li> <li>• 3<sup>rd</sup> Transitional Reinsurance Fee (\$516k)</li> </ul>

# Background – Hospital Partnership

- City partnered with Baylor/Methodist to reduce the pricing for facility charges in exchange for plan design changes incentivizing use of their facilities
- Employees incentivized with a 90/10 cost share on facility charges

# Background – Hospital Partnership

- Baylor/Methodist agreement started 1/1/2016
  - Reduced pricing resulted in \$2.3M less in costs
  - Savings passed on to employees

# Background – Recent Premium Changes

Year	Premium Changes
2015	<p><u>Active Employees</u></p> <ul style="list-style-type: none"> <li>• \$25/mo. premium increase for “employee and spouse” and employee and family” tiers</li> </ul> <p><u>Pre-Medicare Retirees</u></p> <ul style="list-style-type: none"> <li>• \$25/mo. premium increase for all tiers of coverage</li> </ul>
2016	<p><u>Active Employees</u></p> <ul style="list-style-type: none"> <li>• \$25/mo. premium increase for “employee and spouse” and employee and family” tiers</li> <li>• Additional \$5/mo. premium increase for all 70/30 plan active tiers</li> </ul> <p><u>Pre-Medicare Retirees</u></p> <ul style="list-style-type: none"> <li>• \$25/mo. premium increase for all tiers of coverage</li> </ul>

# Background – Recent Premium Changes

Year	Premium Changes
2017	<p data-bbox="355 504 697 544"><u>Active Employees</u></p> <ul data-bbox="355 554 1707 646" style="list-style-type: none"><li data-bbox="355 554 1707 646">• \$25/mo. premium increase for “employee and spouse” and employee and family” tiers</li></ul> <p data-bbox="355 708 788 748"><u>Pre-Medicare Retirees</u></p> <ul data-bbox="355 758 1750 996" style="list-style-type: none"><li data-bbox="355 758 1242 798">• \$50/mo. premium increase for “Retiree Only”</li><li data-bbox="355 808 1750 901">• \$60/mo. premium increase for “Retiree + Spouse”, “Retiree + Children”, and “Retiree + Family” tiers</li><li data-bbox="355 911 1750 996">• \$100/mo. premium increase for “Spouse only” and “Spouse + Children” tiers</li></ul>

# Background – Current RFP

- **Request for Proposal - Clinic**
  - City currently has a contract with Concentra to run the clinic at City Hall
    - The contract also provides for discounted services at Concentra's other clinics in the metroplex
  - 15 vendors responded and participated in vendor presentations held in June
  - Proposal review is under way

21



# Background – Current RFP

- **Request for Proposal – Voluntary Products**
  - Voluntary products are insurance products funded completely by employee contributions including: Aflac, Abacus, Allstate and Legal Shield
  - Products offered include universal life, cancer insurance, long-term and short-term disability, etc.
  - Currently in procurement process

22



# Proposed Action – 2018 Premium & Plan Design Changes

Plan Change	Cost/(Savings)	Explanation
EE + Fam Premium Reduction (HRA plan only)	\$406,350	Premium reduction of \$50 per month for employees enrolled in the EE + Family tier to align with premiums offered by other cities
Retiree Premium Increase	(\$423,000)	Premium increase of \$25 per month for all tier levels for pre-65 retirees to partially offset increased cost
Pharmacy Change #1	(\$850,000)	<u>Diabetes &amp; Hypertension Support</u> Reduced copays for maintenance medications that treat diabetes and hypertension to promote better adherence

23



# Proposed Action – 2018 Premium & Plan Design Changes

Plan Change	Cost/(Savings)	Explanation
Diabetes Disease Management Program	(\$200,000)	Member assistance with testing supplies and an individualized coaching and care plan.
Pharmacy Change #2	TBD	<u>Generic Medication Incentives</u> Eliminate deductible for certain generic prescriptions and increased plan cost share to make certain generic medications less expensive for members
Telemedicine	(\$371,256)	Savings realized through reduction in the number of office visits

# Proposed Action - Plans for Expanding Wellness

- Wellness addresses health, fitness, and psychological components
- Health
  - Benefits Rewards
  - Onsite Clinic, Disease Management, and Weight Watchers
  - Health Seminars and Fair

13



# Proposed Action - Plans for Expanding Wellness

- Physical Components
  - Fitness Center challenges
  - Gym discounts
  - Onsite Bootcamps
  - Fitness classes

# Proposed Action - Plans for Expanding Wellness

- Stress Management
  - Onsite Yoga classes
  - Seminars through EAP
  - Discounts with local companies to promote work life balance



# Next Steps

- Approve Holmes Murphy contract
  - September 27, 2017 agenda
  - 1<sup>st</sup> of 2 one-year renewal options
  - \$225,000 (same as current year)



# Next Steps

- Holmes Murphy provides the following consulting services:
  - Conducts audits of medical and pharmacy vendors and annual plan evaluations
  - Develops funding strategies and projects plan costs
  - Reviews proposals and provide recommendations
  - Conducts benchmark studies and surveys

29



# Next Steps

- Clinic Vendor
  - Agenda date TBD, depending on RFP responses and contract negotiations
- Voluntary Products Vendor
  - Agenda date TBD, depending on RFP responses and contract negotiations

# Appendix





# City Subsidy – Active Employees

Plan & Tier	COBRA Rate (Monthly)	Plan Total Cost (Annual)	EE Cost (Monthly All Points)	City Subsidy (Monthly)	City Subsidy (Annual)	Count of EE's on Plan	Total City Subsidy (Annual)
70/30 EE Only	\$368	\$4,416	\$49	\$319	\$3,828	1602	\$6,132,456
70/30 EE + Spouse	\$797	\$9,564	\$431	\$366	\$4,392	95	\$417,240
70/30 EE + Child(ren)	\$689	\$8,268	\$124	\$565	\$6,780	522	\$3,539,160
70/30 EE + Family	\$1,040	\$12,480	\$539	\$501	\$6,012	182	\$1,094,184
75/25 EE Only	\$535	\$6,420	\$75	\$460	\$5,520	4956	\$27,357,120
75/25 EE + Spouse	\$1,066	\$12,792	\$518	\$548	\$6,576	377	\$2,479,152
75/25 EE + Child(ren)	\$978	\$11,736	\$221	\$757	\$9,084	1940	\$17,622,960
75/25 EE + Family	\$1,383	\$16,596	\$643	\$740	\$8,880	887	\$7,876,560
<b>Total</b>						10561	\$66,518,832
<b>PEPM Weighted Average</b>							<b>\$6,298.54</b>

# City Subsidy - Retirees

Plan & Tier	Count of EE's on Plan	100% Plan Cost (Monthly)	Plan Total Cost (Annual)	Ret Cost (Monthly All Points)	City Subsidy (Monthly)	City Subsidy (Annual)	Total City Subsidy (Annual)
70/30 RET Only	424	\$824	9,891	\$534	\$290	\$3,483	\$1,476,894
70/30 RET + Spouse	81	\$1,838	22,058	\$1,163	\$675	\$8,102	\$656,226
70/30 RET + Child(ren)	31	\$1,294	15,529	\$785	\$509	\$6,109	\$189,389
70/30 RET + Family	20	\$2,259	27,102	\$1,396	\$863	\$10,350	\$207,002
70/30 Spouse Only	51	\$1,253	15,035	\$922	\$331	\$3,971	\$202,505
70/30 Spouse + Child(ren)	6	\$1,673	20,079	\$1,163	\$510	\$6,123	\$36,739
75/25 RET Only	767	\$925	11,100	\$609	\$316	\$3,792	\$2,908,280
75/25 RET + Spouse	163	\$2,063	24,753	\$1,276	\$787	\$9,441	\$1,538,805
75/25 RET + Child(ren)	48	\$1,452	17,427	\$922	\$530	\$6,363	\$305,407
75/25 RET + Family	33	\$2,534	30,413	\$1,549	\$985	\$11,825	\$390,238
75/25 Spouse Only	85	\$1,406	16,872	\$935	\$471	\$5,652	\$480,389
75/25 Spouse + Child(ren)	12	\$1,878	22,533	\$1,208	\$670	\$8,037	\$96,438
<b>Total</b>	<b>1721</b>						<b>\$8,488,313</b>
<b>PEPM Weighted Average</b>							<b>\$4,932.20</b>

# Employee & Retiree

# Health Benefits

Government Performance and Financial  
Management

September 5, 2017

Molly Carroll, CEBS

Director, Human Resources Department

City of Dallas

