

# Employee Medical and Pharmacy Benefits for Fiscal Year 2015

Board of Governor's Meeting  
Presented by David Bea, Ph.D.  
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# Employee Medical and Pharmacy Benefits Presentation

1. College Medical/Pharmacy Background
2. Medical Insurance Types
3. RFP process
4. Options
5. Recommendation



# Current Medical/Pharmacy Plan Overview

- College provides all regular employees with medical coverage
- Preferred Provider Organization (PPO) base plan
- Employee Only offered at no cost to Employee
- College subsidizes dependent coverage
- 180 employees waive health coverage
- Pharmacy Benefits Management (PBM)
  - Self-funded with custom formulary



# Current Medical Plans

- PPO (Open Access Plus – OAP)
  - In and out of Network providers available
  - Co-pays for in-network office visits
    - \$20 - Primary Care Physician
    - \$35 - Specialist
  - Deductible/Co-insurance for ER, Hospital, MRIs
    - \$500 - Individual
    - \$1000 - Family
    - 20% Co-insurance after deductible
  - Out of pocket maximums per plan year (excludes deductibles and co-pays)
    - \$2,000 per person
    - \$4,000 per family
  - 633 Employees, plus 486 dependents covered

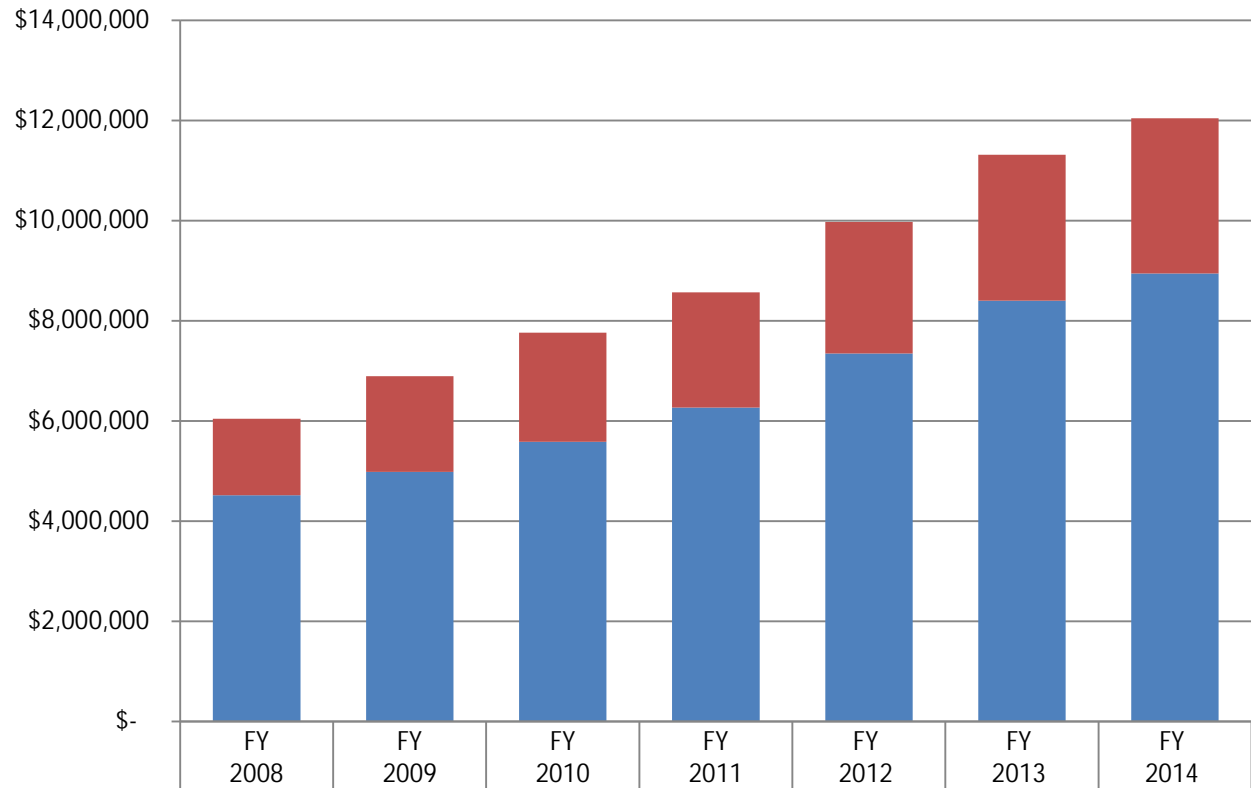


# Current Medical Plans

- HMO (Open Access Plus In-Network – OAPIN)
  - In-Network only providers available
  - Co-pays for in-network office visits
    - \$20 - Primary Care Physician
    - \$35 - Specialist
  - No Deductible/Co-insurance
  - Out of pocket maximums per plan year
    - \$3,000 per person
    - \$9,000 per family
  - 534 Employees, plus 236 dependents covered



# PCC Total Pharmacy Claims Paid and Medical Premiums Paid FY 2008-2014

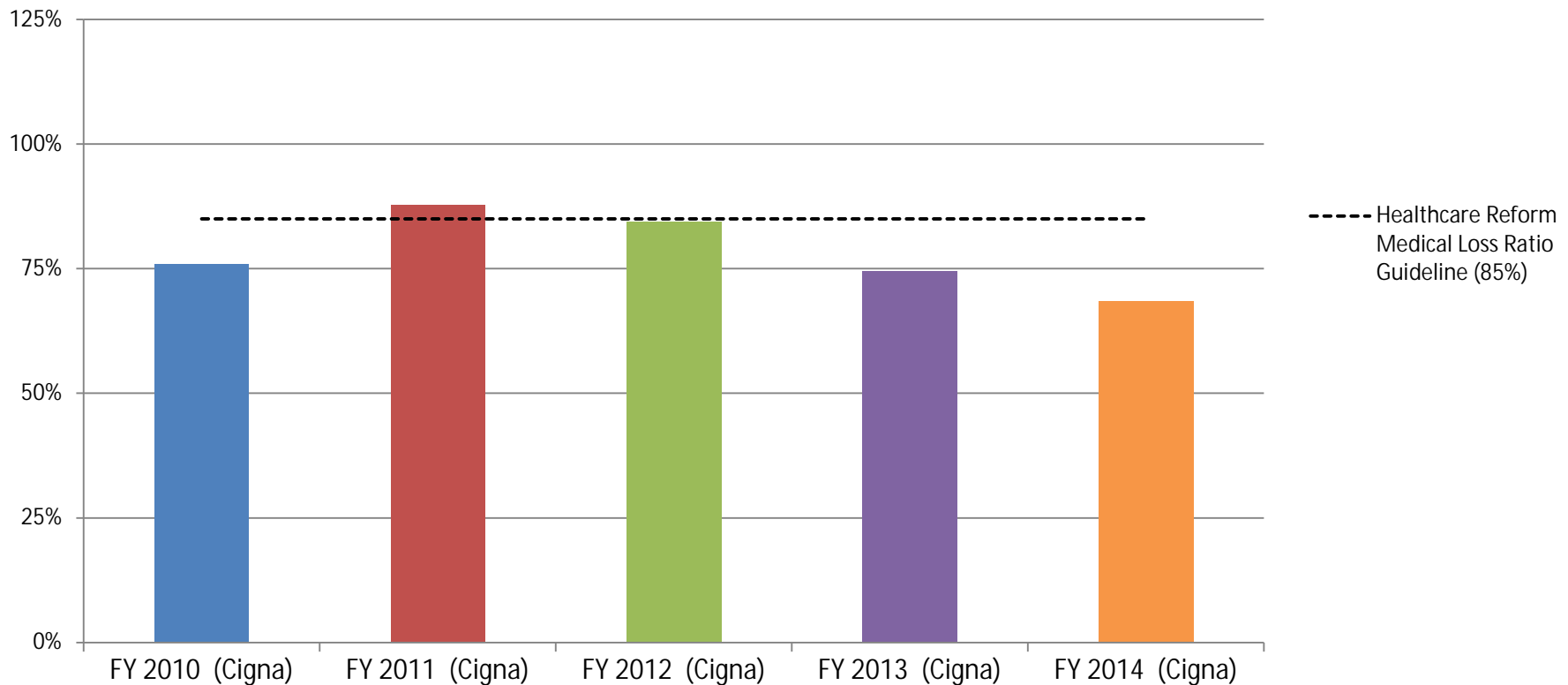


■ Pharmacy Claims Paid (Self-Funded via Medco/Express Scripts Inc.)	\$1,528,193	\$1,908,552	\$2,176,872	\$2,299,907	\$2,626,475	\$2,912,467	\$3,100,000
■ Medical Premium Cost (HealthNet FY 2008-2009, Cigna FY 2010-2014)	\$4,518,649	\$4,987,348	\$5,588,025	\$6,269,456	\$7,348,201	\$8,406,796	\$8,948,944

Note: FY 2014 is estimated

# Employee Medical Benefits: Annual Average Medical Loss Ratio

(Total Claims/Total Premium Paid, FY 2014 data is through February 2014)



# Medical Coverage Funding Types

- Traditional Fully Insured
- Minimum Premium
  - Fully insured product
  - Lower monthly premiums and variable medical claims
  - Claims paid directly
  - Premiums fund: retention charge; ACA taxes; and pooling charge
- Self-Funding
  - Administrative Services Organization (ASO) - provides the medical network with discounts, billing administration, and health management services
  - Stop-Loss Coverage. Limits College's liability on:
    - Individual claims above \$150K
    - Annual aggregated claims that are over 125% of projected claims





# Who uses Self-Insurance?

- 60% of all workers in USA
- 78% of employers with 1,000 to 4,999 workers
- All Arizona community colleges
- Pima County
- Tucson Unified School District (TUSD)
  
- PCC's Pharmacy Benefits Management (PBM) has been self-funded since 2001



# Request For Proposals (RFP) Process

- RFPs issued concurrently for Medical Benefits and Pharmacy Benefits Management (PBM)
- Benefits working group served as the review committee
- Segal Consulting provided expert analysis on bids and had an underwriter and a pharmacist on their analysis team
  
- Requested bid for:
  - Fully insured
  - Minimum premium
  - Self-funded medical responses
  - Self-funded Pharmacy Benefits Management (PBM)
- Received 4 medical bids and 7 PBM bids



# Option 1: Fully Insured with Minimum Premium plus Pharmacy

- Cigna for Medical Benefits and Pharmacy Benefits Management (PBM)
- Saves \$1.6 million in FY 15
- No financial risk beyond annual premiums
- Some potential savings if claims lower than projected
- Higher costs likely over time
- Cigna is current Medical vendor – employee convenience
- Same vendor for Medical and PBM
- Some drug formulary disruption

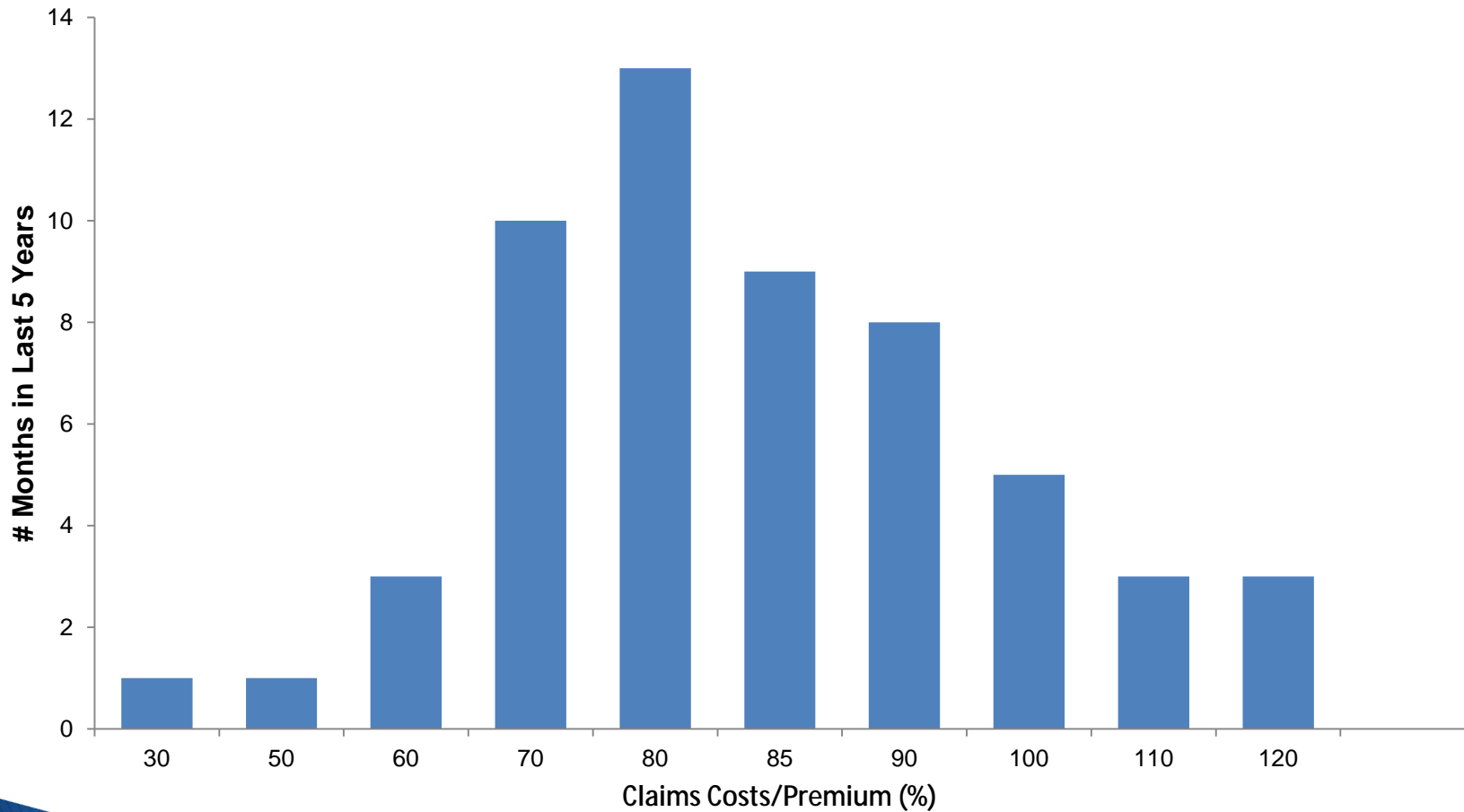


# Option 2: Self-Funded Medical plus Pharmacy

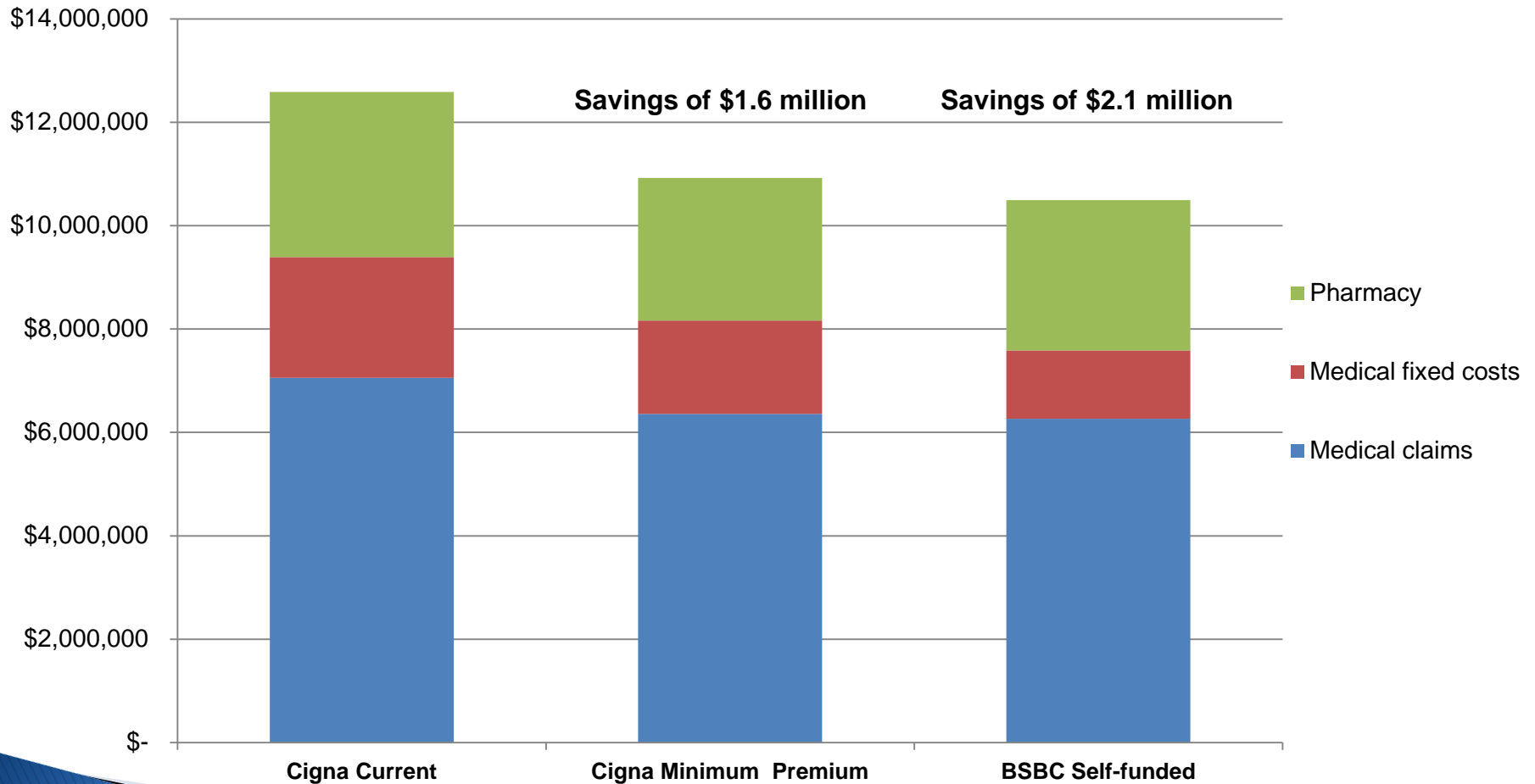
- Blue Cross Blue Shield for Medical Benefits and Express Scripts, Inc. (ESI) for Pharmacy Benefits Management (PBM)
- Saves \$2.1 million in FY 15
- More clarity and predictability for future cost increases
- Claims cost variability will be mitigated by Stop-Loss Coverage
- Likely to experience lower costs over time than fully insured
- Large provider network, however on HMO side, possible doctor disruption
- Some drug formulary disruption



# Frequency Distribution of Monthly Claim Ratios



# Cost Comparison of Current Year Medical/Pharmacy versus FY 2015 Bids



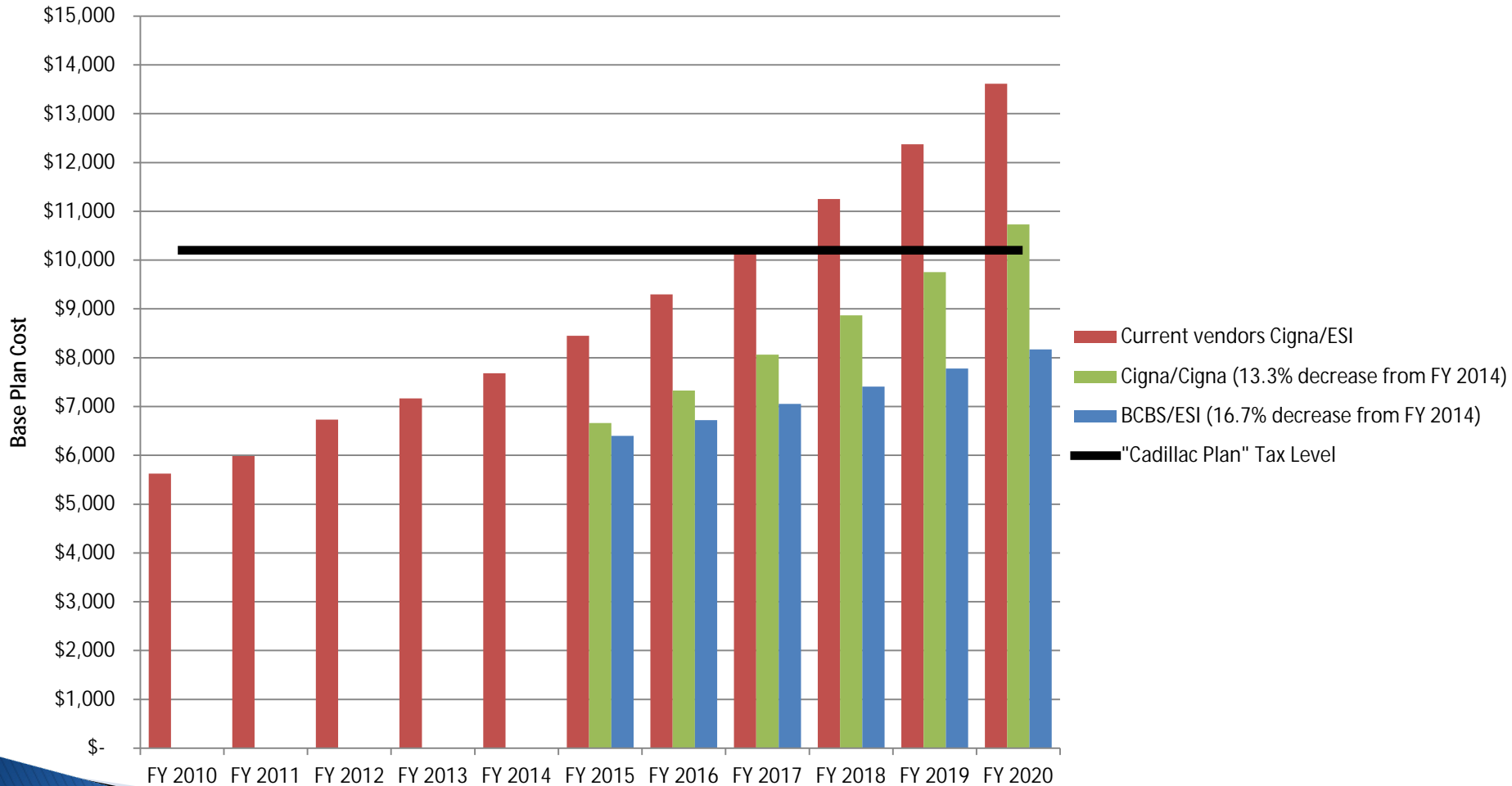
# Recommendation

- Self-Funded Medical with Pharmacy
  - Blue Cross/Blue Shield (BCBS) for medical benefits
  - Express Scripts, Inc. (ESI) for pharmacy benefits management (PBM)
  - Immediate Cost Savings
  - Long-term cost containment
  - Prolonging potential impact of ACA “Cadillac Tax”



# "Cadillac Plan" Tax Implications

(Cost to College for Base Plan (PPO/OAP) for Employee Only)



Note: FY 2016-2020 are estimated



# Recommendation (continued)

- Maintain current employee contribution levels
  - No employee cost for base plan - PPO employee only
  - No change to buy-up for HMO employee only
  - No change for dependent coverage costs
- Keep current plan design for both plans
  - Co-pays, deductibles, co-insurance, Healthy Rewards Accounts
  - Except for ACA-mandated change to true out-of-pocket maximums
- Continue health waivers with flexible spending accounts for health and/or dependent care



# Wellness Program

- Best practice for containing future cost increases involves a strong wellness program
- Recommend developing a wellness working group
- Integrated plan - enhancing existing elements (fitness classes, flu shots, etc.) with new educational offerings, wellness incentives
- Improved outreach and communication



# Questions?

Employee Service Center

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