

COUNTY OF KANE

Human Services

Committee Presentation



July 16, 2014



Agenda

- Historical County Plan Performance Overview
- Benchmark Data
- Cost Management Strategies
 - Claim / Medical Cost Management
 - Current Strategies
 - Worksite Wellness
 - Utilization Optimization
 - Fiscal and Structural Cost Management
 - Eligibility & Enrollment Management
 - Plan Design & Funding Arrangements
 - High Efficiency Networks
- Go Forward Strategy & Summary of Opportunities



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Individual attention.*



Plan Performance Overview



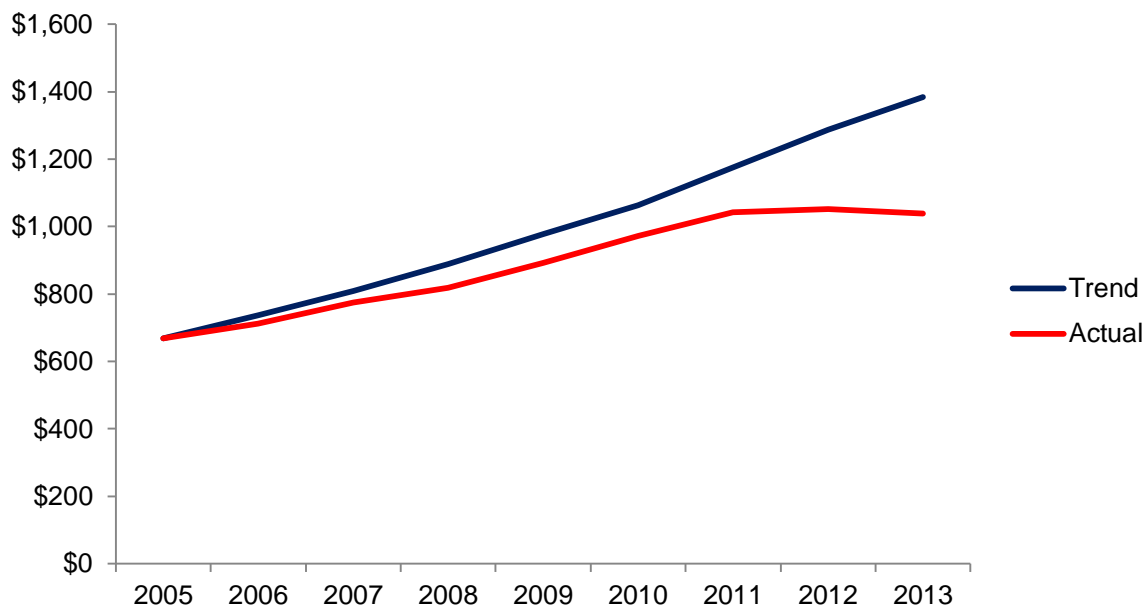
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Renewal History

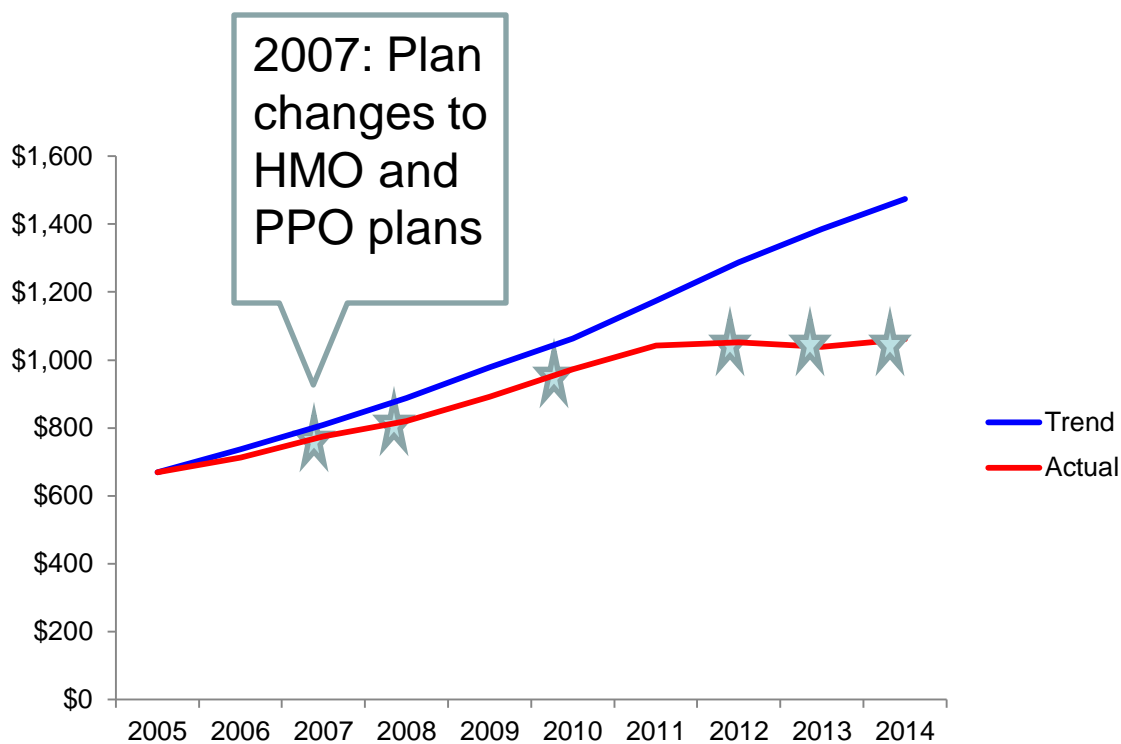
Actual vs. Trend Comparison Medical Cost PEPM





Renewal History

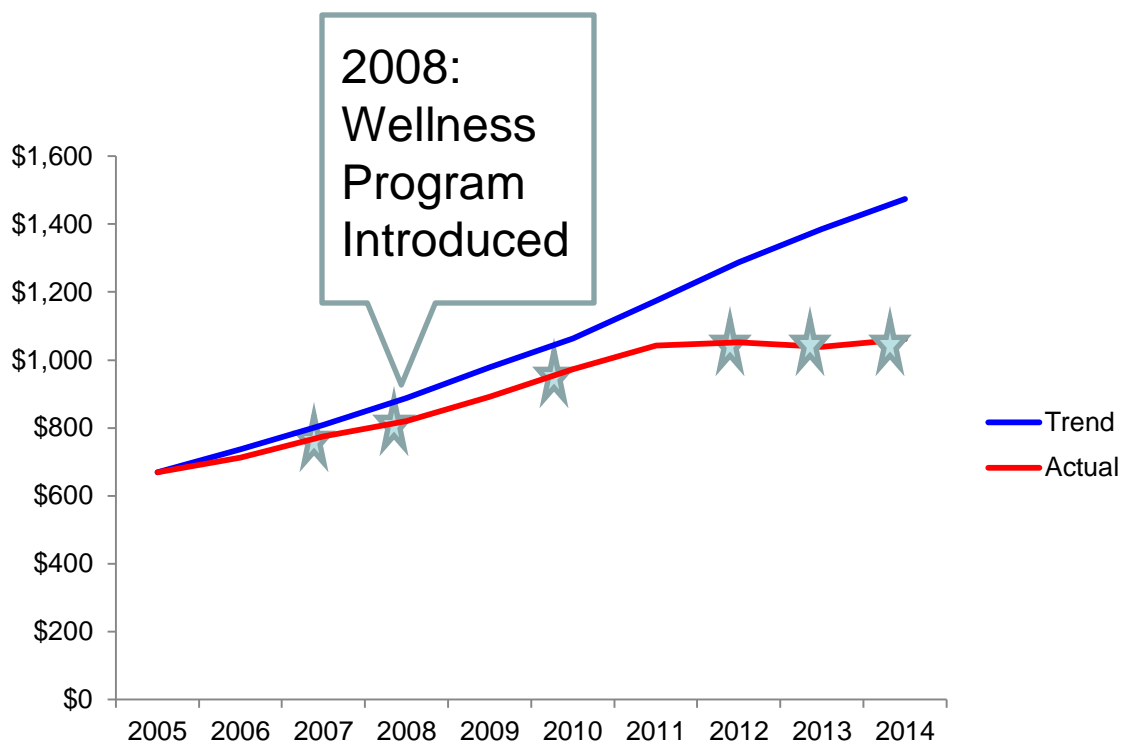
Actual vs. Trend Comparison Medical Cost PEPM





Renewal History

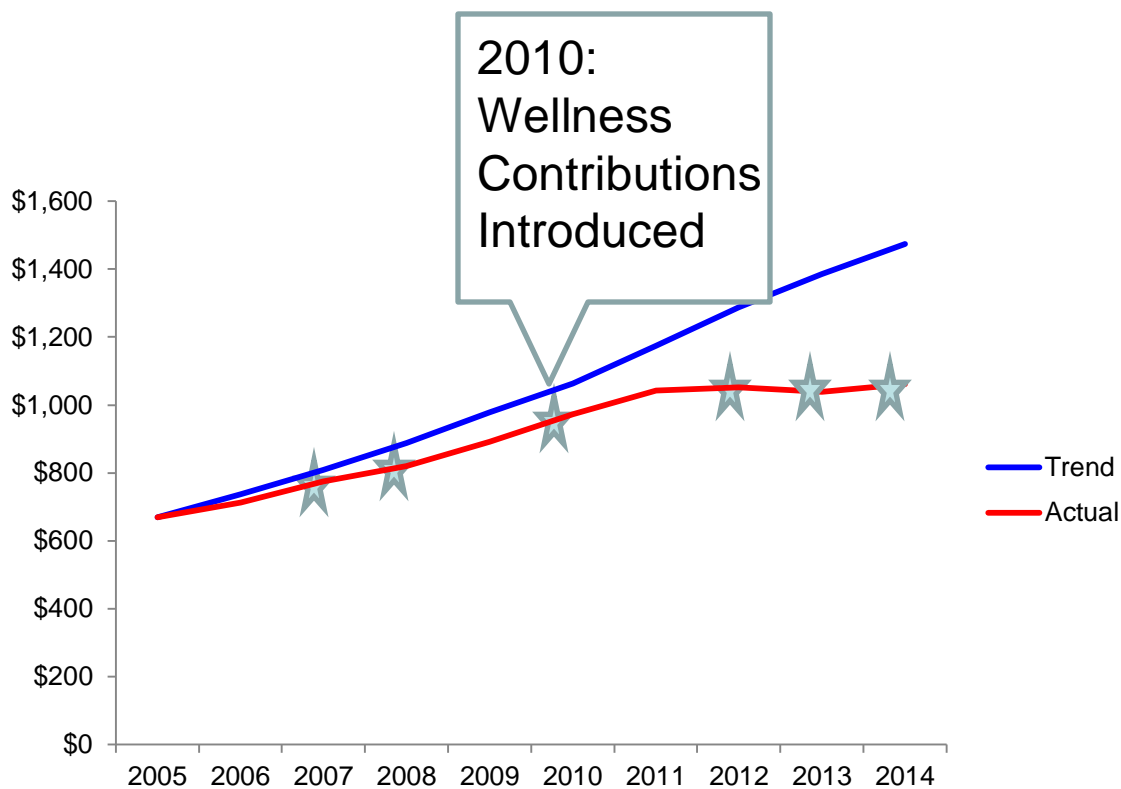
Actual vs. Trend Comparison Medical Cost PEPM





Renewal History

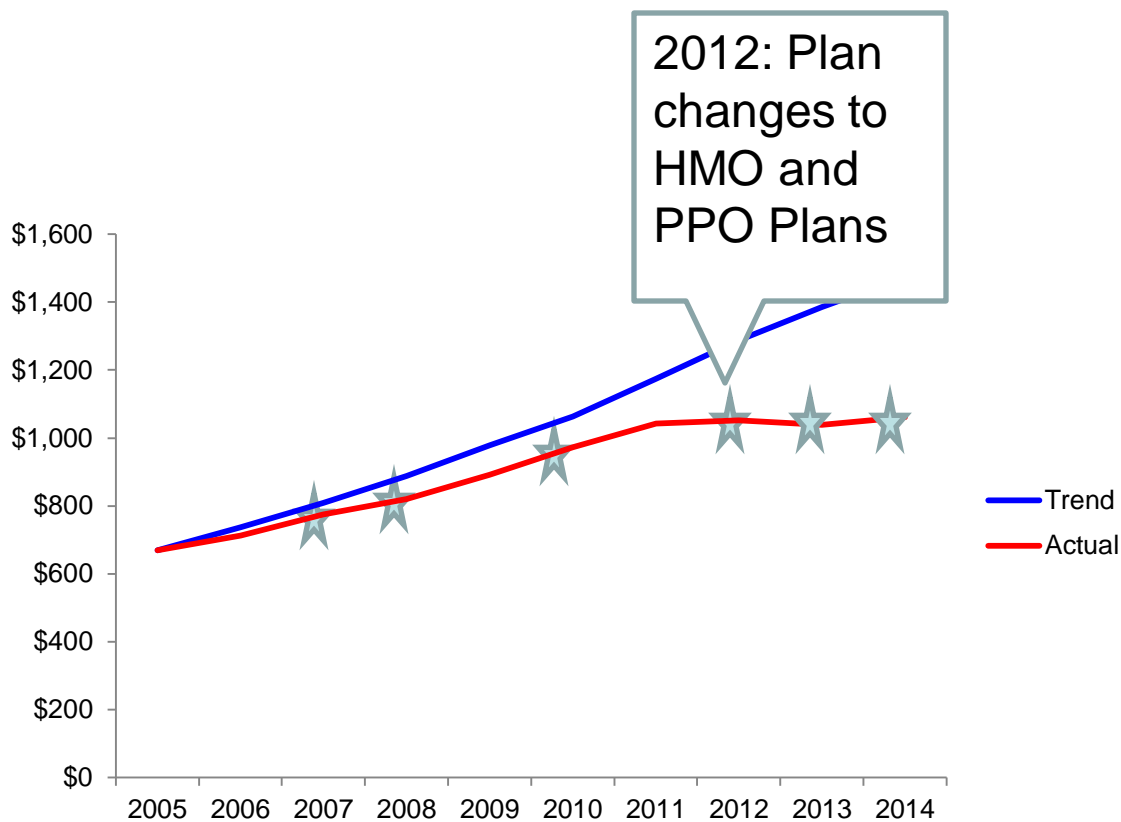
Actual vs. Trend Comparison Medical Cost PEPM





Renewal History

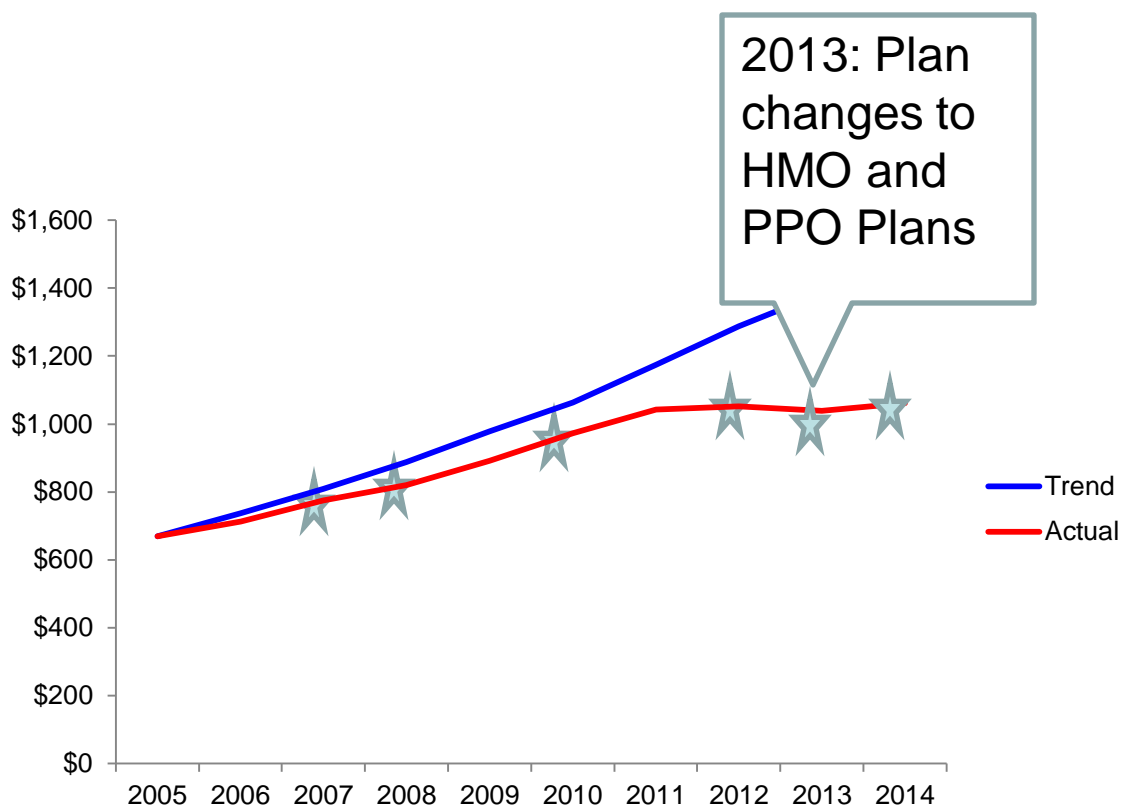
Actual vs. Trend Comparison Medical Cost PEPM





Renewal History

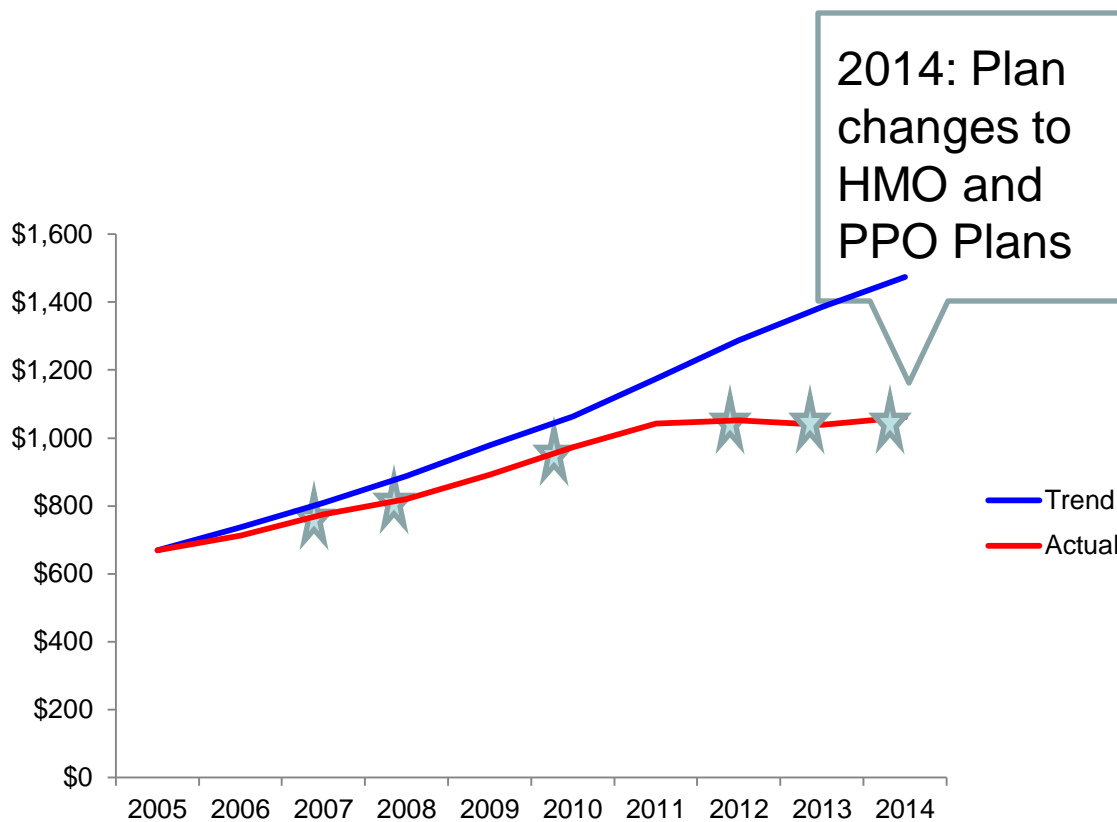
Actual vs. Trend Comparison Medical Cost PEPM





Renewal History

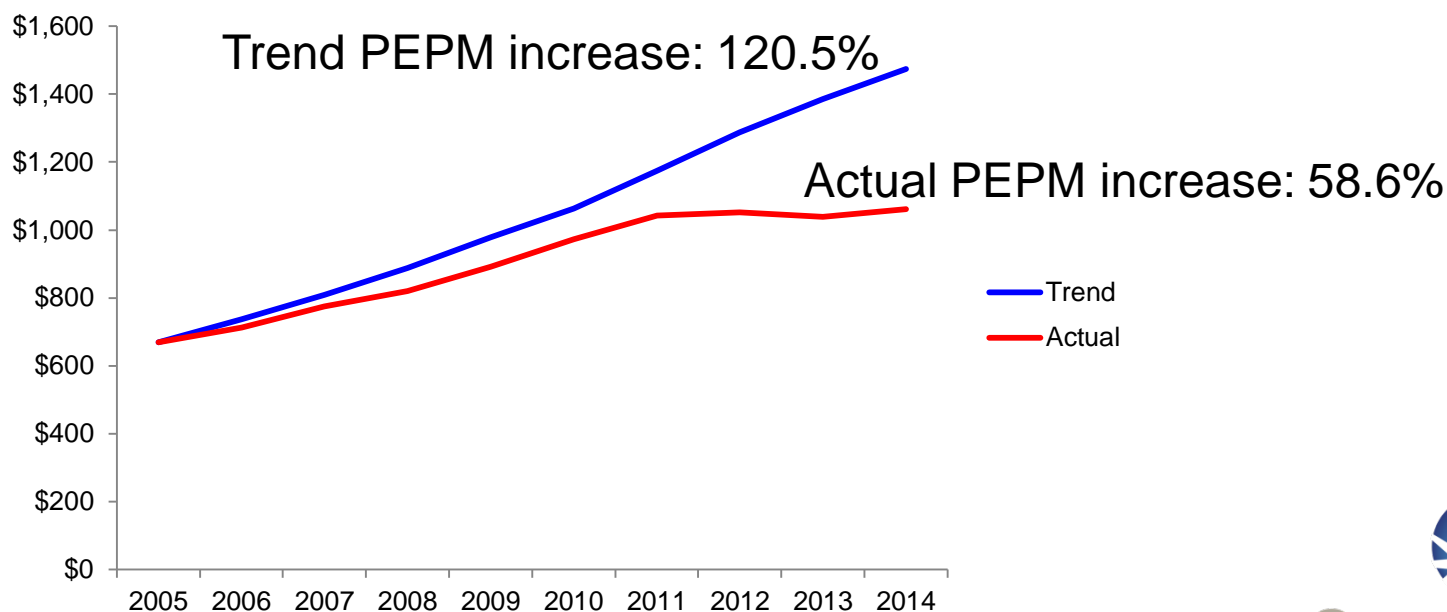
Actual vs. Trend Comparison Medical Cost PEPM





Renewal History

Actual vs. Trend Comparison Medical Cost PEPM





2014 Cost Plus Performance

ENROLLMENT	MONTH	ADMIN FEES	MEDICAL CLAIMS	RX CLAIMS	ASSOC. ADMIN AND OTHER	Agg SL	TOTAL COSTS	ACCRUALS
1126	Jan. 2014	\$51,243.16	\$56,572.37	\$47,110.54	\$231,482.87	\$17,277.00	\$403,685.94	\$1,205,109.36
1145	Feb. 2014	\$52,018.19	\$342,438.34	\$183,202.20	\$238,124.99	\$0.00	\$815,783.72	\$1,220,828.94
1140	Mar. 2014	\$51,835.83	\$1,046,836.95	\$231,129.99	\$239,357.09	\$0.00	\$1,569,159.86	\$1,209,642.51
1137	Apr. 2014	\$51,607.88	\$651,480.42	\$211,709.47	\$235,081.18	\$0.00	\$1,149,878.95	\$1,217,674.09
1132	May. 2014	\$51,379.93	\$691,694.27	\$267,691.30	\$235,607.26	\$0.00	\$1,246,372.76	\$1,204,586.85
1149	Jun. 2014	\$51,471.11	\$625,420.26	\$397,874.88	\$234,703.69	\$0.00	\$1,309,469.94	\$1,226,069.36
		\$309,556.10	\$3,414,442.61	\$1,338,718.38	\$1,414,357.08	\$17,277.00	\$6,494,351.17	\$7,283,911.11

*Run-out claims from 2013 were \$467,300. That can be used to estimate run-out for 2014 which would be added to TOTAL COSTS to mature against Accruals. Do so shows the County running modestly better than accruals through six months.



Benefit & Wellness Benchmarking



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COUNTIES MEDICAL PLAN BENCHMARKING

<u>PPO</u>	Kane County	DuPage County	Lake County	McHenry County
	BCBS	BCBS	BCBS	BCBS
Carrier				
Deductible (In Network) (sing/fam)	\$750/\$2,250	\$750/\$2,250	\$450/\$900	\$250/\$600 \$600/\$1,300
Deductible (Out of Network) (sing/fam)	\$1,500/\$4,500	\$750/\$2,250	\$1,100/\$2,200	\$425/\$1,125 \$1,100/\$2,600
Coinsurance (in/out)	80%/60%	80%/60%	80%/60%	85%/80% 80%/60%
Out of Pocket Max (In) (sing/fam)	\$2,750/\$8,250	\$3,250/\$9,750	\$1,200/\$2,400	\$1,450/\$3,000 \$2,100/\$4,100
Out of Pocket Max (Out) (sing/fam)	\$5,500/\$14,250	\$10,000/\$30,000	\$4,000/\$8,000	\$3,625/\$8,325 \$4,600/\$9,000
Office Visit (Primary)	\$30	Ded/Coins	\$30	Ded/Coins Ded/Coins
Office Visit (Specialist)	\$50	Ded/Coins	\$30	Ded/Coins Ded/Coins
Rx Copay				
- Generic	\$10	\$15	\$10	\$5 \$7.50
- Brand	\$40	\$30	\$30	\$25 \$35
- Non-formulary Brand	\$60	\$50	\$45	\$35 \$45
- Specialty	\$60			\$70 \$75
Premiums/Cost				
Single Employee Contribution	\$143.56 (23%)	\$204.07 (22%)	\$ 71 (10%)	\$98.26 (10%) \$130
Single Total Premium	\$630.64	\$912.27	\$725	\$982.64
Single + Spouse Contribution	\$285.25 (23%)	\$626.89 (32%)	\$160 (12%)	\$377.64 (20%) \$304.74
Single + Spouse Total Premium	\$1,263.75	\$1,961.39	\$1,355	\$1,888.20
Single + Child Contribution	\$285.25 (23%)	\$639.84(34%)	\$160 (12%)	\$377.64 (20%) \$304.74
Single + Child Total Premium	\$1,263.75	\$1,879.28	\$1,355	\$1,888
Family Employee Contribution	\$419.47 (23%)	\$816.96 (28%)	\$264 (14%)	\$487.24 (20%) \$393.18
Family Total Premium	\$1,853.49	\$2,910.14	\$1,920	\$2,436.22



COUNTIES MEDICAL PLAN BENCHMARKING

HMO	Kane County		DuPage County	Lake County		McHenry County
	HMO Illinois	Blue Advantage	Blue Advantage	HMO Illinois	Blue Advantage	Blue Advantage
Carrier Network						
Inpatient Copay	\$250	\$250	\$250	\$150	\$150	\$100
ER Copay	\$250	\$250	\$100	\$125	\$125	\$75
Office Visit (Primary)	\$30	\$30	\$20	\$25	\$25	\$10
Office Visit (Specialist)	\$50	\$50	\$35	\$30	\$30	\$10
Rx Copay						
- Generic	\$10	\$10	\$15	\$10	\$10	\$5
- Brand	\$40	\$40	\$30	\$30	\$30	\$25
- Non-formulary Brand	\$60	\$60	\$50	\$45	\$45	\$35
- Specialty						\$70
Premiums/Cost						
Single Employee Contribution	\$56.10 (12%)	\$29.49 (7%)	\$66.92 (12%)	\$49 (7%)	\$34 (6%)	\$59.92 (10%)
Single Total Premium	\$474.45	\$441.25	\$560.14	\$628	\$542	\$599
Single + Spouse Contribution	\$159.93 (17%)	\$80.78 (9%)	\$220.08 (21%)	\$108 (9%)	\$79 (8%)	\$161.16 (14%)
Single + Spouse Total Premium	\$950.78	\$884.22	\$1,041.88	\$1,099	\$947	\$1,151
Single + Child Contribution	\$159.93 (17%)	\$80.78 (9%)	\$238.40 (21%)	\$108 (9%)	\$79 (8%)	\$161.16 (14%)
Single + Child Total Premium	\$950.78	\$884.22	\$1,109.10	\$1,099	\$947	\$1,151
Family Employee Contribution	\$251.23 (18%)	\$125.92 (10%)	\$291.28 (19%)	\$176 (11%)	\$138 (10%)	\$223.02 (15%)
Family Total Premium	\$1,394.49	\$1,296.87	\$1,562.82	\$1,596	\$1,376	\$1,487



COUNTIES MEDICAL PLAN BENCHMARKING

<u>HDHP</u>	Kane County	DuPage County	Lake County	McHenry County
Deductible (In Network) (sing/fam)		\$2,000/\$4,000	\$1,250/\$2,500	\$1,250/\$2,500
Deductible (Out of Network) (sing/fam)		\$4,000/\$8,000	\$2,100/\$4,200	\$2,500/\$5,000
Coinsurance		90%/60%	80%/60%	80%/60%
Out of Pocket Max (In) (sing/fam)	No	\$3,000/\$6,000	\$1,500/\$3,000	\$2,500/\$5,000
Out of Pocket Max (Out) (sing/fam)	HDHP	\$6,000/\$12,000	\$3,000/\$6,000	\$5,000/\$10,000
Rx Copay	Offered			
- Generic		\$15	Deductible	Ded/Coins
- Brand		\$30	&	Ded/Coins
- Non-formulary Brand		\$50	Coinsurance	Ded/Coins
Premiums/Cost				
Single Employee Contribution		\$108.70 (15%)	\$71 (10%)	\$74.52 (10%)
Single Total Premium		\$713.91	\$725	\$745
Single + Spouse Contribution		\$338.38 (22%)	\$160 (12%)	\$286.38 (20%)
Single + Spouse Total Premium		\$1,534.90	\$1,355	\$1,432
Single + Child Contribution		\$349.18 (24%)	\$160 (12%)	\$286.38 (20%)
Single + Child Total Premium		\$1,470.65	\$1,355	\$1,432
Family Employee Contribution		\$465.12 (20%)	\$264 (14%)	\$369.50 (20%)
Family Total Premium		\$2,277.37	\$1,920	\$1,847



Metro-Chicago County Wellness Benchmark

	DuPage County	Lake County	McHenry County	Kendall County
Health Risk Assessment	Yes	Yes	Yes	Yes
Biometric Screening Method	Yes Blood Draw	Yes Blood Draw	Yes Blood Draw	Yes Blood Draw
Wellness Screening Utilization	2,071	30%	220	220
Participation based incentives	\$20/mo	Max \$600/yr To be eligible, must participate in the HRA and Biometric Screening + 2 add'l county-sponsored events. Then can begin earning pts (\$) towards reimbursement.	\$25 Jewel gift card (current)	Gift card/lunch Under consideration to implement rewards based wellness plan
Outcome based incentives	n/a	n/a	(Implementing fall 2014 - Interactive Health) Covered Employee - \$50/month Covered Spouse - \$25/month Non-Covered Employee - \$20/month	n/a
Tobacco User Surcharge	\$75/mo	n/a	n/a	
Smoking Cessation Program	Yes	Yes	No	
EAP	Yes	Yes	Yes	Yes
Eligibility	Employees only	Employees and 1 dependent	Employees and covered spouses	
Length of Program		10 yrs	6 yrs	



Cost Management Strategies



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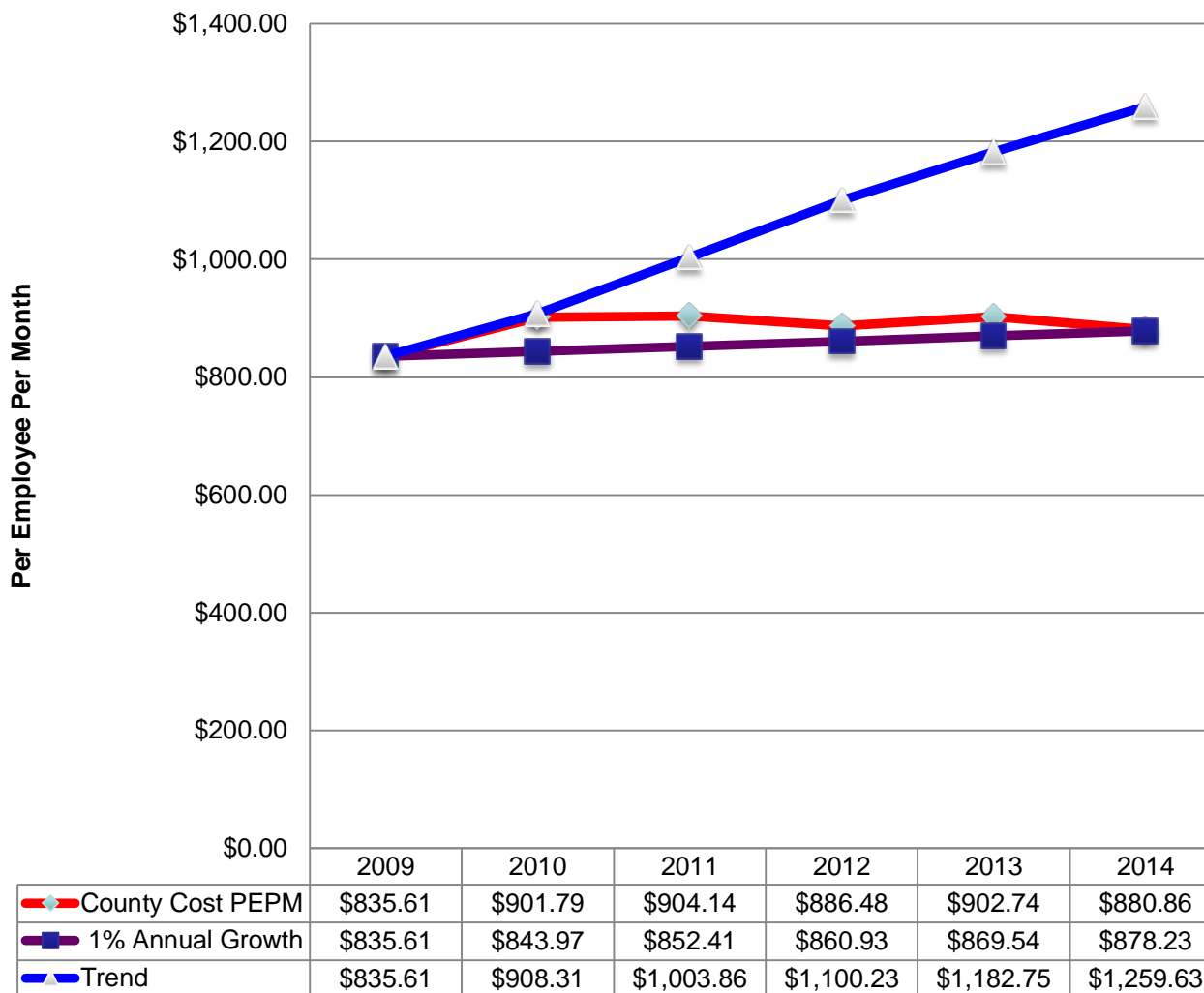
- What's in play currently?
 - Wellness Screenings with high participation
 - Heavy adaptation to cost effective and desirable managed-care arrangement with Blue Advantage HMO
 - Contribution Strategy supports consistently high participation in lowest cost options
 - Well executed Plan Design changes
 - Cost-Share Equity (contributions)





County Cost History

County's Share of Health Insurance Cost





Cost Management Strategies *Medical Advocacy Programs & Transparency Tools*



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Advocacy & Transparency

- Throughout this meeting and for many more to come we will address employee engagement and consumerism in health care utilization
- Part of empowering participants is arming them with quality data from which they can take charge in making good decisions about healthcare
- Many of these vendors share the common charter of trying to bring information to participants that is difficult, if possible, to find on their own
- Many of these vendors provide personal service to answer questions and assist in getting appointments scheduled



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Advocacy & Transparency

- While these vendors serve a valuable role for employers with established Consumer Driven HDHPs, certain employer characteristics diminish the value of these vendors would otherwise have:
 - High HMO participation (employees do not direct their own care)
 - Traditional PPO plan designs with relatively low deductibles and OOP Maximums
 - Groups leveraging carrier networks – most carriers do not share detailed pricing information rendering the Transparency tool ineffective in comparing actual participant cost

- After months of requesting and pushing BCBS on data release terms that might allow the County to more effectively engage a firm in this space. Alas, BCBS and other carriers are not sharing their “proprietary” pricing information.





A & T Vendor Comparison

	Min. Eligible	Plan Funding		Employee Utilization			Accumulator Data Available	Accessibility Portals			Cost Structure	Implementation Fee	Avg Savings	Negotiate Exclusive Provider Discounts
		Self-Insured	Fully Insured	<20%	21 - 50%	>50%		Internet	App	Phone				
Castlight	1,000	✓				✓	✓	✓	✓	PEPM ~ \$5		n/a		
Change Healthcare	5,000	✓				✓	✓	✓		PEPM or PMPM \$.55 - \$1.10	\$40,000	2:1 ROI of fees		
Health Advocate	2	✓	✓					✓	✓	✓	PEPM \$2.25		n/a	
Healthcare Blue Book	500	✓		✓			✓	✓	✓	✓	PEPM \$1.50	~ 1 x monthly fee	4% - 12% of medical spend Employees save ~ \$1,500 per event.	
Delphi of Florida	1	✓	✓		✓		1000+			✓	PEPM	n/a	\$6.50 for every \$1 spent Employers will see a decrease in overall plan costs after 2-3 yrs.	
Wiser Together	1	✓	✓		✓			✓	✓		PEPM \$1	\$5,000	4-9 x cost of program 83% chose more effective solutions. 86% would recommend tool.	
Blue Cross Blue Shield	250	✓			✓		✓	✓	✓	✓	PEPM \$2.50		~ \$2,000 in savings/claim 2:1 ROI w/reasonable participation \$4.7 mil realized \$8.9 mil unrealized \$13,587,313 overall	
Health Engine	200	✓	✓					✓		✓	45% Health Engine/ER 10% Employee Savings		n/a	✓





Advocacy & Transparency

- At the moment the County's existing plans do not align well with conventional vendors in this space
- The County would be generally unable to compel participants to use the services of a vendor in this class given their relatively low spend given plan design
- One vendor claims to go out and negotiate exclusive pricing arrangements through which an employer might reduce costs associated with services such as imaging – Health Engine
 - Exclusive pricing arrangements could stimulate consumerism even in the absence of a true HDHP plan design.



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Advocacy & Transparency

- This is a young but growing field
- At the moment more promises are being made than are being kept. See East & West Aurora School Districts
- Information and Education are key to enlightening participants. We think much attention should be given to these topics as part of our overall open enrollment strategy



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Cost Management

- Claims and Medical Cost Management
 - Worksite Wellness
 - Utilization Optimization
 - High Efficiency Networks

- Fiscal and Structural Cost Management
 - Eligibility & Enrollment Management
 - Consumerism Model Plan Design
 - Plan Design & Funding Arrangements



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Claims and Medical Cost Management:

Paid Claims represent 87% of annual medical benefit cost.

2013 PPO Medical Claims: \$8,340,194

2012 PPO Medical Claims: \$7,566,863



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Cost Management



Claims and Medical Cost Management:

2013 PPO Medical Claims: \$8,340,194

- \$3,311,057 (or 39.7%) from Large Claimants
- \$1,647,661 in Pharmacy Claims
 - \$480,150 from Specialty Pharmacy Claims

2012 PPO Medical Claims: \$7,566,863

- \$2,920,809 (or 38.6%) from Large Claimants
- \$1,481,430 in Pharmacy Claims
 - \$288,026 from Specialty Pharmacy Claims



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2013 Largest Claimants

PATIENT	RELATIONSHIP	AGE/ GENDER BAND	DIAGNOSTIC CATEGORY: LEADING DIAGNOSIS	IP PAID	OP PAID	PR PAID	RX PAID	TOTAL PAID
1	SPOUSE	45-49 F	ENDOCRINE, NUTRITIONAL AND METABOLIC DISEASES: 277 OTHER AND UNSPECIFIED DISORDERS OF METABOLISM	\$34,760	\$3,758	\$684,000	\$106,482	\$828,999
2	EMPLOYEE	55-59 F	NEOPLASMS: 191 MALIGNANT NEOPLASM OF BRAIN	\$294,311	\$117,910	\$61,257	\$17,991	\$491,470
3	SPOUSE	55-59 F	HEALTH SERVICES: V58 ENCOUNTER FOR OTHER AND UNSPECIFIED PROCEDURES AND AFTERCARE	\$43,244	\$292,922	\$16,142	\$3,507	\$355,814
4	EMPLOYEE	45-49 M	DIGESTIVE: 571 CHRONIC LIVER DISEASE AND CIRRHOSIS	\$219,194	\$11,900	\$32,853	\$2,820	\$266,767
5	SPOUSE	45-49 F	HEALTH SERVICES: V58 ENCOUNTER FOR OTHER AND UNSPECIFIED PROCEDURES AND AFTERCARE	\$7,179	\$115,800	\$18,594	\$445	\$142,018
6	EMPLOYEE	60-64 M	NEOPLASMS: 203 MULTIPLE MYELOMA AND IMMUNOPROLIFERATIVE NEOPLASMS	\$8,034	\$70,479	\$10,733	\$38,007	\$127,254
7	SPOUSE	45-49 F	ENDOCRINE, NUTRITIONAL AND METABOLIC DISEASES: 278 OBESITY	\$47,042	\$9,248	\$12,631	\$6,173	\$75,094
8	SPOUSE	75+ M	CIRCULATORY: 436 ACUTE, BUT ILL-DEFINED CEREBROVASCULAR DISEASE	\$32,519	\$30,515	\$8,464	\$437	\$71,935
9	SPOUSE	65-69 F	NEOPLASMS: 162 MALIGNANT NEOPLASM OF TRACHEA, BRONCHUS, AND LUNG	\$18,938	\$3,891	\$47,903	\$822	\$71,554
10	SPOUSE	40-44 M	MUSCULOSKELETAL AND CONNECTIVE TISSUE: 721 SPONDYLOSIS AND ALLIED DISORDERS	\$58,454	\$791	\$10,511	\$67	\$69,824
11	EMPLOYEE	50-54 F	MUSCULOSKELETAL AND CONNECTIVE TISSUE: 710 DIFFUSE DISEASES OF CONNECTIVE TISSUE		\$4,876	\$56,467	\$6,481	\$67,825
12	EMPLOYEE	55-59 F	MUSCULOSKELETAL AND CONNECTIVE TISSUE: 722 INTERVERTEBRAL DISC DISORDERS		\$24,000	\$13,192	\$26,171	\$63,362
13	EMPLOYEE	70-74 F	SYMPTOMS, SIGNS & ILL-DEFINED CONDITIONS: 799 OTHER ILL-DEFINED AND UNKNOWN CAUSES OF MORBIDITY AND MORTALITY		\$477	\$62,397		\$62,874
14	SPOUSE	60-64 M	MUSCULOSKELETAL AND CONNECTIVE TISSUE: 729 OTHER DISORDERS OF SOFT TISSUES	\$14,175	\$2,285	\$6,603	\$39,280	\$62,343
15	EMPLOYEE	50-54 F	DIGESTIVE: 573 OTHER DISORDERS OF LIVER		\$3,021	\$1,414	\$53,244	\$57,679



WORKSITE WELLNESS



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➤ Worksite Wellness

The County offers employees (and Spouses) a \$600 annual incentive to participate in the IHS Screening Program (biometric and Health Risk Assessment).

Recent Historical Participation Rate:

2012	2013	2014
94.40%	95.20%	97.80%



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➤ Worksite Wellness

2013 Results:

- 1,599 Total Screenings
- 54.7% were referred to a physician
- 557 (or 35%) Participants registered to share screening results with their doctor
- 15.6% are Tobacco users (17.7% in 2012)



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➤ Worksite Wellness

2013 Results:

	Newly Discovered Conditions	Considered At Risk	Considered Critical
Anemia	24	4	4
Blood Pressure	57	9	2
High Cholesterol	203	50	13
Diabetes	34	4	8
Kidney Condition	14	4	1
Liver Condition	97	12	13
Thyroid Condition	7	2	2
Metabolic Syndrome	368	0	0
Other	5	5	5



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➤ Worksite Wellness

2013 Results:

	Regressed	Same	Improved	Total
Blood Pressure	9 (5%)	21 (12%)	152 (84%)	182
LDL Cholesterol	90 (35%)	20 (8%)	145 (57%)	255
Glucose	82 (25%)	49 (15%)	200 (60%)	331
Triglycerides	44 (13%)	60 (18%)	235 (69%)	339
Smoking	0 (0%)	194 (78%)	54 (22%)	248

* Total number of members asked to improve based on their last health evaluation



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➤ Worksite Wellness

2013 Results:

	Aware, Out of Range, Not Managing
Diabetes	14
Blood Pressure	11
Cholesterol	81

* Members who are aware of their condition, tested out of range and are not currently on medication for the condition.



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➤ Worksite Wellness

Year-over-Year Change in Results:

	2008	2009	2010	2011	2012	2013
Participation	406	316	1624	1571	1547	1599
Average IHI Score	5	1	5	5	5	5
High Risk	19%	15%	20%	20%	20%	20%
Moderate Risk	20%	23%	20%	19%	18%	16%
Low Risk	61%	62%	60%	61%	62%	64%



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➤ Worksite Wellness

What do the results mean?

- Great Participation with solid improvements from a significant number of employees/spouses
- Moderate Risk reduced while High Risk is flat
- Number of Smokers reduced
- About 1/3 of participants shared their results with their doctor.



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➤ Worksite Wellness

What do the results mean?

- 2/3 of participants not enrolled in program to send report to their physician
- Many participants ignored goal to improve, regressed or were aware of a condition but seemingly did not act to manage the condition
- No reduction in number of high risk participants
- Average IHI Score unchanged and above IHS client average



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➤ Worksite Wellness

Goals to Enhance Performance:

- Results/Compliance Based Wellness
 - Participant would need to achieve their IHS goal for health improvement in order to receive the full \$600 incentive.
- Tiered Contributions incentive \$300/year to participate and \$300/year if goals met
- Hybrid Contribution setup could allow compliant participants pay less and non-compliant participants pay more (as a percentage of total cost).
 - Compliant Participants Receive extra \$10/month
 - Non-Compliant Participants pay extra \$20/month



Cost Management



➤ Worksite Wellness

Potential Savings from Changes:

➤ Near Term (Years 1-2)

- - 2% to - 3% of health insurance budget with 10% reduction in large claims

➤ Long Term (Years 3 and beyond)

- IHS estimates well over \$1M in annual avoidable medical cost



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UTILIZATION OPTIMIZATION

Cost Management



Utilization Optimization

A process where plan design, incentives and patient behavior are aligned to promote accountability, quality outcomes and cost efficiency.



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Utilization Optimization

- A consumer-driven (HDHP) plan design is a good step toward optimizing the manner in which participants use the plan
- Union contracts exist for three more years which create challenges in making a dramatic move away from our traditional PPO plan design
- Need to identify soft-plan design changes that do not change the economics for participants but promote optimal utilization



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Utilization Optimization

- With little ability to modify the existing PPO plan design to one that promotes consumerism, the County should identify a comprehensive plan to install an HDHP in replacement of the existing PPO to occur over time and with ample EE education and buy-in
- The County should look for meaningful ways to promote consumerism or plan optimization within the constraints of union agreements



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Utilization Optimization

- Blue Value Advisor (BVA)
 - Integrated online and phone-based solution offered as buy-up service from BCBS that gives plan participants someone to speak with to discuss questions about procedures, identify lowest cost provider/facility and identify the cost to participant given their deductible satisfaction progress. With BVA participants receive:
 - Provider specific cost & quality info on common procedures
 - Clinical educational support
 - Coordination of referrals
 - Appointment scheduling
 - Cost is roughly \$2.50 - \$3.00 PEPM or \$16,000 per year.
 - Deploy grass-roots education campaign during open enrollment to promote the utilization of this service.



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Utilization Optimization

➤ Blue Value Advisor (BVA) Savings Opportunity:

Participation	Savings PEPM	Annual Savings
15%	\$9.92	\$62,377
30%	\$19.84	\$124,754
45%	\$29.76	\$187,131



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Utilization Optimization

- Blue Distinction Centers
 - Originally a designation given to facilities with highly rated outcomes, now includes price savings as well for center major disease/procedure categories.
 - Plan design can be customized with three-tier coinsurance to increase participation and increase savings
 - Deploy grass-roots education campaign during open enrollment to promote the utilization of this service.



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Utilization Optimization

➤ Blue Distinction Centers (BDC) Potential Savings:

Participation	Savings PEPM	Annual Savings
10%	\$0.89	\$5,596
30%	\$2.67	\$16,789
50%	\$4.45	\$27,982



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Utilization Optimization

- Reference-Based Pricing
 - County Decides on a Percentile Referenced Based Price (RBP)
 - Coverage is tiered so that benefit to EE can be 100% if the employee “shops” on the BCBS pricing tool.
 - If employee chooses not to “shop” coverage level is the same as In-Network but EE can be “balanced billed” the difference between the RBP and the actual claim cost.
 - Aimed specifically at Imaging services such as MRIs and CT Scans





Reference-Based Pricing Example

RBP Savings Illustrations				
Benefits do not apply to the RBP				
	Current Policy	Under RBP		
		No Shopping		Shopping
		Ex 1	Ex 2	Ex 3
Reference Price		\$ 1,500	\$ 800	\$ 1,300
Allowed	\$ 1,200	\$ 1,200	\$ 1,200	\$ 900
Paid				
Plan share	\$ 1,000	\$ 1,200	\$ 800	\$ 900
Member share	\$ 200	\$ -	\$ 400	\$ -
Savings				
Plan		\$ (200)	\$ 200	\$ 100
Member		\$ 200	\$ (200)	\$ 200

Cost Management



Utilization Optimization

- Referenced-Based Pricing Saving Opportunity



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PHARMACY OPPORTUNITIES



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Utilization Optimization

- Pharmacy Opportunities
 - Utilization Management/Review
 - Step Therapy
 - Generic Penetration
 - Mail-Order Penetration
 - Specialty Pharmacy Requirements



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Pharmacy Opportunities

➤ Utilization Management/Review

- The goal is to ensure the delivery of timely, safe, and appropriate pharmaceutical care in the most efficient and cost-effective manner
- The Standard Pharmacy UM Service includes a review of:
 - Existing utilization patterns
 - Evidence-based medicine
 - Potential for fraud, waste and abuse
 - Emerging market demands
 - Targeted mailing is sent to impacted members for the PA program
 - Members with a recent fill of the drugs included in the ST program are grandfathered and not impacted by the program



Cost Management



Pharmacy Opportunities

- Utilization Management/Review

UM Program	Prior Authorization (PA)	Step Therapy (ST)
Definition	What: Designed to promote patient safety and use of the drug as intended by the manufacturer and the FDA How: Requires members to meet certain criteria before particular drugs are covered	What: Encourages use of safe, clinically appropriate, and more cost-effective drugs How: Requires use of a generic/formulary product before other agents will be covered
Value	Prior authorization prevents misuse or abuse; promotes appropriate use of medications; may result in total paid PMPM pharmacy savings	Step therapy impacts prescriber behavior as well as member behavior; increases generic utilization rate; may result in total paid PMPM pharmacy savings



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Pharmacy Utilization Management Savings Opportunities:

Estimated Prior Authorization Savings for Selected Programs	
Estimated Plan Paid PMPM Savings	\$1.65 - \$2.14
Estimated Annual Plan Savings	\$56,588 - \$73,393
Average Ingredient Cost for Target Drugs	\$8,785
Estimated Member Impact	< 2% of Eligible Members

Estimated Step Therapy Savings for Selected Programs	
Estimated Plan Paid PMPM Savings	\$0.87 - \$1.16
Estimated Annual Plan Savings	\$29,838 - \$39,783
Average Ingredient Cost for Target Drugs	\$2,125
Estimated Member Impact	< 2% of Eligible Members

Estimated Total Savings for Selected Programs	
Estimated Plan Paid PMPM Savings	\$2.52 - \$3.30
Estimated Annual Plan Savings	\$86,426 - \$113,177
Average Ingredient Cost for Target Drugs	\$6,935
Estimated Member Impact	< 4% of Eligible Members

Cost Management



Pharmacy Opportunities

➤ Generic Penetration

- Generic Medications are roughly 10% of the cost of Brand Name Drugs.
- The Current \$10/\$40/\$60 Copay Structure should provide enough incentive for participants to request generic prescriptions except as a last resort.
- Count Average Cost for Generic Medication is: \$31.59
- County Average Cost for Brand Name Medication is: \$351.66



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Pharmacy Opportunities

- Generic Penetration
 - Benchmark is 80.5%

KANE COUNTY: PREM NON-HMO		
KEY INDICATORS SUMMARY	DEC'13	YEAR TO DATE
UNIQUE PHARMACY MEMBERS	1,280	1,381
PHARMACY MEMBER MONTHS	1,280	15,435
CLAIMANTS	575	1,083
PERCENT OF UTILIZING MEMBERS	44.9%	78.4%
PRESCRIPTIONS	1,491	18,319
PRESCRIPTIONS PMPM	1.16	1.19
PAID	\$145,622	\$1,647,661
PAID PMPM	\$113.77	\$106.75
AVERAGE INGREDIENT COST/PRESCRIPTION	\$113.81	\$106.94
GENERIC DISPENSING RATE	75.5%	76.1%
FORMULARY COMPLIANCE RATE	89.7%	88.3%
GENERIC SUBSTITUTION RATE	95.6%	95.7%
OUT OF POCKET PERCENT OF ALLOWED	15.2%	16.9%
RETAIL AS A PERCENT OF PRESCRIPTIONS	92.5%	92.1%
MAIL ORDER AS A PERCENT OF PRESCRIPTIONS	7.5%	7.9%
SPECIALTY PERCENT OF TOTAL PRESCRIPTIONS	0.9%	0.7%

KANE COUNTY: PREM HMO		
KEY INDICATORS SUMMARY	DEC'13	YEAR TO DATE
UNIQUE PHARMACY MEMBERS	1,464	1,588
PHARMACY MEMBER MONTHS	1,464	17,566
CLAIMANTS	476	1,142
PERCENT OF UTILIZING MEMBERS	32.5%	71.9%
PRESCRIPTIONS	994	12,468
PRESCRIPTIONS PMPM	0.68	0.71
PAID	\$77,339	\$956,661
PAID PMPM	\$52.83	\$54.46
AVERAGE INGREDIENT COST/PRESCRIPTION	\$90.73	\$89.12
GENERIC DISPENSING RATE	82.4%	81.0%
FORMULARY COMPLIANCE RATE	91.9%	92.1%
GENERIC SUBSTITUTION RATE	98.5%	98.2%
OUT OF POCKET PERCENT OF ALLOWED	15.3%	15.0%
RETAIL AS A PERCENT OF PRESCRIPTIONS	97.1%	97.0%
MAIL ORDER AS A PERCENT OF PRESCRIPTIONS	2.9%	3.0%
SPECIALTY PERCENT OF TOTAL PRESCRIPTIONS	0.5%	0.5%

Cost Management



Pharmacy Opportunities

- Generic Penetration: **PPO**
 - Based on Average cost, participants pay 30% of the cost of a Generic drug and between 11% and 17% for Brand-named drugs.
 - Through an effective communication campaign during open enrollment and perhaps future changes to the Brand and Non-preferred Brand Copays the County should strive to increase Generic utilization by 2% per year until at benchmark.
 - Moving from 76.1% to 78.1% Generic Penetration would reduce the Annual Rx Spend by: **\$120,357**



Cost Management



Pharmacy Opportunities

- Mail-Order Penetration
 - Much attention shift away from Mail-Order in favor of strategies aimed at increase in generic Rx utilization
 - Mail-Order is starting to reenter the picture as valuable cost containment tool.
 - Discount for Mail Order is higher than Discount for Retail.
 - Enhanced Benefit of only 2X Copay for 3-month supply limits potential benefit to self-funded employers.



Cost Management



Pharmacy Opportunities

- Mail-Order Penetration Savings Possibility
 - Mandatory Mail-Order for maintenance medications can be unpopular at first but once the benefit matures most users grow to appreciate it.
 - Shifting Away from 2X Copay to 3X Copay
 - 6.5% increase in Rx Discount for mail-order in **HMO results in potential savings of \$36,000**
 - 8.5% increase in Rx Discount for mail-order in **PPO results in potential savings of \$48,000**



Cost Management



High Efficiency Network

- **Blue Choice PPO** (January 1, 2015 or 1st Quarter 2015)
 - Starting 1/1/2015 BCBS will allow groups to offer two PPO networks within a single plan
 - Large PPO would still be available but if employee opts to use providers and/or facilities in the smaller Blue Choice PPO there can be up to a 12% savings in claim cost
 - Tiered Plan design can be created to promote utilization of Blue Choice
 - For example: Coverage at Blue Choice is 80%, Coverage in broader PPO is at 70% and coverage out-of-network is at 60%
 - Analysis shows average access to existing providers/facilities
 - If Launch is delayed until after 1/1/2015 Kane could make a mid-plan year change to incorporate the added network.



Cost Management



Utilization Optimization

- High Efficiency Network – Savings Potential (In-Patient)

Provider	Visits	Paid	In PPO	In PPO Choice	Savings Potential
Central DuPage Hospital	19	\$445,901	X		
Copley Memorial Hospital	9	\$105,840	X	X	\$11,642
Delnor Community Hospital	9	\$88,575	X		
Advocate Sherman Hospital	6	\$60,608	X		
Kishwaukee Community Hospital	4	\$73,938	X		
Loyola University Medical Cent	4	\$172,441	X	X	\$18,969
Provena Mercy Medical Center	4	\$60,453	X		
Sherman Hospital	4	\$26,731	X		
DuPage Convalescent Center	3	\$34,137	X		
Advocate Health and Hospital C	2	\$62,087	X		
William S Middleto	1	\$29,633	X		
TOTAL	65	\$1,160,344			\$30,611



Cost Management



Utilization Optimization

- High Efficiency Network – Savings Potential (Out-Patient)

Provider	Visits	Paid	In PPO	In PPO Choice	Savings Potential
Central DuPage Hospital	453	\$613,856	X		
Delnor Community Hospital	417	\$274,942	X		
Advocate Sherman	110	\$45,960	X		
Provena St Joseph Hosp Elgin	94	\$131,040	X		
Sherman Hospital	93	\$48,095	X		
Copley Memorial Hospital	76	\$61,473	X	X	\$6,762
Kishwaukee Community Hospital	66	\$127,489	X		
Seasons Hospice	66	\$25,593	X	X	\$2,815
Provena Mercy Medical Center	56	\$49,610	X		
Loyola University Medical Cent	44	\$34,710	X	X	\$3,818
Rush University Medical Center	39	\$71,965	X		
Presence St Joseph Hosp Elgin	26	\$67,067	X	X	\$7,377
Department of Veterans Affairs	30	\$48,404	X		
TOTAL	1570	\$1,600,204			\$20,773

Cost Management

Utilization Optimization



➤ High Efficiency Network – Savings Potential (Professional)

Provider	Visits	Paid	In PPO	In PPO Choice	Savings Potential
Dreyer Medical Group Ltd	3579	\$239,961	X	X	\$26,396
Interactive Health Solutions I	2471	\$27,832	X	X	\$3,062
Ati Physical Therapy	1360	\$53,410	X	X	\$5,875
Cadence Physicians Group	1170	\$92,915	X		
N/A	1080	\$145,194	N/A	N/A	
Fox Valley Family Physicians S	849	\$39,954	X		
David Foss D C Ltd	839	\$14,401	X		
Loyola University Medical Cent	666	\$26,298	X	X	\$2,893
West Physical Therapy P C	495	\$17,428	X	X	\$1,917
Dekalb Clinic Chartered	439	\$33,113	X		
Dupage Medical Grp Ltd	386	\$29,948	X	X	\$3,294
Fox Valley Orthopaedic Assoc	374	\$55,995	X	X	\$6,159
Advanced Physical Medicine Of	293	\$17,631	X		
Rush Copley Medical Group	237	\$29,280	X	X	\$3,221
Fox Valley Women And Childrens	223	\$22,007	X	X	\$2,421
Northwestern Medical Fac Fdn	211	\$62,687	X		
Mayo Clinic	164	\$19,870	X		
Castle Orthopaedics And Sport	136	\$14,113	X		
Geneva Eye Clinic Ltd	132	\$14,030	X	X	\$1,543
Illinois Urological Institute	119	\$12,033	X	X	\$1,324
Midwest Orthopaedic Institute	73	\$12,780	X		
Mini Med Dist Corp	59	\$12,753	X		
Anesthesia Associates Ltd	38	\$13,994	X		
Kane Anesthesia Associates S C	37	\$12,640	X		
Guardian Anesthesia Associates	35	\$15,036	X	X	\$1,654
Biorx Llc	32	\$385,373	X		
West Central Anesthesiology Gr	24	\$14,477	X	X	\$1,593
Option Care Enterprises	12	\$132,420	X		
Us Bioservices Corporation	9	\$197,316	X		
Prime Therapeutics Specialty	2	\$16,547	X		
TOTAL	15544	\$1,781,435			\$61,351

Cost Management



Utilization Optimization

- High Efficiency Network – Savings Potential (Total)

Service Type	Potential Savings Blue Choice PPO
In-Patient	\$30,611
Out-Patient	\$20,773
Professional	\$61,351
TOTAL	\$112,734





Fiscal / Structural Cost Management



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Enrollment Management

- Dependent Audit
- Working Spouse Provision
- Retirees to Marketplace



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Dependent Audit

- Full-scale audit process to ensure that only eligible dependents are covered on the County health plan.
- Eligible dependents include:
 - Spouse (or civil union)
 - Dependent children up to age 26
 - Disabled children over the age of 26
 - Eligible military children up to age 30





Dependent Audit

- Over a 10-12 week period, a third-party vendor sends 2-3 rounds of communication to employees with covered dependents requesting proof of dependency
- Documents can be mailed, fax, or uploaded to a secure website (if offered)
- Employees and county are notified of approval status





Dependent Audit

- Estimated ineligible dependents removed from the plan during an audit: **3-8%**
- Current dependents on the plan: **1,628**
- Average annual cost per member: **\$3,000**
- Potential savings: **\$0 - \$390,000**
(0-2.6% of premium)
- Audit cost range: **\$16,000 - \$19,000**



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Consumerism Model Plan



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HDHP (Consumer Driven Health Plan)

Consumer Driven HDHP is a medical insurance arrangement that pairs a high deductible PPO health plan (with no first \$ coverage) to a Health Savings Account.

For years the healthcare inflation factor for these plans was lower than that of traditional plan designs. Technically, that is not true this year as Trend for HDHPs is roughly 7.2% where as traditional PPO plans are closer to 6.2%.

12.8 million people were enrolled in HSA at the beginning of 2014. A 33% increase from 2014.

Illinois ranks 2nd in the country for HSA enrollment at roughly 1 million enrolled.



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HDHP (Consumer Driven Health Plan)

These plans strongly compel participants to become much more active and engaged in their health care decisions.

The first \$ being spent are the participant's giving them extra incentive to consider the cost of a particular procedure and research the best and lowest cost option.

Given the County's strong desire to innovate, manage health insurance related costs and maintain its lead over other municipal authorities, you should strongly consider adding an HDHP.

While union agreements may prevent a full shift to an HDHP in one year, now is the time to introduce it, to conduct educational sessions and begin promoting the benefits of this type of plan.

Smart user can turn this option into a profit center by accumulating HSA dollars provided by the employer.



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HDHP (Consumer Driven Health Plan)

	<i>PPO Current</i>	<i>High Deductible Option</i>
Deductible (Single/Family)		
In-Network	\$600/\$1,800	\$2,000/\$4,000
Coinsurance after deductible		
In-Network	80%	90%
Out of Pocket incl. deductible (Single/Family)		
In-Network	\$2,100/\$6,300	\$3,000/\$6,000
Office Visit		
In-Network	\$25/\$45	Ded & Coins
Prescription		
	\$10/\$40/\$60	\$10/\$30/\$50 <i>after deductible</i>
HSA Funding by Employer (Annual)		
EE	NA	\$1,059.48
EE+1	NA	\$2,123.10
Family	NA	\$3,113.86





HDHP (Consumer Driven Health Plan)

Current PPO Contributions					
Enrollment	EE Contrib	ER Contrib	ER HSA Contribution	Total Cost	Annual Total Cost
185	\$143.56	\$487.08	NA	\$630.64	\$1,400,021
138	\$285.25	\$978.50	NA	\$1,263.75	\$2,092,770
201	\$419.47	\$1,434.02	NA	\$1,853.49	\$4,470,618
524					\$7,963,409

Proposed HSA Contributions					
Enrollment	EE Contrib	ER Contrib	ER HSA Contribution	Total Cost	Annual Total Cost
185	\$143.56	\$398.79	\$88.29	\$630.64	\$1,400,021
138	\$285.25	\$801.58	\$176.93	\$1,263.75	\$2,092,770
201	\$419.47	\$1,174.53	\$259.49	\$1,853.49	\$4,470,618
524					\$7,963,409





Cost/Trend Plan Design Management



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Cost/Trend Plan Design Management

PPO			
	Current	2015	2016
Deductible (Individual/Family)			
In-Network	\$750/\$2,250	\$1,000/\$3,000	\$1,000/\$3,000
Out-of-Network	\$1,500/\$4,500	\$2,000/\$6,000	\$2,000/\$6,000
Savings		-1.25% / -\$88,580	0.00% / \$0
Out of Pocket (Individual/Family)			
	INCLUDES DEDUCTIBLE	INCLUDES DEDUCTIBLE	INCLUDES DEDUCTIBLE
In-Network	\$2,750/\$8,250	\$3,000/\$9,000	\$3,000/\$9,000
Out-of-Network	\$5,500/\$14,250	\$6,000/\$15,750	\$6,000/\$15,750
Savings		0.00% / \$0	0.00% / \$0
Physician Office Visits			
Primary Care	\$30 co-pay	\$40 co-pay	\$40 co-pay
Specialist	\$50 co-pay	\$60 co-pay	\$60 co-pay
Savings		-0.50% / -\$35,432	0.00% / \$0
Emergency Room			
	\$250 copay	\$300 copay	\$300 copay
Savings		-0.15% / \$10,630	0.00% / \$0
Prescription Drug			
Generic	\$10	\$10	\$10
Formulary Brand	\$40	\$40	\$40
Non-Formulary Brand	\$60	\$60	\$60
Specialty	n/a	n/a	25%
Savings		0.00% / \$0	-0.75% / \$53,148



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Cost/Trend Plan Design Management

HMOIL & Blue Advantage			
	<i>Current</i>	<i>2015</i>	<i>2016</i>
Physician Office Visits			
Primary Care	\$30 co-pay	\$35 co-pay	\$40 co-pay
Specialist	\$50 co-pay	\$55 co-pay	\$60 co-pay
Savings		-0.75% / -\$28,769	-0.75% / -\$28,769
Emergency Room			
	\$250 copay	\$300 copay	\$300 copay
Savings		-0.15% / \$5,754	0.00% / \$0
Inpatient Co-pay			
	\$250 copay	\$500 copay	\$500 copay
Savings		-0.50% / \$19,180	0.00% / \$0
Outpatient Surgery Co-pay			
	none	\$250 copay	\$250 copay
Savings		-0.25% / \$9,590	0.00% / \$0
Prescription Drug			
Generic	\$10	\$10	\$10
Formulary Brand	\$40	\$40	\$40
Non-Formulary Brand	\$60	\$60	\$60
Specialty	n/a	n/a	25%
Savings		0.00% / \$0	-0.75% / -\$28,769
TOTAL PROJECTED REDUCTION		(\$197,935)	(\$110,686)





Summary of Cost Management Opportunities



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Cost Management Opportunities

Category	Goal	Potential Cost Impact
Worksite Wellness	Reduce Large Claims by 10%	\$130,000
BVA / Advocacy Vendor	Establish resource for participant to answers and cost estimations for routine testing/imaging	\$124,000
BDC / Centers of Excellence	Through education and plan design characteristics compel participants to use special high value lower cost providers	\$17,000
Pharmacy Utilization Mangmt.	Reduce waste, emphasize cost as a consideration and eliminate abuse	\$113,000
Generic Penetration	Increase Generic utilization in PPO by 2%	\$120,357
Mail-Order (Mandatory)	Encourage mail-order for maintenance meds	\$84,000
BlueChoice PPO	Use highly efficient Blue Choice PPO as an overlay to larger PPO - maintain access but increase discounts from providers	61,351
Dependent Audit	Reduce the number of plan participants who should not be eligible but are intentionally or mistakenly on the plan.	varies
Working Spouse Provision	Establish rules about covering a spouse if that spouse is employed elsewhere and offered benefits.	varies
Cost/Trend Plan Modification	If above options do not provide the needed cost containment, consider 2015 plan design changes as identified.	\$197,935
Consumer Driven Health Plan	Adopt a plan that can begin introduced to participants this fall where enrollment in said plan is strictly by choice	pending
Total		\$847,643



Questions & Answers



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