

City of Newton Health Care Advisory Committee



First Report
2013

Charge to Committee

- Section 12 of the City Ordinances requires a Health Care Advisory Committee that would:
 1. Review cost and efficiency of Newton's health benefit plan or plans
 2. Examine possible alternative methods of securing health insurance for its participants
 3. Investigate possible avenues of providing better medical care and treatment outside the traditional model at a lower cost

Timeline

- Committee members appointed in March 2013
- Committee began working on April 1, 2013
- Report substantially completed in October, 2013
- Formal presentation December, 2013

HCAC Appointees	Appointees Areas of Expertise
Kristen Apgar, JD, <i>former General Counsel, MA Executive Office of Health and Human Services</i>	Health law, health policy, health care insurance and financing, health economics, occupational health, health services research, human resources, health information technology, quality improvement, finance, health administration, public administration
Elizabeth Capstick, MS, <i>former Deputy State Auditor and Member, MA Health Care Quality and Cost Council</i>	
John Freedman, MD, MBA, <i>Principal, Freedman HealthCare</i>	
Dean Hashimoto, MD, JD, <i>Professor of Law, Boston College, and Chief, Occupational and Environmental Medicine, Partners Health Care</i>	
Bruce Landon, MD, MBA, <i>Professor of Health Care Policy and Medicine, Harvard Medical School</i>	
Vinay Mehra, <i>CFO, WGBH</i>	
Peter Neumann, ScD, <i>Professor and Director, Center for the Evaluation of Value and Risk in Health, Tufts Medical School</i>	
Daniel Sands, MD, MPH, <i>Health IT Consultant, and former Director, Healthcare Business Transformation, Cisco Systems</i>	
Dana Gelb Safran, ScD, <i>Senior Vice President, Blue Cross and Blue Shield of Massachusetts</i>	
Eleanor Soeffing, MHSA, <i>ACO Program Officer, Beth Israel Deaconess Care Organization</i>	
William Brandel, MPP, <i>PhD Candidate, Brandeis University*</i>	

*Non-voting research analyst for HCAC

Process

- HCAC requested information on Newton's health plans and health care from City officials, health plans, other municipalities, the GIC, the MMA, and the City's benefits consultant
- HCAC analyzed data and sought supporting research in the medical literature
- HCAC drafted the report in 7 sections, to address topics of interest and organize recommendations to City leaders

Report Overview

The HCAC report is divided into seven sections

1. History and Legislative Background
2. Newton's Current Health Plans, and Cost and Utilization Trends
3. Comparison of Newton with Comparable Communities and the Group Insurance Commission (GIC)
4. Other Post-Employment Benefits (OPEB)
5. Use of Behavioral Incentives, Traditional Disease Management and Wellness Programs to Promote Lower Cost, Higher Quality Health Choices and Employee Wellness
6. Encouraging Employee Health Plan Opt-Out to Achieve Financial Savings
7. Community Partnership Opportunities

1. History and Legislative Background

- City operates in context of
 - Chapter 32B – municipal health benefits
 - Municipal Partnership Act – local options regarding health benefits
 - Chapter 224 – latest addition to state health reform – cost containment, transparency, wellness and prevention
 - ACA (Obamacare) – required coverage, affordability, tax implications, etc.

1. History and Legislative Background

- City experience with health care
 - Costs increased 8-11% annually through 2011, before falling in 2012 & 2013
 - 1994: City began to self-insure and pay the actual dollar amount of the incurred health care claims and administrative fees to the health plan. Since 2000, City is 96% self-insured
 - 2004: Imported prescription drug program
 - ~2004: Formal reprocurement of health plans did not result in any significant changes
 - City offers disease management and wellness programs
 - City covers 8,500 people

1. History and Legislative Background

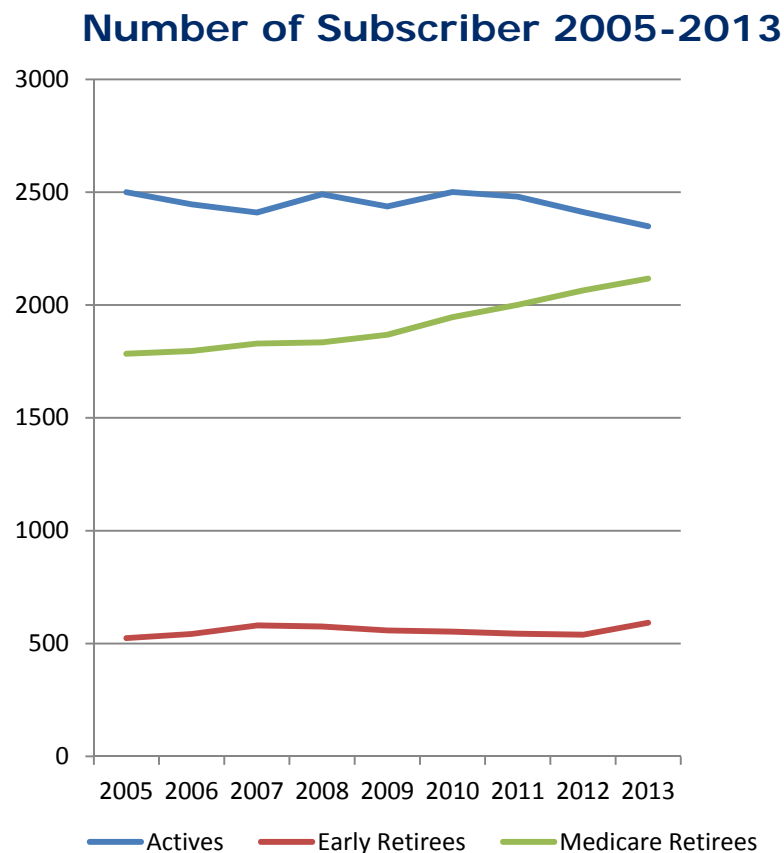
- 2011 collective bargaining agreements
 - City and workers agree on framework limiting total compensation to 2.5% growth
 - Health savings available to pay salary increases
 - City did not join GIC as greater savings were found by modifying current health plans
 - For most workers, premium contributions rose to 25% and deductibles added to insurance plans

2. Newton's Current Health Plans

- Three commercial plans
 - Harvard Pilgrim Health Care HMO
 - Tufts Health Plan HMO (EPO) and "High Option" (PPO/POS)
- Three Medicare plans
 - Tufts Medicare Complement (Medigap plan)
 - Tufts Medicare Preferred (HMO)*
 - Blue Cross (HMO)*

*City self-insures all plans except Medicare HMOs

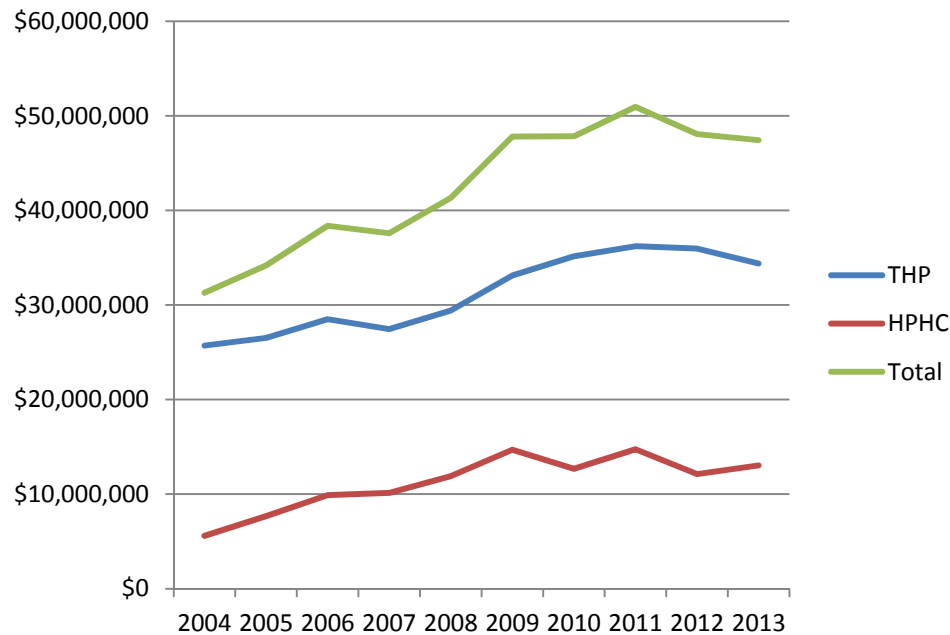
2. Healthcare Cost Trends



- Proportion of retirees grew steadily
 - Non-Medicare retirees grew 13%
 - Medicare retirees grew 19%
- Medicare plans less costly than commercial, but retirees will remain on Medicare longer as life expectancies rise
- Number of retirees remaining on coverage and average cost will rise
- OPEB liability expected to swell

2. Healthcare Cost Trends

Annual Health Spending by HPHC & THP Trust Funds



Source: City of Newton

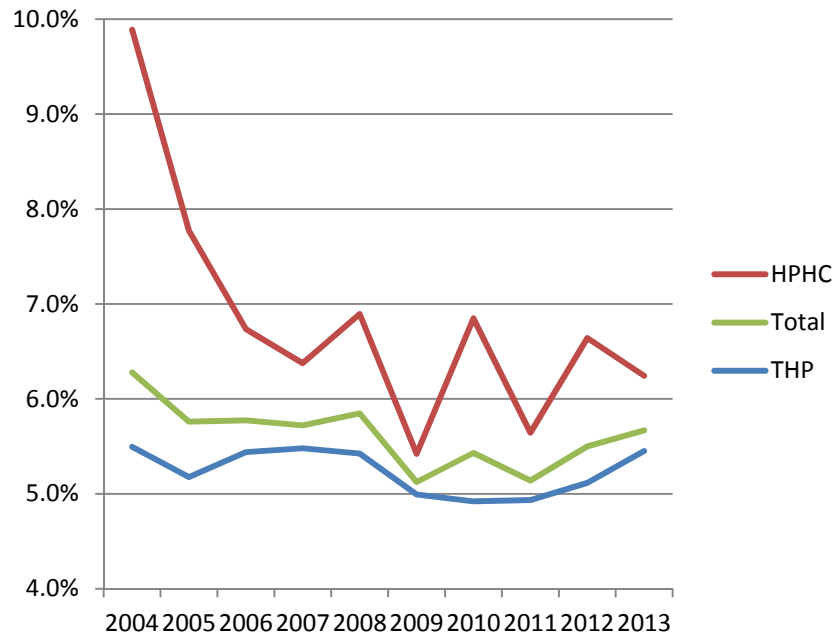
Variation in Annual Health Care Spending

Health Trust Fund	Average Increase \pm Standard Deviation	Smallest Annual Increase	Largest Annual Increase
HPHC	8.9 \pm 18.6%	-17.8%	37.3%
THP	3.0 \pm 5.6%	-4.4%	12.6%
Total	4.2 \pm 7.4%	-5.6%	15.7%

Year-to-year spending is volatile

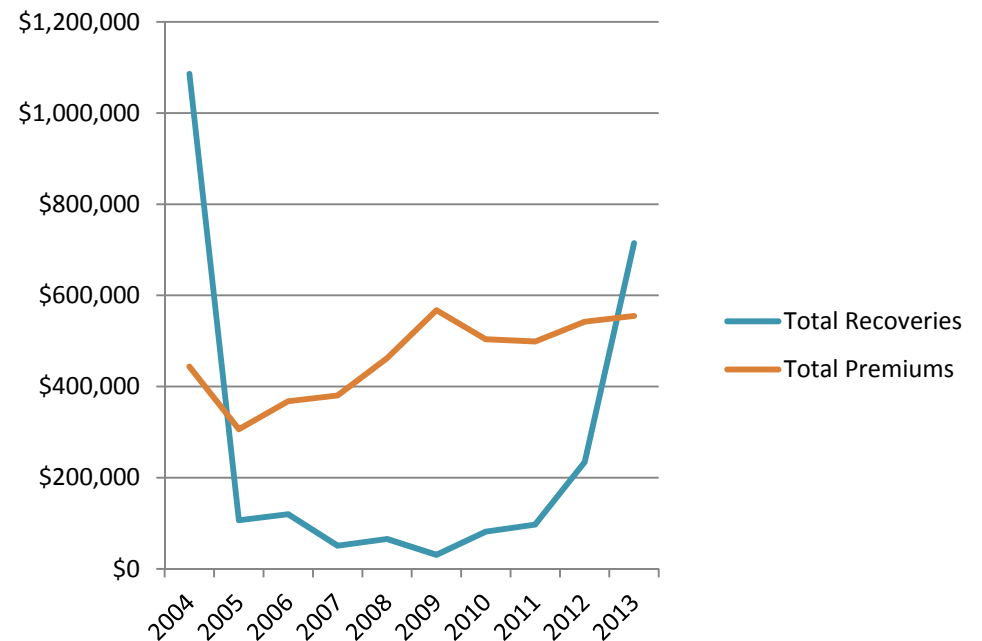
2. Healthcare Cost Trends

Administrative Fees as % of Total Health Expenditures



HPHC administrative fees exceed THP's

Reinsurance Premiums and Recoveries



Reinsurance recoveries average 40% of premiums paid

2. Healthcare Cost Trends – Recommendations

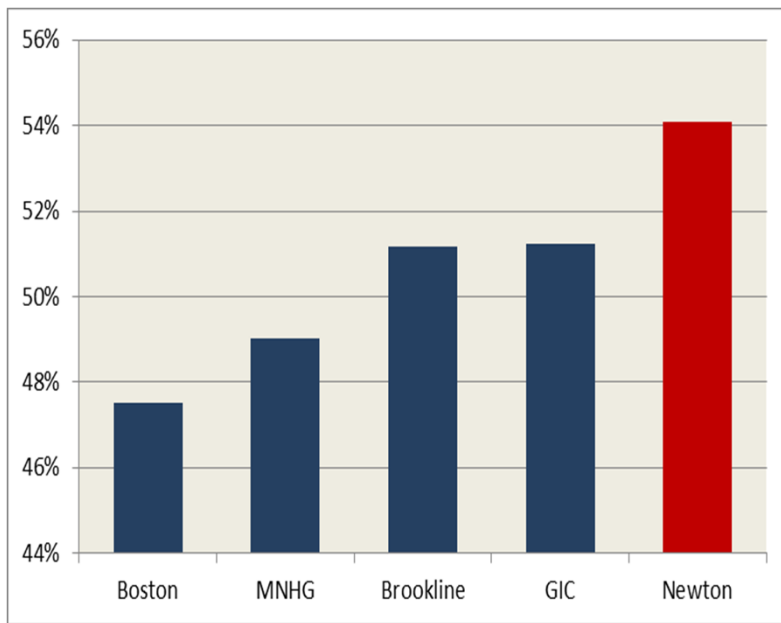
1. To enhance its planning for health care cost management, the City, working with its benefits consultant and health plans, must organize and analyze health plan enrollment, cost and utilization data at least annually. The data should be maintained in an electronic form readily suitable for analysis. The City should create a single template that can be completed by each plan to make this easier for future comparisons. A proposed template is provided in the Appendix.
2. The City should take full advantage of the expertise available to it from its health benefits consultant.
3. The City, working with its benefits consultant and health plans, should obtain better comparison benchmark data, such as data from other Massachusetts public employers including adjustments for the population's health status (for example, using an industry-standard health status measures, such as DxCG). Proper comparison data are necessary for any serious exploration of opportunities for improvement in the care of City employees.

2. Healthcare Cost Trends – Recommendations

4. The available evidence suggests that the City is paying higher than average prices for a number of health services. There should be further exploration to determine whether City employees could reduce spending by directing their care to lower cost providers in the area, particularly for elective services.
5. The City and its employees should explore the future implications of the Affordable Care Act (ACA) “Cadillac” tax and other provisions on the overall cost of employee benefits and the impact they will have on the total compensation available to employees. Efforts to mitigate the impending ACA penalties should be a leading topic in discussions with employees as the tax works to the mutual disadvantage of the City and its employees.
6. The City should plan for a full reprocurement of its health plans, including renegotiation of administrative fees. The city may benefit from inviting additional insurance carriers to bid to provide City health plans.
7. The City should broaden its approach to its annual reinsurance procurement

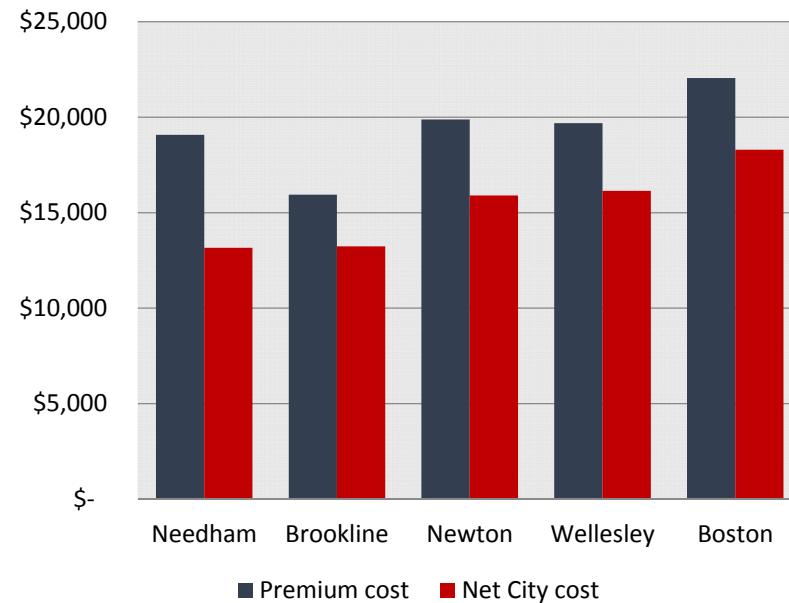
3. Comparing Newton with Other Municipalities

Percent of Retired Municipal Subscribers



Newton has more retirees

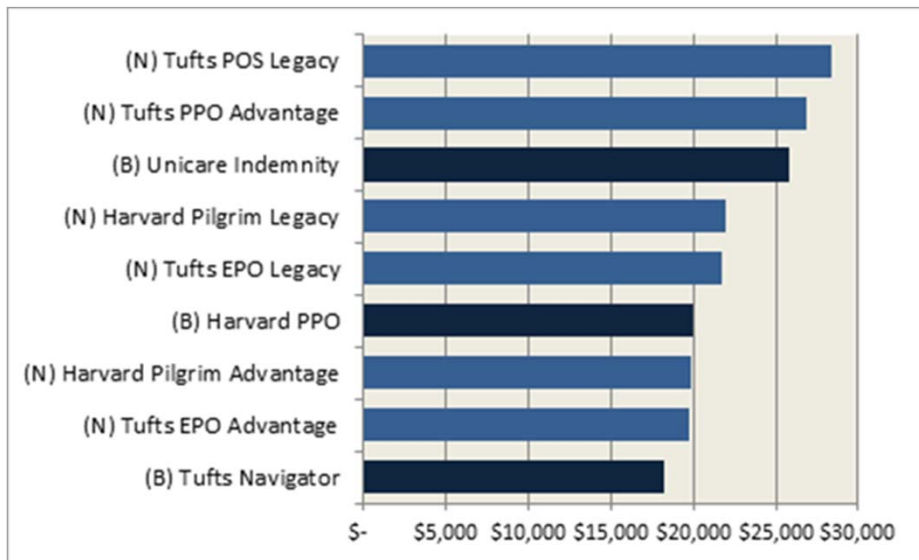
Harvard Pilgrim HMO Plan (Family)



Newton's premiums are roughly average

3. Comparing Newton with Other Municipalities

GIC Premium Cost Comparison (family Plan)



GIC premiums are often lower for comparable products, and may represent savings for both the City and workers

Potential Savings at FY14 Rates with GIC

Health Plan Comparison	Total Premiums Paid (No Holiday)	Premiums with Newton 5.8% Holiday
HPHC		
Net Savings	\$ (393,171)	\$ (1,241,252)
THP Low option		
Net Savings	\$ 1,406,625	\$ 76,293
THP High Option vs. Indemnity		
Net Savings	\$ 298,134	\$ (16,662)
Medicare Complement		
Net Savings	\$ 1,078,080	\$ 526,453
Total Savings	\$ 2,389,668	\$ (655,169)

Committee Recommendations

9. The City should evaluate the possible benefits of participation in the Group Insurance Commission (GIC). Joining the GIC poses some trade-offs and risks for Newton and its employees. The cost savings could be considerable while also reducing some administrative burdens on the city. Newton should work to educate its employees on the GIC offerings, so as to better inform the conversation.

4. Other Post-Employment Benefits

- Cost of funding retiree health care (OPEB) represents a major financial liability for cities and towns
- *Special Commission to Study Retiree Healthcare and Other Non-Pension Benefits* report cites a potential \$30 billion in MA municipal OPEB liabilities
- City is already taking actions to address OPEB liability issue
 - Accepted Chapter 32B, Sect 18, requiring eligible retirees to enroll in Medicare
 - Annual audits and reports on OPEB liability, per GASB 45
 - Established Irrevocable Trust for OPEB funds (Ordinance No. A-20), and contributes 2.5% of compensation for new employees
 - Agreed with workers on changes to health plans

Committee Recommendations

10. The City should closely monitor the actions of the state Legislature as it considers proposed legislation on retirees health benefits (OPEB). If enacted, the legislation could assist the City in reducing its future liability for retiree health benefits.

5. Use of Behavioral Incentives and Traditional Disease Management Programs to Lower Cost and Improve Employee Wellness

- Focus on use of incentives to influence members in three areas:
 - Choosing a provider
 - Chronic disease management
 - Wellness and health promotion

Choosing a Provider

- Tiered Networks
 - Members save when choosing “preferred” physicians or hospitals
 - May select non-preferred providers, but will have higher copayment
- Limited Networks
 - Network restricted to only higher-value providers
 - Patient does not have option of paying high copayment to access out-of-network provider

Chronic Disease Management

- Value-Based Insurance Design
 - Lower copayments for drugs to promote adherence to medications for chronic health conditions
 - Waiving patient copayments for preventative health exams and screenings tests
 - Discourage use of services judged to be of low value

Wellness and Health Promotion

- Behavioral Economics
 - Reward employees for engaging in healthy behaviors
- Adjusting premiums
 - Premium cost based on wellness behaviors (i.e. smoking) and participation in wellness programs

Committee Recommendations

12. The Committee also believes offering incentives for choosing lower cost providers and increased information transparency, can provide employees incentives to make cost-effective decisions. The Committee recommends that the City consider these opportunities as they become available.
13. While the Committee lacks information about the scope of the disease management programs currently offered, lowering copayments on chronic medications or other incentives should be considered. It is unlikely that Value Based Insurance Design (VBID) has the potential for substantial cost savings or improved employee health in the short-run.
14. The Committee recommends consideration of increasing incentives to use higher value prescription medications. The City should explore whether and how Newton's small mail order pharmacy use (5% of spending in HPHC) can be increased, which would save money for the City and its workers.

5. Traditional Disease Management and Wellness Programs

- Disease Management

- Coordinated action for patients with chronic disease to improve population health
- Research fails to show health gains or cost savings
- Small number of employees qualify for disease management programs, therefore unlikely that better health or cost savings would result

- Wellness Programs

- Workplace wellness programs have potential to improve health and productivity, and cut health care costs
- City has tried various wellness programs: health fairs, health newsletters, "lunch and learn," annual flu vaccinations
- Tobacco cessation and influenza vaccination are areas of special interest
 - Personal benefit for employees
 - Financial benefits for the City
- Physical Fitness programs for public safety workers may improve employee health, but insufficient evidence at this point

5. Traditional Disease Management and Wellness Programs

- Health Risk Appraisals (HRAs)
 - Collect health habits and history to assess risk, provide feedback, and promote health
 - HRAs may sometimes lead to more patient follow up, but may also lead to over diagnosis
 - Financial incentives can increase HRA completion rates
 - 3 beneficiaries completed HRAs last year

Committee Recommendations

17. The Committee sees little to no potential savings by offering additional or more comprehensive disease management programs beyond those HPHC and THP currently provide.
18. In the absence of demonstrated benefit of current DM programs, the City and employees should consider ending programs that are provided at an additional cost by its current health plans.
20. The Committee recommends that the City continue to offer flu vaccinations for all employees, with a goal of vaccinating 100% of employees.
21. The Committee recommends that the City offer full coverage for smoking cessation programs and medications through PCPs, including those offered by local providers and through the City's health plans.
22. The Committee recommends that the City should consider the availability of wellness programs for cardiovascular fitness and weight reduction for public safety workers.
23. The Committee recommends against the City expending resources on health risk appraisals at this time because of challenges and limitations noted.

6. Encouraging Health Plan Opt-Out by Employees to Achieve Financial Savings

- 25% of Newton employees decline health insurance through the city
- Incentive program would be ineffective or cost more than it would save
 - City would have to pay those who have already opted out plus new people that opt out

Committee Recommendations

24. The Committee recommends against an employee opt-out program.

7. Community Partnership Opportunities

- Existing Partnership with Newton-Wellesley Hospital to provide certain services to City employees
 - Work-related injury services through subcontract with Needham-based Kadre
 - Data on services provided and cost are unavailable, but should be compiled and readily available to City human resource and budget staff
 - Employee Assistance Program (EAP) services
 - Includes free hotline, counseling for personal and work-related issues, consultations for managers
 - EAP services are very important to employees

7. Community Partnership Opportunities

- Potential Partnership Opportunities
 - Atrius Health
 - An alliance of six physician organizations including Harvard Vanguard Medical Associates
 - Current partnership with Boston includes community-focused activities like:
 - Flu clinics
 - Providing health-related materials
 - Providing information on selecting primary care physicians
 - Co-sponsoring health fairs
 - Offering health and wellness lectures
 - 3 HVMA sites just outside Newton; Atrius headquarters at Riverside
 - 23% of City beneficiaries are linked to an Atrius PCP
 - Partners Healthcare
 - Parent company of Newton-Wellesley Hospital, Newton's only hospital
 - 18% of City beneficiaries are linked to a Partners PCP

Committee Recommendations

26. The City should engage area health care providers to discuss potential partnerships that could improve the City's existing employee health programs. If found to be valuable, the City should update its agreement with NWH for employment related health services and the employee assistance program. A new agreement should clarify expectations and include reporting requirements and benchmarks for assessment of the effectiveness and value of the services to the City. The City should complete a review of the existing programs prior to extending the contract.

Questions and Discussion