

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Matt Grebliunas, Human Resources Director

DATE: July 20, 2020

SUBJECT: HEALTH PLAN REPORT

BACKGROUND:

The City of Lewisville has provided a health insurance plan through a partially self-insured program since 1990 using various Third-Party Administrators (TPA) and provider networks. Per Administrative Policy 2.15.1 – Comprehensive Medical Plan, the City Manager functions as the Plan Administrator and is responsible for the development, administration and execution of the plan of benefits. The policy requires staff to submit a report to Council annually explaining the changes to the plan of benefits and changes in employee premiums.

The plan year runs October through September matching the City's fiscal year. The partially self-funded health plan concept allows staff to set the rates charged to employees for various levels of coverage as well as the "employer rate" the City charges itself per budgeted position. The rates are based on administrative costs (individual and aggregate stop loss insurance and TPA services), claims costs, and medical inflation. All premiums from both the City and the employees are placed in the health fund that was established under Chapter 172 of the Local Government Code as a risk pool. Essentially, a risk pool is a trust for the collection and investment of contributions and the payment of benefits. Once the money is placed into the trust, it cannot be used for anything other than the payment of health benefits for City of Lewisville employees and retirees and their dependents. The City strives to balance the reserves to ensure the employees are receiving the best benefit with a proper balance between the employer rate and the employee rate.

September 30, 2020 ended the third year of the City's contract with Cigna to provide TPA and network provider services. The contract allows for two additional one-year extensions. The City will extend the Cigna contract for the second year per the agreement and will need to go out to bid next plan year. Currently, under the City's partially self-insured plan, the City is responsible for the first \$175,000 of each claim with individual stop loss (ISL) coverage for all claims in excess of this amount. Aggregate stop loss insurance provides overall plan protection by assuring that insurance coverage is provided when total claim payments exceed a specified amount. Cigna also has this Stop Loss contract and the City will be extending the contract for its final year before going out for RFP next plan year.

PLAN ANALYSIS AND RECOMMENDATIONS:

Currently, the City offers employees a choice between three health plans, which are consumer driven plans with higher deductibles and no co-payments. The City has continued to educate employees on becoming wiser consumers of health care by managing their Health Reimbursement Account and Health Saving Account funds, utilizing Flexible Spending Accounts and utilizing Alight (formerly Compass). Alight is a service provided to employees to help with finding in-network physicians, reviewing medical bills, and comparing prices for medical or dental procedures ensuring they have the information needed to help make wise health care decisions.

Below is a plan comparison of the benefits under each medical plan.

CAT Plan – (Catastrophic Plan)

- Local Plus network
- Indemnity Plan (fee for service like the HRA Plan but higher deductibles)
- Individual in-network deductible is \$5,000
- Out of Pocket Maximum – \$1,350
- Individual out of network deductible is \$10,000 and additional \$10,000 of out of pocket costs necessary to meet the Out of Pocket Maximum.
- Family in-network deductible is \$10,000
- Out of Pocket Maximum – \$2,700
- Family out of network deductible is \$20,000 and additional \$20,000 of out of pocket costs necessary to meet the Out of Pocket Maximum.
- Pharmacy Retail: 10% Generic, 30% Preferred Brand, and 40% Non-Preferred Brand to a max of \$150.
- Pharmacy Mail: 10% Generic, 25% Preferred Brand, and 40% Non-Preferred Brand to a max of \$300.
- Employees offered voluntary Gap Insurance through fully insured providers to offset the high deductible and out-of-pocket costs.

HRA Plan – (Health Reimbursement Plan) Under the Health Reimbursement Account (HRA) only the City can contribute funds.

- Local Plus network

- City contributes \$500 to the HRA account for employee only coverage and \$1,000 to the HRA account for employee plus dependent(s). Employees who participate in the wellness program receive an additional \$250 in their account.
- Unused funds roll over each year.
- HRA funds are forfeited upon termination from the plan.
- Individual in-network deductible is \$2,000 and additional \$4,000 of out of pocket costs necessary to meet the Out of Pocket Maximum.
- Individual out-of-network deductible is \$5,900, and the Out of Pocket Maximum is an additional \$9,500.
- Family in-network deductible is \$4,000 and additional \$8,000 of out-of-pocket costs necessary to meet the Out of Pocket Maximum.
- Family out-of-network deductible is \$11,800, and the Out of Pocket Maximum is an additional \$19,000.
- Pharmacy Retail: 10% Generic, 30% Preferred Brand, and 40% Non-Preferred Brand to a max of \$150.
- Pharmacy Mail: 10% Generic, 25% Preferred Brand, and 40% Non-Preferred Brand to a max of \$300.

HSA Plan – Under the Healthcare Savings Account (HSA) Plan, employees have the option of choosing a plan where both the City and the employee can contribute money to the account. The IRS limits the annual contributions to an HSA. In 2020, contribution limits are \$3,550 for employee only and \$7,100 for employee plus dependent. Employees over 55 can contribute an additional \$1,000. (Maximum includes the City's contribution.)

- Open Access Plus (OAP) network
- City contributes \$500 to the HSA account for employee only coverage and \$1,000 to the HSA account for employee plus dependent(s). Employees who participate in the wellness program receive an additional \$250 in their account.
- Unused funds roll over each year.
- HSA funds belong to the employee and are portable when the employee terminates from the plan.
- Individual in-network deductible is \$3,000 and additional \$2,950 of out of pocket costs necessary to meet the Out of Pocket Maximum.
- Individual out-of-network deductible is \$7,500 and additional \$9,500 of out of pocket costs necessary to meet the Out of Pocket Maximum.
- Family in-network deductible is \$6,000 and additional \$5,900 of out-of-pocket costs necessary to meet the Out of Pocket Maximum
- Family out-of-network deductible is \$15,000 and additional \$19,000 of out-of-pocket costs necessary to meet the Out of Pocket Maximum

- 90% Coinsurance for use of Cigna Care Designated Provider (narrow network) and 80% for all other In-Network providers.
- Pharmacy Retail: 10% Generic, 30% Preferred Brand, and 40% Non-Preferred Brand to a max of \$150.
- Pharmacy Mail: 10% Generic, 25% Preferred Brand, and 40% Non-Preferred Brand to a max of \$300.

Funding Considerations

For fiscal year 2021-22, the City will not increase its annual contribution of \$14,344 per employee. With the additional revenue generated by the new positions funded mid-year in FY20-21 and with no increase to plan administration expenses or stop loss fees along with expected claims projections, this provides enough funding for expected plan costs in FY 2021-22. Based on these same reasons, it is also recommended to not increase the employee rate. This rate pass would apply to all three medical plans and include employee and dependent tiers.

The employee premiums for Plan Year 2021-22 are detailed below:

	CIGNA Health Plans		
	Monthly Rates		
PLAN	CAT	HSA	HRA
Employee Only	\$16	\$29	\$39
Employee + Spouse	\$91	\$274	\$372
Employee + Child(ren)	\$66	\$199	\$270
Employee + Family	\$158	\$467	\$631

NOTE:

- ✓ Add \$50 to all rates if employee does not participate in wellness program
- ✓ Add \$50 additional if covered spouse does not participate in wellness program
- ✓ Add \$50 if employee is a tobacco user and does not participate in Tobacco Cessation Program

The City of Lewisville has continued to see costs related to the overall health plan level out this past year. From FY 2018-19 to FY 2019-20, the City's pharmacy costs did increase by 6.82%, however, the medical and dental claims experience decreased by 5.41%. The total increase in expenses related to the health plan increased 4.52% from FY19 to FY20. Regarding large claims, as of the end of May 2021, the Health Plan has 49 members with claims exceeding

\$25,000 for a total spend of \$2,778,698. Of that, the City has been reimbursed \$165,797, resulting in 3.2% of the covered lives accounting for 52% of total cost of claims thus far this fiscal year.

EXPENSES	2018-19	2019-20	Total Increase
<i>Rx Costs</i>	\$1,813,252	\$1,936,844	6.82%
<i>Medical/Dental Claims</i>	\$6,742,898	\$6,378,238	-5.41%
<i>TPA/Reinsurance/Expenses</i>	\$2,806,523	\$2,933,467	4.52%
<i>Clinic Operating Expenses</i>	\$543,218	\$535,978	-1.33%
TOTAL	\$11,905,891	\$11,784,527	-1.02%

EXPENSES	2019-20	2020-21 Estimated	Estimated Increase
<i>Rx Costs</i>	\$1,936,844	\$2,067,023	6.72%
<i>Medical/Dental Claims</i>	\$6,378,238	\$6,156,405	-3.48%
<i>TPA/Reinsurance/Expenses</i>	\$2,933,467	\$3,083,224	5.11%
<i>Clinic Operating Expenses</i>	\$535,978	\$547,837	2.21%
TOTAL	\$11,784,527	\$11,854,489	0.59%

Wellness Program

The Human Resources staff continues to focus on the Wellness program in an effort to reduce the number of chronic illnesses that often result in these claims. Council approved an agreement with Marathon Health to open a joint employee clinic with the City of Coppell in 2014. Marathon's focus is on wellness and prevention; however, patients are also encouraged to use the center for acute care. Staff conducts an RFP process every 3-5 years. Accordingly, in 2018, an RFP was submitted for the management of the City's wellness center. Marathon Health retained the business for an additional three years with a rate guarantee of \$465,545. This is a 7% savings over the previous agreement. Also, in 2018, Marathon Health offered the City of Lewisville a part-time mental health counselor, free of charge, as part of their pilot program for municipal customers. This service adds great value to the Wellness Works Health Center. Over the past 12-months, the health center has averaged 24 behavioral health visits per month.

While the City continues to see unexpected high claims, the wellness center has helped to control costs for preventive and acute visits as well as improve the health of employees and their dependents. For the 12-month period of June 2020 through May 2021, the clinic reported 1,483 coaching visits and 623 acute care visits. Because of the high utilization, the clinical team has

the ability to identify those who are high risk or have a chronic condition. Of the 1,543 members on the City of Lewisville Health Plan, 692 of those fall into the high and chronic population. As of the end of May, the clinic has engaged 75.9% of those members in treatment or coaching.

The Human Resources staff receives numerous emails and phone calls from employees thanking the Council and City staff for providing the Wellness Center and complimenting the Marathon staff who run the facility. Staff has also seen employees whose health was at risk, begin making progress toward normal ranges. Blood pressure and cholesterol have been two key areas of focus for improvement. During the past 12-months, the clinic reports 49% of patients with high blood pressure and 42% with high total cholesterol have made progress toward normal range. These positive changes can be attributed to the medical staff and Marathon's disease management program.

The Wellness Works Health Center is the foundation for the City of Lewisville's wellness plan by incenting wellness exams and biometrics for employees and their covered spouses. The participation in the wellness program continues to increase annually. This is the seventh year the City has utilized Marathon's wellness portal to administer and track wellness activities. Currently, there are over 130 employees participating in a variety of activities that include the Annual 5k, LLELA hike, quarterly healthy activity challenges, and educational lunch and learns. While some of these events have been canceled or modified due to the COVID19 outbreak, alternative virtual activities have added. By participating in these healthy activities, employees earn points throughout the year and can receive a wellness incentive. As part of the incentive for the year, points are awarded based on the employee's biometric results. This is the first step in progressing the wellness program from participation based to outcome based. This holds employees more accountable for their health and is a more aggressive approach to wellness.

For Fiscal Year 2021-22, staff is recommending that the plan continue to encourage and reward participation in the wellness program. To meet the wellness initiative, employees covered under the City's health insurance and any covered spouses are required to complete a biometrics visit at the Wellness Works Health Center. This past year, 84% of employees and 78% of spouses completed their biometrics. This greatly surpasses the national average of 46% participation in screening activities, based on a recent RAND employer survey. It is important to point out again that the high participation in the biometric tests gives the clinical staff at the Wellness Center a much better opportunity to prevent and treat high-risk chronic conditions.

Dental Plan

There will be no changes to the dental plan next fiscal year. Premiums for dental insurance will remain the same for employee only and all dependent tiers. The City's contribution for dependents on the dental plan remains at an average of 45%.

	CIGNA Dental Plan Monthly Rates
Employee Only	\$10
Employee + Spouse	\$42
Employee + Child(ren)	\$47
Employee + Family	\$83

Vision Plan

The City will continue to offer fully insured vision insurance to employees and their dependents through Superior Vision with no increase to premiums. The City will continue paying for the employee's coverage at a rate of \$4.15 per month per employee. Dependents are offered coverage with the employee paying 100% of the cost of the dependent coverage under the plan.

	Superior Vision Plan Monthly Rates
Employee Only	\$0
Employee + Spouse	\$3.75
Employee + Child(ren)	\$3.65
Employee + Family	\$8.05

Health Care Reform Requirements

For Plan Year 2020-21, Health Care Reform continues its fees that affect the City of Lewisville Health Plan because of the Affordable Care Act (ACA). The Transitional Reinsurance Fee was paid for three consecutive years and was no longer required beginning in FY 2017-18. However, the Patient Centered Outcomes Research Institute (PCORI) Fee is still required to be paid by the City directly to the federal government.

The PCORI Fee helps fund research that evaluates and compares health outcomes, clinical effectiveness, and the risks and benefits of medical treatments and services. The fee went into effect in 2012 and is assessed annually on each covered life (employees, retirees, spouses and dependents). The initial fee was \$1 per covered life, increasing to \$2 per covered life in the second year, and then indexed in subsequent years based on the increase in national health expenditures. For plan ending before October 1, 2020, the fee will be \$2.54 per covered life and cost the City an estimated \$3,203.

Retiree Insurance

The retiree premiums for retirees under age 65 are based on the years of service an employee has with the City of Lewisville prior to retirement. The City's contribution towards the premium is a flat rate based on the employee's tenure with the City. The City partners with a local actuary on an annual basis to determine retiree rates and other post-employment benefits (OPEB) liabilities.

Currently, the City contributes the following amount towards the retiree premiums:

Retirees Retired after October 1, 2019				
Flat Contribution Rate by City for				
25+	20-24	15 to 19	10 to 14	Less Than 10
\$544.61	\$495.11	\$0.00	\$0.00	\$0.00

The retiree premiums are determined by taking the City's contribution and subtracting it from the actuary's "expected cost". The difference is the rate charged to the retirees.

The retirees age 65 and older are moved off the City's active health to Medicare. The City offers retirees access to a fully insured Medicare supplement plan where the City pays \$50 a month of the fully insured premiums.