

# **MEDICAL INSURANCE AGREEMENTS**

Council Agenda Item 3.6

June 25, 2019

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# City Medical Benefits

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# Employee Benefits Long Term Strategy

**Goal:** Offer attractive and sustainable plan options that provide employees and retirees with choice, flexibility and access by:

1. Implementing a cost sharing strategy that reduces employee costs and encourages increased enrollment in non-Kaiser plans
2. Attract more/diverse carriers in an RFP to (a) provide an HMO with larger national network, (b) provide a fully insured PPO for 2020, and (c) improve service area coverage for employees and retirees

# History/Background

Year	Background
2016	<ul style="list-style-type: none"><li data-bbox="324 458 1769 562">▪ <b>January 2016:</b> Kaiser enrollment at 80% and non-Kaiser options are increasingly more expensive</li><li data-bbox="324 605 1576 709">▪ <b>February 2016:</b> Off-cycle RFP is issued to secure more sustainable options</li><li data-bbox="324 752 1682 1148">▪ <b>June 2016:</b> Council approval effective January 2017:<ul style="list-style-type: none"><li data-bbox="421 839 1321 886">▪ Sutter replaced Blue Shield HMO plans</li><li data-bbox="421 929 1676 976">▪ Over 76% disruption of employees in Blue Shield HMOs</li><li data-bbox="421 1019 1031 1066">▪ No PPO offered by Sutter</li><li data-bbox="421 1109 1450 1156">▪ Required self-funding of the Blue Shield PPO</li></ul></li></ul>

# History/Background, cont.

Year	Background
2018	<ul style="list-style-type: none"><li>▪ <b>January 2018:</b> Kaiser enrollment increases to 84%</li><li>▪ <b>July 2018:</b> Change to cost sharing structure is approved by bargaining units and Council effective January 2019 to incent enrollment in non-Kaiser plans<ul style="list-style-type: none"><li>▪ Increased City contribution towards Sutter plans</li><li>▪ Increased City contribution for part-time employees towards Sutter plans</li><li>▪ Incentive provided to new hires for choosing Sutter plans</li></ul></li><li>▪ City put \$1.65 million into the Blue Shield PPO plan in FY 17/18</li></ul>
2019	<ul style="list-style-type: none"><li>▪ <b>January 2019:</b> Increased City contribution for all employees enrolling in Sutter<ul style="list-style-type: none"><li>▪ Kaiser enrollment decreases from 84% to 80%</li><li>▪ Blue Shield PPO premiums increase 30% causing further disenrollment</li><li>▪ City funds additional \$3 million in the Blue Shield PPO plan in FY 18/19</li></ul></li><li>▪ <b>February 2019:</b> RFP released</li></ul>

# Request for Proposal

February 2019

## Objectives:

1. Obtain cost-effective and sustainable healthcare plan options for current/future employees and retirees
2. Improve service area coverage for all products (ie: HMO, PPO, Retirees)
3. Aim for two carrier option to maintain more balanced enrollment and ensure choice in the future
4. Discontinue self-funding of the current Blue Shield PPO and secure a full-insured PPO

# RFP Process and Results

Qualified Responses	RFP Evaluation Committee
<p data-bbox="239 482 542 525">Five Carriers:</p> <ol data-bbox="239 546 571 839" style="list-style-type: none"><li data-bbox="239 546 490 589">1. Anthem</li><li data-bbox="239 611 571 654">2. Blue Shield</li><li data-bbox="239 675 459 718">3. Kaiser</li><li data-bbox="239 739 446 782">4. Sutter</li><li data-bbox="239 803 432 846">5. UHC</li></ol> <p data-bbox="239 925 701 1032"><i>All five carriers were interviewed.</i></p>	<p data-bbox="915 482 1253 525">Members from:</p> <ul data-bbox="915 546 1541 903" style="list-style-type: none"><li data-bbox="915 546 1373 589">• Human Resources</li><li data-bbox="915 611 1416 654">• Retirement Services</li><li data-bbox="915 675 1474 718">• Police and Fire Unions</li><li data-bbox="915 739 1541 782">• Non-Management Unions</li><li data-bbox="915 803 1431 846">• Management Unions</li><li data-bbox="915 868 1421 903">• Retiree Associations</li></ul>

# RFP Process and Results

## Medical Carrier Recommendation and Plan Mapping

Current Plan(s)	New Plan(s)	Notes/Populations
Kaiser plans	<i>remain the same</i>	<ul style="list-style-type: none"><li>• Actives</li><li>• Pre-65 Retirees</li><li>• Post-65 Retirees</li></ul>
Sutter HMO plans	Anthem Select HMO plans	<ul style="list-style-type: none"><li>• Actives</li><li>• Pre-65 Retirees</li></ul>
Blue Shield PPO (self-funded)	Anthem PPO options: <ul style="list-style-type: none"><li>• Select</li><li>• Prudent Buyer</li><li>• Prudent Buyer High Deductible with HSA</li></ul>	<ul style="list-style-type: none"><li>• All Anthem plans are fully insured</li><li>• Actives</li><li>• Pre-65 Retirees</li></ul>
Blue Shield Medicare HMO & PPO	Anthem Medicare Advantage HMO and PPO plans	<ul style="list-style-type: none"><li>• Post-65 Medicare eligible retirees</li></ul>



# RFP Process and Results

## Why Anthem?

### Choice

Having one carrier alongside Kaiser is beneficial for the long-term sustainability of medical plan options.

HMO and PPO Options all fully insured

- Active Employees
- Pre-65 Retirees

Medicare Advantage HMO and PPO Options

More cost effective and easier for Medicare retirees to navigate versus Coordination of Benefit Plans (currently offered by Blue Shield)

Select HMO and PPO

Preferred provider network that will provide access to SCCIPA physicians and Good Samaritan Hospital (but not Sutter physicians)

Prudent Buyer PPO Options

Two PPO options which also include Sutter providers for employees and retirees who want to continue to see a Sutter doctor

# RFP Process and Results

## Why Anthem?, cont.

### Cost

- Anthem's cost proposal is competitive and provides employees and retirees several plan options including Select HMO and PPO options
- Lower premiums for the SELECT Network
- \$20 HMO rates increased by an average of 7% over Sutter's current rates; some tiers increased by less than 3%
- Anthem \$20 HMO is less expensive than Kaiser's \$25 HMO for employees which supports City's long term strategy
- Anthem will provide an on-site concierge service throughout the life of the contract

# RFP Process and Results

## Why Anthem?, cont.

### Cost, cont.

- Three Fully Insured PPO offerings:
  - Select Network at an increase of 6.5%
  - Full Network at an increase is 13.9%
  - High Deductible at a **decrease** of 34.5%
- 9.9% combined HMO and PPO rate cap for 2021 for non-Medicare plans
- 24 month rate guarantee for Medicare medical plans and 12 months for Rx

### Network

- Anthem has one of the largest networks in the country.
- 95.7% of early retirees residing in California will have access to Anthem's Select HMO

# Recommendation

*Negotiate and execute agreements with Kaiser Permanente and Anthem Blue Cross to provide medical insurance for City of San Jose employees, retirees, and their dependents for the period of January 1, 2020 through December 31, 2023.*

# Discussion & Questions