Albuquerque Public Schools
2018 Benefit Plan Recommendations
Legislative Finance Committee
August 18, 2017

Representative Patricia Lundstrom, Chair
Senator John Arthur Smith, Vice Chair

2018 Medical Cost Projections

- The APS medical plans require a **4.8% increase in overall premiums** to offer the same plan design for Plan Year 2018 with no buildup or drawdown of reserves. A 4.8% increase requires **additional funding of $3.879 million** (APS and employees combined).
- APS desires to provide additional support for lower paid employees for recruitment and retention purposes by increasing the district share of premiums to 80% for employees earning less than $34,500 and 70% for employees earning between $34,500 and $39,999. At the current contribution rates, this would **shift $1.536 million from employees to APS**.
- The projected reserve balance as of 12/31/17 is a little under $12.3 million. So there are limited funds in the reserves that can be used to offset these increases. Therefore either plan design changes must be made or premiums must be increased.
- §10-7-4 NMSA 1978 requires that every public school district contribute Minimum and Maximum percentage amounts towards premiums.
  - This Statute, §10-7-4 NMSA 1978 constrains employers ability to increase premiums to employees unless there are matching funds for employers to increase their contribution to premiums.
- The **APS portion of the 4.8% increase is $2.498 million** before any additional contributions for lower paid employees.
  - This means that APS would require a minimum of an additional $2.498 million appropriation/District funding to manage the health insurance costs by premiums alone.

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2018 Medical Cost Projections (Cont.)

- To provide the most financially responsible health plan management we are continuing to offer employees value-based plan options.
  - NMHC Exclusive Provider Organization (EPO) - **(no** Out-of-Network Benefits**)**
  - BCBS and Presbyterian Three-Tier Option Plan
    1. Tier One = Narrow Network Plan
    2. Tier Two = Open Access Network Plan (Full Open Access Network)
    3. Tier Three = Out-of-Network Coverage
- The goal of offering a three-tier option plan is to encourage employees to become better educated about their health care options and encourage them to use value-based providers.

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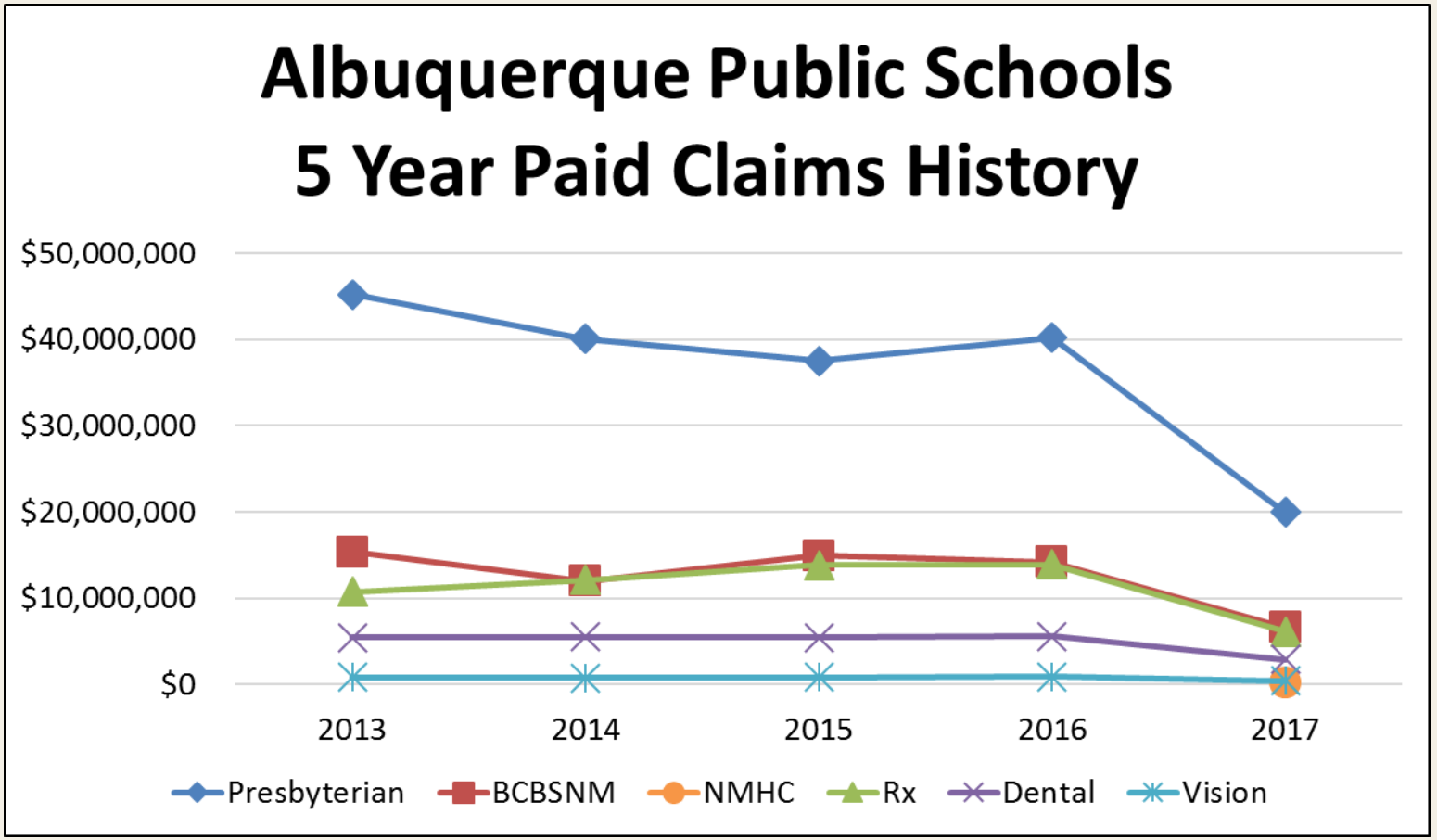
Medical/Rx Plan Trend



*2017 Claims are through June

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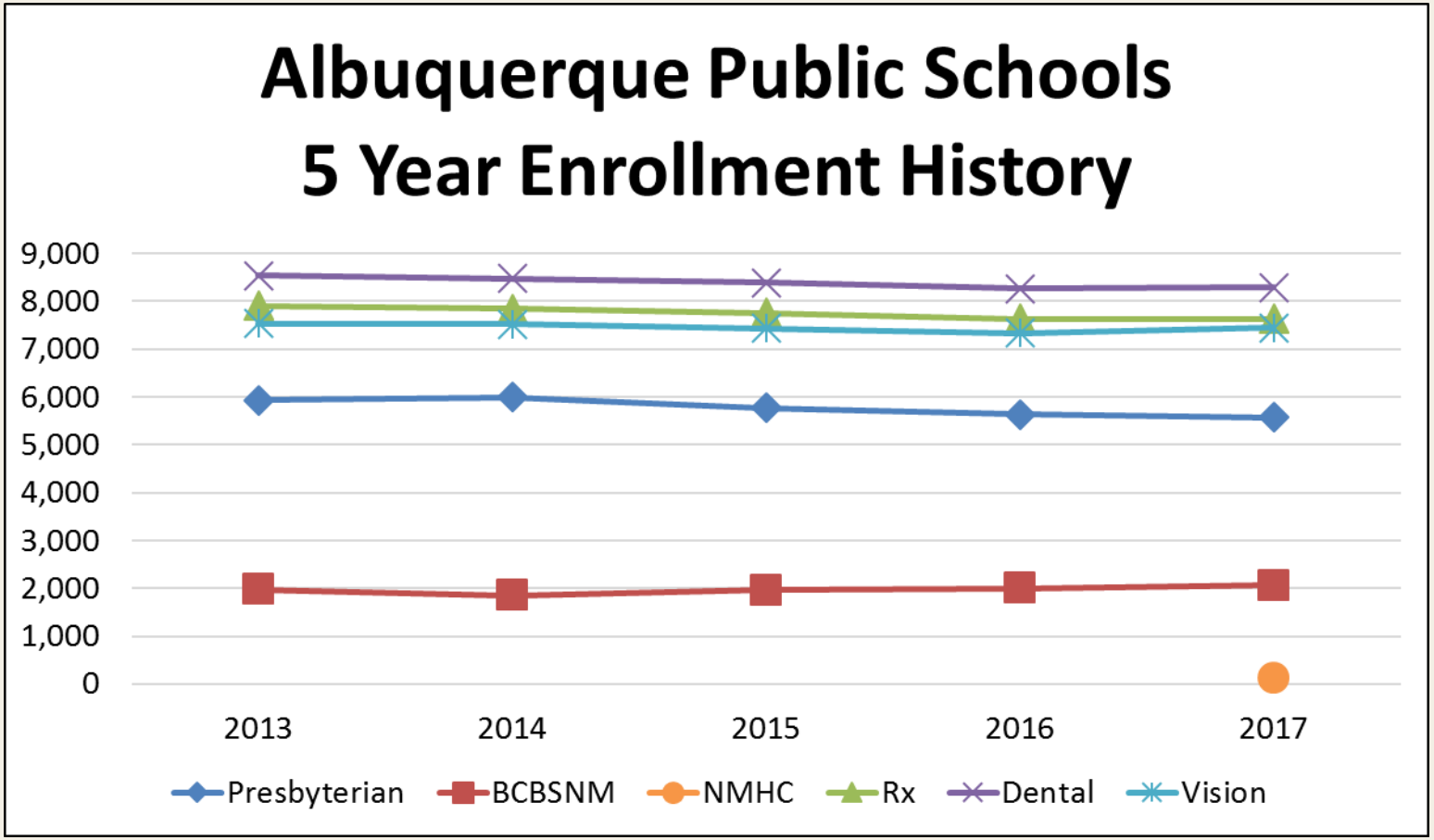
Enrollment History



*Average enrollment per year

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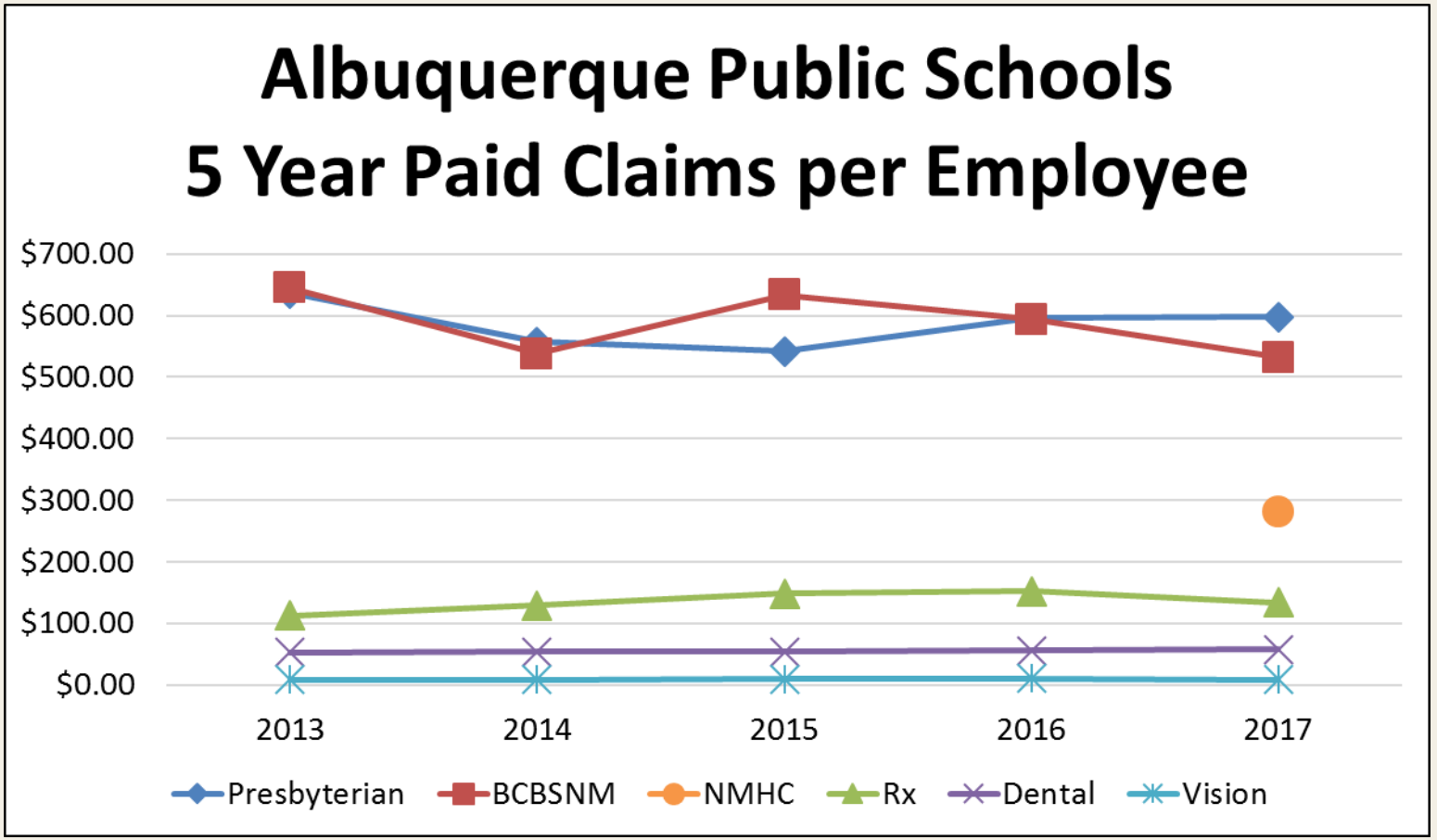
APS 5-Year Paid Claims Per Employee



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APS Insurance Reserve Fund Balance

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TOTAL MEDICAL INSURANCE RESERVES
FISCAL YEAR 2016/17

DESCRIPTION	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017	TOTAL
BEGINNNG RESERVE BALANCE	**20,020,276.29**	**16,639,888.45**	**13,873,591.64**	**14,111,631.87**	**12,624,798.55**	**11,856,247.80**	**12,612,045.48**	**10,391,685.41**	**11,209,127.60**	**9,990,879.43**	**10,589,209.02**	**10,276,276.69**	**20,020,276.29**
CONTRIBUTIONS:													
Employee Premiums	2,331,500.80	2,257,086.77	2,267,085.08	2,302,263.17	2,311,250.73	2,290,846.95	2,437,894.94	2,441,398.41	2,439,998.29	2,461,354.94	2,441,744.89	2,499,247.32	28,481,672.29
Premium Refunds	-	(179.50)	-	-	(1,133.70)	(89.84)	(70.00)	(736.30)	(179.88)	-	(206.84)	-	(2,596.06)
Net Employee Premiums	2,331,500.80	2,256,907.27	2,267,085.08	2,302,263.17	2,310,117.03	2,290,757.11	2,437,824.94	2,440,662.11	2,439,818.41	2,461,354.94	2,441,538.05	2,499,247.32	28,479,076.23
Employer Premiums	398,636.54	2,551,012.07	4,135,217.91	4,173,589.74	4,183,211.20	4,196,469.36	4,227,182.31	4,210,862.54	4,221,972.79	4,223,204.75	4,222,181.18	9,470,070.98	50,213,611.37
Rebate	-	453,497.00	174,813.51	247,983.60	99,867.70	-	415,683.72	207,262.00	178,237.64	277,588.88	290,325.82	41,260.98	2,386,520.85
Cigna - Refund of Account Balance	-	-	-	-	-	-	-	-	-	-	-	-	-
COBRA/LOA Premiums	50,439.39	52,553.41	42,744.99	38,799.26	42,070.06	31,694.98	41,242.39	22,591.82	33,404.10	19,132.39	27,800.26	26,938.13	429,411.18
TOTAL CONTRIBUTIONS	2,780,576.73	5,313,969.75	6,619,861.49	6,762,635.77	6,635,265.99	6,518,921.45	7,121,933.36	6,881,378.47	6,873,432.94	6,981,280.96	6,981,845.31	12,037,517.41	81,508,619.63
PLAN COSTS													
Medical Claims	5,631,956.16	5,585,366.65	4,635,252.87	6,603,903.21	5,629,317.92	4,092,949.78	6,518,888.27	4,377,439.76	6,180,492.22	4,771,881.39	5,570,198.01	4,903,085.50	64,500,731.74
Rx Claims	77,969.19	2,081,820.55	1,316,515.45	1,251,762.99	1,382,714.47	1,252,198.89	1,990,053.89	1,353,786.97	1,433,914.14	1,195,996.03	1,386,889.20	1,171,236.75	15,894,858.52
Professional Services and Premiums	77,058.95	3,194.84	19,048.64	6,676.69	343.88	34,795.67	447,236.85	21,261.78	43,807.33	15,833.33	20,416.66	15,833.33	705,507.95
Administration Fees	351,448.16	365,826.76	346,972.66	343,029.02	345,380.58	341,341.19	345,058.50	270,476.83	370,795.76	359,452.57	277,519.31	362,100.70	4,079,402.04
Salary and Benefits	22,532.11	44,057.76	64,031.64	44,097.18	46,059.89	41,838.24	41,055.92	40,970.94	62,671.66	39,788.05	39,754.46	(486,857.85)	-
TOTAL PLAN COSTS	6,160,964.57	8,080,266.56	6,381,821.26	8,249,469.09	7,403,816.74	5,763,123.77	9,342,293.43	6,063,936.28	8,091,681.11	6,382,951.37	7,294,777.64	5,965,398.43	85,180,500.25
INTEREST EARNINGS	-	-	-	-	-	-	-	-	-	-	-	68,532.01	68,532.01
ENDING RESERVE BALANCE	**16,639,888.45**	**13,873,591.64**	**14,111,631.87**	**12,624,798.55**	**11,856,247.80**	**12,612,045.48**	**10,391,685.41**	**11,209,127.60**	**9,990,879.43**	**10,589,209.02**	**10,276,276.69**	**16,416,927.68**	**16,416,927.68**

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Plan Year 2018 Reserve Fund Projection

	Medical/Rx/Dental/Vision		
	Jan to June 2017	**Jul to Dec 2017 (Projected)**	**CY2018 (Projected)**
Beginning Reserve Balance	**$12,612,000**	**$16,348,000**	**$12,288,000**
Contributions	$45,467,000	$34,891,000	$80,358,000
Pharmacy Rebates	$1,410,000	$1,913,000	$3,629,000
TOTAL REVENUE	**$46,877,000**	**$36,805,000**	**$83,987,000**
Claims	$40,854,000	$38,095,000	$82,194,000
Administration Fees	$1,985,000	$2,414,000	$4,399,000
Salary and Benefits	($263,000)	$265,000	$529,000
Stop Loss Premiums	$564,000	$92,000	$513,000
Segal Consulting & Actuarial Services			$190,000
ACA Fees (PCORI)			$40,000
TOTAL COSTS	**$43,141,000**	**$40,865,000**	**$87,866,000**
Ending Reserve Balance	**$16,348,000**	**$12,288,000**	**$8,409,000**
Surplus/(Deficit) in period	**($324,000)**		**($3,879,000)**

2018 Benefit Plan Recommendations

Reserves

- Reset projected year end reserves to $10 million or above

District Contributions

- No change in total premium rates (APS plus Employee) for plan year 2018
- 80% for employees earning less than $34,500, 70% for employees earning between $34,500 and $39,999, 60% for employees earning $40,000 and above
  - Requires $0.768 million contribution from operational fund for second half of FY18 and additional $0.768 million for FY19 ($1.536 million cost of increased District share of premiums for lower paid employees).

Prescription Benefit

- Introduce SaveOn program to capture manufacturer assistance funds for select specialty medications

Dental Plan

- Increase deductible from $50 individual/$150 family to $100 individual/$300 family (waived for preventive services)
- Increase member coinsurance for Basic Services from 20% to 30%
- Decrease Basic Plan annual plan maximum from $1,250 to $1,000

Medical Plan

- No change to NMHC to encourage enrollment in lowest cost option
- Harmonize medical out-of-pocket maximums for BCBS and Presbyterian.
  - Increase BCBS all tiers
  - Lower Presbyterian tier 1 and increase tier 2 and 3 to encourage use of tier 1 providers

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SAVEONSP

Copay Offset Savings Program

About the Program

- Manufacturers make funds available to assist patients with their share of the cost
- Utilizes Affordable Care Act (ACA) state benchmark to **change client plan design**
- Targets **64** specialty drugs in **13** therapy classes
- Reduces patient's responsibility to **zero**

Average savings range from $2.50 to $4.50 PMPM

Sample Medications Covered

Therapy Class	# of Drugs	Assistance/Fill
Blood Cell Deficiency	2	$1,040
Oncology	27	$1,878
Endocrine	1	$1,666
Hemophilia	1	$1,000
Hepatitis C	6	$6,987
HAE	1	$1,666
HIV	1	$500
Inflammatory	10	$1,141
Iron toxicity	2	$1,250
MS	12	$1,505
PAH	1	$1,000

Note: ESI does not endorse the services provided by SaveonSP or provide any guidance or endorsement to SaveonSP on the legal structure of the services offered by SaveonSP, including without limitation, any representation of compliance with any applicable laws.

SAVEONSP

Cost Comparison – Humira®

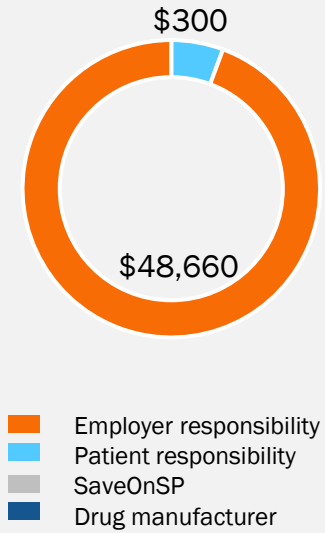
The Scenario:

$25 initial patient copay

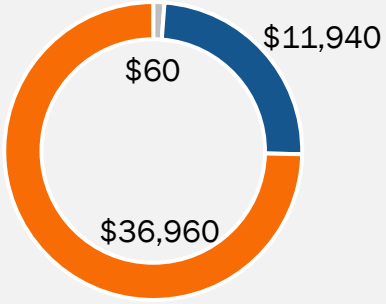
12 annual fills

Total cost of treatment, including copay and plan cost is **$48, 960** annually

No copay assistance



Using SaveonSP



SaveonSP helps the patient achieve a zero dollar copay

SAVEONSP

Client Savings Albuquerque Public Schools

CLIENT EXAMPLE

- **16K** lives
- **119** Members with **823** refills

IMPACT FOR PATIENTS AND THE CLIENT

- **$712K** savings for the plan
- **$3.63 PMPM** client savings*
- **$0** member copay

BY IMPLEMENTING SAVEON SP COPAY OFFSET PROGRAM

*Savings based on most expansive drug list and actual savings will vary based on state certification and are not guaranteed. Official savings will be provided by SaveonSP. ESI does not endorse the services provided by SaveonSP or provide any guidance or endorsement to SaveonSP on the legal structure of the services offered by SaveonSP, including without limitation, any representation of compliance with any applicable laws.

Plan Designs for 2018

- Under this proposal, we are able to:
  - Reduce employee contributions for those employees earning between $30,000 and $39,999
  - Keep the contributions for both employees and APS the same as they were in 2017 for employees earning under $30,000 and those earning $40,000 and over.
- Employees have the option to select NMHC EPO which offers the lowest out-of-pocket costs.
- For employees who wish to remain on PHP or BCBS, many will find their doctors are part of the tier 1 network (narrow value-based network).
- In both PHP and BCBS we will continue to offer the full PPO Open Access network for employees that use a doctor that is not part of a tier 1 network.
- The addition of the SaveOn program will reduce cost for employees with specified specialty drugs as long as they agree to participate in the program.

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2018 Proposed Medical Plan Options

		Current Plan Design							Proposed Plan Design						
		NMHC	BCBSNM			Presbyterian			NMHC	BCBSNM			Presbyterian		
		HMO	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3	HMO	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Deductible	Individual	$250	$500	$2,000	$4,000	$250	$1,500	$4,000	$250	$500	$2,000	$4,000	$250	$1,500	$4,000
	Two Person	$500	$1,000	$4,000	$8,000	$500	$3,000	$8,000	$500	$1,000	$4,000	$8,000	$500	$3,000	$8,000
	Family	$750	$1,500	$6,000	$12,000	$750	$4,500	$12,000	$750	$1,500	$6,000	$12,000	$750	$4,500	$12,000
Out of Pocket Maximum	Individual	$2,250	$2,500	$4,000	$8,000	$4,000	$4,000	$8,000	$2,250	$3,000	$4,500	$8,500	$3,000	$4,500	$8,500
	Two Person	$4,500	$5,000	$7,000	$14,000	$7,000	$7,000	$14,000	$4,500	$6,000	$7,875	$14,875	$6,000	$7,875	$14,875
	Family	$6,750	$7,500	$10,000	$20,000	$10,000	$10,000	$20,000	$6,750	$9,000	$11,250	$21,250	$9,000	$11,250	$21,250
Coinsurance		20%	10%	40%	50%	20%	30%	50%	20%	10%	40%	50%	20%	30%	50%
Emergency Room Visit		$150 copay + ded/coins	$150 copay (subject to tier 1 ded/coins)			$150 copay (subject to tier 1 ded/coins)			$150 copay + ded/coins	$150 copay (subject to tier 1 ded/coins)			$150 copay (subject to tier 1 ded/coins)		
Office Visits	PCP	$15 copay	$15 copay	$50 copay	50%	$15 copay	$25 copay	50%	$15 copay	$15 copay	$50 copay	50%	$15 copay	$25 copay	50%
	Specialist	$40 copay	$40 copay	$75 copay	50%	$40 copay	$40 copay	50%	$40 copay	$40 copay	$75 copay	50%	$40 copay	$40 copay	50%
	Urgent Care	$50 copay	$50 copay	$75 copay	$75 copay	$50 copay	$75 copay	$75 copay	$50 copay	$50 copay	$75 copay	$75 copay	$50 copay	$75 copay	$75 copay
Inpatient Hospital		Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins	Ded/coins

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IBAC Value Based Purchasing Initiatives
Effective January 1, 2017 - Contractual Requirements of Health Plans

1. Managing Chronic Illness

Require accurate baseline measuring and improvements in the number of diabetic patients under appropriate clinical treatment and monitored for kidney disease.

2. Managing Acute Care Episodes

Require health plan Medical Director to review medical records to confirm that high cost claimants are being correctly managed – 5% of members account for over 60% of costs.

3. Use of Third-Party Prescription Data

Require the health plans to use prescription data provided by Express Scripts in their analytical tools. Develop reporting related to prescribing patterns of network providers with emphasis on appropriateness and avoidance of potential harms associated with polypharmacy.

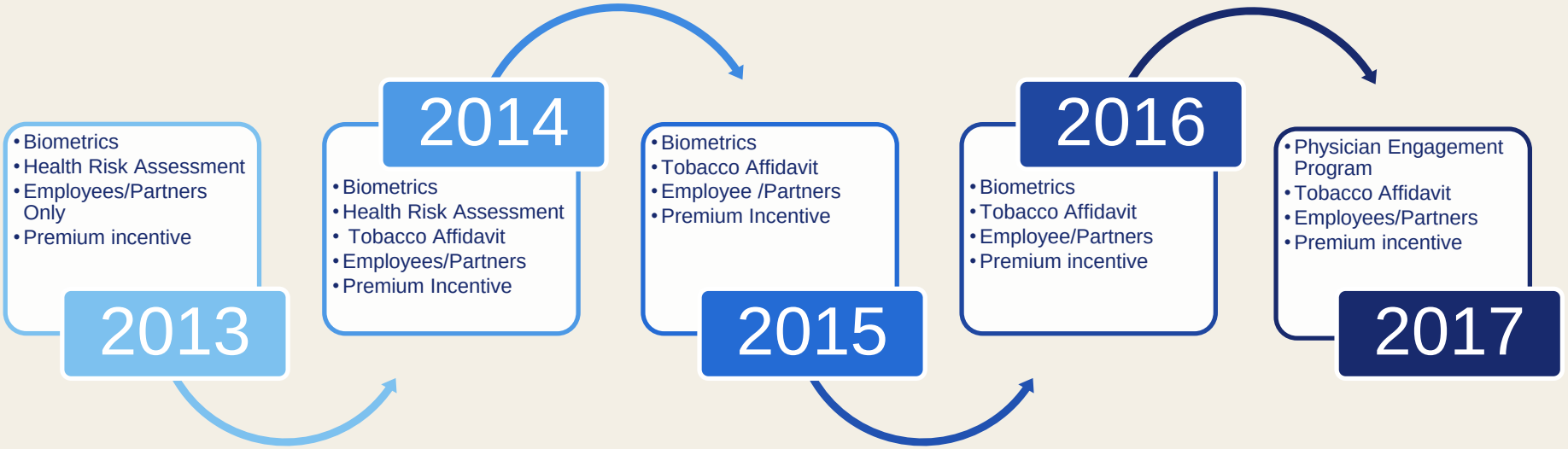
4. Preference Sensitive Surgeries

Require the application of shared decision making principles (e.g. Choosing Wisely guidelines) to establish baseline utilization and subsequent reduction in the number of potentially low value procedures. This is to include knee, spine and shoulder surgeries.

5. Value-Based Provider Agreements

Prior to December 31, 2016, health plan partners shall report the percentage of contracted physicians and inpatient hospital facilities with negotiated value-based agreements.

History of Employee Wellness Incentive Program



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2018 Wellness Incentive Program

Continue Focus on Identified Top Risk Areas

- BMI
- Blood Pressure
- Waist Circumference
- Cholesterol
- Blood Glucose

Continue Tobacco Affidavit and Physician Engagement Program and Require Personal Health Profile

- Support tobacco cessation
- Connect individuals to a primary care physician.
- Individuals without established primary care relationships
    1. Delay preventive care
    2. Access more costly urgent/emergency room care
    3. Have fragmented care for chronic conditions, and all at a higher expense to themselves and the medical plan
- Previous Population Health Assessment revealed that APS is above norm for gaps in Preventive Care

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Thank you!
Questions?

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