AGENDA
Task Force on Employee Wellness and Consolidation of Agency Group Insurance

Tuesday, September 27, 2011
8:00 to 9:30 a.m.
Department of Health and Human Services' TAN (1st Floor)
Conference Room
401 Hungerford Drive, Rockville

CALL IN PHONE # 240-773-8125 pass-code 777933

8:00 Welcome from Paul Heylman, Acting Task Force Chair
Public/Visitor Comments
Approval of Minutes

8:10 Presentation and Discussion: Aon Hewitt Consultants
Kathleen McAuliffe and Cathy Gessner,
Differences and similarities in agency plan offerings and identification of significant factors in cost difference between County Government and Montgomery County Public Schools

8:40 Presentation and Discussion: Dr. Thomas (Tom) Sawyer, Ph.D.,
Health Directions Consulting , LLC and consultant to MCGEO Local 1994

9:10 Continued discussion and questions regarding presentations by both Aon Hewitt and Dr. Sawyer

9:25 New Business
Public/Visitor Comments

9:30 Adjourn

Alternatives to Cost Shifting: Managing Cost through Improving Plan Value

A Presentation to

Task Force on Employee Wellness

And Consolidation of Agency Group Insurance

Tom Sawyer, PhD

September2011

Public Employers Facing Even Greater Crisis for Funding Employee Benefits

- Declining revenues
  - 60% of counties with population of 100,000+ expect decline in revenue this year (2010 Survey of Local Governments)
- Aging, longer tenured workforce (2006 Census, BLS)
  - 63.5% of public employees over 40 vs. 48% in private sector
  - 7.2 years in pubic sector vs. 4.0 years in private sector
- Health services cost inflation at 3 times CPI
  - Projected at 8-12% annually for the next ten years according to US Business Round Table, 2009
- Speed of medical advancement
  - 25+ new medications approved by FDA annually

Ineffective Responses to Crisis

- Change is difficult so do nothing
  - Problem: Cost is unsustainable over the short and long term
- Wait for the federal government to take action
  - Problem: Nothing in the proposed reform law will have a dramatic impact on cost
- Eliminate or reduce benefits
  - Problem: Virtually 100% of counties offer health benefits to employees. Reductions in benefit often shift costs from one area to another.
- Cost shifting to employee
  - Problem: Temporary band aid, if any. Employee morale suffers. Reduces access to needed care for sickest, lowest paid employees.

Better Option -Improving Plan Value through Risk Managed Health Care

- Plan Value = Health outcomes/Cost
- Risk managed health care applies sound financial and clinical risk management principles to the delivery of health services throughout the continuum of care.

Risk Management Principles for High Value Plans

1. Procure best-in-class, most cost effective vendors for administrative, prescription drug, medical, reinsurance services and employee assistance services with contracted performance guarantees.
2. Ensure the value of care delivered by incorporating the best practices in high value benefit design, alignment of services, care coordination, measurement of outcomes and quality and aggressive member education regarding appropriate use of services.
3. Reduce near-term and future demand for medical care through an engaging population health management program that rewards member accountability for behaviors that keep members healthy and promotes the appropriate use of services.

Risk Management Principle 1. Procurement Practices

- Where it makes sense, unbundle and require transparency in bidding and contracting.
- Consider raising your specific stop loss deductible for CareFirst.
- UHC admin fees were higher than market average.
- Implement fully transparent, pass through pricing PBM model.
- Review and implement joint purchasing for services where it makes sense.
- Consider future use of on-site medical clinics.

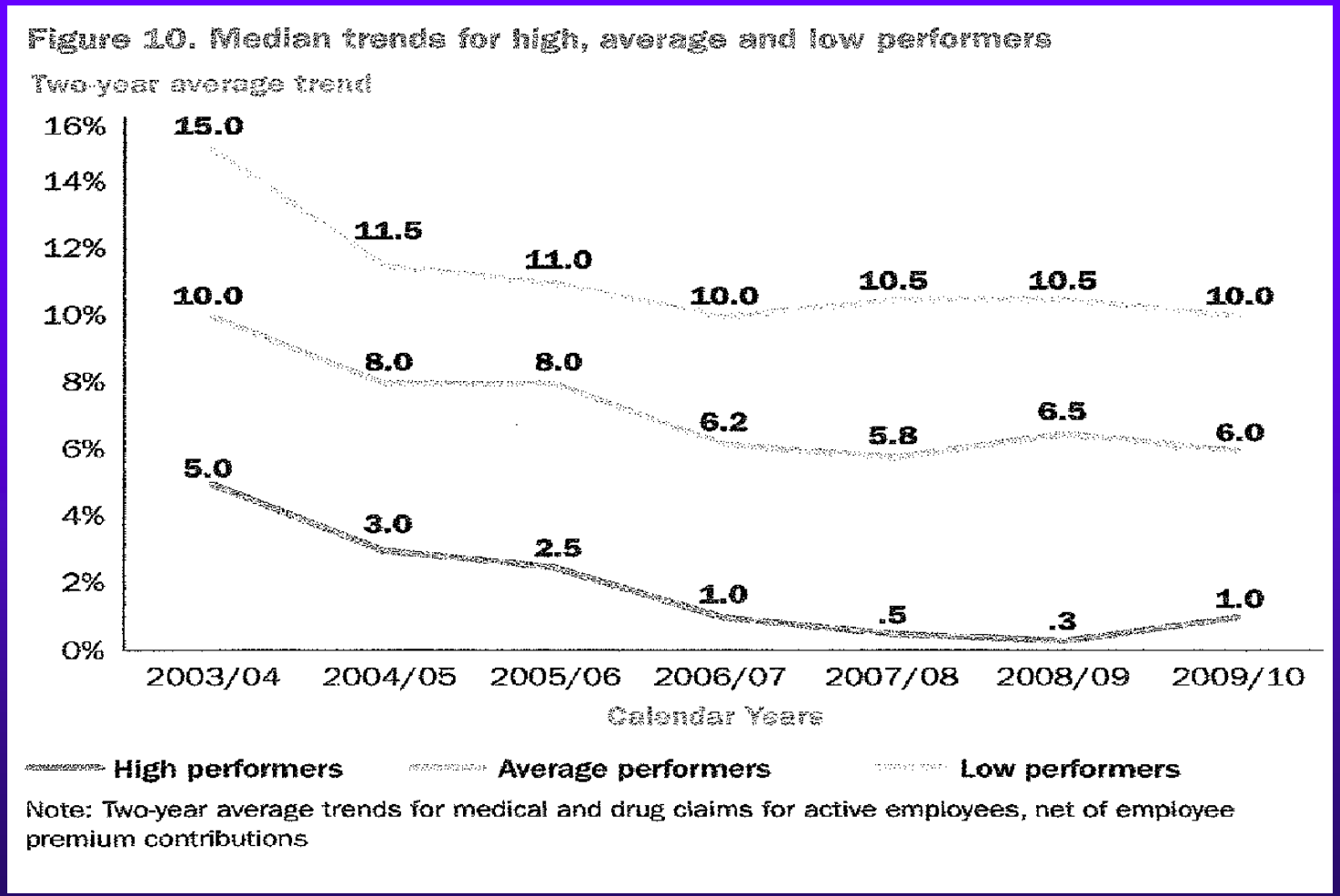
Risk Management Principle 2. High Value Benefit Design

- Partnership between employers and collective bargaining units can successfully work with consultants and vendors to create benefit designs that encourage members to utilize lower cost, clinically equivalent medical and prescription drug treatments.
- Implement an aggressive member education effort to inform members on how to counteract the impact of DTC advertising and the overuse of diagnostic tests and over prescribing of dangerous and unnecessary drugs that are common in medical care today.
- Implement a measurement strategy that enables the discovery of drivers of preventable health costs.
- Benefits design changes are subject to collective bargaining for represented groups in Montgomery County.

Risk Management Principle 3. Population Health Management

- Implement a population health management program to reduce future lifestyle related risk and better coordinate care.

High Value Performance



Towers Watson-NBGH Survey, 2010

Case Studies

- New York City Transit Authority saves 10% of its prescription drug cost through requiring pass through, point of sale application of rebates in transparent model.
- Ten Cities Diabetes Initiative showed a saving of more than $1000 annually per enrollee using Value Based Insurance Design
- City of Glendale, AZ, over 10 + years experienced a flat employee benefit cost (36% vs. 169% increase) for all regional public sector employers using health on site health promotion strategy.
- HEREIU experienced a drop in trend from 14.5 % to < 4.5% using a combination of VBID and health promotion.
- ICUBA achieved $15M turnaround in reserves through redesign of benefit options.

Keys to Success

- Leadership support
- Active management
- Communications with employees
- Effective engagement strategies
- Clear goals and metrics for measuring program effectiveness (3-5 year process)
- Internal or third party resources with knowledge of and experience with best practices.

Adopted October 4, 2011

Minutes

Task Force on Employee Wellness and Consolidation of Agency Group Insurance

Tuesday, September 27, 2011

DHHS 401 Hungerford Road - Tan Conference Room

The meeting was called to order by Acting Task Force Chair Paul Heylman at 8:00 a.m.

Approval of Minutes

The minutes from the September 27, 2011 meeting were approved with an amendment to say that the September 20, 2011 minutes should say that Mr. Firestine, Chief Administrative Officer for Montgomery County, serves as chair of the Cross Agency Resource Sharing (CARS) initiative and Mr. Girling serves as chair of the CARS benefits subcommittee.

Request for Comments from Visitors

There were no visitor comments at this time.

Presentation – Aon Hewitt

Ms. Kathleen McAuliffe of Aon Hewitt provided a briefing on the information included in the document "Overview of Programs Offered by Montgomery County Agencies." Copies of the document were provided. The work was completed in response to a Task Order from Task Force staff.

Ms. McAuliffe noted that the information in the report is for calendar year 2012 with the exception that information on plans elected by employees/retirees which is for calendar year 2011 since open season for 2012 has not occurred.

A correction was made on page 2 of the report to reflect that WSSC provides a PPO plan. A correction was made on page 4 to reflect that M-NCPPC does not have a CIGNA POS plan.

Montgomery County Public Schools has HMO enrollment of 53%. The HMO option has the cost split with the lowest cost share for employees. Montgomery County Government is the opposite, with 64% of employees enrolled in the POS plan. Currently, there is no difference in the cost share for different plans in County Government. This will change in 2012 when the employee cost share for the POS will increase by 5%. M-NCPPC is more evenly split between POS (47%) and HMO (40%). WSSC has 60% of enrollees in an HMO which has a lower cost share than its other

plans. Montgomery College has 38% in a POS, 37% in a PPO and 25% in an HMO. This information does not reflect the Consumer Driven Health Plan (CDHP) that will be in place in 2012.

Montgomery College has the highest percentage of employee-only plans (43%) and MCPS the lowest (30%). Montgomery College does not offer an employee-plus-one plan which is offered by the other agencies.

A correction was made to the information on page 11 to reflect that Montgomery College will have an emergency room co-pay of $100 and an urgent care co-pay of $75.

Under healthcare reform, if a plan is grandfathered, the organization can continue to have co-pays for preventive care. If a plan is not grandfathered, then the organization may not have a co-pay for preventive care. This is why there are differences between the agencies. County Government and WSSC have not lost grandfathered status. In 2013, contraceptives will be added to preventive care so the co-pay will be $0 for plans that do not have grandfather status.

Montgomery College is moving in 2012 to a co-insurance model based on a percentage of cost.

In terms of cost comparisons, retiree costs are driving premium costs except for the school system.

Each of the agencies has some stop-loss coverage, but claims experience makes up most of the premium.

Montgomery County has a 1.2% fee for internal administration included in the 4% administration fee that is shown on page 19. The school system takes care of its internal administration in the budget process so it is not included in the premium. Wellness programs that are provided by the insurance companies are included in the administration fee. The smaller agencies would normally see a higher administration fee but there has been savings from the agencies bidding together. United Healthcare quoted the same administration rate for all agencies based on all the employees across the agencies.

Stop-loss is a different percentage the premiums because each agency assesses its risk; the smaller agencies are buying more coverage to reduce their risk for large expenses. The large agencies (MCPS and County Government) can re-insure themselves for large claims, like $500,000. In the past, the agencies have tried to put out one bid for stop-loss, but then it was determined that they could do better on their own. Most of the re-insurance is bought from the company providing medical insurance.

When looking at total cost/expenses averaged per member there are differences between MCPS and County Government in the cost of individual plans but costs are very even when it is averaged across total medical expenses.

Councilmember Leventhal asked if there is information available on per member costs for other types of employers in the public and private sector. Ms. McAuliffe responded that it is difficult to find this type of information on a per member. There is information on per employee costs.

Mr. Israel noted that the numbers in the AON study are different from the OLO work done last year. Mr. Howard said that the OLO information was based on 2011 per employee and retiree cost but not per participant cost. OLO did try to normalize for retirees versus actives but not per participant. Mr. McTigue asked why the OLO costs for Kaiser were different from the amounts in the AON report. OLO said it would follow-up but the information is based on different years.

Family sizes are very similar for those taking family insurance in both MCPS (3.9 people per family) and County Government (4.0 people per family)

Councilmember Leventhal observed that the information on page 27 on the changes in enrollment since 2008 really reflects that there are fewer employees in County Government not that the opt-out percentage has increased.

In the Aon report, "value" of the plan takes the plan design and runs it through an actuarial model to look at what the plan will pay and what the premium would be for such a plan. It would be based on claim costs, not administrative costs. In response to a comment from Mr. Renne, it was clarified that "value" does not have anything to do with clinical outcomes.

Presentation – Dr. Thomas Sawyer

Dr. Sawyer of Health Directions Consulting, LLC and consultant to MCGEO Local 1994 provided a presentation on, "Alternatives to Cost Shifting: Managing Costs through Improving Plan Value." Handouts were provided.

Mr. Renne introduced Dr. Sawyer saying that MCGEO has been working with Dr. Sawyer to determine what works best in terms of turning the cost curve. MCGEO believes that Dr. Sawyer has provided ideas and a plan to impact these costs.

Dr. Sawyer said that the Task Force is looking at the perfect storm: declining tax revenues, an aging workforce, health service cost inflation, and increases in specialty drug costs that come from new, very beneficial - but very expensive drugs. The question is how can the county provide a clinically effective plan while dealing with these costs. Many people only look at shifting the costs, which is a short term activity that puts the burden of cost on the poorest and sickest workers. Lower wage, sicker workers are far more impacted than those with higher incomes and those who are healthier. Cost shifting should not be looked at separately from clinical outcomes. Cost shifting causes the lower paid worker to delay or forgo care only to end up in the emergency room. There is probably 20 to 30 cents of every healthcare dollar that is wasted.

"Plan value" in Dr. Sawyer's presentation looks at how health outcomes are divided by costs. Are employers getting a healthier workforce? Employers should not just look at cost and utilization but what the outcomes are. A risk management model should be used when looking at plans.

Many employers use RFP processes that are several years old. The world of health care services is changing and language must be built in that seeks best value – does the plan provide outcome data so that the employer can monitor outcomes. Metrics such as bed-days per 1,000, emergency room visits, and use of certain classes of drugs should be included. The goal should be to prevent chronic conditions or mitigate them as soon as possible. The procurement process should be looked at every year.

The county should deliver healthcare in a high value benefit design. Many Montgomery County employees are using high cost, brand-name drugs where approved generics will work. Step therapy might save as much as $5 million just among MCGEO's members. There is also a misalignment of services, people using primary care for things such as stress and anxiety that should be handled through behavioral health benefits or employee assistance. Primary care doctors tend to provide prescriptions that are often not effective and have low compliance.

Dr. Tillman noted that the best practice is now to integrate behavioral health and medical care so they are not viewed separately.

Dr. Sawyer recommended that care coordination and patient centered medical homes are also things that should be a part of the RFP process.

The county must think about its future health care needs. Population health management is a marriage of wellness and disease management. The county should provide access to these services to every employee to reduce future costs.

In looking at procurement the county should look at unbundling the services it needs and unbundling administration and stop-loss from the insurance provider. In terms of contracting for drugs, there needs to be transparency that would require that the employer gets information on the actual cost of the drug. The application of rebates should come at the point of sale. Changes to drug contracts may save up to 10%. In looking at the County Government plan, Dr. Sawyer also found that the United Healthcare administrative fees may be a little high.

There are more opportunities for consolidation for things like administrative costs. The county may want to consider the use of on-site clinics as a way to hold down costs. On-site clinics can drive down costs associated with visits to individual doctor's offices. There should be an active partnership between employers and collective bargaining organizations and aggressive design of member education campaigns. The county also needs to develop a way to evaluate and measure the data from its health plans.

Dr. Sawyer reviewed trends in costs for plans defined as high, average, and low performance health plans.

Dr. Sawyer discussed several organizations that have made changes to their health plans and noted resources such as the Institute for Value Based Design and National Business Group on Health. He noted that implementing value based plans also means that one must monitor the data regularly and make course changes as they are needed.

In response to a question, Dr. Sawyer said that the report he provided is specific to Montgomery County Government and MCGEO. Mr. Renne commented that he believes many of the suggestions could apply to other agencies as well.

Dr. Sawyer said that 15% of people are using 80% of health care dollars. Is the county in that same situation? Dr. Sawyer said that this is most likely true for Montgomery County and that in general, public sector employees have higher healthcare costs.

Mr. Young noted that many of the strategies presented by Dr. Sawyer seem to be long term strategies and he asked if there are things that have shorter term savings. Dr. Sawyer responded that savings around prescription drug can happen relatively quickly and recommended implementing step therapy programs and having mandatory mail order. He recommends regular audits of prescription drugs.

Task Force members were asked to get additional questions to Linda McMillan and that a phone-in follow-up conversation would be arranged with Aon and Dr. Sawyer if needed.

Meeting adjourned at 9:40 a.m.
Attendees:

Task Force Members:

Sue DeGraba	Montgomery County Public Schools (MCPS)
Joan Fidler	Public Member
Wes Girling	Montgomery County Government
Lee Goldberg	Public Member
Paul Heylman	Public Member
Tom Israel	MCEA
Rick Johnstone	MCPS
Jan Lahr-Prock	M-NCPPC
Mark Lutes	Public Member
Brian McTigue	Public Member
Edye Miller	MCAAP
Richard Penn	AAUP
Gino Renne	MCGEO Local 1994
Farzaneh Riar	Public Member
David Rodich	SEIU Local 500

Arthur Spengler	Public Member
Ulder Tillman	Montgomery County Government
Michael Young	FOP Lodge 30

Alternates:

Karen Bass (for Lynda von Bargen)	Montgomery College
Torrie Cook (for Denise Gill)	FOP Lodge 35
Brock Cline (for Erick Genser)	IAFF Local 1664
Debra Christner (for Ulder Tillman)	County Government

Guests:

Paul Brown, M-NCPPC
Stan Damas, MCPS, Department of Association Relations
Cathy Gessner, Aon Hewitt
Councilmember George Leventhal
Kathleen McAuliffe, Aon Hewitt
Lori O'Brien, Office of Management and Budget (County Government)
Richard Romer, Office of Council President Valerie Ervin
Thomas Sawyer, Health Directions (consultant to MCGEO Local 1994)

Staff:

Craig Howard, Office of Legislative Oversight
Kristen Latham, Office of Legislative Oversight
Linda McMillan, Council Staff
Karen Orlansky, Office of Legislative Oversight
Aron Trombka, Office of Legislative Oversight