

## MEMORANDUM

March 2, 2011

TO: Councilmembers

FROM: Karen Orlansky, Director  
Office of Legislative Oversight

SUBJECT: **Follow-up to OLO Report on Achieving a Structurally Balanced Budget:  
Estimated Savings from Alternative Health Insurance Cost Share Scenarios  
and Summary of Prescription Drug Copay Structures**

This memorandum addresses several additional questions from Councilmembers about health benefits for employees of the County Government, Montgomery County Public Schools, Montgomery College, and M-NCPPC. The specific questions answered are listed below.

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A	What would be the cost savings from changing the health benefit premium cost share for County Government employees in the Choice Group from an 80/20 to a 76/24 split?	2
B	What would be the cost savings across the four tax supported agencies from changing to a fixed employer contribution for medical plan premiums – specifically under a scenario where the agency contribution is fixed at 95% of MCPS’ lowest cost plan?	3
C	What are the current copay structures for the prescription drug benefit offered to employees of the County Government, MCPS, Montgomery College, and M-NCPPC? In particular, what is the difference in copays for generic versus brand name prescription drugs?	4

If you have any questions about information in this memo, please contact Sarah Downie in OLO at x77877 or [sarah.downie@montgomerycountymd.gov](mailto:sarah.downie@montgomerycountymd.gov).

c: Steve Farber

**A. What would be the cost savings from changing the health benefit premium cost share for County Government employees in the Choice Group from an 80/20 to a 76/24 split?**

When it comes to health benefits, there are two groups of Montgomery County Government employees – the “Choice” group and the “Select” group. The Choice group consists of employees represented by bargaining units and unrepresented employees hired before October 1, 1994. The Select group consists of unrepresented employees hired on or after October 1, 1994. As of January 4, 2011, there were 7,104 employees in the Choice group and 868 employees in the Select group who were enrolled in medical plans.

For employees in the Choice group, the current premium cost share for health benefits is 80/20, i.e., the County pays 80% of the premium and the employee pays 20%. For employees in the Select group, the current premium cost share for health benefits is 76/24.

The table below compares the projected annual health premium costs for County Government under the current cost share arrangements with the projected costs if the Choice group cost share was changed, as of January 1, 2012, to the same 76/24 currently paid by the Select group. In sum, the County Government would save an estimated \$2 million in FY12; \$4.4 million in FY13 (the first full year of implementation); and \$5.8 million by FY16.

**Projected Annual County Government Health Premium Costs (\$ in millions)**

Cost Share Model	FY11 Budget	Projected Health Premium Costs*				
		FY12	FY13	FY14	FY15	FY16
Current Cost Share	\$81.5	\$88.3	\$97.0	\$106.8	\$117.6	\$129.3
76/24 Cost Share for Choice	--	\$86.3	\$92.6	\$102.0	\$112.3	\$123.5
<b>Difference</b>	<b>0</b>	<b>(\$2.1)</b>	<b>(\$4.4)</b>	<b>(\$4.8)</b>	<b>(\$5.3)</b>	<b>(\$5.8)</b>

\*The calculations for the projected costs assume current plan designs and no enrollment changes, and include tax supported and non-tax supported positions.

To be clear, the projected savings shown above result from shifting some of the current annual premium costs (and future cost increases) from County Government to Choice group employees. For the County Government medical plan with the highest enrollment, the table below illustrates how this option would change the premium costs for an employee in the Choice group.

**Annual Employee Health Premium Cost Projections (80/20 vs. 76/24 Cost Share)**

	2011	2012	2013	2014	2015	2016
<b>County Government - Carefirst High Option POS Plan (family coverage, Choice group)</b>						
80/20 Cost Share (Current)	\$3,204	\$3,500	\$3,857	\$4,247	\$4,674	\$5,140
76/24 Cost Share	--	\$4,200	\$4,629	\$5,097	\$5,609	\$6,168
<b>Additional Cost to Employee</b>	<b>--</b>	<b>+\$700</b>	<b>+\$771</b>	<b>+\$849</b>	<b>+\$935</b>	<b>+\$1,028</b>

**B. What would be the cost savings across the four tax supported agencies from changing to a fixed employer contribution for medical plan premiums – specifically under a scenario where the agency contribution is fixed at 95% of MCPS’ lowest cost plan?**

As reviewed in OLO’s Part II report (page C-8), one option for changing the structure of health benefit premiums paid by the County is to establish a fixed dollar amount for the employer contribution. The information shown below details the potential savings associated with setting a fixed employer contribution for medical benefit premiums across the four tax supported agencies that equates to 95% of the premium of MCPS’ lowest cost medical plan (currently the Carefirst BlueChoice HMO plan).

The table below compares the projected annual agency health premiums expenditures under the current cost share arrangements with the projected costs under this fixed employer contribution option implemented across all four agencies as of January 1, 2012. Under this option:

- In FY12, the net savings across the four agencies would be about \$25 million; by FY16, the net savings across the four agencies would increase to about \$67 million.
- While County Government and MCPS would achieve annual agency savings, M-NCPPC and Montgomery College would actually pay more. This is because under the existing cost share arrangements, the agency share of annual premium costs for M-NCPPC and Montgomery College is currently lower than 95% of MCPS’ lowest cost plan.

**Annual Agency Health Premium Costs for All Agencies (\$ in millions)**

Cost Share Model	FY11 Budget	Projected Agency Premium Costs*				
		FY12	FY13	FY14	FY15	FY16
<b>All Agencies</b>						
Current Cost Share	\$306.9	\$331.7	\$361.9	\$393.8	\$428.4	\$466.1
Fixed Contribution	--	\$306.9	\$310.2	\$337.5	\$367.0	\$399.2
<b>Difference</b>	<b>--</b>	<b>(\$24.7)</b>	<b>(\$51.7)</b>	<b>(\$56.3)</b>	<b>(\$61.4)</b>	<b>(\$66.9)</b>
<b>Difference by Agency</b>						
MCPS	--	(\$19.2)	(\$40.1)	(\$43.5)	(\$47.2)	(\$51.2)
County Government	--	(\$6.3)	(\$13.2)	(\$14.5)	(\$16.0)	(\$17.6)
M-NCPPC	--	\$0.3	\$0.5	\$0.6	\$0.6	\$0.7
Montgomery College	--	\$0.5	\$1.0	\$1.0	\$1.1	\$1.1

\*The calculations for the projected costs assume current plan designs and no enrollment changes, and include tax supported and non-tax supported positions. For Montgomery College, the calculation assumes a fixed contribution for medical and prescription benefits since the College combines medical and prescription drug plan premiums.

**C. What are the current copay structures for the prescription drug benefit offered to employees of the County Government, MCPS, Montgomery College, and M-NCPPC? In particular, what is the difference in copays for generic versus brand name prescription drugs?**

As reviewed in OLO's Part II report (page C-1), there are differences among how each agency currently structures their employee health benefits, including prescription drug plans. As a result, comparing prescription plans is complex as each plan contains multiple variables.

Table 1 (pages 6-7) summarizes information on the copay structure of the prescription drug benefits currently offered by County Government, MCPS, Montgomery College, and M-NCPPC. To address the question posed by the Council, the focus of OLO's data collection was on how each agency structures prescription drug plans to encourage the use of less expensive "generic" drugs as opposed to brand name drugs.<sup>1</sup>

In sum, a review of the four agencies' prescription drug plan documents shows the following related to copay structures and generic incentives:

- All four agencies have a multi-tier prescription drug copay design, with lower copays for generic drugs and higher copays for brand name drugs. In addition, all of the agency's Caremark plans (except for the County Government's High Option plan) also differentiate copays for "preferred" brand drugs (less expensive) and "non-preferred" brand drugs (more expensive).<sup>2</sup>
- Except for one plan in County Government (the Caremark Standard Option plan), the County Government and MCPS prescription drug plans have lower copays for both generic and brand name medications compared to the prescription drug plans for Montgomery College and M-NCPPC.
- Both the County Government and MCPS Caremark plans require a participant to pay the entire cost difference if he/she chooses a brand name drug when a generic equivalent is available. Both agencies allow participants to receive a waiver from this additional cost requirement, although MCPS' plan has a stricter standard that must be met.
- Some of the agency plans include additional provisions (e.g., higher copays, limited or no coverage for certain medications) for "life style" drugs.<sup>3</sup>

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<sup>1</sup> A brand name drug is a drug for which a manufacturer has patent protection. A generic drug is a biologically or chemically equivalent, lower-cost version of a brand name drug whose patent has expired.

<sup>2</sup> Preferred (or formulary) brand name drugs are not equivalents of non-preferred brand name medicines, but are medicines in the same therapeutic category used to treat the same condition. Each plan selects the medications that qualify as preferred brand name drugs based on factors such as cost, safety, and effectiveness.

<sup>3</sup> "Life style" drugs generally refer to medications that treat non-life threatening conditions; examples include drugs taken for cosmetic purposes or sexual dysfunction.

**Mail Order Incentives.** All four agencies offer participants the option of purchasing maintenance drugs<sup>4</sup> through mail order. Through mail order, a plan participant can purchase a longer term supply of medication than at a retail pharmacy (for example, a three-month supply as opposed to a one-month supply) for either the same copay or a higher copay that is still less than purchasing the same quantity through retail. Some plans also charge participants a penalty if they purchase a maintenance drug through a retail pharmacy rather than mail order.

#### **PRESCRIPTION DRUG COPAYS IN OTHER JURISDICTIONS.**

OLO's Part II report included information in the Appendix (prepared by CountyStat in March 2010) that summarizes prescription drug plan components for several jurisdictions in the region including Prince George's County, Howard County, Baltimore County, and Fairfax County.

In Table 2, beginning on page 8, OLO provides updated prescription drug copay information for those jurisdictions as well as for the State of Maryland<sup>5</sup> and selected plans in the Federal Government.<sup>6</sup> The comparative data compiled for other prescription drug plans outside the four tax supported agencies was limited to retail and mail order copay structures and amounts.

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<sup>4</sup> A maintenance drug is a medication used for a long time period to treat a chronic condition.

<sup>5</sup> The Governor of Maryland has proposed changes to the State's prescription drug plan that, if enacted, would increase copays as of July 1, 2011.

<sup>6</sup> Since the Federal Government offers multiple health plans, OLO selected four different plans that the Federal Office of Personnel Management website lists as offered in Maryland and/or the District of Columbia.

**Table 1: Summary of Prescription Drug Plan Copays for County Agencies**

Prescription Drug Plan	Deductible	Retail Copay (short-term medication)	Mail Order Copay (maintenance medication)	Other Plan Details
<b>Montgomery County</b>				
<b>CVS Caremark High Option</b> (only MCGEO & IAFF bargaining unit active employees eligible)	None	<ul style="list-style-type: none"> <li>\$4 Generic</li> <li>\$8 Brand (\$4 if no generic available)</li> </ul>	Same as retail	<ul style="list-style-type: none"> <li>If participant chooses a brand drug when a generic equivalent exists, they must pay the brand copay plus the cost difference between the brand drug and the generic (unless physician checks “dispense as written” on prescription).</li> <li>For 3rd fill at retail pharmacy, participant pays cost difference between mail order and retail.</li> </ul>
<b>CVS Caremark High Option</b>	None	<ul style="list-style-type: none"> <li>\$5 Generic</li> <li>\$10 Brand (\$5 if no generic available)</li> </ul>	Same as retail	
<b>CVS Caremark Standard Option</b>	\$50	<ul style="list-style-type: none"> <li>\$10 Generic</li> <li>\$20 Preferred Brand</li> <li>\$35 Non-Preferred Brand</li> </ul>	Same as retail	
<b>Kaiser Permanente</b> (included in medical plan)	None	<ul style="list-style-type: none"> <li>\$5 Generic or Brand at Kaiser pharmacy</li> <li>\$15 Generic or Brand at network pharmacy</li> </ul>	\$5 Generic or Brand	<ul style="list-style-type: none"> <li>Brand drug only provided when (1) no generic equivalent is available, (2) physician checks “dispense as written” on the prescription, <u>or</u> (3) brand is listed on Kaiser’s formulary.</li> </ul>
<b>MCPS</b>				
<b>CVS Caremark</b>	None	<ul style="list-style-type: none"> <li>\$5 Generic</li> <li>\$10 Preferred Brand</li> <li>\$25 Non-preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>\$0 Generic</li> <li>\$10 Preferred Brand</li> <li>\$25 Non-Preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>If participant chooses a brand drug when a generic equivalent exists, they must pay the brand copay <u>plus</u> the cost difference between the brand drug and the generic (unless physician provides letter of medical necessity).</li> <li>Mail order copay rates apply to maintenance medication ordered from a CVS retail location.</li> <li>For 3<sup>rd</sup> fill at retail pharmacy (besides CVS), participant pays cost difference between mail order and retail.</li> </ul>
<b>Kaiser Permanente</b>	None	<ul style="list-style-type: none"> <li>\$5 Generic or Brand at Kaiser pharmacy</li> <li>\$10 Generic or Brand at network pharmacy</li> </ul>	\$5 Generic or Brand	<ul style="list-style-type: none"> <li>Brand drugs only provided when no generic equivalent is available.</li> </ul>

**Table 1. Summary of Prescription Drug Plan Copays for County Agencies, continued**

Prescription Drug Plan	Deductible	Retail Copay (short-term medication)	Mail Order Copay (maintenance medication)	Other Plan Details
<b>Montgomery College</b>				
<b>CVS Caremark</b> (Bundled with CIGNA PPO medical plan)	\$150	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$20 Preferred Brand</li> <li>• \$40 Non-Preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$40 Preferred Brand</li> <li>• \$80 Non-Preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• Double copay for fourth fill at retail pharmacy</li> <li>• Employees who use brand-name drugs are eligible for one free fill of the generic alternative.</li> <li>• Includes Drug Utilization Review program<sup>7</sup></li> </ul>
<b>CVS Caremark</b> (Bundled with CIGNA POS medical plan)	None	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$20 Preferred Brand</li> <li>• \$40 Non-Preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$40 Preferred Brand</li> <li>• \$80 Non-Preferred Brand</li> </ul>	
<b>Kaiser Permanente</b> (included in medical plan)	None	<u>Kaiser Pharmacy</u> <ul style="list-style-type: none"> <li>• \$15 Generic</li> <li>• \$30 Brand</li> </ul> <u>Network Pharmacy</u> <ul style="list-style-type: none"> <li>• \$16 Generic</li> <li>• \$37 Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$15 Generic</li> <li>• \$30 Brand</li> </ul>	
<b>M-NCPPC</b>				
<b>CVS Caremark</b>	None	<ul style="list-style-type: none"> <li>• \$8 Generic</li> <li>• \$16 Preferred Brand (\$21 if generic is available)</li> <li>• \$25 Non-Preferred Brand (\$35 if generic is available)</li> </ul>	<ul style="list-style-type: none"> <li>• \$16 Generic</li> <li>• \$32 Preferred Brand (\$42 if generic is available)</li> <li>• \$40 Non-Preferred Brand (\$60 if generic is available)</li> </ul>	<ul style="list-style-type: none"> <li>• Additional copay for Preferred or Non-Preferred Brand drugs applies if a participant or their physician requests a brand drug when a generic is available.</li> <li>• Double copay for fourth fill of brand drugs at retail pharmacy.</li> <li>• Copay for most life style drugs is 50%.</li> <li>• Copay for limited distribution biotech products is \$50.</li> </ul>

<sup>7</sup> Drug Utilization Review Program ensures appropriate drug therapies for members using prescriptions in the areas of nonsteroidal anti-inflammatory, gastrointestinal, fungal infection, migraine, and sexual dysfunction.

**Table 2. Summary of Prescription Drug Plan Copays for Other Jurisdictions**

<b>Prescription Drug Plan</b>	<b>Retail Copay (short-term medication)</b>	<b>Mail Order Copay (maintenance medication)</b>
<b>Prince George's County</b>		
<b>Medco</b>	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$20 or 20% of cost Preferred Brand (whichever is greater, up to a maximum of \$50)</li> <li>• \$40 or 30% of cost Non-Preferred Brand (whichever is greater, up to a maximum of \$50)</li> </ul>	<ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$40 or 20% of cost Preferred Brand (whichever is greater, up to a maximum of \$100)</li> <li>• \$80 or 30% of cost Non-Preferred Brand (whichever is greater, up to a maximum of \$100)</li> </ul>
<b>Howard County</b>		
<b>Aetna Open Access or Open Choice PPO</b> (included in medical plans)	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$30 Preferred brand</li> <li>• \$50 Non-preferred brand</li> </ul>	Same as retail
<b>Kaiser Permanente</b> (included in medical plan)	<u>Kaiser Pharmacy</u> <ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$30 Preferred Brand</li> <li>• \$50 Non-Preferred Brand</li> </ul> <u>Network Pharmacy</u> <ul style="list-style-type: none"> <li>• \$30 Generic</li> <li>• \$50 Preferred Brand</li> <li>• \$75 Non-Preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$30 Preferred Brand</li> <li>• \$50 Non-Preferred Brand</li> </ul>
<b>Fairfax County</b>		
<b>CIGNA Open Access Plus</b> (included in medical plan)	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$20 Preferred Brand</li> <li>• \$40 Non-Preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$40 Preferred Brand</li> <li>• \$80 Non-Preferred Brand</li> </ul>
<b>BlueChoice POS and Blue Preferred</b> (included in medical plans)	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$20 Preferred Brand</li> <li>• \$35 Non-Preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$40 Preferred Brand</li> <li>• \$70 Non-Preferred Brand</li> </ul>
<b>Kaiser Permanente</b> (included in medical plan)	<u>Kaiser Pharmacy</u> <ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$20 Preferred Brand</li> <li>• \$35 Non-preferred Brand</li> </ul> <u>Network Pharmacy</u> <ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$40 Preferred Brand</li> <li>• \$55 Non-preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$16 Generic</li> <li>• \$36 Preferred Brand</li> <li>• \$66 Non-Preferred Brand</li> </ul>

**Table 2. Summary of Prescription Drug Plan Copays for Other Jurisdictions, continued**

<b>Prescription Drug Plan</b>	<b>Retail Copay (short-term medication)</b>	<b>Mail Order Copay (maintenance medication)</b>
<b>Baltimore County</b>		
<b>Express Scripts</b>	<ul style="list-style-type: none"> <li>• \$5 Generic</li> <li>• \$20 Preferred brand</li> <li>• \$35 Non-Preferred brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$40 Preferred brand</li> <li>• \$70 Non-Preferred brand</li> </ul>
<b>Kaiser Permanente</b> (included in medical plan)	<u>Kaiser Pharmacy</u> <ul style="list-style-type: none"> <li>• \$5 Generic</li> <li>• \$15 Brand</li> </ul> <u>Network Pharmacy</u> <ul style="list-style-type: none"> <li>• \$11 Generic</li> <li>• \$27 Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$5 Generic</li> <li>• \$15 Brand</li> </ul>
<b>State of Maryland</b>		
<b>Catalyst Rx</b>	<u>1-45 Day Supply</u> <ul style="list-style-type: none"> <li>• \$5 Generic</li> <li>• \$15 Preferred Brand</li> <li>• \$25 Non-Preferred Brand</li> </ul> <u>46-90 Day Supply</u> <ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$30 Preferred Brand</li> <li>• \$50 Non-Preferred Brand</li> </ul>	<u>1-45 Day Supply</u> <ul style="list-style-type: none"> <li>• \$5 Generic</li> <li>• \$15 Preferred Brand</li> <li>• \$20 Non-Preferred Brand</li> </ul> <u>46-90 Day Supply</u> <ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$20 Preferred Brand</li> <li>• \$20 Non-Preferred Brand</li> </ul>
<b>Federal Government</b>		
<b>Aetna HealthFund</b> (included in medical plan)	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$35 Preferred Brand</li> <li>• \$60 Non-Preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$70 Preferred Brand</li> <li>• \$120 Non-Preferred Brand</li> </ul>
<b>Kaiser Permanente Standard Option</b> (included in medical plan)	<u>Kaiser Pharmacy</u> <ul style="list-style-type: none"> <li>• \$12 Generic</li> <li>• \$35 Preferred Brand</li> <li>• \$50 Non-preferred Brand</li> </ul> <u>Network Pharmacy</u> <ul style="list-style-type: none"> <li>• \$22 Generic</li> <li>• \$55 Preferred Brand</li> <li>• \$70 Non-preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$66 Preferred Brand</li> <li>• \$96 Non-preferred Brand</li> </ul>
<b>Carefirst BlueChoice High Option</b> (included in medical plan)	<ul style="list-style-type: none"> <li>• \$10 Generic</li> <li>• \$30 Preferred Brand</li> <li>• \$50 Non-preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$20 Generic</li> <li>• \$60 Preferred Brand</li> <li>• \$100 Non-Preferred Brand</li> </ul>
<b>Coventry HealthCare</b> (included in medical plan)	<ul style="list-style-type: none"> <li>• \$15 Generic</li> <li>• \$30 Preferred Brand</li> <li>• \$60 Non-preferred Brand</li> </ul>	<ul style="list-style-type: none"> <li>• \$30 Generic</li> <li>• \$60 Preferred Brand</li> <li>• \$120 Non-Preferred Brand</li> </ul>