

City of Medford Plan Assessment

November 9, 2017

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Agenda

- I. Executive Summary
- II. Plan Assessment
- III. Recommendations
- IV. Marsh & McLennan Agency

Section I

Executive Summary

Executive Summary

City of Medford

- Fully-insured and self-insured quotes to cover the City of Medford employees and retirees were solicited for the 7/1/18 plan year from BCBSMA, Cigna, HPHC, MIIA and Tufts
- BCBSMA and HPHC provided both fully-insured and self-insured quotes, while Cigna only provided a fully-insured quote
 - Tufts declined to provide a quote for the City of Medford
 - MIIA has not responded to MMA's request for a quote for the City of Medford
- The fully-insured quotes that were provided by all three carriers were uncompetitive at approximately 20% above the current GIC rates
- All three carriers cited the poor claim experience in prior years and lack of current data (data through March 2017 is available) as reasons for the unfavorable quotes
- On a self-insured basis, MMA's claim projection, coupled with the fixed costs (administrative fees plus proxy stop loss fees) from either BCBSMA for 7/1/18 is favorable to current costs

Executive Summary

City of Medford Employee Demographics

Actives- 1,098 Employees

- Gender: 44% male, 56% female
- Age: Average age is 48 years old
- Residence: 99% of employees reside in MA

Retirees- 739 Individuals

- Gender: 50% male, 50% female
- Age: Average age is 75 years old
- Residence: 88% of employees reside in MA (4% in NH, 5% in FL, and the rest in 12 other states)

Section II

Plan Assessment

FINANCIAL REVIEW

Financial Review

7/1/18 Fully-Insured Quotes

- BCBSMA, HPHC, and Cigna provided 7/1/18 fully-insured quotes (all plan designs are comparable to current GIC plans) for the City of Medford but because the carriers only received data through March 2017, and the older claim data did not perform well, the rates are not favorable compared to current GIC rates
 - Usually the current 12 months of claim data is weighted more heavily than the prior 12 months of claim data , but because the carriers didn't have recent data, in this case, the prior claim data was weighted more heavily
- BCBSMA's total quote for the entire population is **22% above** current GIC rates
 - Quoted three plans for the under-65 population- a PPO, HMO, and a limited network HMO
 - Quoted one plan for the over-65 population- a Medex plan with PDP
- Cigna's total quote for the entire population is **19% above** current GIC rates
 - Quoted one HMO plan for the under-65 population and quoted one Medicare with EGWP plan for the over-65 population

Financial Review

7/1/18 Fully-Insured Quotes (continued)

- HPHC's total quote for the entire population is **20% above** current GIC rates
 - Quoted three plans for the under-65 population- a PPO, HMO, and a limited network HMO
 - Quoted one plan for the over-65 population- a Medicare plan
- Note that even if the entire current population were to migrate into the lowest cost proposed plan (narrow network plan) for each carrier, costs would still be 2%-14% higher than the current GIC rates
 - -This migration pattern is highly unlikely based on current enrollment patterns

Financial Review

7/1/18 Self-Insured Projection

- On a self-insured basis MMA is projecting a **3% decrease** for 7/1/18 as compared to current GIC rates for the active under-65 population
- In order to project costs, MMA used the most recent 24 months of claim data, ending on March 2017. The following assumptions were also included in the projection:
 - 70% weighting on the current 12 months of claim data and 30% weighting on the prior 12 months of claim data
 - No removal of large losses due to insufficient data (conservative
 - 8.5% annual medical and pharmacy trend
 - 5.0% claim margin to hedge against any unexpected claim activity
 - BCBSMA quoted approximately \$62.12 PEPM or approximately \$820,000 annually for administrative fees

Financial Review

7/1/18 Self-Insured Projection (continued)

- Note that BCBSMA has not yet provided a stop loss quote
- In lieu of an actual stop loss quote, MMA included proxy stop loss costs in the projection from a similar-sized client with BCBSMA stop loss to approximate total fixed costs (actual administrative fees plus proxy stop loss fees)
- MMA added a 10% margin to the proxy rates (to account for the fact that municipal business is not favorable and usually priced very high)\
 - Annual proxy stop loss costs equaled approximately \$850,000
 - The individual stop loss level that we are using is \$150K and includes aggregate coverage (unlimited coverage on individual stop loss and \$1 million annual maximum on aggregate coverage)
- HPHC declined to quote stop loss citing lack of current data and reluctance to quote municipal business in general
- All fees (administrative plus stop loss) were included in the projection
 - Cigna did not provide a self-insured quote and while HPHC did provide an administrative fee for the self-insured quote, they did not provide a stop loss quote
- Note that stop loss rates can also be procured from the third party market, often at a lower price than with traditional carriers, but these carriers would also require current data in order to provide a favorable quote

BENCHMARKING

Benchmarking Overview

- MMA compared the City of Medford's current plan designs and costs to the 2016 Mercer National Survey of Employer Sponsored Health Plans using the following benchmarks:
 - National All: 2,544 participants
 - 500-4,999 Employees: 1,086 participants
 - Massachusetts: 83 participants
- For the City of Medford, Harvard Pilgrim Primary Choice was used for the HMO plan, Tufts Navigator for the POS plan, and Unicare Plus for the PPO plan
 - Note that these plans were picked as the representative plans for the other City of Medford plan offerings

Medical & Pharmacy Benchmarking

Plan Prevalence & Enrollment

Percent of Employers Offering

Program Elements	City of Medford	500-4,999 employees	National All	Massachusetts
Preferred Provider Organizations (PPO)	√	87%	75%	78%
Health Maintenance Organizations (HMO)	√	30%	25%	57%
Either type of CDHP (HSA or HRA)		59%	26%	55%
CDHP eligible for a Health Savings Account (HSA)		52%	22%	49%
CDHP with Health Reimbursement Account (HRA)		11%	5%	16%
Average Number of Medical Plans offered		3	2	3

Percent of Employees Enrolled

Program Elements	City of Medford	500-4,999 employees	National All	Massachusetts
Preferred Provider Organizations (PPO)	√	61%	57%	47%
Health Maintenance Organizations (HMO)	√	11%	14%	32%
Either type of CDHP (HSA or HRA)		28%	29%	22%
CDHP eligible for a Health Savings Account		24%	21%	14%
CDHP with Health Reimbursement Account		4%	8%	7%

Medical & Pharmacy Benchmarking

POS Medical Plan Design Comparison

Program Elements	City of Medford (Tufts Navigator)	500-4,999 employees	National All	Massachusetts
Individual Deductible (Median In-Network)	\$500	\$600	\$1,500	\$500
Family Deductible (Medical In-Network)	\$1,000	\$1,500	\$3,000	\$1,000
PCP Office Visit	Tier 1: \$10 Tier 2: \$20 Tier 3: \$40	\$25	\$25	\$25
Specialist Office Visit	Tier 1: \$30 Tier 2: \$60 Tier 3: \$90	\$40	\$50	\$40
Inpatient Hospital (Median Per Admission) (Median coinsurance)	Tier 1: \$275 Tier 2: \$500 Tier 3: \$1,500	\$300 20%	\$250 20%	\$300 10%
Emergency Room	\$100	\$150	\$150	\$113

- The City of Medford's plan is mostly in line with the Massachusetts benchmark
 - The PCP copay is low compared to benchmark (Tier 1 is \$10 and Tier 2 is \$20 versus \$25 for benchmarks)
- The City of Medford's plan is richer than the National and 500-4,999 benchmarks

Medical & Pharmacy Benchmarking

PPO Medical Plan Design Comparison

Program Elements	City of Medford's (Unicare Indemnity Plus)	500-4,999 employees	National All	Massachusetts
Individual Deductible (Median In-Network)	\$500	\$600	\$1,500	\$500
Family Deductible (Medical In-Network)	\$1,000	\$1,500	\$3,000	\$1,000
PCP Office Visit	\$15 for Centered Care PCPS \$20 for other PCPs	\$25	\$25	\$25
Specialist Office Visit	Tier 1: \$30 Tier 2: \$60 Tier 3: \$90	\$40	\$50	\$40
Inpatient Hospital (Median Per Admission) (Median coinsurance)	Tier 1: \$275 Tier 2: \$500 Tier 3: \$1,500	\$300 20%	\$250 20%	\$300 10%
Emergency Room	\$100	\$150	\$150	\$113

- The City of Medford's plan is mostly in line with the Massachusetts benchmark
- The City of Medford's plan is richer than the National and 500-4,999 benchmarks

Medical & Pharmacy Benchmarking

HMO Medical Plan Design Comparison

Program Elements	City of Medford (Harvard Pilgrim Primary Choice Plan)	500-4,999 employees	National All	Massachusetts
Individual Deductible (<i>Median In-Network</i>)	\$500	\$500	\$1,500	\$500
Family Deductible (<i>Medical In-Network</i>)	\$1,000	\$1,000	\$3,000	\$1,000
PCP Office Visit	\$20	\$20	\$25	\$25
Specialist Office Visit	Tier 1: \$30 Tier 2: \$60 Tier 3: \$90	\$40	\$45	\$40
Inpatient Hospital (<i>Median Per Admission</i>) (<i>Median coinsurance</i>)	Tier 1: \$275 Tier 2: \$500	\$250 20%	\$500 20%	\$263 10%
Emergency Room	\$100	\$100	\$150	\$100

- The City of Medford's plan is mostly in line with the Massachusetts and 500-4,999 benchmarks
- The City of Medford's plan is overall richer than National benchmarks

Medical & Pharmacy Benchmarking

Prescription Drug Benefits

Program Elements	City of Medford	500-4,999 employees	National All	Massachusetts
How Drug Benefits are Provided <i>Through the Medical Plan</i> <i>Through a separate prescription drug plan (carve-out)</i>	Medical Plan	80% 19%	95% 3%	81% 19%
Retail Drug Cost-Sharing Design Used <i>One tier: same cost-sharing for all drugs (% of employers)</i> <i>Two tiers: generic / brand drugs</i> <i>Three tiers: generic / brand formulary / brand non-formulary</i> <i>Four or five tiers: separate cost-sharing for specialty / biotech or lifestyle drugs</i>	Three Tiers	8% 6% 58% 27%	8% 6% 57% 28%	0% 5% 79% 16%
Retail				
<i>Tier 1</i>	\$10	\$11 \$32	\$11 \$36	\$12 \$30
<i>Tier 2</i>	\$30	\$55	\$59	\$51
<i>Tier 3</i>	\$65	\$114 (for specialty or biotech when separate)	\$131 (for specialty or biotech when separate)	\$79 (for specialty or biotech when separate)
Mail				
<i>Tier 1</i>	\$25	\$22 \$66	\$25 \$79	\$23 \$58
<i>Tier 2</i>	\$75	\$113	\$131	\$107
<i>Tier 3</i>	\$165	\$177 (for specialty or biotech when separate)	\$225 (for specialty or biotech when separate)	\$163 (for specialty or biotech when separate)

Medical & Pharmacy Benchmarking

POS Medical Plan Employee Contributions

	City of Medford (Tufts Navigator)	500-4,999 employees	National All	Massachusetts
Employee coverage				
Full Time <i>Average monthly contribution -</i>	\$127.55	\$133	\$158	\$169
Full Time <i>Average contribution percent of premium</i>	17.5%	24%	31%	28%
Family coverage				
Full Time <i>Average monthly contribution</i>	\$311.22	\$469	\$580	\$482
Full Time <i>Average contribution percent of premium</i>	17.5%	33%	55%	29%

- The percentage and dollar amount that the City of Medford employees pay is less than all benchmarks for the POS plans

Medical & Pharmacy Benchmarking

PPO Medical Plan Employee Contributions

	City of Medford (Unicare Indemnity Plus)	500-4,999 employees	National All	Massachusetts
Employee coverage				
Full Time <i>Average monthly contribution -</i>	\$121.31	\$133	\$158	\$169
Full Time <i>Average contribution percent of premium</i>	17.5%	24%	31%	28%
Family coverage				
Full Time <i>Average monthly contribution</i>	\$289.82	\$469	\$580	\$482
Full Time <i>Average contribution percent of premium</i>	17.5%	33%	55%	29%

- The percentage and dollar amount that the City of Medford employees pay is less than all benchmarks for the POS plans

Medical & Pharmacy Benchmarking

HMO Medical Plan Employee Contributions

	City of Medford (Harvard Pilgrim Primary Choice Plan)	500-4,999 employees	National All	Massachusetts
Employee coverage				
Full Time <i>Average monthly contribution</i>	\$108.62	\$141	\$145	\$179
Full Time <i>Average contribution percent of premium</i>	17%	24%	31%	30%
Family coverage				
Full Time <i>Average monthly contribution</i>	\$265.04	\$495	\$555	\$506
Full Time <i>Average contribution percent of premium</i>	17%	32%	50%	31%

- The percentage and dollar amount that the City of Medford employees pay is less than all benchmarks for the HMO plans

Medical & Pharmacy Benchmarking

Retiree Plans Employee Contributions

	City of Medford	500-4,999 employees	National 500+	Massachusetts
Medicare-eligible retirees				
Employer pays all (% of employers)		10%	10%	9%
Cost is Shared (% of employers)	√	49%	50%	73%
Retiree pays all (% of employers)		41%	39%	18%
Average contribution as a percent of premium, when cost is shared	17.5%	37%	37%	44%

- The percentage of the total cost that the City of Medford retirees pay for retiree coverage is generally less than that of the benchmarks
 - The majority of employers require retirees to share in the cost of coverage, but about a third require them to cover the entire cost of coverage
 - In Massachusetts, only 18% of employers require their Medicare eligible retirees to pay the entire cost of coverage

RECOMMENDATION

Recommendation

- MMA recommends that the City of Medford renew with GIC benefit coverage for the minimum commitment option of two years, and re-evaluate taking the group out to bid on both a fully-insured and self-insured basis when the renewal is up
- The recommendation is based on the following:
 - Tufts declination to quote (they have the bulk of your membership/claim experience and still declined to quote), and the other carriers' unwillingness to assign greater credibility to the current 12 months of claim experience, produced fully-insured quotes that are uncompetitive as compared to the current GIC rates
 - On a self-insured basis, while our projection is favorable to current GIC rates, MMA only has data through March 2017
 - We would usually have at a minimum, data through October 2017 for a 7/1/18 implementation, which is why a move to self-insurance right now may be financially risky
 - Additionally, the reinsurance market has been reluctant to provide a stop loss quote which illustrates that the market views the City of Medford as a unfavorable risk

Recommendation (continued)

- Even though the City of Medford may still only have data through March 2018 next year at this time, if experience is favorable for 24 months rather than just 12 months, this may make a more compelling case for the carriers to provide a favorable quote, and/or make a less risky case for self-insurance
- Lastly, your current plans with the GIC are more favorable from both a plan design and financial perspective when compared national and local benchmarks



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