



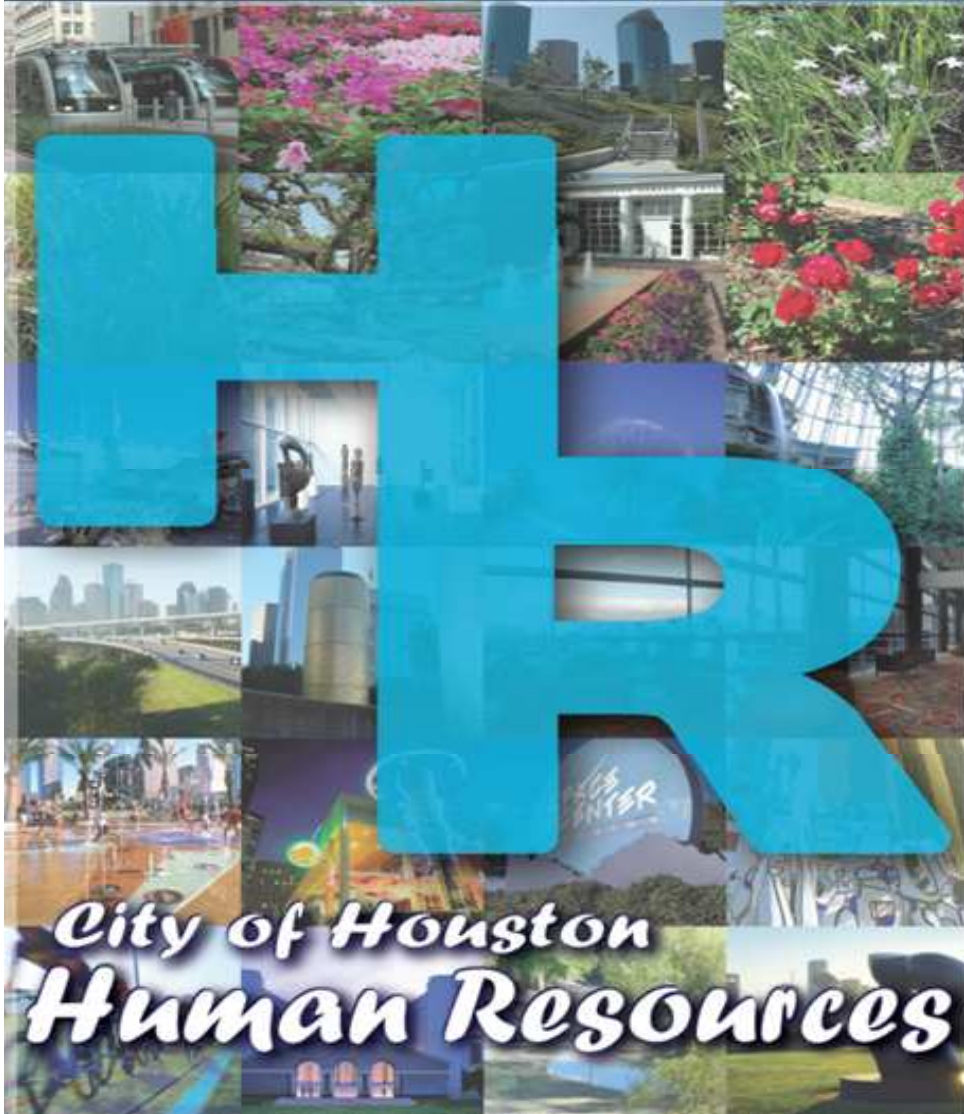
# Budget & Fiscal Affairs Committee

## Human Resources Department Health Benefits Collaborations

October 2, 2012



# Human Resources



## *Vision*

To be universally recognized for Human Resources excellence and as a premier employer.

## *Values*

Integrity, Customer Service,  
Accountability, Honesty, Respect

## *Mission*

To be a strategic partner by providing Human Resources programs that attract, develop, retain, and engage a skilled and diverse workforce.

## *Goal*

To exceed the expectations of our stakeholders by committing to our shared values and by achieving the highest levels of customer satisfaction.



# Key Considerations

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- Collaboration Goals
- Background
  - Unfunded liability
  - Demographics
- Collaboration Resources
- Policy Considerations
- Impact
- Efforts/Results
  - Healthcare Purchasing Coalition
  - Prescription Drugs Initiative
  - Annual Benefits Survey
- Questions/ Discussion



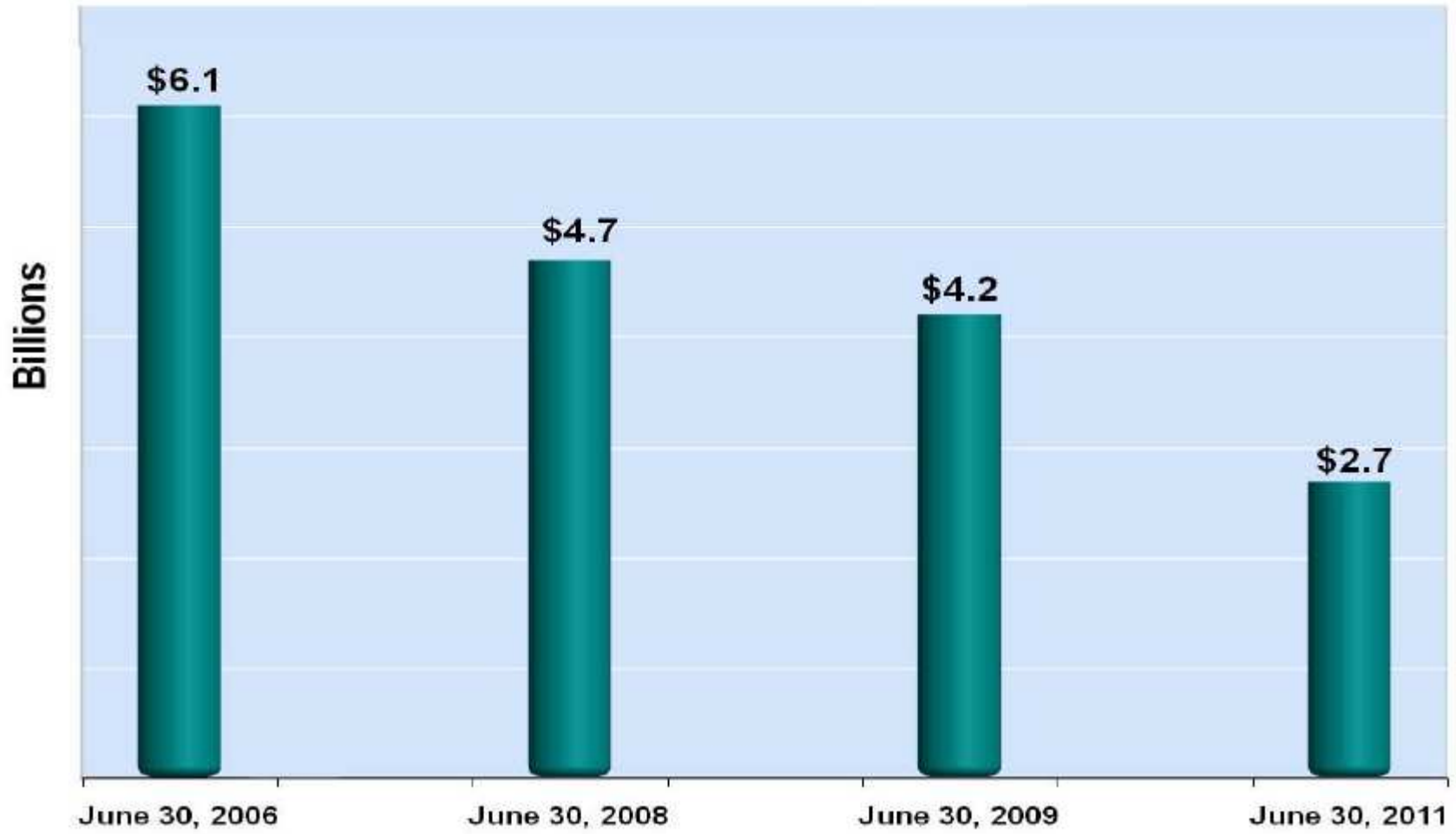
# Collaboration Goals

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- Explore feasibility of an integrated fiscally responsible healthcare delivery system for more than 150,000 public employees, retirees and their dependents.
- Explore optimization of taxpayers' dollars and use of integrated resources to leverage negotiation for steep discounts from healthcare providers.
- Explore use of health technology to gather claims utilization data, develop health education programs, benchmark and measure health improvements, and maximize new claims payment and health-care delivery models.

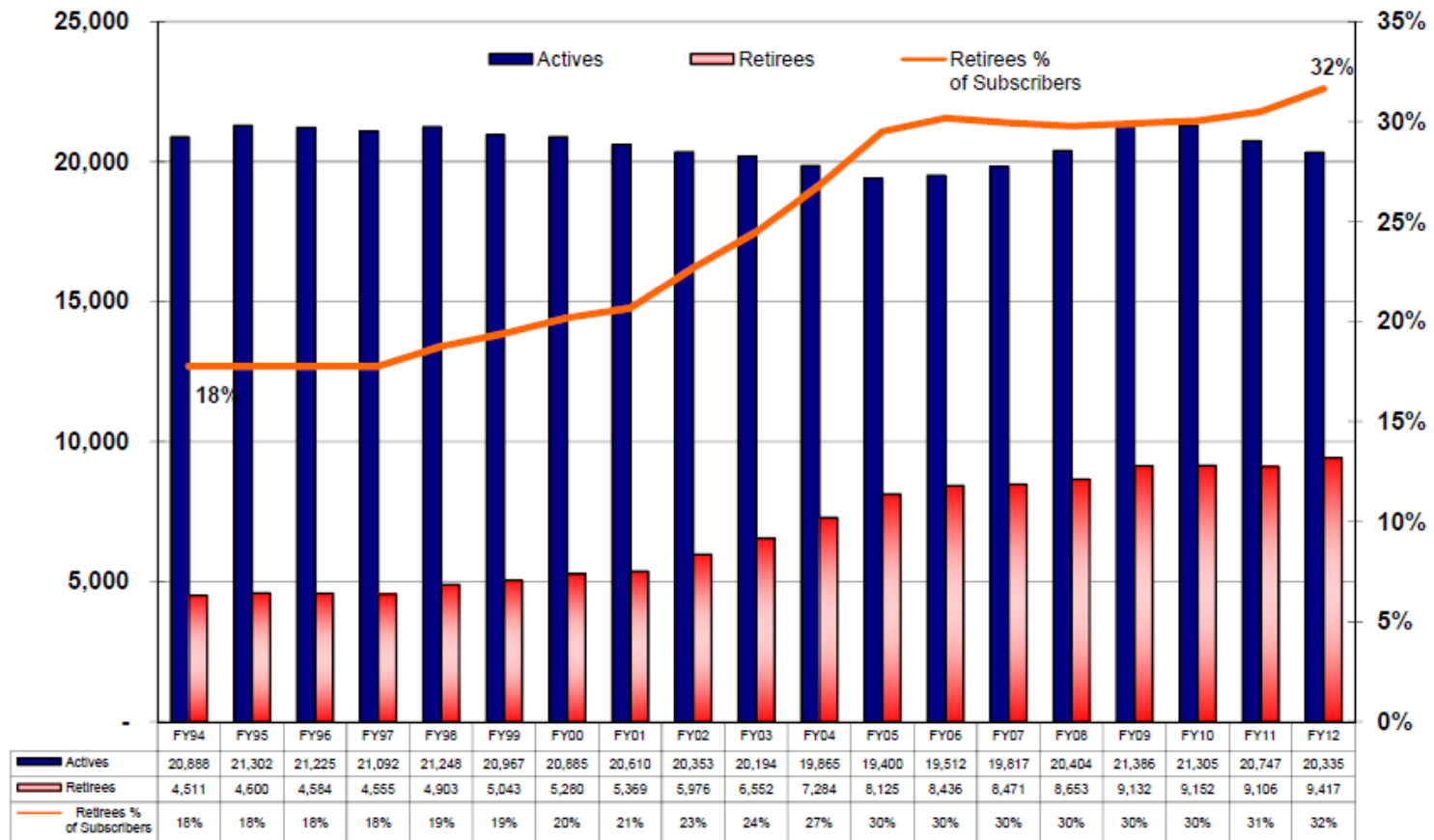


# Health Benefits OPEB Unfunded Liability Present Value of Projected Benefits (\$ in billions)





# Demographics – Health Benefits Active vs. Retiree Enrollment





# Collaboration Resources

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- HISD
- HARRIS COUNTY
- METRO
- CITY OF AUSTIN
- CITY OF DALLAS
- CITY OF SAN ANTONIO
- CITY OF EL PASO
- UNIVERSITY OF TEXAS @ AUSTIN
- THREE LOCAL PRIVATE EMPLOYERS



# Policy Considerations

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- Union Reactions
  - HPOU
  - HPFFA
  - HOPE
  - Similar unions with the other entities
- Governance and Administrative oversight
- How will the coalition affect local business?
  - Competitive pricing?
  - Business growth?
- Longevity of Coalition
  - Term Limits
  - No term limit
- Cost sharing and cost allocation
- How will success be measured?





# Impact

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- Organizational changes
  - Personnel
  - Facilities
  - Equipment
  - Fiscal procedures
- Quality and measurement of service
- Will some recipients of service be short changed?
- Who will “own” the staff?
- Personnel – type, quantity, salaries
- Choosing/finding the provider and who approves?



# Results

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- Established an inventory of actionable possibilities that may be considered in other collaborative efforts
- Constant interaction that provides access to changing demographics, trends, internal practices, etc.
- The City has a competitive health benefits program that includes favorable rates and member cost-share for services.
- The City's administrative and management controls provide best practices for peer entities.
- The City's covered population of about 65,000 members, management capabilities, and program leadership provide leverage for the health-plan vendor to negotiate steep discounts, implement favorable plan design features, and allows the City be a strong catalyst for health-improvement programs in the local medical community.



# Initiatives

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- **2005** - The City, Harris County, HISD, and Metro explored a Healthcare Purchasing Coalition.
- **2007** – The City, El Paso, San Antonio, Austin, Dallas, and University of Texas @ Austin shared prescription cost and utilization data.
- **2010** – Explored an Inter-local Government Arrangement with HISD and Mercer Benefits Services consolidate City Benefits Administration. Mercer Benefit Services would administer benefits for both entities.
- **Yearly** – Annual Benefits Survey with local entities and several Texas cities



# Pivotal Discussion Outcomes

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- COH had a richer benefit plan and did not desire to reduce benefits and increase costs to members
- At the investigation level, each entity desired to retain autonomy.
- Other employers did not desire to assume risks of the “elephant” (UT or the City of Houston) with a covered membership that far exceeded some and tripled others.
- At least one entity did not provide post-retirement healthcare.



# Pivotal Discussion Outcomes

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- Employers had different funding structures - insured and self-insured - and plan years.
- Different plan designs: eligibility rules, plan design, exclusions, covered members & networks
- Governance and administrative oversight
- Selection of vendor with financial capability and local infrastructure to deliver services to such a large group
- Selection of a vendor with a viable MWBE program



# 2005 Healthcare Purchasing Coalition Discussion

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## Discussion Participants

- Harris County
- METRO
- Houston Independent School District (HISD)



# 2005 Healthcare Purchasing Coalition

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The peer investigative group's discussions included procurement of health benefits, prescription drug managers, and health plan vendors. After carefully analyzing these and other issues, however, the peer participants determined that maintaining autonomy was in the best interest of each entity and were not prepared to recommend further review to the governing authorities.

- City of Houston Mayor and Council Members
- Harris County Judge and Commissioners' Court
- Metro President/CEO and the Board of Directors



# 2007 Prescription Drug Initiative

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## Discussion Participants

- City of Austin
- City of Dallas
- City of El Paso
- University of Texas @ Austin
- City of San Antonio

...This Pilot Program was limited to the top 25 drugs, based on volume.

...The goal was to compare, analyze and explore joint opportunities.

...The Result: Overall, the City had the best pricing.





# COH vs Austin

	DRUG	RANK		COST PER SCRIPT		DELTA
		COH	Austin	COH	AUSTIN	FACTOR
1	Actos	4	3	\$173.81	\$179.96	(\$6.15)
2	Ambien	11	22	\$70.87	\$77.97	(\$7.10)
3	Avandia	9	23	\$150.16	\$137.67	\$12.49
4	Effexor	13	16	\$132.33	\$149.77	(\$17.44)
5	Enbrel	3	4	\$2,103.26	\$2,712.81	(\$609.55)
6	Gleevec	17	19	\$3,346.36	\$6,391.00	(\$3,044.64)
7	Lexapro	22	21	\$63.74	\$64.27	(\$0.53)
8	Lipitor	1	1	\$97.09	\$95.02	\$2.07
9	Lotrel	5	24	\$84.16	\$73.59	\$10.57
10	Nexium	2	2	\$151.27	\$144.93	\$6.34
11	Norvasc	19	25	\$40.22	\$39.41	\$0.81
12	Prevacid	6	5	\$132.64	\$160.76	(\$28.12)
13	Protonix	16	17	\$106.61	\$106.53	\$0.08
14	Topamax	14	11	\$251.89	\$227.26	\$24.63
15	Valtrex	15	10	\$157.18	\$158.58	(\$1.40)



# COH vs Dallas

DRUG	RANK		COST PER SCRIPT		DELTA FACTOR
	COH	Dallas	COH	Dallas	
1. Actos	4	6	<b>\$173.81</b>	<b>\$151.88</b>	<b>(\$21.94)</b>
2. Avandia	9	15	<b>\$150.16</b>	<b>\$133.60</b>	<b>(\$16.56)</b>
3. Diovan	8	16	<b>\$51.97</b>	<b>\$60.70</b>	<b>\$8.73</b>
4. Effexor	13	8	<b>\$132.33</b>	<b>\$126.72</b>	<b>(\$5.61)</b>
5. Enbrel	3	11	<b>\$2,103.26</b>	<b>\$1,626.24</b>	<b>(\$477.02)</b>
6. Lantus	20	14	<b>\$113.94</b>	<b>\$117.35</b>	<b>\$3.41</b>
7. Levaquin	21	18	<b>\$77.81</b>	<b>\$77.09</b>	<b>(\$0.72)</b>
8. Lexapro	22	20	<b>\$63.74</b>	<b>\$52.47</b>	<b>(\$11.27)</b>
9. Lipitor	1	1	<b>\$97.09</b>	<b>\$92.66</b>	<b>(\$4.43)</b>
10. Lotrel	5	25	<b>\$84.16</b>	<b>\$62.91</b>	<b>(\$21.25)</b>
11. Protonix	16	2	<b>\$106.61</b>	<b>\$109.04</b>	<b>\$2.42</b>
12. Simvastatin	12	24	<b>\$79.85</b>	<b>\$33.57</b>	<b>(\$46.28)</b>
13. Tricor	10	12	<b>\$90.83</b>	<b>\$90.12</b>	<b>(\$0.71)</b>
14. Valtrex	15	9	<b>\$157.18</b>	<b>\$150.65</b>	<b>(\$6.53)</b>
15. Vytorin	25	5	<b>\$58.28</b>	<b>\$76.44</b>	<b>\$18.16</b>



# COH vs El Paso

DRUG	RANK		COST PER SCRIPT		DELTA
	COH	EP	COH	EL PASO	FACTOR
1. Ambien	11	20	\$70.87	\$103.87	(\$33.00)
2. Levaquin	21	15	\$77.81	\$90.23	(\$12.42)
3. Lexapro	22	21	\$63.74	\$86.62	(\$22.88)
4. Lipitor	1	8	\$97.09	\$153.90	(\$56.81)
5. Lotrel	5	12	\$84.16	\$133.48	(\$49.32)
6. Nexium	2	1	\$151.27	\$241.82	(\$90.55)
7. Norvasac	19	22	\$40.22	\$107.79	(\$67.57)
9. Prevacid	6	2	\$132.64	\$237.56	(\$104.92)
10. Protonix	16	6	\$106.61	\$162.45	(\$55.84)



# COH vs UT

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DRUG	RANK		COST PER SCRIPT		DELTA
	COH	UT	COH	UT	FACTOR
1. Actos	4	6	\$173.81	\$310.73	(\$136.92)
2. Effexor	13	11	\$132.33	\$219.71	(\$87.38)
3. Enbrel	3	3	\$2,103.26	\$2,301.66	(\$198.40)
4. Humira	24	4	\$1,998.52	\$2,621.08	(\$622.56)
5. Lipitor	1	2	\$97.09	\$140.79	(\$43.70)
6. Nexium	2	1	\$151.27	\$219.70	(\$68.43)
7. Topamax	14	12	\$251.89	\$387.82	(\$135.93)
8. Valtrex	15	7	\$157.18	\$234.97	(\$77.79)



# COH vs San Antonio

DRUG	RANK		COST PER SCRIPT		DELTA
	COH	SA	COH	SA	FACTOR
1. Actos	4	6	\$173.81	\$198.50	(\$24.69)
2. Avandia	9	17	\$150.16	\$163.31	(\$13.15)
3. Effexor	13	9	\$132.33	\$157.52	(\$25.19)
4. Enbrel	3	2	\$2,103.26	\$1,683.45	\$419.81
5. Humira	24	12	\$1,998.52	\$1,971.46	\$27.06
6. Lexapro	22	14	\$63.74	\$73.27	(\$9.53)
7. Lipitor	1	1	\$97.09	\$117.05	(\$19.96)
8. Lotrel	5	13	\$84.16	\$96.35	(\$12.19)
9. Nexium	2	5	\$151.27	\$169.18	(\$17.91)
10. Prevacid	6	3	\$132.64	\$177.35	(\$44.71)
11. Protonix	16	19	\$106.61	\$122.25	(\$15.64)
12. Simvastatin	12	21	\$79.85	\$98.61	(\$18.76)
13. Topamax	14	20	\$251.89	\$243.94	\$7.95
14. Tricor	10	17	\$90.83	\$117.68	(\$26.85)
15. Vytorin	25	23	\$58.28	\$91.51	(\$33.23)



# 2010

## Inter-local Government Agreement

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### Participants

- HISD
- Mercer Benefits Services
- The Healthcare Partnership (HISD)

...Explore outsourcing benefits administration .

...Explore more efficient provider infrastructure

Result: The competitive proposal process was determined to be in the best interest of the City and resulted in the current Cigna contracts.



# Inter-local Government Agreement

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- Consolidating the two benefits programs would have added administrative costs to the City.
- The City's health benefits program would have incurred additional costs.
- Cost-savings would not have resulted from integrating technology administration and technology outsourcing.



# Health Benefits Survey Summary 2011/2012

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## Participants

- City of Austin
- Harris County
- Rice University
- HISD
- University of Texas @ Austin
- City of San Antonio
- Metro
- Private local company – A
- Private local company – B

**Human Resources has annually conducted this benefits survey for 12 years to gauge its program compared its and competitors for qualified job candidates.**





# Health Benefits Survey Summary 2011/2012

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- The City was compared to nine entities (three municipalities, two private companies, one school district, one university, METRO, and Harris County)
- One local company has more members than the City. The City and the UT have twice as many covered members (actives + retirees) as all other entities.
- 100% of survey respondents reported self-funding for their predominant plan.



# Health Benefits Survey Summary 2011/2012

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- The aggregate contribution ratio ranges from 52/48% to 82/18% for active & retired employees. The City's aggregate contribution ratio is 74/26%
- Four participants offer Medicare Advantage Plans to Medicare-eligible retirees.
- The aggregate contribution ratio for the Medicare Advantage plans ranges from 49/51% to 76/24%. The City's contribution ratio is 75%/25%.



# Health Benefits Survey Summary 2011/2012

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- One participant does not subsidize retirees' contributions for health benefits.
- One respondent does not provide post-retirement health benefits.
- Two survey participants subsidize rates at 100% for under age 65 retirees, but require retirees to pay for dependents coverage



# Health Benefits Survey Summary 2011/2012

Survey Participants	Annual Deductible	Emergency Room	Hospital Admission	Annual Out-of-Pocket Max
<b>City of Houston</b>	\$100/Person \$300/Family RX only	\$200/Waived if admitted	\$500/Day \$1,000/Year	\$1,500/Person \$3,000/Family
<b>Harris County</b>	\$250/Person \$750/Family	\$150/Waived if admitted	Deductible +20%	\$1,750/Person \$5,250/Family
<b>University of Texas at Austin</b>	\$350/Person \$1,050/Family	\$150/Waived if admitted	\$100/day to \$500+20%	\$2,500/Person \$7,500/Family
<b>Private Local Company A</b>	\$900/Person \$2,700/Family	\$150 +20%	\$250/day for 3 days +20%	\$4,000/Person \$8,000/Family
<b>Texas City A</b>	\$600/Person \$1,200/Family	Deductible +20%	Deductible + 20%	\$2,400/Person \$4,800/Person
<b>City of Austin</b>	\$500/Person \$1,500/Family	\$125/Waived if admitted	N/A	\$3,000/Family



# Health Benefits Survey Summary

## Prescription Drug – Member Cost

Survey Participant	Generic	Preferred Brand	Non-Preferred Brand	Specialty Drug Benefits
City of Houston	\$10/30- day supply	\$45/30-day supply	\$60/30-day supply	\$100/30-day supply
Harris County	25% -\$5/Min \$20/Max	25% -\$20/Min \$75/Max	25% -\$20/Min \$75/Max	25%-\$25Min \$100/Max
University of Texas at Austin	\$10	\$35	\$50	Same as Brand Preferred Brand
Private Local Company A	\$10	30%-\$25/Min \$50/Max	50%-\$50/Min \$100/Max	25%-\$25/Min \$50/Max
Texas City A	\$5	\$20	\$40	Same as Brand Preferred Brand
City of Austin	\$10	\$30	\$50	Same as Brand Preferred Brand

# Results

- Established an inventory of actionable possibilities that may be considered in other collaborative efforts
- Constant interaction that provides access to changing demographics, trends, internal practices, etc.
- The City has a competitive health benefits program that includes favorable rates and member cost-share for services.
- The City's administrative and management controls provide best practices for peer entities.
- The City's covered population of about 65,000 members, management capabilities, and program leadership provide leverage for the health-plan vendor to negotiate steep discounts, implement favorable plan design features, and allows the City be a strong catalyst for health-improvement programs in the local medical community.



# Health Benefits Initiatives

## Questions/ Answers