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## **Group Insurance Advisory Committee**

**Thursday, December 18, 2014  
1:00 p.m. – 4:30 p.m.**

**Friday, December 19, 2014  
9:00 a.m. – 4:30 p.m.**

**Santa Fe Community Convention Center  
Tesuque Room  
201 West Marcy, Santa Fe, NM**

- 1. Discussion and Work Session of City of Santa Fe Self-Insured Health Insurance Program**
- 2. Items / discussion from Committee Members**
- 3. Adjournment**

**Persons with disabilities in need of accommodations should contact the City Clerk's office at 955-6520 five (5) working days prior to the meeting date.**

**Minutes**  
**GROUP INSURANCE BENEFITS ADVISORY COMMITTEE**  
**Working Session**  
**First Session December 18, 2014**  
**1:00 p.m.**  
**Tesuque Room, Santa Fe Community Convention Center**

**ATTENDED:**

Matthew Martinez, SFPOA  
David "Pelly" Hutton, SFFA  
Patrick Romero, AFSCME Local 3999 (excused early)  
Ivie Vigil, Non-Union Representative (excused early)  
Teresita Garcia, Finance Dept. Representative  
Vicki Gage, Human Resources Dept. Representative  
Yolette Catanach, HR Benefits Administrator (excused early)  
Colleen Higgins-Vigil, HR Benefits Administrator (excused early- returned)  
Sandra K. Perez, Human Resources Dept. Director

**In Attendance via Telephone:**

Todd Burley, Assistant Vice President, AON Risk Solutions  
Pamela Jaramillo, Account Specialist, AON Risk Solutions

**Minutes:**

The Group Insurance Advisory Committee working session began at approximately 1:00 p.m.

Vicki Gage began the meeting with a brief summary of the discussions held during the most recent GIAC meetings and provided copies of the materials that were distributed during those meetings. The items from previous meetings are as follows:

- City of Santa Fe Resolution No. 2005-52 (A Resolution Creating a Group Insurance Benefits Advisory Committee for City Employees)
- Meeting materials presented by AON for the April 30, 2014 GIBAC meeting
- Meeting materials presented by AON for the September 24, 2014 GIBAC meeting
- Analysis of Potential Benefit Changes 2014-15
- Alternative Medicine Claim Data
- Emergency Room Analysis
- Health Insurance Fund – Five Year Projection
- City of Santa Fe Healthcare Reform Excise Tax Estimate Summary

**Materials distributed for this working session were:**

- Components of the City of Santa Fe Self-Funded Insurance Program
- Essential Health Benefits
- What Marketplace Health Plans Cover
- City of Santa Fe Benefits Guide
- City of Santa Fe Health Insurance Plan Comparison
- United Healthcare Executive Performance Report
- Payments by Benefit Type (07/2013 – 10/2013 and 07/2014 – 11/2014)

- Sample Summary of Statement of Charges

Ms. Gage also provided a recap of the components of the health plan; explained by what means the health plan is funded and provided a general summary of plan expenditures.

Sandra Perez discussed the purpose of the Working Session. Ms. Perez explained that, as a result of health insurance discussions by members of the Finance Committee and most recently at their November 17, 2014 Finance Committee meeting, the Group Insurance Advisory Committee was directed by City Manager Brian Snyder to identify savings in plan expenses by \$500,000, \$1,000,000 and \$2,000,000.

Discussion ensued regarding the fiscal sustainability to the health plan. Committee members reviewed the Five Year Projections that were prepared by AON which illustrate different consequences to the health fund's cash balance based on different funding levels while factoring in anticipated increase in claims costs.

Discussion arose regarding the Requests for Proposals (RFP's) for all of the insurance benefits to be effective on July 1, 2015. Sandra Perez explained that the ideal situation is to have the plan benefit design established prior to the release of the RFP's so that respondents can quote the most accurate administrative costs and estimated claims costs. AON explained that plan design also has a causal effect on the cost of stop loss insurance to the plan. Ms. Perez stated that it is necessary for the RFP's to be released by the end of December so it would have to be released based on the current plan.

Matthew Martinez, (POA), inquired if the selection of the health care provider is based on the lowest bid. It was explained that cost is only one of the factors that are considered when selecting the provider. Other factors include the size of the provider's network of physicians, hospitals, and other medical providers, the potential disruption to members (how many employees would have to find new primary care physicians), the quality of customer service, the provider's ability to quickly and accurately process claims, among others.

Pelly Hutton, (SFFA), and Matthew Martinez, (POA), both expressed that they would have to take the recommended changes to their negotiations teams since their respective collective bargaining agreements have specific language regarding changes in co-pays and other plan changes.

Ms. Perez stated that it was understood that the health plan changes applicable to collective bargaining agreements would have to be negotiated. She further explained that the information gathered during this working session would be presented to the Finance Committee as information on how savings of \$500,000, \$1,000,000, and \$2,000,000 could be achieved.

The discussion moved to the identification of cost savings beginning with those that were previously presented by AON and in comparing the City's plan with those of other self-funded New Mexico municipalities. In reviewing the co-pay amounts under Rio Rancho's plan, it was noted by members of the committee that while co-pay amounts for office visits are \$20, the co-pay amount for children is \$10. It was discussed that lower paid employees who have more than two children find it costly to take their children for doctor visits coupled with the fact that children often have to see their doctor due to picking up colds and viruses from other children at school. AON was requested to determine up to what age is considered a child and what the potential cost savings would be if the City of Santa Fe were to do something similar.

Using the Analysis of Potential Benefit Changes 2015-16 prepared by AON, it was determined that an increase of office visit co-pays from \$10 to \$15 for primary care physicians and \$30 for specialists would save an estimated \$180,000. Further analysis showed that keeping the co-pay amount the same (\$10) for members under the age of 18 would reduce that estimation by \$10,000. Therefore the City's plan would see an estimated savings of \$170,000.

During discussions regarding the potential benefit changes, AON was asked to run numbers on different plan costs to determine the potential impact to employees and dependents. AON provided information to the Committee that showed that there were 50 screening colonoscopies performed in 2013-14 at a cost to the plan of \$33,000. This information was to differentiate colonoscopies performed as part of the wellness benefit versus medical necessity. The Committee was also informed that there are approximately 200 inpatient hospitalizations per year with 45 of those coming from the emergency room.

Various other cost savings options were examined and discussed:

- Increase the current \$250 co-pay for inpatient hospitalization to
  - \$500 = \$45,000 savings
  - \$1,000 = 151,000 savings
- Increase the current \$75 co-pay for outpatient hospitalization to
  - \$150 = \$30,000 savings
  - \$250 = \$76,000 savings
- Increase office visit co-pays for Premium Plan
  - \$15 across the board = \$150,000
  - \$20 across the board = \$290,000
  
  - \$15 Primary Care Physician
  - \$30 Specialist Visit = \$180,000
  - \$30 Urgent Care Visit
  
  - \$15 Primary Care Physician
  - \$30 Specialist Visit = \$170,000
  - \$30 Urgent Care Visit
- Prescription Co-Pays (Premium Plan)
  - \$10 Tier 1 (remains the same)
  - \$20 Tier 2 = \$100,000
  - \$40 Tier 3

During the discussion around the prescription co-pays, AON reported that some group plans require coinsurance for specialty medications for severe illnesses such as multiple sclerosis, rheumatoid

arthritis, and others. After running the numbers based on the City's plan, the savings were estimated to be approximately \$40,000 and Committee members felt that the savings did not outweigh the value to those few employees and/or dependents who are currently utilizing them.

- Massage Therapy (Premium Plan)
  - Increase co-pay from \$10 to \$30 per visit keeping the \$2400 annual maximum
  - Savings = \$125,000

There was discussion regarding the maximum number of visits allowed versus the maximum dollar amount allowed on an annual basis. There was also discussion regarding the number of employees and/or dependents who use massage therapy as an alternative to other treatment protocols and medications. There was also discussion around elimination of the massage therapy benefit. AON was asked to determine the potential savings to the plan if the massage therapy benefit was eliminated. It was determined that if the elimination of the massage therapy resulted in significant savings, then it may be possible to increase co-pays for chiropractic, acupuncture and naprapathy to \$15 instead of \$30.

- Chiropractic, Acupuncture, and Naprapathy benefit (Premium Plan)
  - Increase current \$10 co-pay to \$30 per visit and combine all three benefits to a combined 24 visit limit per plan year. Savings = \$75,000
  - Increase current \$10 co-pay to \$15 per visit and combine all three benefits to a combined 24 visit limit per plan year. Savings = \$20,000
- Increase all co-pays in the medical plan, (exclusive of prescriptions) to \$15 for an estimated savings of \$200,000.
- Differentials between the three plans offered by the City, (Premium, Core, and Value Plan):
  - Discussed fact that majority of employees electing coverage choose the premium plan and that changes to the Premium plan may overlap into the Core plan thereby requiring changes to the Core Plan. If proposed changes to the Premium plan are significant enough, the Premium Plan could evolve into the Core Plan.
  - If Premium Plan is eliminated and is substituted by the Core Plan the estimated savings are \$500,000.
- Emergency Room Visit Co-pays
  - Increase current co-pay of \$125 to \$150 = \$15,000 savings
  - Increase current co-pay of \$125 to \$200 = \$45,000 savings

It was discussed that the Core Plan's emergency room visit is currently at \$175 and the Value Plan is \$225.

Discussion also ensued how changing the co-pay from \$25 to \$125 had a positive effect on the plan by reducing the number of emergency room visits although there is still a high usage of the emergency room inappropriately (using the emergency room for non-life threatening conditions).

The Committee also discussed the option of moving away from co-pays to coinsurance for inpatient hospitalization, outpatient surgery, and emergency room services. This would produce approximately \$106,000 in savings.

- Shift Premium costs from the City to Employees – Increase Employee share from 23.5% and decrease the City Share from 76.5%
  - AON reported that each 1% increase in the employees' share decreases the City's cost by about \$150,000 annually.
  - Would have to be negotiated with the three collective bargaining units.
- Mirror other Plan Designs (other municipalities or the State of New Mexico)
  - Mirroring the health insurance plan that Rio Rancho offers its employees would save the City of Santa Fe approximately \$600,000
  - Mirroring the State of New Mexico's HMO plan would result in approximately \$1.45 million in savings.

It was determined by the Committee that the following items would reduce the plan costs by \$500,000:

1<sup>st</sup> Option

- Increase Office Visit Co-pays
    - \$15 Primary Care Physician = \$180,000
    - \$30 Specialist Visit
    - \$30 Urgent Care Visit
  - Prescriptions – Increase current \$10/\$15/\$0 Co-Pay
    - \$10 Tier I (remains as is)
    - \$20 Tier 2 = \$100,000
    - \$40 Tier 3
  - Massage Therapy – Increase current \$10 co-pay
    - \$30 per visit (maximum \$2400 annually) = \$125,000
  - Chiropractic / Acupuncture / Naprapathy
    - \$30 co-pay per visit = \$75,000
    - A maximum total of 24 visits combining all three
  - Emergency Room Visits
    - Increase current \$125 co-pay to \$150 co-pay = \$15,000  
(If visit results in admission co-pay is waived)
  - Outpatient Surgery
    - Increase current \$75 co-pay to \$150 co-pay = \$30,000
- TOTAL:**            **\$525,000**

The working session for December 18, 2014 adjourned at approximately 4:30 p.m.

**GROUP INSURANCE ADVISORY COMMITTEE**  
**Working Session**  
**Second Session December 19, 2014**  
**9:00 a.m.**  
**Tesuque Room, Santa Fe Community Convention Center**

**ATTENDED:**

Matthew Martinez, SFPOA  
David "Pelly" Hutton, SFFA  
Patrick Romero, AFSCME Local 3999  
Ivie Vigil, Non-Union Representative  
Vicki Gage, Human Resources Dept. Representative  
Yolette Catanach, HR Benefits Administrator  
Colleen Higgins-Vigil, HR Staff Administrator  
Sandra K. Perez, Human Resources Dept. Director

**In Attendance via Telephone:**

Todd Burley, Assistant Vice President, AON Risk Solutions  
Pamela Jaramillo, Account Specialist, AON Risk Solutions  
Dawn Montano, Account Executive, AON Risk Solutions

The second working session of the Group Insurance Advisory Committee began at approximately 9:00 a.m.

The Committee members who were not present for the entire working session on December 18, 2014 were given a brief recap of the options discussed during their absence. The Committee then identified a 2<sup>nd</sup> option to saving \$500,000.

**2nd Option**

- Increase Office Visit Co-pays
  - \$15 Primary Care Physician = \$180,000
  - \$30 Specialist Visit
  - \$30 Urgent Care Visit
- Prescriptions – Increase current \$10/\$15/\$0 Co-Pay
  - \$10 Tier I (remains as is)
  - \$20 Tier 2 = \$100,000
  - \$40 Tier 3
- Massage Therapy – Increase current \$10 co-pay
  - \$30 per visit (maximum \$2400 annually) = \$125,000
- Chiropractic / Acupuncture / Naprapathy
  - \$15 co-pay per visit = \$20,000
  - A maximum total of 24 visits combining all three
- Emergency Room Visits

- Increase current \$125 co-pay to \$150 co-pay = \$15,000  
(If visit results in admission co-pay is waived)
- Outpatient Surgery
  - Increase current \$75 co-pay to \$150 co-pay = \$30,000
- TOTAL:** \$470,000

**3<sup>rd</sup> Option**

- Replace the Premium Plan with the Core Plan
  - Premiums slightly decrease
  - Co-Pays increase
  - Deductibles and Coinsurance increase
  - Estimated savings = \$500,000

**\$1 Million Savings Option**

**1<sup>st</sup> Option – Adopt a traditional PPO plan**

- \$15 co-pay only for Primary Care Physician visits
- \$30 co-pay only for Specialist office visit
- Rx co-pays \$10 Tier 1; \$20 Tier 2; \$40 Tier 3
- Everything else is based on a deductible and 20% coinsurance fee with out of pocket maximum levels.

**2<sup>nd</sup> Option – Keep current co-pay arrangement with significant increases in co-pay amounts**

- \$40 co-pay for Primary Care Physician visits
- \$75 co-pay for Specialist office visits
- Rx co-pays \$10 Tier 1; \$20 Tier 2; \$40 Tier 3
- \$200 Emergency Room visit
- \$75 co-pay Urgent Care
- \$1500 co-pay inpatient hospitalization
- \$500 co-pay outpatient surgery

**\$2 Million Savings Option**

This would require that the City adopts a PPO deductible/co-insurance plan. There would be no co-pays; services would be subject to a deductible (\$1,000 individual or \$2,000 family) and then a 20% coinsurance fee is applied to all services except preventive care/well baby visits. A maximum out of pocket limit would apply.

Members of the Group Insurance Advisory Committee were thanked for their participation and the working session adjourned at approximately 1:30 p.m.