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Labor

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Healthcare Savings Agreement: A Look Back and a Look Forward

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## Introduction and Overview

Good morning Speaker Johnson, Chair Miller, and Chair Dromm. Thank you for the opportunity to testify here today.

I am joined at the table by Claire Levitt, the Deputy Commissioner for Health Care Cost Management and Ken Godiner, Deputy Director of the Office of Management and Budget.

This administration and the City's unions embarked on an unprecedented four year agreement starting in 2014 to achieve \$3.4 billion in health cost savings aimed at bending the cost curve for New York City's health benefit programs. The City and the unions committed to the plan to save at least \$400 million for fiscal year 2015, \$700 million for fiscal year 2016, \$1 billion for fiscal year 2017 and \$1.3 billion for fiscal year 2018.

When we last testified to the City Council in 2016, we reported that we had achieved the goals of the program for FY 15 of \$400 million in savings and for FY 16 of \$700 million in savings. We also detailed the significant changes we had agreed upon for the upcoming FY 17 that we expected to produce the targeted \$1 billion in savings.

Today, we are pleased to be here to report on the successful conclusion of that four year Agreement as of June 30, 2018, and the attainment of more than \$3.4 billion in total health care savings during Fiscal Years (FY) 2015 – 2018. In FY 17, we exceeded the \$1 billion savings target and in FY 18, we also exceeded the \$1.3 billion savings target.

In addition, we will report today on the details of the successful conclusion of negotiations for a new Health Savings Agreement for Fiscal Years 2019 – 2021 which was modeled after the FY 2015-2018 Agreement. This Agreement establishes a new mutual labor-management goal of adding another \$1.1 billion in health care savings over the next three fiscal years.

I want to take a moment here to recognize the efforts of all of the MLC unions and their leadership in this regard, especially Harry Nespoli, President of the Sanitation Workers Union and Chairman of the Municipal Labor Committee, Michael Mulgrew, President of the UFT, and Henry Garrido, President of DC 37, as well as the members of the Labor Management Health Insurance Policy Committee. Their leadership and willingness to work with us to achieve our health care savings goals has helped transform our vision into reality. The work

that has been accomplished in the past four years has been collaborative between the City and its unions and that relationship has carried forward into the agreement we've just reached.

### Historical Background

Let me briefly remind everyone of the challenges we faced in the labor - management healthcare efforts in the broader context of the de Blasio administration's collective bargaining negotiations.

As you'll recall, when Mayor de Blasio took office in January 2014, every single contract with municipal workers had expired.

The de Blasio administration was committed to a respectful and collaborative labor management process and was also committed to reforming a healthcare benefit structure which had remained virtually unchanged over decades. We believe we successfully accomplished both.

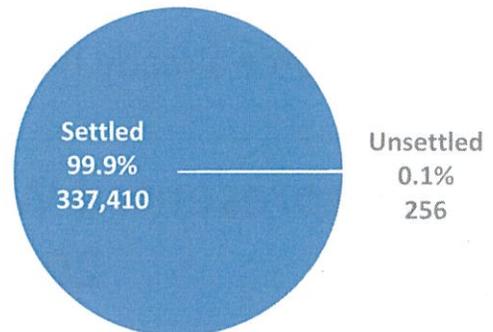
## Represented Workforce Under Agreement 2010 - 2017 Round

Table 1

**In January, 2014**



**In November, 2018**

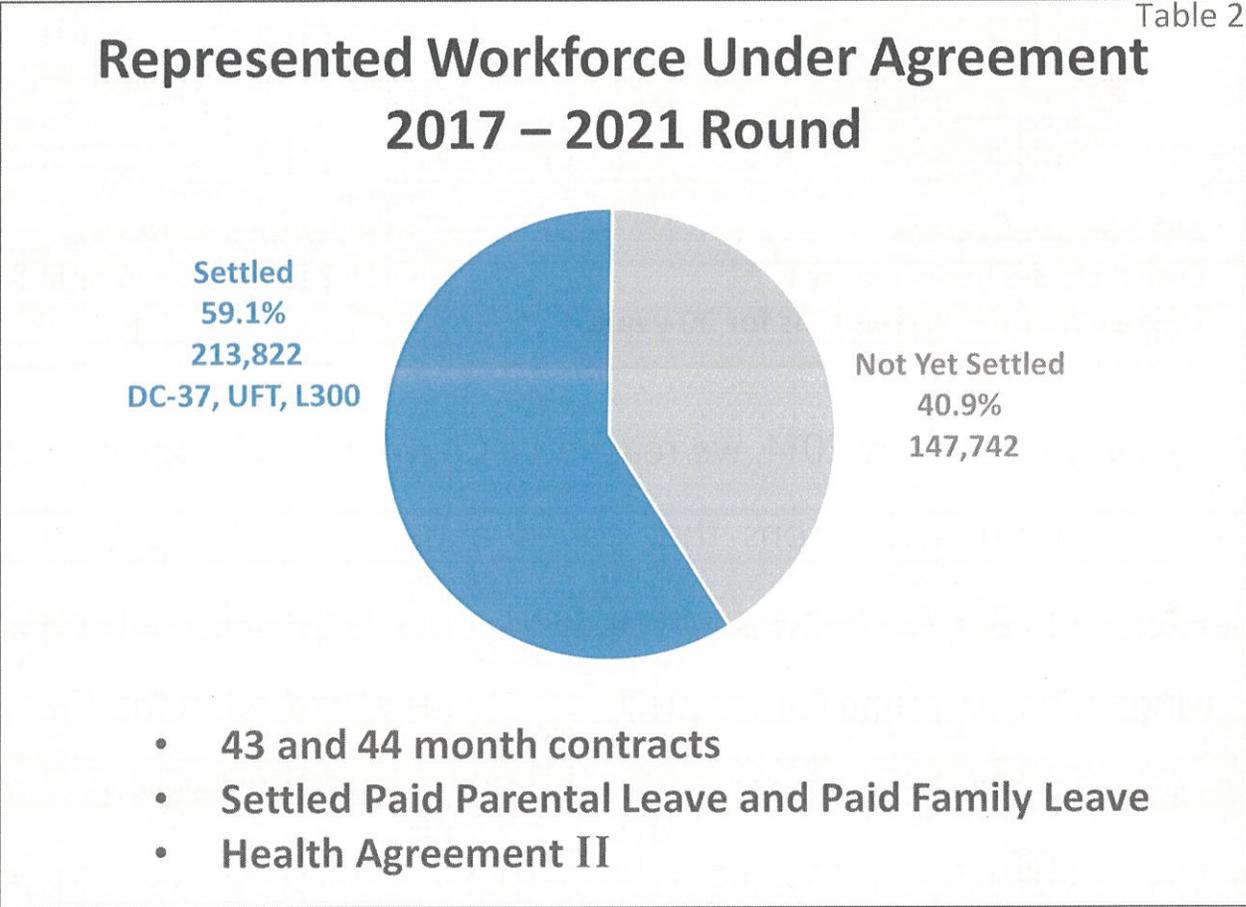


- 144 bargaining units
- Contracts 3-5 years expired
- Limited health negotiations for 20 years

- 7 and 9 year agreements
- Health Savings Agreement I

Very early on, in May 2014, we reached a Citywide health agreement with the municipal unions that paved a new road for collective bargaining. The Agreement guaranteed achieving health care cost savings measured against the actual increases allocated in the City's budget for health care costs by our actuaries, which at that time had been established by the Bloomberg administration as 9% annual increases based on the prior ten year history. By guaranteeing savings in health care costs from already budgeted amounts, the City freed up money in the budget to help pay for labor agreements. This approach permitted the administration to successfully reach collective bargaining agreements with 99.9% of the workforce, both

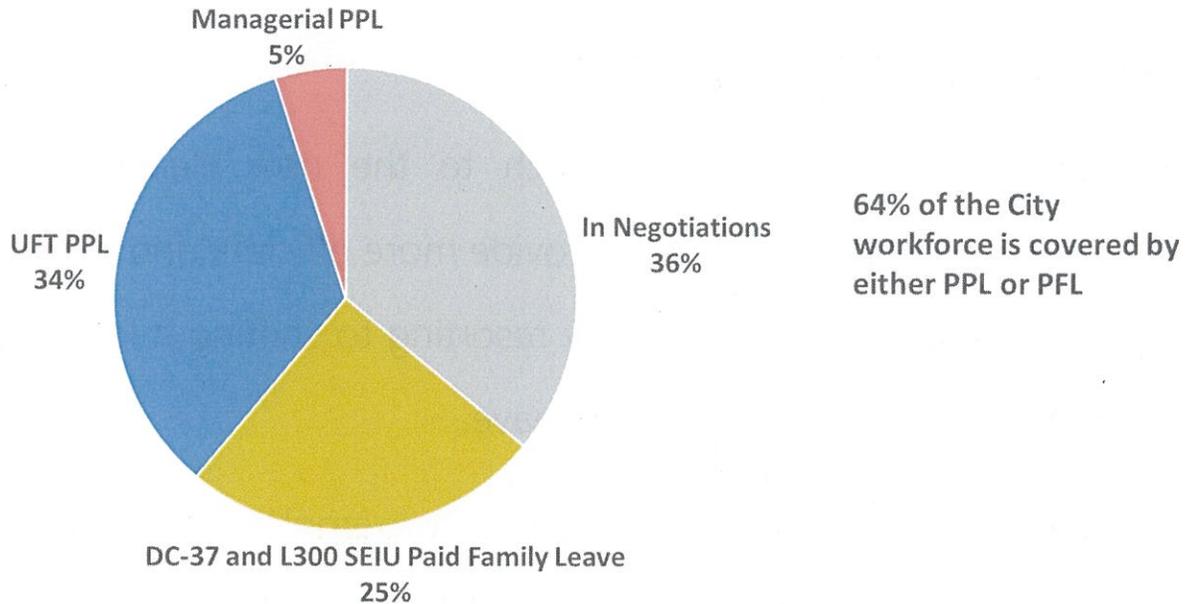
civilian and uniformed, in the 2010-2017 round of bargaining, where prior attempts had failed. This success has already carried over into the subsequent 2017 -2021 round of bargaining, where about 59% of the workforce already has a settled agreement.



In addition, the new round of bargaining has been adding critical new benefits for Paid Parental Leave or Paid Family Leave for the workforce, and 64% of the workforce already have access to this important benefit.

## Paid Parental Leave (PPL) & Paid Family Leave (PFL)

Table 3



Before 2014, while health care costs skyrocketed and employers all over the country adapted their programs, NYC did little to modernize its health care programs. City labor agreements required the City and the unions, represented by the Municipal Labor Committee, to agree on any changes to the health benefit plans. Attempts by the Bloomberg administration to have the workforce share in the costs for coverage resulted in arbitration and litigation. In 2013, the year before Mayor de Blasio took office, an attempt by the City to unilaterally go out to bid for a new health plan ended in litigation by the MLC and forced a retraction of the RFP by the City.

All of these factors combined to create a complex environment to produce health savings.

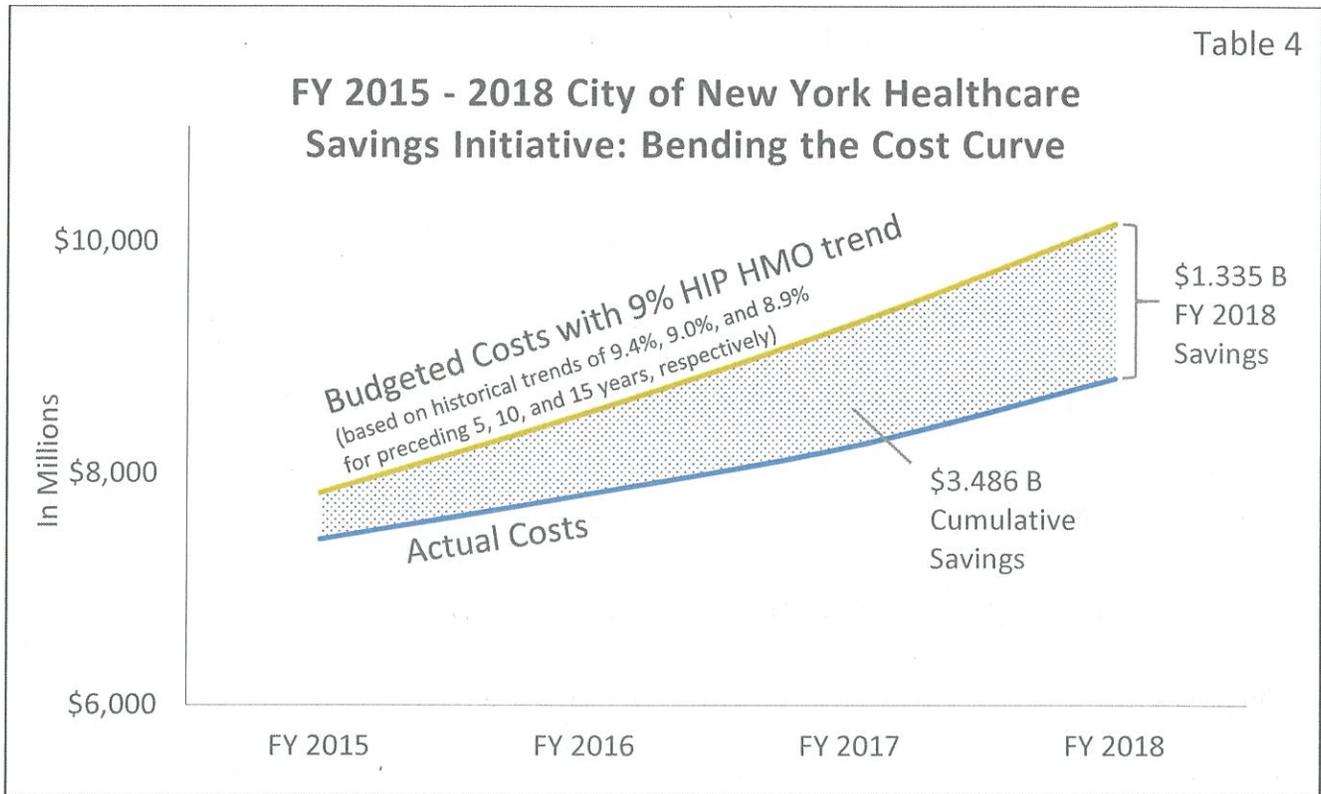
### The FY 2015 – FY 2018 Agreement

A central theme of the approach to the new Health Savings Agreement was to find ways to provide more efficient and more cost effective coverage without simply resorting to shifting a lot of costs to employees as many employers have.

The City of New York offers its 1.25 million employees, retirees and dependents one of the finest health care programs in the country. Our health care coverage remains premium-free to employees at a time when 99% of employers charge a premium copay for health coverage and only a minority of employers provide retiree health coverage at all.

Our new Agreement had unique and unprecedented components that helped the City maintain its free coverage. We secured the commitment to have labor and management work together to generate cumulative health savings of at least \$3.4 billion over the four fiscal years 2015 through 2018 to help fund the labor agreement.

Table 4



Over this last four year period, the New York City Health Benefits Program, in collaboration with the Municipal Labor Committee, implemented the most important changes to its health plans in decades. Aligning the achievement of health care cost savings with the goal of improving health outcomes for our employees, led to the implementation of many new and innovative programs over the course of the Agreement, including benefit plan design changes, care management changes, and operational changes. The attached exhibit at the end of this testimony identifies and elaborates on each

of the efforts that contributed to the finalized savings, by program and by year, for Fiscal Years 2015- 2018.

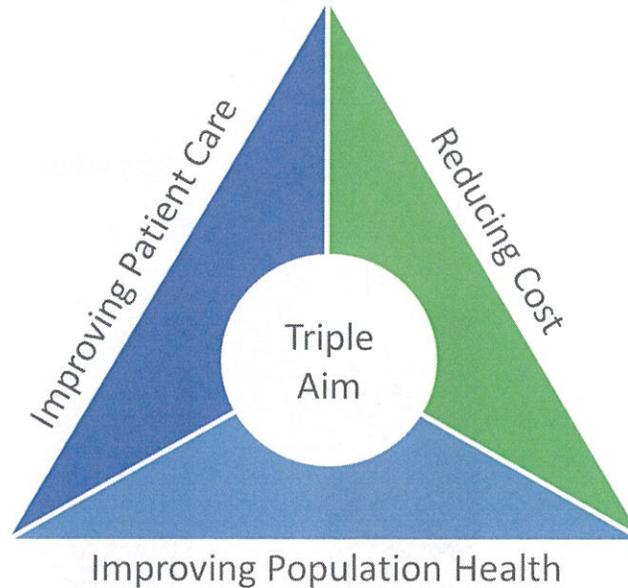
So in fact in FY 18 we achieved \$1.335 billion in savings, exceeding our \$1.3 billion goal by \$35 million. Overall, we achieved total savings of \$3.486 billion, exceeding the four year goal by \$86 million.

### Savings Strategies

Ensuring that employees, dependents and retirees have access to high quality and effective health programs now and in the future remains the cornerstone of our work. Our approach to pursuing savings has been in the context of the "Triple Aim" – simultaneously improving the health of the population, enhancing the patient experience and outcomes, and thereby reducing the per capita cost of care. Working within the philosophy that improving care goes hand in hand with generating savings, has also helped transform labor management contention into cooperation.

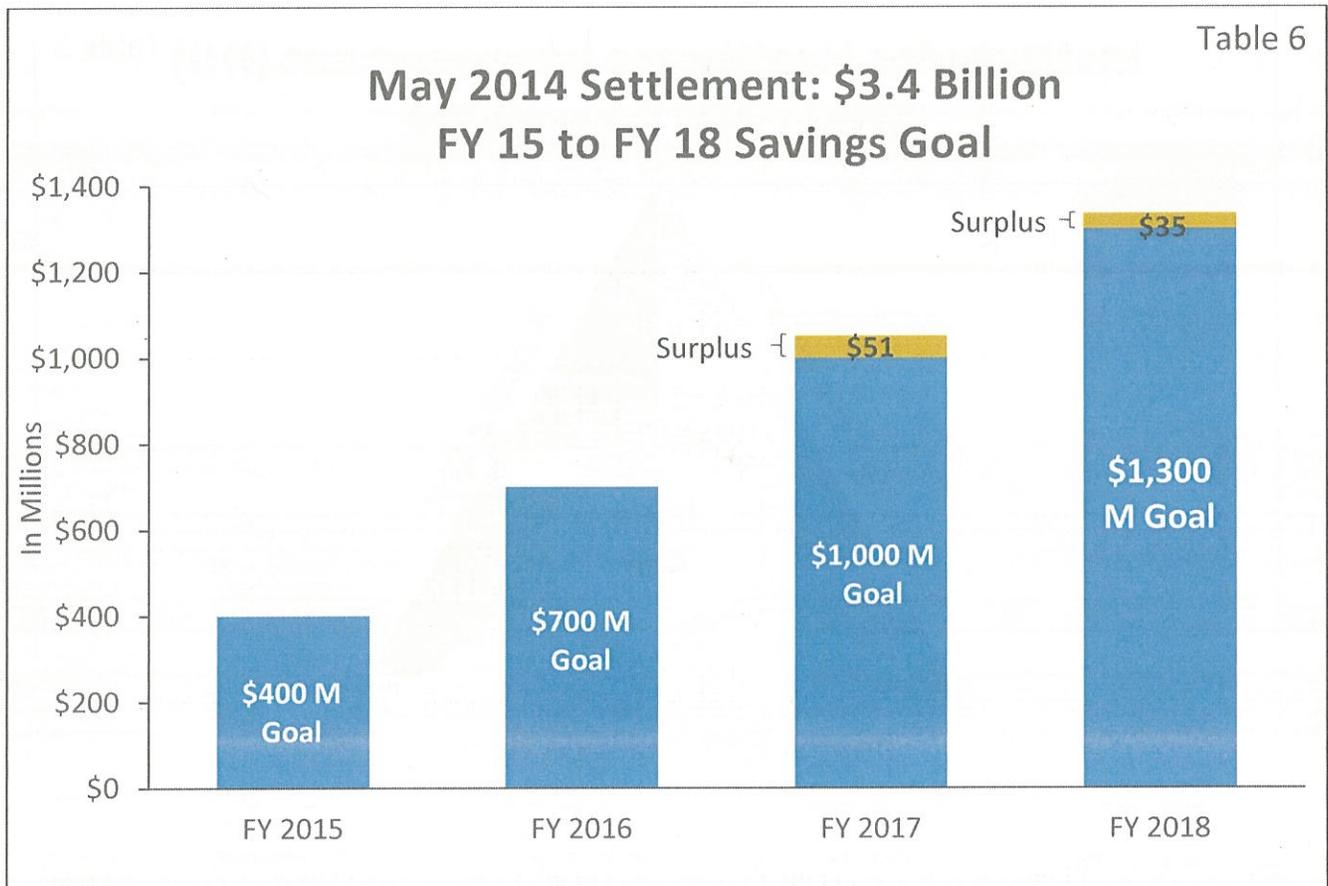
By design, the plan did not specify exactly how the health care savings were to be accomplished, only that it would be done by a collaborative collective bargaining effort between the City and the MLC aimed at bending the health care cost curve.

**Institute for Healthcare Improvement (IHI) <sup>Table 5</sup>**  
**Triple Aim Framework**



The \$3.4 billion was guaranteed by an arbitration process that would occur if the goals were not met. And I'm proud to say that we never had to use arbitration to resolve issues during the four year process.

Table 6



The agreement also contained a shared savings provision which stipulated that if the savings exceeded the \$3.4 billion minimum, the first \$365 million of excess savings would go back to the municipal unions to use for the NYC workforce. If there were additional savings beyond that, the excess would be split between the City and the workforce 50/50. This innovative approach aligned labor and management's motivation to work together and fundamentally changed the labor-management dynamic around the common objective of identifying health care savings. The bargaining over the

specifics of the savings approaches took place in a cooperative framework. By sharing a common goal where all participated in the benefits of a positive savings outcome, we moved the relationship from one of confrontation and deadlock to collaboration and partnership that truly worked to benefit the City, our workers, and NYC taxpayers.

### The Data Analysis

One of the most significant deficiencies in the City's ability to contain health care costs previously was the failure to obtain and analyze claims data to understand the nature of the overall health care utilization and expense. That changed under the new Agreement.

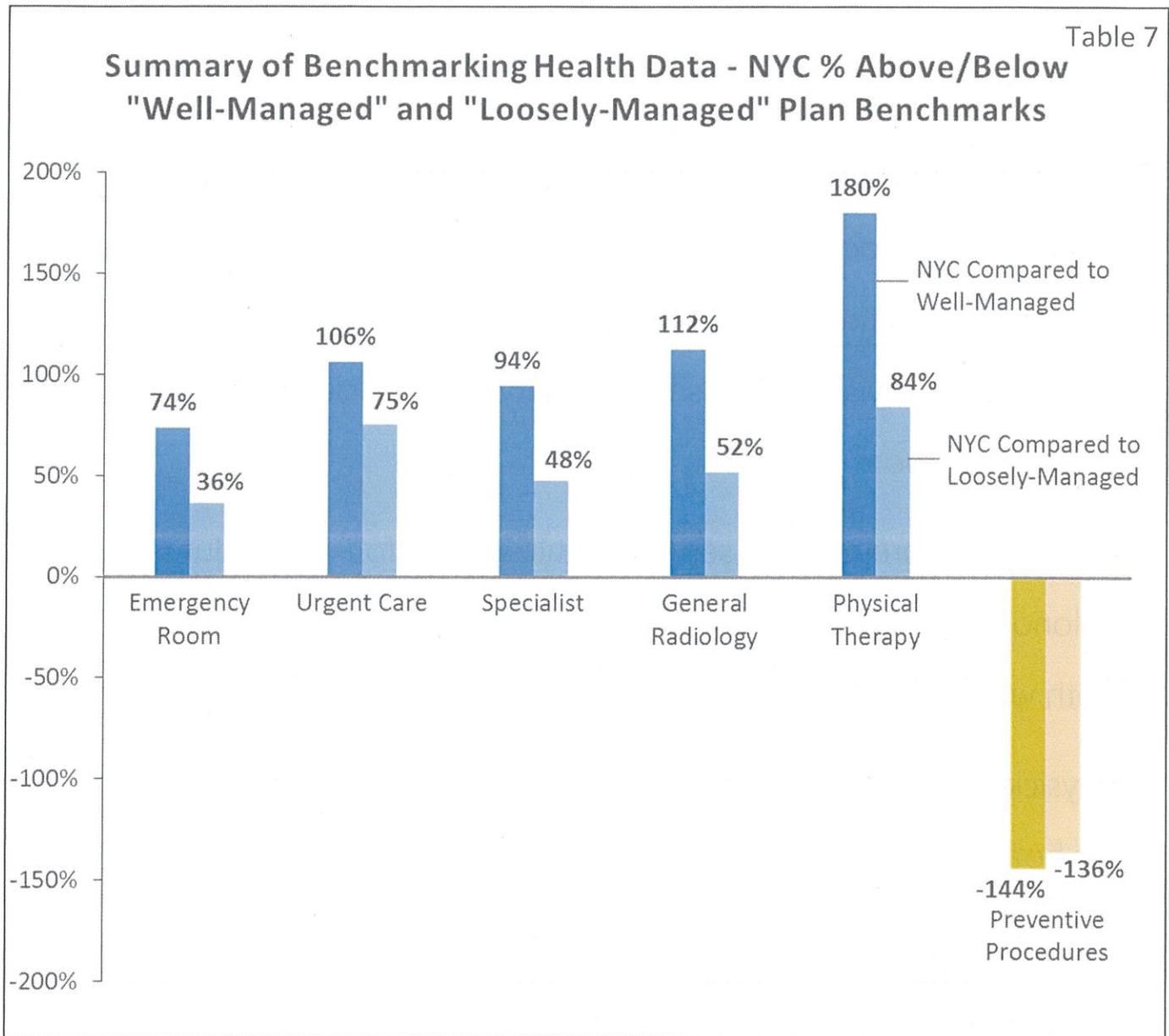
Key findings from the first data analysis gave us a clearer picture of the trends and expenses we needed to address and proved extremely helpful in informing the direction of our program development by permitting us to focus more precisely on the specific problems we identified.

The analysis compared the data for the City's largest health plan -- the EmblemHealth-GHI / Empire Blue Cross Health Plan known as the CBP plan, which covers about three quarters of the City's employees,

to benchmarks that our health care actuary define as “well managed” or “loosely managed”. Well managed benchmarks represent industry best practices. Loosely managed benchmarks are representative of plans with conventional utilization review, preauthorization and case management practices. These benchmarks were calibrated by the actuary to reflect the demographic profile, geographic profile and benefit design of the NYC employee population.

What emerged from the data analysis was a picture of health care utilization that could be improved to the benefit of the City and its workforce.

Specifically, we learned the following:



While we anticipated that there would be high utilization of emergency room visits, we were surprised that the actual utilization was so high – 74% higher than well managed benchmarks and 36% higher than loosely managed benchmarks. This suggested that

employees were using the emergency room for care that is better provided by their own physicians.

At the same time, urgent care visits also had exceptionally high utilization, 106% higher than well managed benchmarks and 75% higher than loosely managed benchmarks. This information, combined with the high rate of ER visits suggested that the increase in urgent care visits diminished primary care utilization rather than emergency room utilization.

Outpatient preventive services utilization (for procedures like colonoscopies and mammograms) was far below the utilization of both well managed and loosely managed benchmarks.

Physician specialty care visit utilization was well above benchmarks for both well managed and loosely managed benchmarks.

Radiology and pathology procedures performed in physician offices had extremely high utilization compared to benchmarks for both well managed and loosely managed benchmarks.

In particular, the overutilization of emergency rooms and urgent care and the underutilization of preventive services not only had significant cost implications for the plan but indicated that our

employees and their families were not making the best use of their benefit plans to protect their own health.

### Savings Programs

There are details in the exhibits provided at the back of this report of all of the programs we've implemented, but we want to highlight some of the key strategies that made the savings possible while also helping to improve the quality of care and health outcomes.

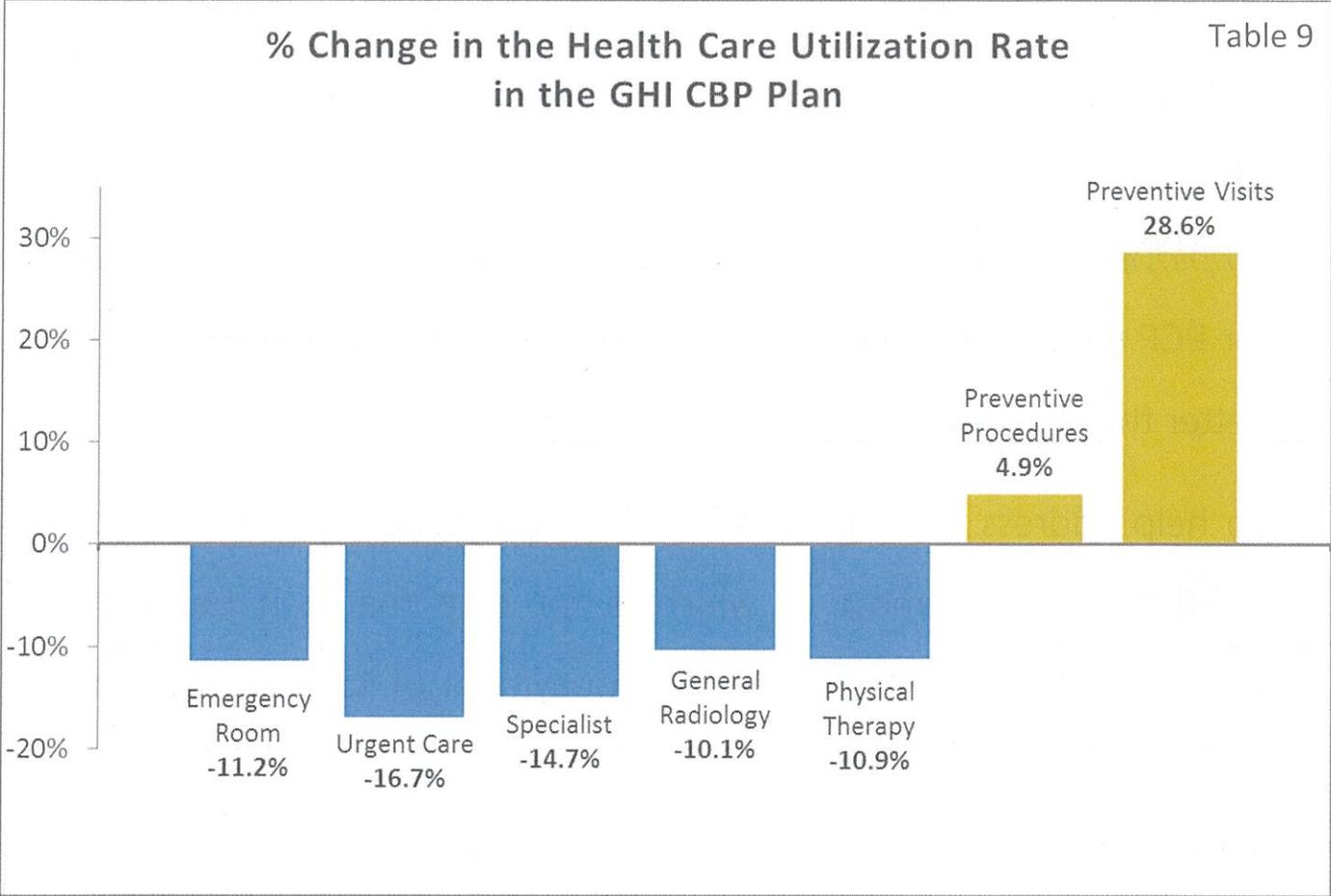
**Design Changes to the GHI CBP Health Plan** - As a result of the data analysis, the MLC and the City worked together to redesign the plan with changes that were developed to help encourage more appropriate utilization of health care resources. Some of the most impactful changes involved using economic incentives to encourage the appropriate use of healthcare.

Table 8

<b>Pre and Post July 1, 2016 – Co-Pays in the GHI CBP Plan</b>		
<b>CBP Plan Design Changes</b>	<b>FY'16</b>	<b>New FY'17 Copay Effective July 1, 2016</b>
Emergency Room (ER)	\$50	\$150
Urgent Care	\$15	\$50
Non-ACP Surgical Specialty	\$20	\$30
All Other Specialists	\$15	\$30
MRI/CT High Cost Radiology	\$15	\$50
Physical Therapy	\$15	\$20
Diagnostic/Lab	\$15	\$20
PCP (including Mental Health Providers)	\$15	\$15
Preventive Care - Non-Rx	Varies	\$0
ACP Generalist (PCP)	\$15	\$0
ACP Specialty	\$20	\$0

By increasing copays on certain services and decreasing them on others, we hoped to create changes in utilization patterns. In fact, these changes produced significant and positive changes in utilization, resulting in savings that exceeded initial projections. Notably, emergency room utilization decreased by about 11.2%, urgent care visits decreased by 16.7%, specialist visits decreased by 14.7%, general radiology decreased by 10.1%, and physical therapy visits decreased by 10.9%. At the same time, we saw significant increases in the number of preventive care visits and procedures,

indicating that our workforce was also taking better care of their health and the health of their families.



Strong primary care is recognized as essential to improved health outcomes and lower costs so new benefit design elements were incorporated into the plan to encourage employees to utilize the best site of care for their situation.

To help address the underutilization of primary care and the overutilization of specialty care, the copay for a physician specialty

care visit, which had been \$20 since 2004, was raised to \$30, while the primary care copay remained at \$15 per visit. Mental health visits also remained at a copay of \$15 to assure that employees had continued access to obtaining necessary mental health care. For comparative purposes, it is interesting to note that the *Kaiser 2018 Employer Survey* indicates that average employee copays are \$25 for PCP visits and \$40 for specialist visits, so NYC coverage is much better than average, even after our changes.

To help address the high costs and overutilization of the hospital emergency room, most of which is for care that can be more effectively delivered elsewhere, the copayment of \$50 per visit was raised to \$150 per visit. When a patient is admitted to the hospital from the emergency room, the entire copay is waived.

To encourage employees to utilize important preventive services, all preventive care visits and procedures were changed to a \$0 copay. This included services like depression screening, mammograms, well woman visits, contraceptives, and breastfeeding supplies. By agreement between the City and the MLC, the additional costs for these items were borne by the Stabilization Fund rather than the City's Health Plan.

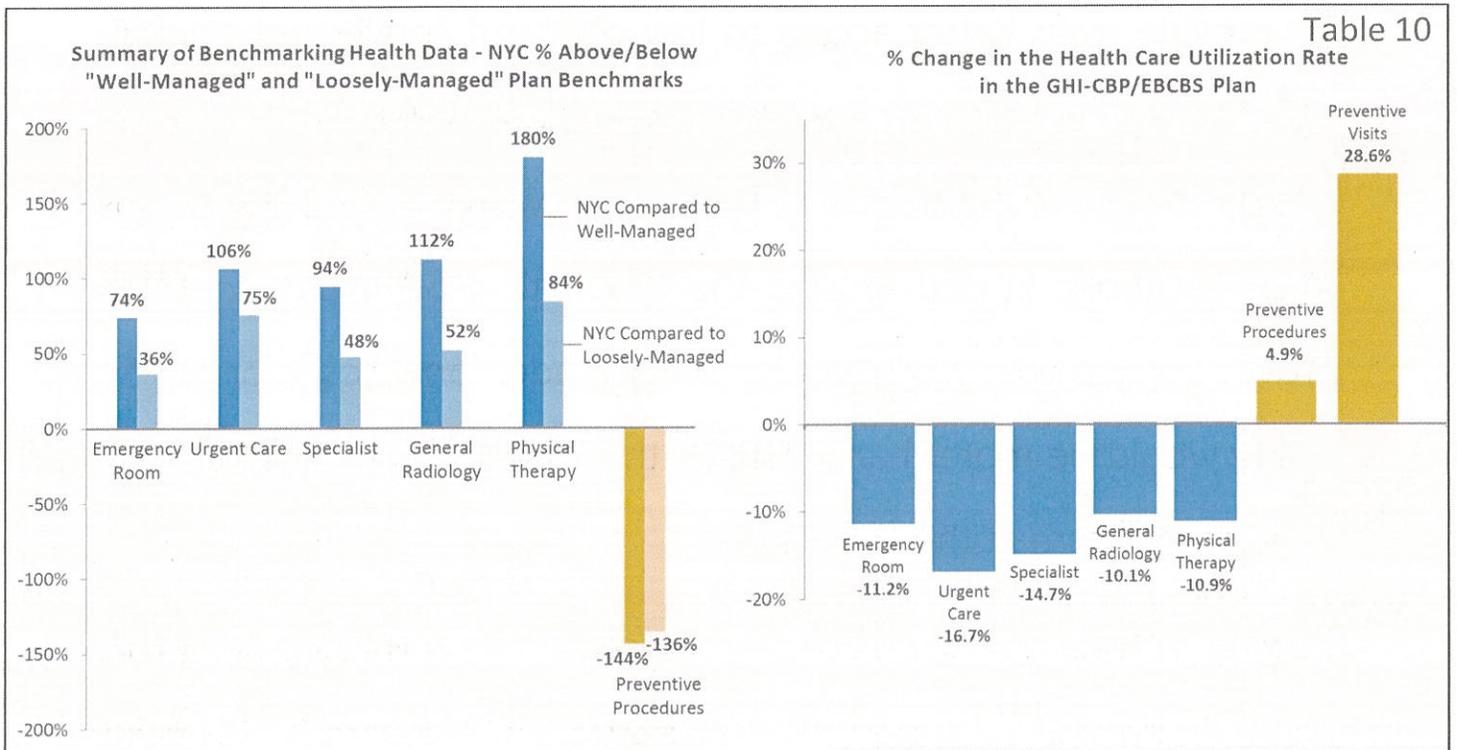
To provide even better access to low cost and convenient primary care, we also entered an agreement with EmblemHealth to provide access to all the physicians at their 36 Advantage Care Physicians (ACP) locations in and around the City with a \$0 copay. Emblem provided a guarantee to the City that the additional costs for the \$0 copay would be more than offset by the savings from the improved coordinated care at their locations.

To help encourage the use of primary care while providing access to urgent care, the new copay for urgent care was established at \$50, higher than the copay for physician care but far lower than the copay for the emergency room.

For high cost radiology procedures like MRIs and CT scans, the copay was increased to \$50.

For diagnostic laboratory testing and physical therapy, copays were increased from \$15 to \$20.

As a result, we have seen significant improvements in the use of preventive care and significant decreases in use of the emergency room, urgent care, specialist visits, physical therapy, and general radiology.



Care Management - Recognizing that more than 50% of all health care expenses are incurred by only about 5% of the population, and that 1% of the population is responsible for over 20% of the spending, we added case management so nurse case managers could assist our sickest employees and their family members in navigating the health care system to obtain the highest quality and most cost effective care, while avoiding unnecessary care. This includes patients with cancer, high risk maternity situations, transplants, HIV, and other conditions. In addition, a re-admission management program was implemented to help ensure that patients have the services they need when they are discharged from the hospital in order to prevent unnecessary

readmissions. These care coordination programs not only save money but provide much needed assistance to employees and their families facing significant illness and hardship. To help control costs for hospital admissions, the City had a hospital preauthorization program in place since 1992. However, it hadn't been updated since that time. In 2016, the City and the MLC together selected Empire Blue Cross through an RFP process for new Care Management programs. At the same time, we implemented new pre-authorization requirements for outpatient procedures, consistent with what nearly every employer and insurance program has been doing for decades.

**Design Changes to the HIP HMO Plan** - While about 75% of NYC employees are in the CBP plan, another 20% are in the HIP HMO Plan. Another extremely important change was the introduction of a new and more cost effective HIP HMO Preferred Plan. The plan provides the same coverage as the current HMO except that the plan encourages the use of "preferred providers". The HIP HMO preferred providers are working under what are known as value based arrangements, which provide incentives to physicians to provide improved and better care coordination. These measures can include readmission avoidance, immunizations, screening programs,

controlling high blood pressure, controlling diabetes A1C rates, depression screening, tobacco use intervention and other measures to assure better health. The copay for using preferred providers remains at \$0, however, there is a \$10 copay for care when the patient goes to a non-preferred provider. Total savings for this initiative through FY'18 are \$135 million.

**Diabetes Programs** – Diabetes is a growing epidemic in the United States: nearly 30 million Americans have diabetes and more than a quarter of them don't even know it. It is the 7th leading cause of death in the country. Patients diagnosed with diabetes can prevent serious complications by carefully managing their disease. We know that many of our employees are living with the profound health impact of diabetes. To help address this problem, we implemented a specialty case management program that specifically provides support for patients diagnosed with diabetes. Patients with diabetes or gestational diabetes are offered individualized nurse case manager attention to help them effectively manage their disease.

The Diabetic Management Program saved \$3.2 M through FY'2018.

**Telehealth** – The Teladoc program offers employees and dependents the opportunity to access physician care on a 24 x 7 basis

telephonically or by video chat. This program helps avoid unnecessary urgent care and emergency room visits while offering employees a convenient way to access quality physician care for minor conditions. Patients can obtain prescriptions for medication through this program as well. The program is expected to save about \$6 million in calendar year 2018.

**Oncology Expert Medical Review Program** – for employees and family members who have been diagnosed with cancer and are covered by the City's GHI-CBP plan. The *Best Doctors* program provides a review of medical records, tests and samples by oncology experts along with input from *Oncology Insight with Watson*. Watson's artificial intelligence supports oncology experts by providing additional tools including a clinical trial matching tool and a genomics tool that can recommend targeted therapies. The program generates cost savings by avoiding medical errors and getting patients to the most appropriate treatment, while also ensuring that NYC employees and family members get the best recommendations for the treatment of their disease.

**Prescription Drugs** – Another area of significant focus for health care cost increases is prescription drugs. Although the individual union

welfare funds provide the basic drug coverage for union employees, the City provides coverage for specialty drugs – like biologics and injectable drugs. This is an area of extraordinary – and growing – cost. We first renegotiated provisions of the specialty drug program to deliver substantial savings to the City. In addition, certain cost management provisions – such as additional preauthorization and drug quantity management programs – were added to enhance savings.

In 2017, the first competitive bid for prescription drug coverage in decades resulted in substantially lower drug pricing for the citywide specialty drug program. FY'15 through FY'18 savings for the specialty drug initiatives were \$130 million.

**Rates** - As mentioned, the costs of the City's health care contribution for employees and pre-Medicare retirees is tied to the rate approved by the state for the HIP HMO. We vigorously disputed the rate increase requested by HIP for FY 2016 and we were successful at getting the HIP rate to be approved at only 2.89%. In FY'17, the HIP rate was approved at 5.98% (before plan design changes lowered it even more), and in FY'18 the HIP rate was approved at 7.84%. Total rate-related savings in HIP (not related to plan design changes) from

FY'15 to FY'18 were \$1.565 billion. Additionally, HIP plan design changes (e.g., ER and urgent care copay change and a focus on efficient providers) which also contributed to a lower rate, yielded approximately \$70 M through FY'18.

The City was also able to secure a lower rate in the GHI Senior Care Plan, which is the benchmark plan for the City's Medicare retirees. Compared to the budgeted annual increase of 8% for FY'15 to FY'18, rates were 0.32% in FY'15, -0.07% in FY'16, 4.73% in FY'17 and 2.42% in FY'18. Total GHI Senior Care rate savings over the 4-year period were \$348 million.

**DEVA Audit** – This audit is an ongoing validation process of dependent eligibility that ensures that the City's health plans only cover appropriate dependents, resulting in substantial savings. To ensure that all health premiums reflected an accurate headcount, we went through an extensive audit to verify whether all dependents listed for City employees and retirees were actually eligible. As a result, there were contract conversions such as changing from family coverage to individual coverage where significant savings were realized by paying the far lower health premiums for an individual. Total savings from this program through FY'18 is \$434 million.

Minimum Premium - At the start of fiscal 2015, we changed the funding structure of the GHI medical plan, the plan which covers about 75% of the workforce for medical coverage. We changed from a fully insured program where all the risk was with GHI – something we paid more for -- to what's called a minimum premium plan arrangement. This results in lower administrative fees and positive tax implications, reducing the City's cumulative costs by \$210 M (through FY'2018) with minimal additional risk.

Table 11

### **Other Health Initiatives in Health Agreement I**

- \$0 copay preferred providers in the HIP HMO; preferred providers under value based arrangements that offer physicians incentives to provide better care coordination
- Care Management Programs
- Diabetes Management Program
- TeleHealth – 24x7 online video and phone access to physicians - *Teladoc*
- Oncology Expert Medical Review program – *Best Doctors*
- Prescription Drugs- Competitive bid in 2017 for first time in decades
- Dependent Eligibility Verification Audit (DEVA)

## Creating a Culture of Health for the Workforce

WorkWell NYC / Healthy Workforce. Healthy City.



Unlike many other major cities, New York had not implemented any workforce wide wellness initiatives before 2014.

WorkWell NYC evolved as the City of New York's innovative workplace well-being and health promotion initiative, focused on creating a culture of health and wellness for the workforce.

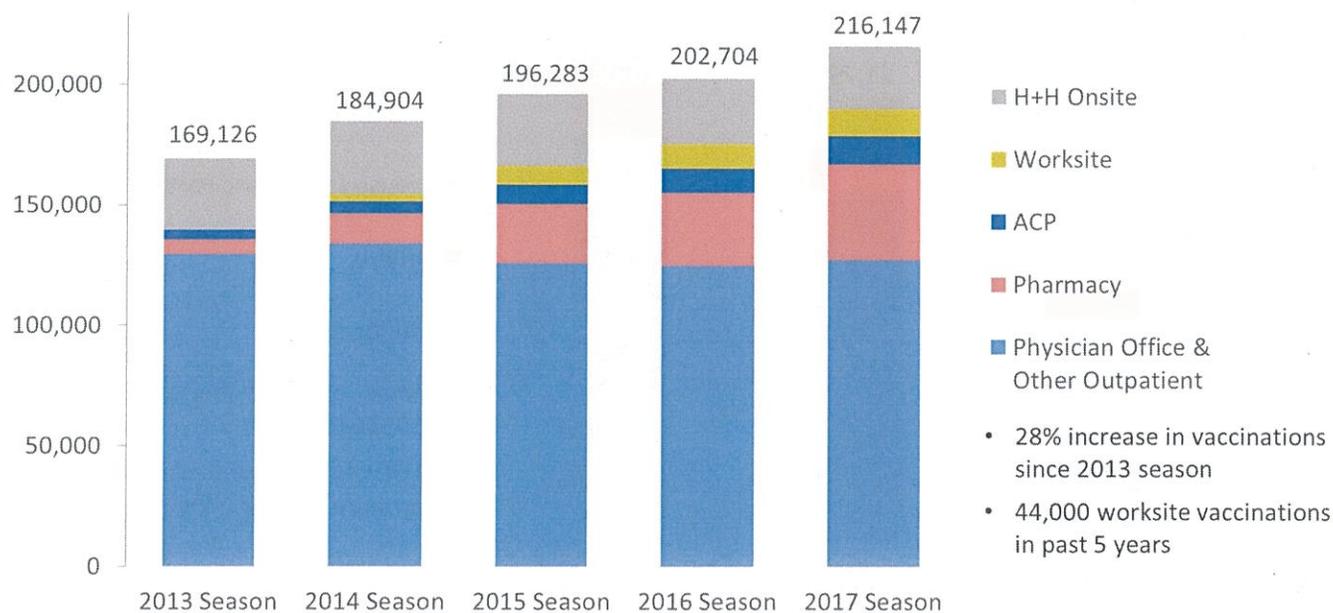
Under the direction of OLR and with clinical support from the DOHMH, its programs have touched thousands of City employee lives, with a particular focus on providing programs at the workplace

to encourage fitness, promote better nutrition, combat obesity, promote smoking cessation and reduce stress for the City's workforce.

The first health and wellness effort was the Citywide Flu Shot Program began in the fall of 2014 by providing free flu shots to all City employees and expanding access by making the shots available at worksites and pharmacies as well as physician offices. In the 2017-2018 season, over 11,000 employees received their flu shots at the worksite. Since the program's launch in 2014, the number of City employees and dependents receiving the flu vaccine has grown by 28%.

Table 13

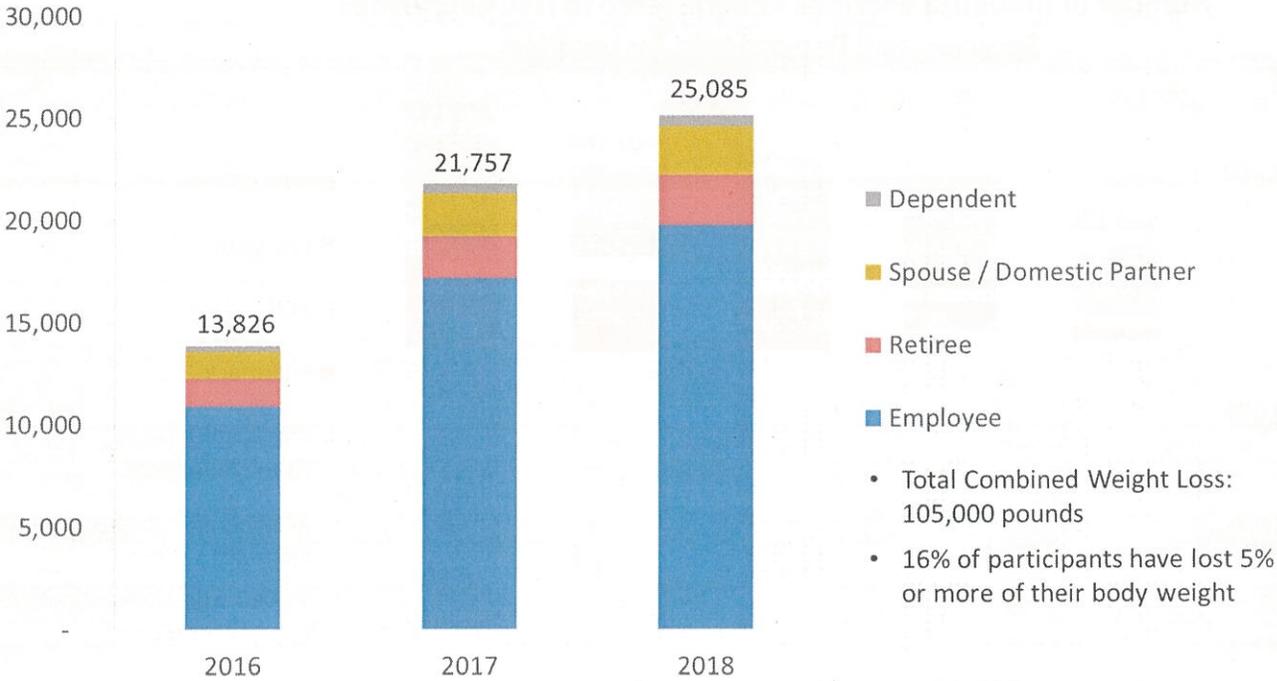
### Number of Influenza Vaccines Administered to NYC Employees, Spouses, and Dependents, by Location



Weight Watchers (WW) – NYC employees have an opportunity to join Weight Watchers on a highly discounted basis with a 50% subsidy from the City and its unions, and family members have access to the discounted rate. Since June 2015, more than 37,000 NYC employees and family members have participated in the program, with more than 100 Weight Watchers meetings being held at NYC worksite locations. Current enrollment is at nearly 16,000.

### Weight Watchers Enrollment

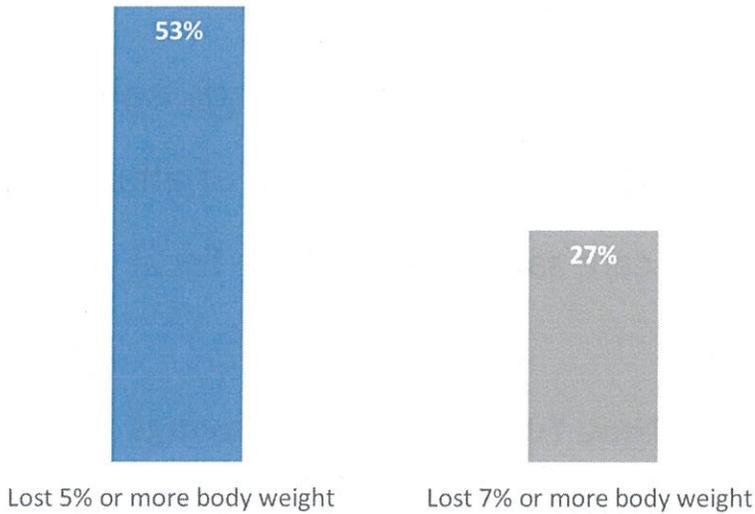
Table 14



WorkWell NYC has also implemented its own Diabetes Prevention Program which is now certified by the Centers for Disease Control and Prevention (CDC) aimed at preventing or delaying the onset of new cases of diabetes, offers a Smoking Cessation program, walking challenges to encourage physical fitness, hypertension screening, and monthly health education webinars. Programming for stress management is currently under development.

**Diabetes Prevention Program (DPP)  
Participants**

Table 15



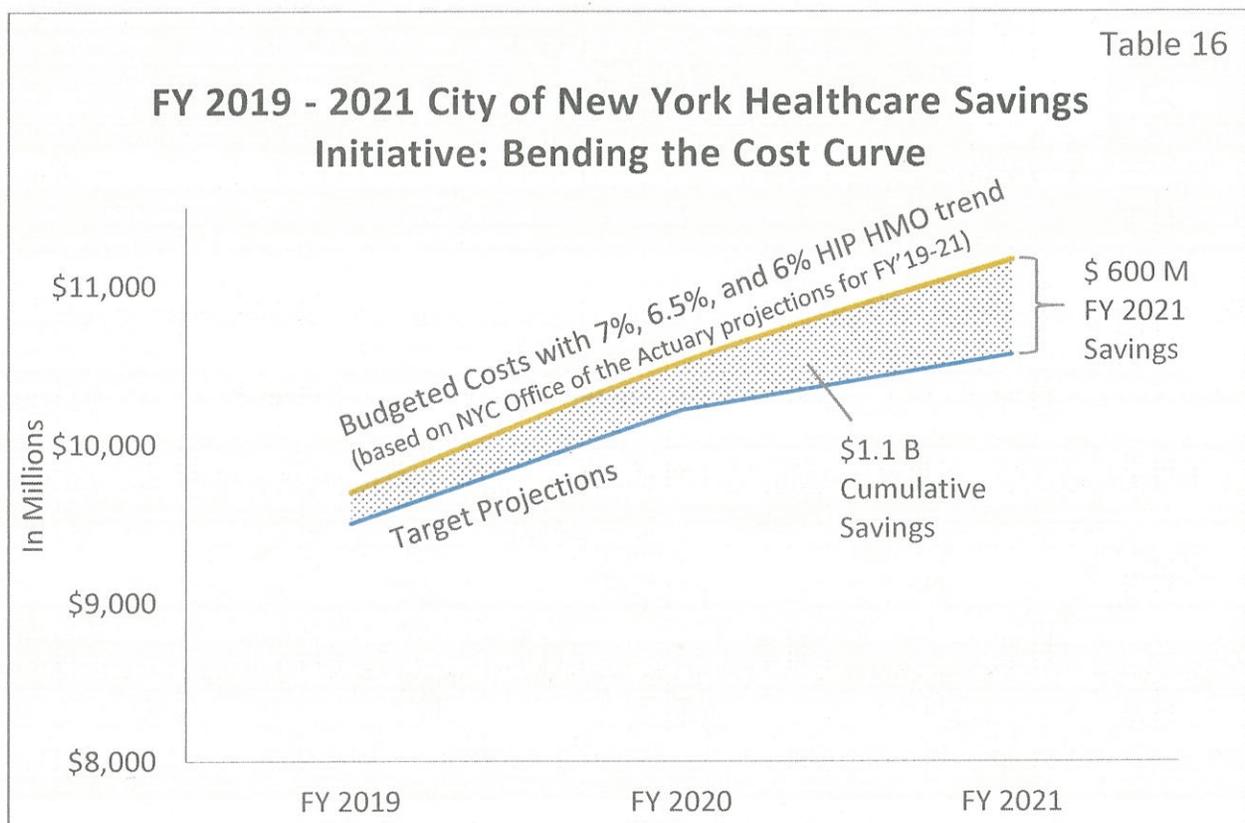
The OLR DPP program was awarded CDC recognition in 2018

To support these efforts, we also introduced an Employee Health section of the OLR website to provide valuable information and tools to help educate the workforce about health issues and our wellness programs.

Not all of these approaches have immediately quantifiable savings we can specifically measure in health savings but are a long term strategy to improve the health of the population and thereby reduce long term health care costs. Since so many of our employees stay with us for many years and continue their coverage with the City as retirees, our investment in their health is not only the right thing to do but can also have significant future cost savings implications.

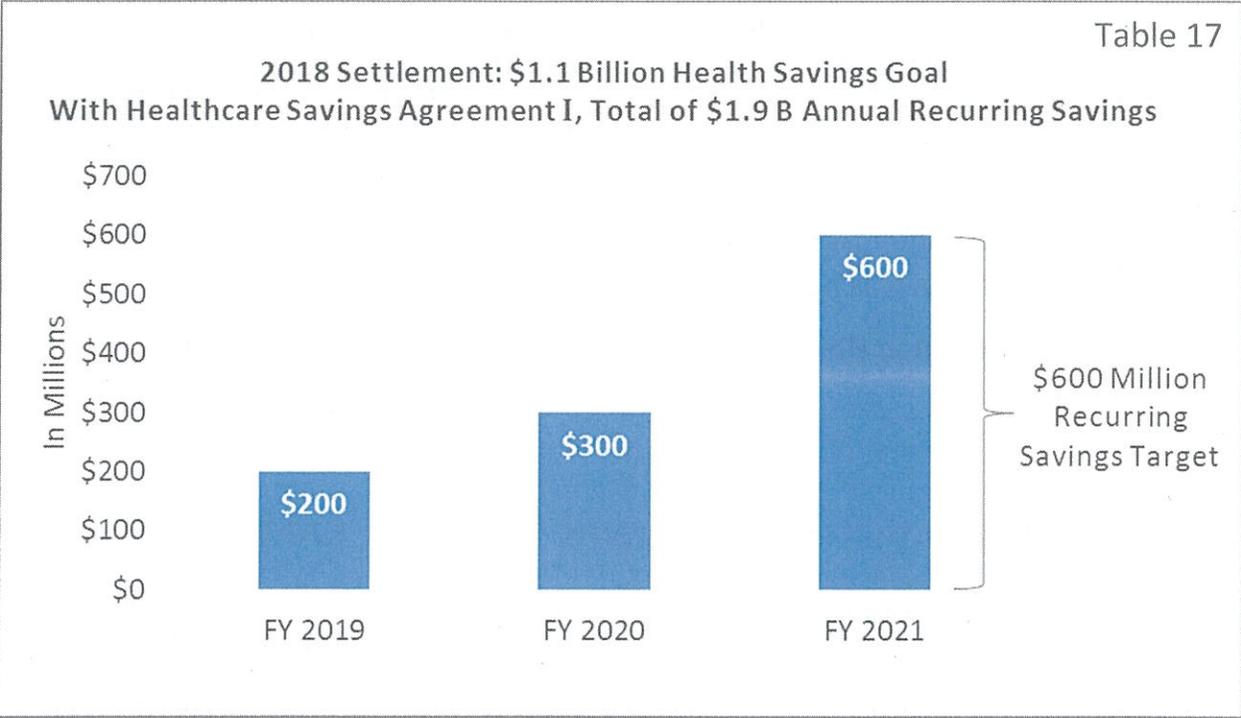
## New Health Savings Agreement for FY 2019 - 2021

On June 28, 2018 we entered into a new Health Savings Agreement covering Fiscal Years 2019 – 2021 and set a new goal of attaining an additional \$1.1 billion in health care savings over three fiscal years.



The new agreement sets targets of \$200 million savings in FY 2019, \$300 million savings in FY 2020 and \$600 million in savings in FY 2021 that are recurring savings into the future. Like the prior agreement, there is a shared savings approach. In the event that the savings

target is exceeded, the first \$68 million over the \$600 million recurring savings in FY 2021 will fund a \$100 per member health and welfare fund increase; any savings thereafter will be shared equally between the City and its unions.



Savings in the FY 2019 - 2021 round will be measured against the City's lowered projected health care budget increases of 7%, 6.5% and 6% for fiscal years 2019, 2020 and 2021, respectively. These projections are much lower than the budget projections of 9% for the FY 2015 - 2019 period against which those savings were measured.

## New Initiatives in FY'19-21 Health Savings Agreement

### HIP HMO

#### EmblemHealth:

- **Cap on Rate Increase:** Secured a rate increase cap of 3.5% for FY'20 and 3.0% for FY'21
- **Centers of Excellence for Oncology and Orthopedics:** Financial incentives (gift cards and lower copays) to use preferred facilities for designated procedures
- **Site-of-Service Redirection:** Financial incentives (lower copays) to select preferred, lower cost free standing facilities or doctors' offices for ambulatory surgery, chemotherapy and high tech radiology
- **Wellness Program:** Voluntary programs to encourage healthier lifestyle and preventive health care services such as health care screenings
- **Mandatory Enrollment in HIP:** New employees are required to be enrolled in the HIP HMO for 365 days

Despite the fact that the programs from the previous round of bargaining are continuing, savings derived from those programs don't specifically count towards the new \$1.1 billion savings target as they count towards the recurring savings from the prior agreement.

In a process that somewhat deviates from the prior Agreement, we entered into this Agreement with some of the savings programs pre-determined, while others will be determined in the future as we go through an ongoing bargaining process as we did before.

First, it was agreed that all new employees will be enrolled in the HIP HMO plan for the first year of employment. Since it is the HIP HMO

rates that drive the payment for all City workers and their dependents. The expectation is that new employees may be generally healthier and therefore it will help bring down the HIP HMO rates. After a year of employment, employees will be eligible to choose any plan offered by the City. Exceptions will be made on an appeals basis for employees with health issues requiring continuity of care with their existing providers if they are not in HIP.

In conjunction with the mandatory enrollment in the HIP HMO plan, HIP is guaranteeing the rate trend for FY 2020 at 3.5% and the rate trend for FY 2021 at 3%, well below the budgeted amounts.

Several other new programs are also being implemented in the HIP HMO to also help moderate costs. A Centers of Excellence Program will use financial incentives to encourage HIP enrollees to utilize top facilities for cancer care and for orthopedic surgery. Through an RFP process, EmblemHealth selected Memorial Sloan Kettering as its preferred site for cancer care and Hospital for Special Surgery as its preferred site for orthopedic surgery. This program begins January 1, 2019.

The HIP HMO Site of Service program will also offer financial incentives to employees to select preferred, lower cost freestanding facilities or doctors' offices for ambulatory surgery, chemotherapy and high tech radiology. This program will begin July 1, 2019.

Finally, a series of voluntary wellness programs will be offered to HIP enrollees to encourage a healthier lifestyle and important preventive health care services such as mammography and colonoscopy.

In conjunction with these new services, beginning January 1, 2019, HIP is offering City employees a dedicated "Concierge Gold Line" customer service where they will be immediately connected to a live person.

For the majority of City employees who are enrolled in the GHI-CBP program, there are also new programs going into effect.

## New Initiatives in FY'19-21 Health Savings Agreement

### GHI-CBP/EBCBS

#### EmblemHealth:

- **Centers of Excellence for Oncology and Orthopedics:** Financial incentives (TBD) to use preferred facilities for designated procedures
- **Drug Formulary and Refill Changes:** New diabetic formulary and 90 day mail refills  
Note: Diabetic drugs are covered in the base plan per New York State mandate

#### Empire Blue Cross:

- **WINFertility Program:** Utilization management for infertility claims resulting in lower rate of premature births
- **Site-of-Service Redirection:** Precertification for additional procedures to determine appropriate site of service (e.g. colonoscopy in a doctor's office)
- **Length-of-Stay Management Enhancements:** Added focus on reducing short stay admissions by Medical Directors

A specialized program through WIN Fertility began October 1, 2018, to help employees and spouses with infertility issues. The program is expected to generate savings by reducing the risks of premature births. In addition, new Care Management programs to assist with site of service selection and further reducing the length of hospital stays will be implemented by Empire Blue Cross effective January 1, 2019.

The same Centers of Excellence program utilizing MSK and HSS for HIP enrollees will be extended to GHI-CBP enrollees beginning July 1, 2019.

Finally, changes to the drug formulary for diabetes and the addition of the "Smart 90" program which offers 90 day refills at mail order instead of 60 days, will generate additional savings on behalf of the GHI-CBP enrollees.

These new programs that have already been agreed upon, are expected to generate most of the savings required under the new Agreement. However, additional savings programs will be developed and implemented over the upcoming three year period in joint agreement with the MLC.

To assist with those efforts, a Tripartite Committee comprised of City representatives, union representatives, and a mediator has been established to advance the goals of the new agreement and tackle some of the more controversial health care cost issues. This Committee will begin meeting this afternoon and will issue its final recommendations by June 30, 2020. It will take on some of the City's most pressing health care concerns such as an RFP for new health plans; self-insurance; an RFP for Medicare Advantage plans for retirees; consolidated drug purchasing; audits and the impact of hospital consolidations on pricing.

## **Tripartite Health Savings Committee**

Table 20

### Committee Co-chairs:

Martin F. Scheinman, Esq.  
MLC designee  
City designee

### Initiatives and issues that the Tripartite Committee may consider:

- RFPs for replacement of CBP and HIP HMO plans
- Self-insurance / minimum premium
- Medicare Advantage
- Consolidated Drug Purchasing
- Comparability
- Hospital and provider tiering
- Audits and Coordination of Benefits
- Status of the Stabilization Fund
- Reduction of costs for pre-Medicare retirees who have access to other coverage
- Data

Committee Report Due: June 30, 2020

To support the ongoing efforts of the Tripartite and Technical Committees, the carriers of the City's two major health plans, the Empire Blue Cross and EmblemHealth, have committed to providing even more frequent and more detailed claim level data to facilitate our future decision-making.

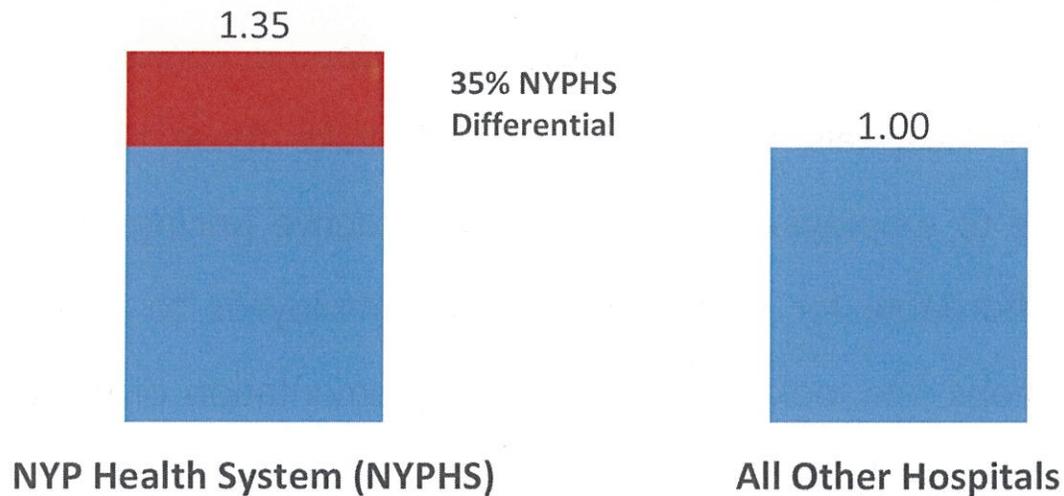
In partnership with the Municipal Labor Committee and our insurers, we will continue to seek out and develop new programs that add

value and efficiency to the City's benefit programs while improving outcomes for its employees, their families and City retirees. We will continue to report in the future on the outcome of these initiatives.

Two of those initiatives are already worth briefly updating this Committee on.

First, hospital pricing increases and the extraordinary cost differentials between hospitals in NYC is one of the issues we have been tackling jointly with the Municipal Labor Committee. The City and the MLC joined with other unions and employers to support Blue Cross in their efforts to persuade NY Presbyterian Hospital to address their high costs and contractual restrictions. The New York Presbyterian Hospital System, has been the subject of recent media and City Council attention for having the highest rates in the City and in fact in the country. Empire Blue Cross Blue Shield's negotiation with them was focused on obtaining a more reasonable rate increase as well as addressing the ability to audit claims. On Tuesday, November 27, Blue Cross announced that they had reached a settlement with New York Presbyterian which should have a positive impact of the City's claims experience in 2019 and beyond.

**Cost Index in the GHI-CBP/EBCBS Plan for Inpatient Admissions (Case Mix Adjusted)** Table 21



Second, we have looked at strategies to address some of the inequities in the benefits provided by the many union welfare funds that the City supports with contributions.

**Hepatitis C Drugs**

Table 22

- Some welfare funds were not covering the newer direct-acting antiviral Hepatitis C medications because of their high costs
- A new arrangement established with NYC Health + Hospitals (H+H) will be made available in 2019 to provide comprehensive medical treatment (at H+H) and low-cost access to the Hepatitis C medications
- The collaborative approach with H+H can also serve as a model and help address issues for other high cost drugs, such as PrEP

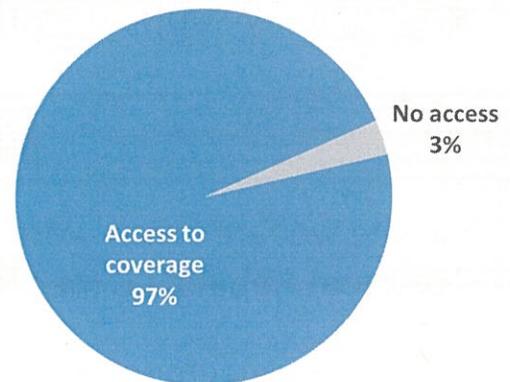
Some welfare fund coverage did not provide access to certain important drugs like the new drugs to treat Hepatitis C or the Pre-Exposure Prophylaxis (PrEP) medications to prevent the spread of HIV/AIDS. Through a program we've developed in conjunction with Health + Hospitals, we will be able to make these medications available to employees at much more attractive pricing, making it more affordable for welfare funds and employees to access the medications. We look forward to the implementation of these new programs in early 2019.

### Pre-Exposure Prophylaxis - PrEP

Table 23

- 97% of NYC employees currently have access to PrEP coverage (typically Truvada), which serves to prevent infection and ultimately the spread of HIV/AIDS
- 3% are not eligible for the Optional Rider because their welfare funds provide drug coverage but exclude specialty drugs
- Letter sent to union welfare funds that currently do not cover PrEP, recommending coverage
- One way to lower costs could be through Health + Hospitals with a model similar to Hepatitis C medications
- Continued discussions in Tripartite Committee

Employee Access to PrEP Coverage



At this time, we'll take any questions the City Council has.

EXHIBIT A

FY'15 – FY'18 Savings

	FY 2015	FY 2016	FY 2017	FY 2018
<p><b>Funding structure change in the City's GHI Plan</b>                      The funding structure change in FY'15 from a fully insured plan to a minimum premium plan arrangement (resulting in lower administrative expenses and positive tax implications) provides continued savings to the City. Savings in FY'17 and FY'18 are lower than in FY'16, reflecting the smaller spread in costs between a fully insured plan and a minimum premium arrangement that resulted from a moratorium of the ACA health insurer fee in calendar year 2017.</p>	\$58 M	\$61 M	\$41 M	\$51 M
<p><b>Dependent Eligibility Verification Audit (DEVA)</b>                      The DEVA program – an audit of dependent eligibility for coverage – resulted in conversions of family to individual health contracts. This provides continued savings from lower health premiums. FY'17 and FY'18 also factor savings from an “on-going” DEVA audit to ensure continued and appropriate dependent eligibility for coverage.</p>	\$102 M	\$110 M	\$117 M	\$114 M
<p><b>Reduction in FY 2015 Administrative Charges</b>                      The City's successful negotiation with one of its carriers on their FY'15 administrative fees resulted in savings for the City.</p>	\$4 M			
<p><b>Mental Health Parity “Relief”</b>                      Federal mental health parity regulations required that mental health benefits be equal to medical benefits. The last administration contended that the cost of health plan compliance with this be borne by the Health Insurance Stabilization Reserve Fund, which is jointly controlled by the City and the MLC. The issue was arbitrated and in late 2014 it was ruled that the City had to reimburse the Stabilization Fund for mental health benefit costs covered by the fund during 2011 – 2015. However, the MLC agreed that the City could forgo the refund in favor of using that money to meet part of the FY 2015 healthcare savings obligation.</p>	\$148 M			
<p><b>Changes to the Care Management Program</b>                      In March/April 2015, the existing pre-authorization program was expanded. The previously limited case management program was amplified to include case management for all complex and high cost acute and chronic conditions as well as maternity management and readmission management programs. In January 2016, a new vendor was selected to administer the programs and to implement new pre-authorization requirements for outpatient procedures.</p>	\$10 M	\$38 M	\$38 M	\$41 M
<p><b>Specialty Drugs (PICA) Program Changes</b>                      The contract for the specialty drug program was renegotiated several times during the past few years and is generating savings from improved pricing and certain cost management provisions such as pre-authorization and drug quantity management programs. Projected savings for FY'18 include improved pricing as of October 1, 2017, and stems from a competitive proposal from the existing vendor in response to the City's Request for Proposal (RFP).</p>	\$10 M	\$32 M	\$37 M	\$51 M

	FY 2015	FY 2016	FY 2017	FY 2018
<b>HIP Rate Savings</b> Based on historical trends, the City's budget estimated a 9% increase in the HIP rate for fiscals 2015 through 2018. However, the rates were finalized at a lower than budgeted increase (see below). The HIP rate reduction generates savings as the amount representing the differential between the budgeted and actual increase would have otherwise been paid into the Stabilization Fund.				
<ul style="list-style-type: none"> <li>• Rate increase of 2.89% vs. 9% in FY'16</li> </ul>	\$17 M	\$335 M	\$367 M	\$401 M
<ul style="list-style-type: none"> <li>• Rate increase of 5.98% vs. 9% in FY'17</li> </ul>		\$8 M	\$173 M	\$190 M
<ul style="list-style-type: none"> <li>• Rate increase of 7.84% vs. 9% in FY'18</li> </ul>			\$ 3 M	\$70 M
<ul style="list-style-type: none"> <li>• Rate increase of 6.84% vs. 7% in FY'19</li> </ul>				\$1 M
<b>HIP HMO Preferred Plan</b> <ul style="list-style-type: none"> <li>• <b>Savings from Value Based Network (FY'17 - 4.88% for Preferred Plan vs. 5.98% for Non Preferred Plan)</b></li> </ul> The transition from the HIP HMO plan to the HIP HMO Preferred Plan effective July 1, 2016 reduces the overall cost to the City for employees and pre-Medicare retirees enrolled in the program and lowers the benchmark HIP rate that drives the payment for their coverage. The City is obligated to make an equalization payment into the Stabilization Fund that makes up the difference between the HIP HMO rate and the GHI PPO rate. The HIP HMO Preferred Plan lowers the benchmark HIP rate, and thereby lowers the City's obligation to the Stabilization Fund.		\$3 M	\$63 M	\$69 M
<b>HIP HMO Plan Design Changes</b> <ul style="list-style-type: none"> <li>• <b>Savings from Combined Plan Design Changes (Reduction in rate in FY'18 from 7.84% {Without Plan Changes} to 6.76% {With Plan Changes} See below.</b> <ul style="list-style-type: none"> <li>○ <b>HIP HMO – Urgent Care Copay Change from \$0/\$10 to \$50 (eff. 7/1/17)</b> This change made the HIP HMO plan urgent care copay identical to that of the GHI CBP plan. It is intended to prevent unnecessary overutilization of care in more expensive settings.</li> <li>○ <b>HIP HMO – Change ER Copay Change from \$50 to \$150 (eff. 7/1/17)</b> The change made the HIP HMO plan ER copay identical to that on the GHI CBP plan. It is designed to prevent unnecessary overutilization of care in more expensive settings.</li> <li>○ <b>Focus on Provider Efficiency in the HIP HMO Plan (eff. 1/1/18)</b> Savings are generated from a focus on providers that are deemed efficient per the plan's standards.</li> </ul> </li> </ul>			\$3 M	\$66 M
<b>GHI Senior Care Plan Savings</b> Similar to the HIP rate, the 8% annual increase budgeted for Senior Care premium increases for fiscal years 2015-2018 were settled at 0.32%, -0.07%, 4.73%, and 2.42%, respectively.				
<ul style="list-style-type: none"> <li>• Rate increase of 0.32% vs. 8% in FY'15</li> </ul>	\$38 M	\$42 M	\$46 M	\$50 M
<ul style="list-style-type: none"> <li>• Rate increase of -0.07% vs. 8% in FY'16</li> </ul>		\$35 M	\$39 M	\$43 M
<ul style="list-style-type: none"> <li>• Rate increase of 4.73% vs. 8% in FY'17</li> </ul>			\$15 M	\$16 M
<ul style="list-style-type: none"> <li>• Rate increase of 2.42% vs. 8% in FY'18</li> </ul>				\$26 M

	FY 2015	FY 2016	FY 2017	FY 2018
<b>Lower Radiology Fees</b> Emblem renegotiated the contract with their radiology provider resulting in lower costs that were phased in during the first half of CY 2016. Savings with their full effect are reflected from FY'17.		\$3 M	\$20 M	\$19 M
<b>Lower Durable Medical Equipment (DME) Fees</b> Emblem selected a single source vendor for DME with lower fees.			\$1 M	\$ 1 M
<b>GHI CBP Program Changes</b> Effective July 1, 2016, changes were made to the GHI CBP program to address the underutilization of primary and preventive care and the overutilization of emergency room, specialty and other care. All these changes generated significant savings.			\$89 M	\$ 104 M
<b>Diabetes Management Program</b> Patients with gestational and Type 2 diabetes requiring complex care management are offered individual case management services from a registered nurse to help them find the most effective and efficient care.		\$1 M	\$2 M	\$1 M
<b>Focus on Provider Efficiency in the GHI CBP Plan (eff. 1/1/18)</b> Savings are generated from a focus on providers that are deemed efficient per the plan's standards.				\$9 M
<b>Additional CBP Plan Savings for FY'17 Reflected in FY'18</b> Savings reflect the true-up adjustment for FY'17 in FY'18 for CBP plan design changes (copay changes), radiology and DME fee changes, and diabetes management.				\$ 6 M
<b>Oncology Expert Medical Review Program</b> Introduction of a program that provides specialty medical review for treatment of cancer.				\$ 0.5 M
<b>Telemedicine Program</b> A program to lower the cost of care by reducing the overutilization of emergency room, urgent care, and unnecessary ancillary procedures/services.				\$ 2 M
<b>Buy-Out Waiver Incentive Pilot Program</b> Pilot program to determine the impact of an increased incentive for waiving coverage. The increased enrollment was not sufficiently large to offset the increased costs of the incentive so the program reverted to the previous \$500 and \$1,000 incentives in CY 2017.		(\$3 M)	(\$3 M)	
<b>Weight Management Program</b> The program results in meaningful weight loss among participants and generate savings from lower medical costs. <i>Savings in FY'18 reflect savings for the period covering June 2016 - June 2018.</i>				\$5 M
<b>Stabilization Fund Adjustment</b> This adjustment reflects a Stabilization Fund contribution to offset the intentional delay in the implementation of health plan changes.	\$13 M	\$36 M		
<b>Total</b>	<b>\$400 M</b>	<b>\$700 M</b>	<b>\$1.051 B</b>	<b>\$1.335 B</b>

4-Year Summary	FY 2015	FY 2016	FY 2017	FY 2018	Total
<b>Goal</b>	<b>\$400 M</b>	<b>\$700 M</b>	<b>\$1.000 B</b>	<b>\$1.300 B</b>	<b>\$3.400 B</b>
<b>Total Achieved</b>	<b>\$400 M</b>	<b>\$700 M</b>	<b>\$1.051 B</b>	<b>\$1.335 B</b>	<b>\$3.486 B</b>

Note: Totals may not add due to rounding.

November 29, 2018

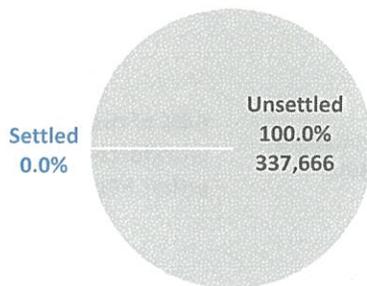
Testimony to:  
New York City Council Committees on Finance,  
Civil Service, and Labor

Robert Linn, Commissioner  
Claire Levitt, Deputy Commissioner  
*Mayor's Office of Labor Relations*

Table 1

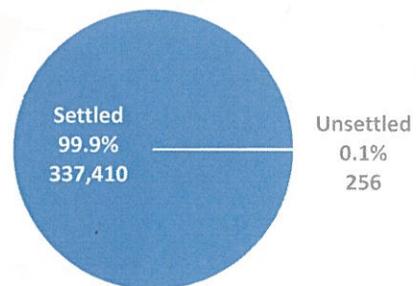
### Represented Workforce Under Agreement 2010 - 2017 Round

In January, 2014



- 144 bargaining units
- Contracts 3-5 years expired
- Limited health negotiations for 20 years

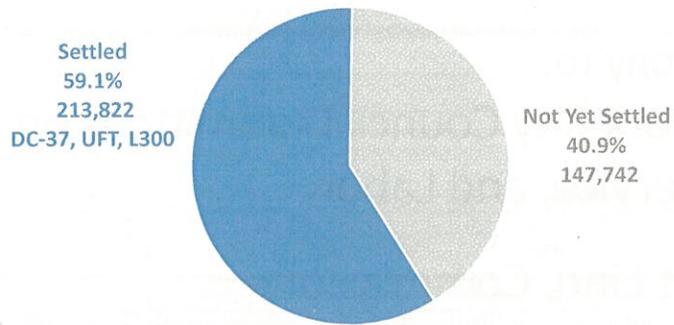
In November, 2018



- 7 and 9 year agreements
- Health Savings Agreement I

Table 2

### Represented Workforce Under Agreement 2017 – 2021 Round

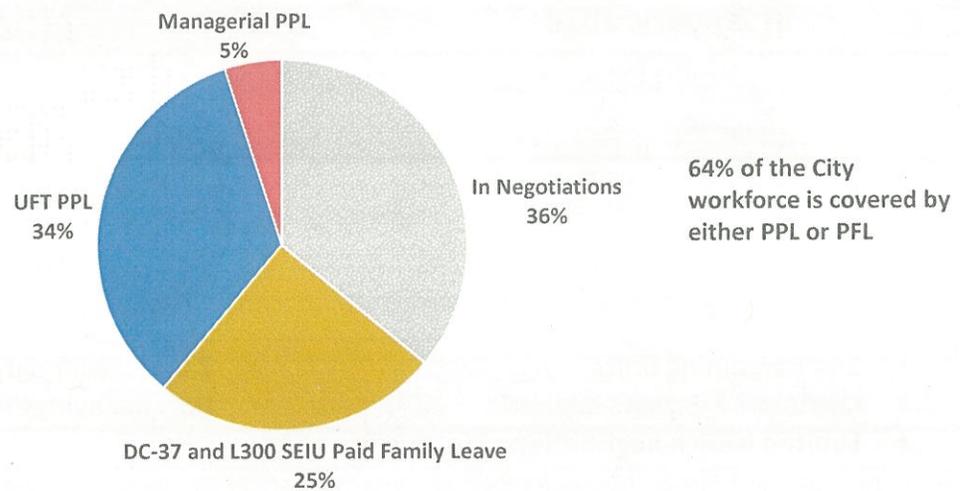


- 43 and 44 month contracts
- Settled Paid Parental Leave and Paid Family Leave
- Health Agreement II

OLR Testimony to New York City Council, November 29, 2018

Table 3

### Paid Parental Leave (PPL) & Paid Family Leave (PFL)

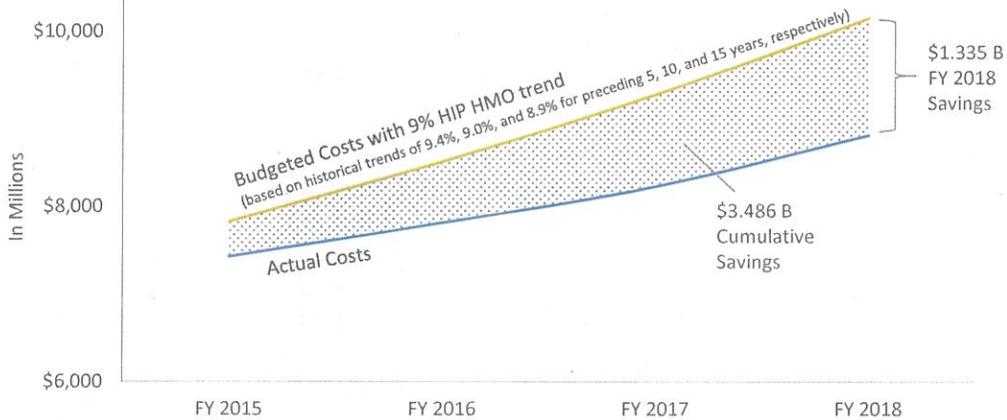


OLR Testimony to New York City Council, November 29, 2018

# Healthcare Savings Agreement I

Table 4

## FY 2015 - 2018 City of New York Healthcare Savings Initiative: Bending the Cost Curve

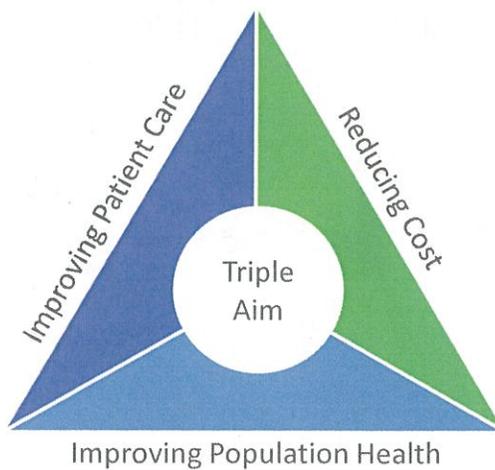


Data Source: OLR Estimates, November 2018

OLR Testimony to New York City Council, November 29, 2018

# Institute for Healthcare Improvement (IHI) Triple Aim Framework

Table 5

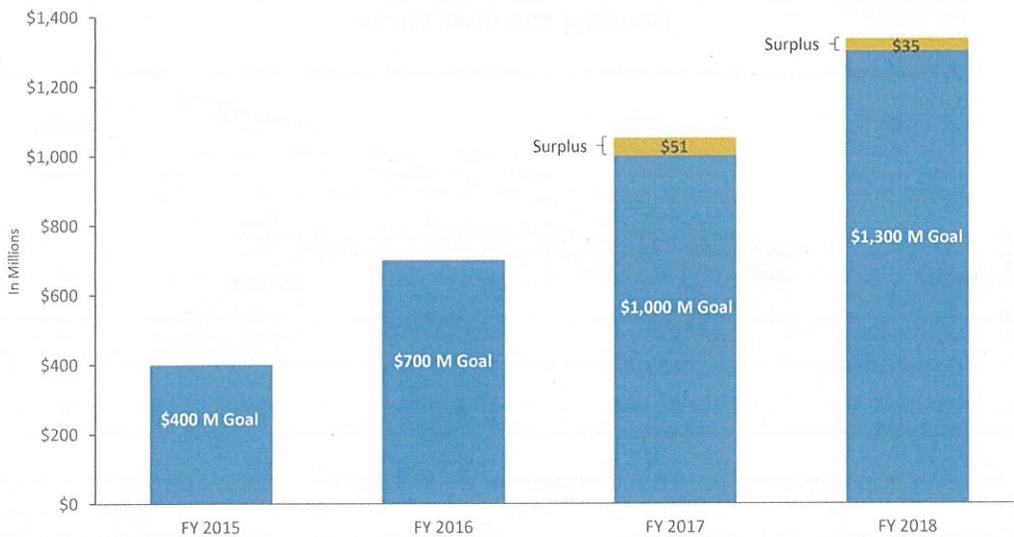


OLR Testimony to New York City Council, November 29, 2018

Table 6

### Healthcare Savings Agreement I

May 2014 Settlement: \$3.4 Billion FY 15 to FY 18 Savings Goal



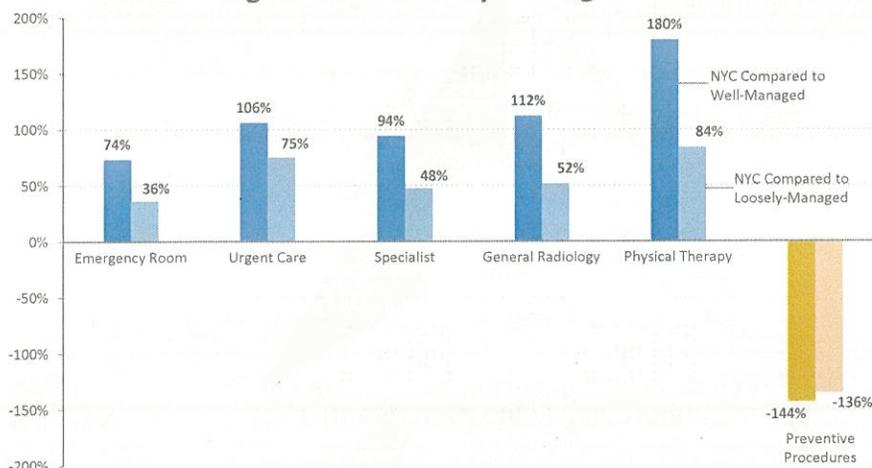
Data Source: OLR Estimates, November 2018

OLR Testimony to New York City Council, November 29, 2018

Table 7

### Improving Patient Care and Reducing Cost – Using Data Analysis

Summary of Benchmarking Health Data - NYC % Above/Below "Well-Managed" and "Loosely-Managed" Plan Benchmarks



Data Source: Milliman Estimates, 2014

OLR Testimony to New York City Council, November 29, 2018

## Improving Patient Care and Reducing Cost – Changes

Table 8

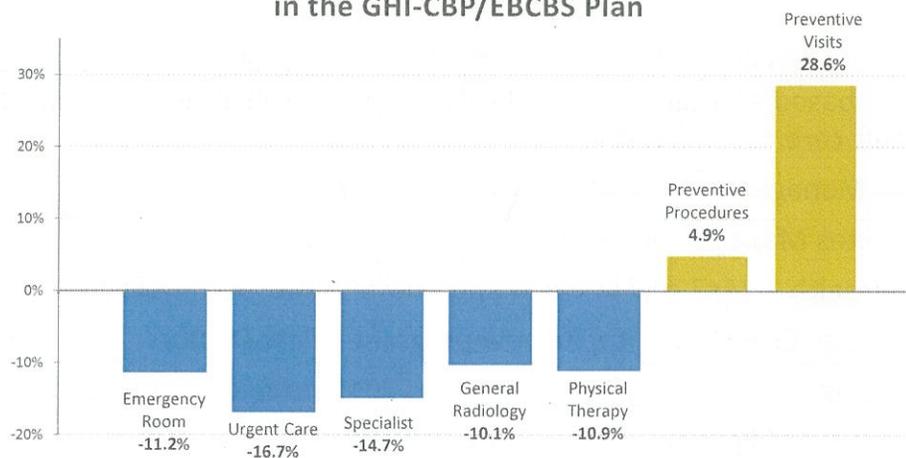
Pre and Post July 1, 2016 – Co-Pays in the GHI CBP Plan		
CBP Plan Design Changes	FY'16	New FY'17 Copay Effective July 1, 2016
Emergency Room (ER)	\$50	\$150
Urgent Care	\$15	\$50
Non-ACP Surgical Specialty	\$20	\$30
All Other Specialists	\$15	\$30
MRI/CT High Cost Radiology	\$15	\$50
Physical Therapy	\$15	\$20
Diagnostic/Lab	\$15	\$20
PCP (including Mental Health Providers)	\$15	\$15
Preventive Care - Non-Rx	Varies	\$0
ACP Generalist (PCP)	\$15	\$0
ACP Specialty	\$20	\$0

OLR Testimony to New York City Council, November 29, 2018

## Improving Patient Care and Reducing Cost – Results

Table 9

### % Change in the Health Care Utilization Rate in the GHI-CBP/EBCBS Plan



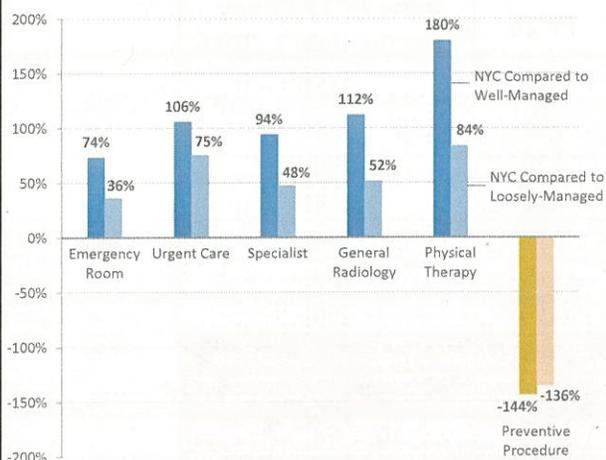
Data Source: EmblemHealth and Empire Blue Cross Estimates

OLR Testimony to New York City Council, November 29, 2018

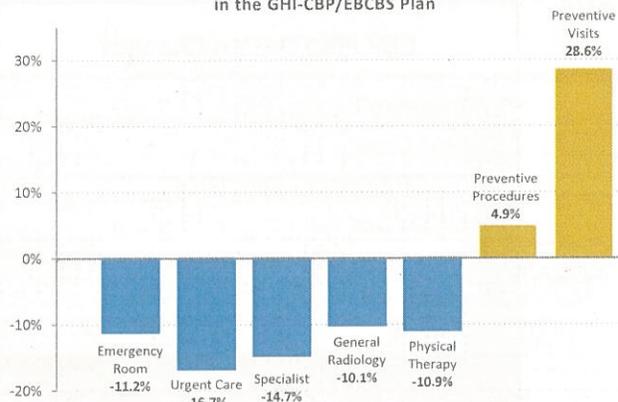
Table 10

## Improving Patient Care and Reducing Cost – Before and After

Summary of Benchmarking Health Data - NYC % Above/Below "Well-Managed" and "Loosely-Managed" Plan Benchmarks



% Change in the Health Care Utilization Rate in the GHI-CBP/EBCBS Plan



Data Source (left): Milliman Estimates, 2014

Data Source (right): EmblemHealth and Empire Blue Cross Estimates

OLR Testimony to New York City Council, November 29, 2018

Table 11

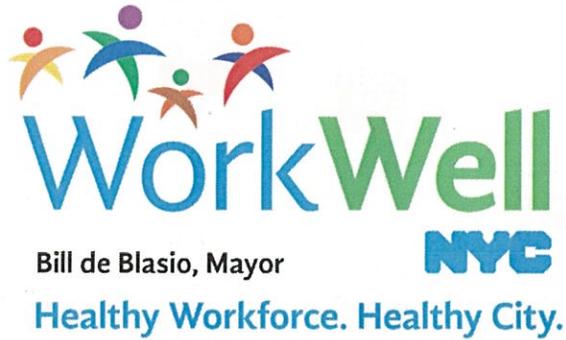
## Other Health Initiatives in Health Agreement I

- \$0 copay preferred providers in the HIP HMO; preferred providers under value based arrangements that offer physicians incentives to provide better care coordination
- Care Management Programs
- Diabetes Management Program
- TeleHealth – 24x7 online video and phone access to physicians - *Teladoc*
- Oncology Expert Medical Review program – *Best Doctors*
- Prescription Drugs- Competitive bid in 2017 for first time in decades
- Dependent Eligibility verification Audit (DEVA)

OLR Testimony to New York City Council, November 29, 2018

Table 12

## Improving Population Health

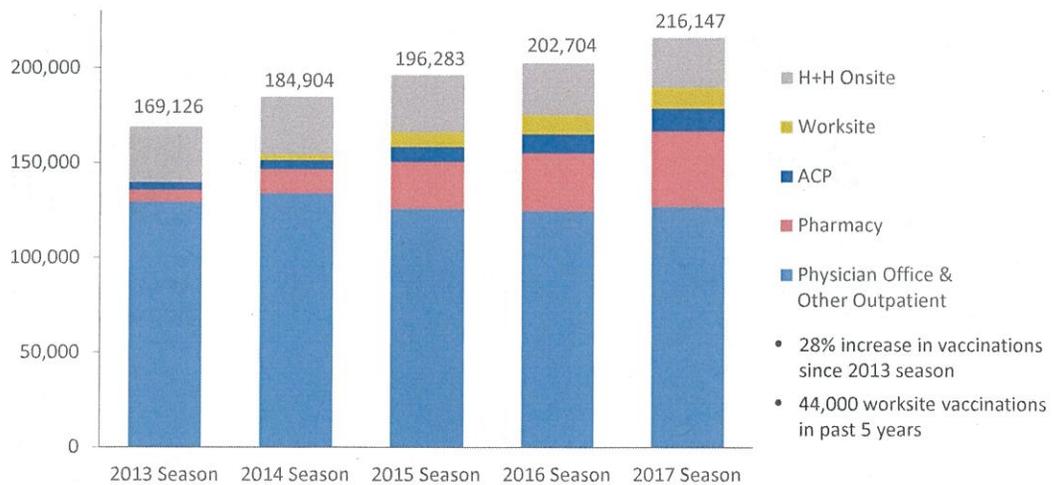


OLR Testimony to New York City Council, November 29, 2018

Table 13

## Improving Population Health

### Number of Influenza Vaccines Administered to NYC Employees, Spouses, and Dependents, by Location



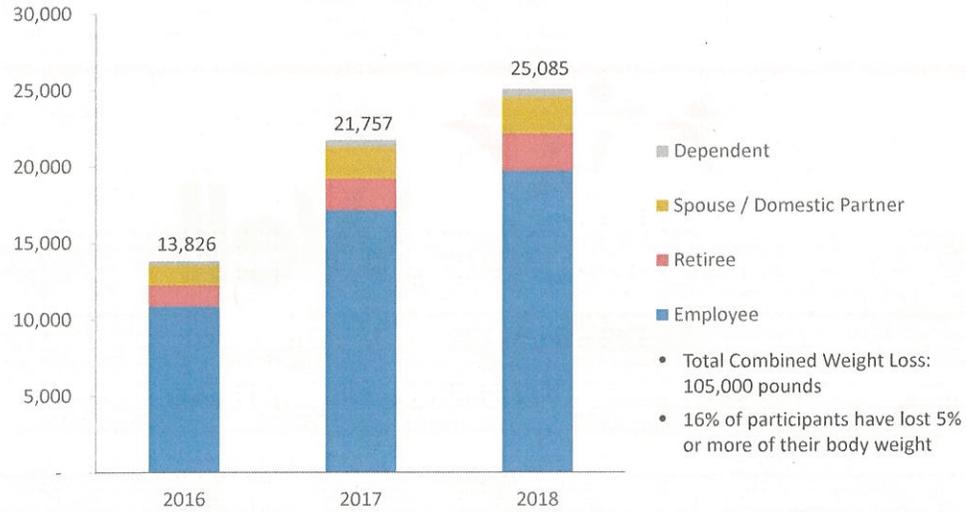
Data Source: OLR & EmblemHealth Estimates, November 2018

OLR Testimony to New York City Council, November 29, 2018

Table 14

## Improving Population Health

### Weight Watchers Enrollment



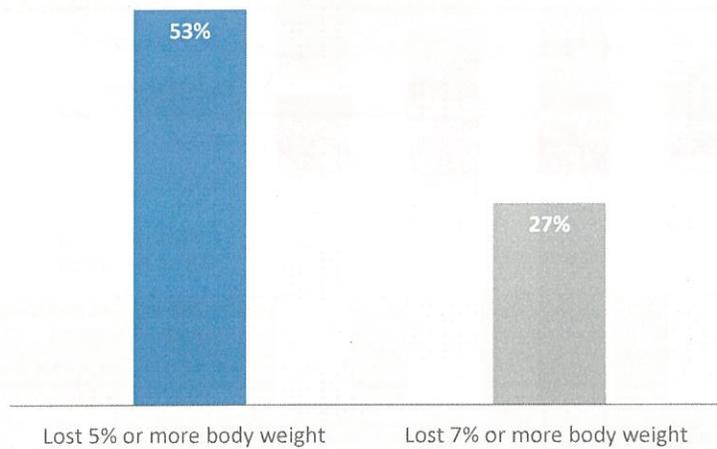
Data Source: Weight Watchers, November 2018

OLR Testimony to New York City Council, November 29, 2018

Table 15

## Improving Population Health

### Diabetes Prevention Program (DPP) Participants



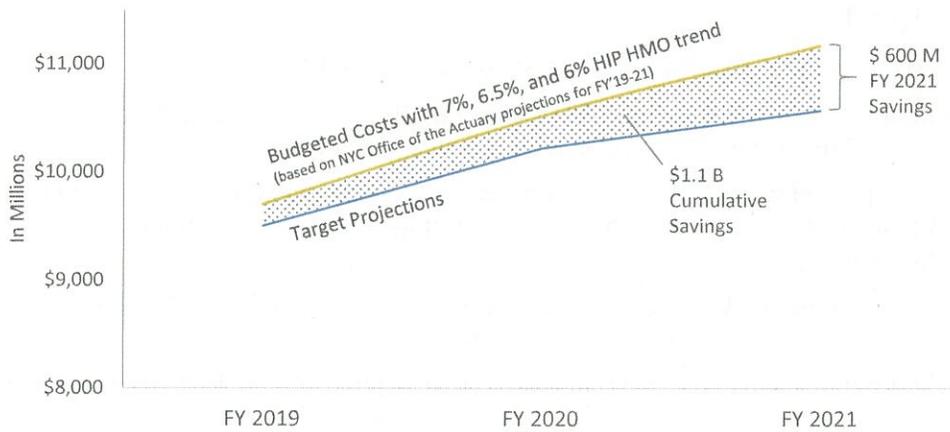
The OLR DPP program was awarded CDC recognition in 2018

OLR Testimony to New York City Council, November 29, 2018

Table 16

### Healthcare Savings Agreement II

FY 2019 - 2021 City of New York Healthcare Savings Initiative:  
Bending the Cost Curve



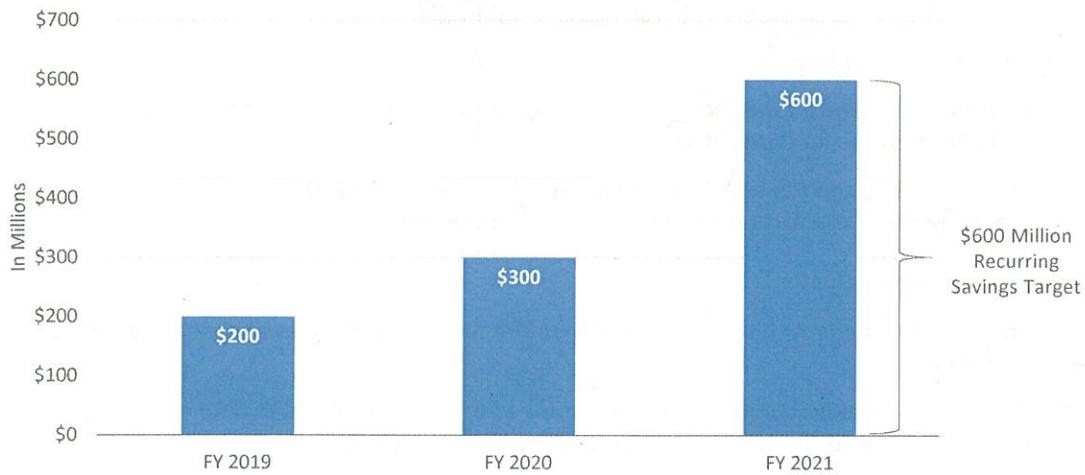
Data Source: OLR Estimates, November 2018

OLR Testimony to New York City Council, November 29, 2018

Table 17

### Healthcare Savings Agreement II

2018 Settlement: \$1.1 Billion FY 19 to FY 21 Health Savings Goal  
With Healthcare Savings Agreement I, Total of \$1.9 B Annual Recurring Savings



Data Source: OLR Estimates, November 2018

OLR Testimony to New York City Council, November 29, 2018

## Healthcare Savings Agreement II

Table 18

### New Initiatives in FY'19-21 Health Savings Agreement

#### HIP HMO

##### EmblemHealth:

- **Cap on Rate Increase:** Secured a rate increase cap of 3.5% for FY'20 and 3.0% for FY'21
- **Centers of Excellence for Oncology and Orthopedics:** Financial incentives (gift cards and lower copays) to use preferred facilities for designated procedures
- **Site-of-Service Redirection:** Financial incentives (lower copays) to select preferred, lower cost free standing facilities or doctors' offices for ambulatory surgery, chemotherapy and high tech radiology
- **Wellness Program:** Voluntary programs to encourage healthier lifestyle and preventive health care services such as health care screenings
- **Mandatory Enrollment in HIP:** New employees are required to be enrolled in the HIP HMO for 365 days

OLR Testimony to New York City Council, November 29, 2018

## Healthcare Savings Agreement II

Table 19

### New Initiatives in FY'19-21 Health Savings Agreement

#### GHI-CBP/EBCBS

##### EmblemHealth:

- **Centers of Excellence for Oncology and Orthopedics:** Financial incentives (TBD) to use preferred facilities for designated procedures
- **Drug Formulary and Refill Changes:** New diabetic formulary and 90 day mail refills  
Note: Diabetic drugs are covered in the base plan per New York State mandate

##### Empire Blue Cross:

- **WINFertility Program:** Utilization management for infertility claims resulting in lower rate of premature births
- **Site-of-Service Redirection:** Precertification for additional procedures to determine appropriate site of service (e.g. colonoscopy in a doctor's office)
- **Length-of-Stay Management Enhancements:** Added focus on reducing short stay admissions by Medical Directors

OLR Testimony to New York City Council, November 29, 2018

## Tripartite Health Savings Committee

Table 20

### Committee Co-chairs:

Martin F. Scheinman, Esq.  
MLC designee  
City designee

### Initiatives and issues that the Tripartite Committee may consider:

- RFPs for replacement of CBP and HIP HMO plans
- Self-insurance / minimum premium
- Medicare Advantage
- Consolidated Drug Purchasing
- Comparability
- Hospital and provider tiering
- Audits and Coordination of Benefits
- Status of the Stabilization Fund
- Reduction of costs for pre-Medicare retirees who have access to other coverage
- Data

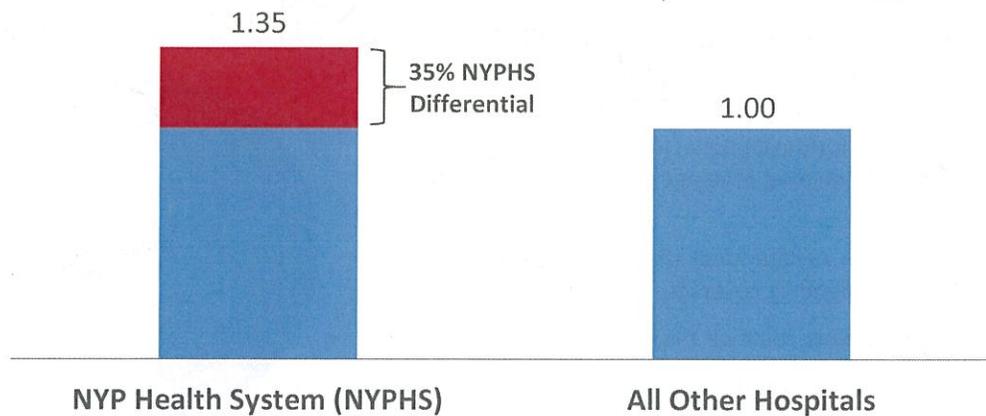
Committee Report Due: June 30, 2020

OLR Testimony to New York City Council, November 29, 2018

Table 21

## Hospital Pricing Variations

Cost Index in the GHI-CBP/EBCBS Plan for Inpatient Admissions  
(Case Mix Adjusted)



Data Source: Empire Blue Cross with OLR Analysis, November 2018

OLR Testimony to New York City Council, November 29, 2018

## Consolidated Drug Purchasing

### Hepatitis C Drugs

- Some welfare funds were not covering the newer direct-acting antiviral Hepatitis C medications because of their high costs
- A new arrangement established with NYC Health + Hospitals (H+H) will be made available in 2019 to provide comprehensive medical treatment (at H+H) and low-cost access to the Hepatitis C medications
- The collaborative approach with H+H can also serve as a model and help address issues for other high cost drugs, such as PrEP

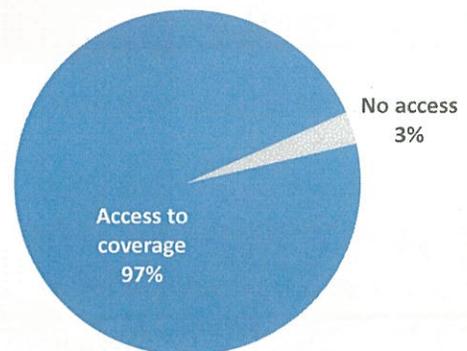
OLR Testimony to New York City Council, November 29, 2018

## Consolidated Drug Purchasing

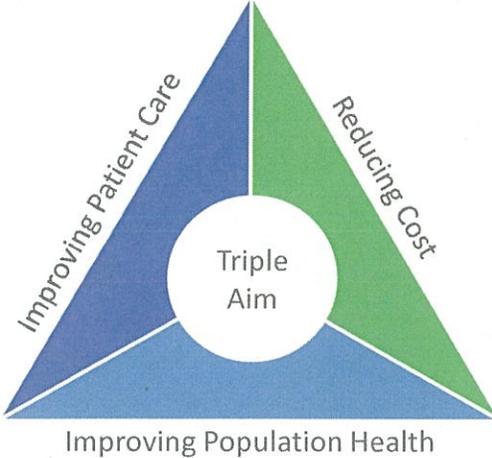
### Pre-Exposure Prophylaxis - PrEP

- 97% of NYC employees currently have access to PrEP coverage (typically Truvada), which serves to prevent infection and ultimately the spread of HIV/AIDS
- 3% are not eligible for the Optional Rider because their welfare funds provide drug coverage but exclude specialty drugs
- Letter sent to union welfare funds that currently do not cover PrEP, recommending coverage
- One way to lower costs could be through Health + Hospitals with a model similar to Hepatitis C medications
- Continued discussions in Tripartite Committee

Employee Access to PrEP Coverage



OLR Testimony to New York City Council, November 29, 2018



# Questions?



THE CITY OF NEW YORK  
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**Testimony of Jonathan Rosenberg**  
**Director of Budget Review, New York City Independent Budget Office**  
**To the New York City Council Committee on Civil Service and Labor**  
**Oversight Hearing on the Health Care Savings Agreement**

**November 29, 2018**

Good Afternoon Chairmen Dromm and Miller and committee members. My name is Jonathan Rosenberg, and I am the director of budget review for the New York City Independent Budget Office. I appreciate the opportunity to testify before this joint committee today.

IBO continues to monitor the progress of the city's and the Municipal Labor Committee's (MLC) joint health care savings initiatives. Our office has appeared before this committee in prior years to offer our assessment of the annual progress. While we applaud the collaborative efforts to find budgetary savings through increased efficiency and effectiveness in the city's provision of health care, it is disappointing that the vast majority of savings realized to date have come in the form of paper gains from lower-than-expected premium increases and other accounting maneuvers. But instead of focusing my testimony on issues that have already been thoroughly discussed, I instead wish to focus today's testimony on key provisions of the most recent joint agreement.

The agreement dated June 28<sup>th</sup>, 2018 lays out a broad schedule of targets for new health savings totaling \$1.1 billion in fiscal years 2019 through 2021: \$200 million in 2019, \$300 million in 2020, and \$600 million in 2021. Under the agreement at least \$600 million of the total savings must be recurring. These savings are intended to defray some of the cost of wage increases in the current round of collective bargaining. These savings goals, an average of \$367 million per year, are less ambitious than the \$850 million-per-year requirements of the previous agreement, although with more realistic health care cost growth projections, the initiative should result in measurable progress in controlling health insurance costs.

A key feature of the prior agreement between the MLC and the city covering fiscal years 2015 through 2018 was a provision designating a portion of the excess savings above the agreed-upon target of \$3.4 billion for pensionable lump-sum bonus payments to be proportionately distributed to the members of the various city unions. According to the most recent report from the Office of Labor Relations (OLR), the prior round of savings initiatives generated a surplus of \$51 million over the target amount, subject to certification by the city's actuary. However, rather than providing the previously promised employee bonuses, the parties now intend to credit these surplus savings towards the new fiscal year 2019 health care savings goal of \$200 million, reducing the target for new initiatives in that year to \$149 million.

Similarly, in the prior agreement, the allocation of recurring savings for fiscal year 2018 that exceeded the target of \$1.3 billion were to be “subject to negotiation between the parties.” According to OLR, these savings exceeded the target by \$35 million, pending certification. As with the aforementioned nonrecurring surplus, the most recent OLR report states that the city and the MLC intend to repurpose these recurring savings to reduce their obligations to generate new health care savings in the next three fiscal years and beyond. After accounting for these surplus funds from the prior agreement, the city and the MLC are only obligated to find \$114 million in new savings for fiscal year 2019, and a total of \$944 million through 2021.

The tangible savings achieved under the prior agreement were the result of increases in premiums, changes in services provided, and efficiencies borne by the workforce from fiscal years 2015 through 2018. However, using surplus funds from these prior initiatives to reduce future employees’ savings targets avoids making changes that would actually alter the cost of delivering health benefits to city workers and retirees.

Unlike the prior agreement, the new agreement between MLC and the city does not include any provision for returning excess savings to the employees. Rather, the new agreement allows for the transfer of the first \$68 million of recurring savings exceeding the \$600 million target to fund a \$100 per member contribution by the city to the unions’ welfare funds. This is in addition to two \$100 per member contributions the city will make to union welfare funds at the beginning of fiscal years 2019 and 2020 using funds from the Health Insurance Stabilization Fund (HISF).

The HISF was established in fiscal year 1984 to provide a reserve that could be used to “maintain...the current level of health insurance benefits provided under GHI.” The city’s employer contribution for the cost of health care provision is equalized to the HIP premium rate, with the stabilization fund intended to cover the difference should GHI rates exceed those of HIP. The HISF shields city employees from health insurance paycheck deductions in years when the relative costs of the city’s major health plans, HIP and GHI, reverse.

Since 2002, GHI’s premiums have been lower than those of HIP. The difference between the HIP premium rate paid by the city and the lower GHI premium has been deposited annually by the city in the HISF. The city is also required by terms of its collective bargaining agreements to make an annual contribution to the fund of \$35 million. The city and organized labor must agree on any unplanned expenditures from the fund. The stabilization fund has become a steady source of reserve income for the city, and has been used for both recurring and substantial one-time payments to the workforce in labor negotiations. The 2015-2018 Health Savings Agreement withdrew \$1 billion from the fund to defray the cost of wage increases, and also forgave a \$148 million loan by the fund used by Mayor Bloomberg to satisfy federal mental health parity requirements. The balance of the fund at the conclusion of fiscal year 2018 was \$1.6 billion, after \$254 million in expenditures in that year.

<b>Health Insurance Stabilization Fund Balance by Fiscal Year, dollars in millions</b>								
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Starting Balance</b>	\$421	\$588	\$894	\$744	\$1,706	\$789	\$1,830	\$1,586
<b>Interest Earned</b>	5	4	3	4	7	9	17	19
<b>Revenues</b>	400	501	37	1,200	372	1,248	97	292
<b>Expenditures</b>	(238)	(198)	(190)	(241)	(1,295)	(216)	(358)	(254)
<b>Ending Balance</b>	\$588	\$894	\$744	\$1,706	\$789	\$1,830	\$1,586	\$1,643

According to preliminary reports from the Mayor’s Office of Management and Budget, the family premium rate for HIP is actually lower than that of the GHI rate for fiscal year 2019. This could likely result in a net *reduction* in the HISF balance, consistent with the fund’s original role as a short-term reserve in years when the GHI rate exceeds the rate for HIP. If this trend continues in future years the stabilization fund surpluses may not be available as a source of health insurance “savings.” While the current balance in the HISF is robust, it is uncertain how long that could be sustained if the HIP rate remained lower than the GHI rate for an extended period. If the fund were to be depleted the city and the unions would eventually have to face difficult decisions to either reduce employee benefits or increase employee contributions. Nevertheless, the 2018 agreement assumes there will be contributions from the surplus in each year of the plan.

Though the targets of the de Blasio Administration’s and the Municipal Labor Committee’s second round of health care savings initiatives are less ambitious than the first, IBO is hopeful that the new agreement’s call for a new Tripartite Health Insurance Policy Committee can make meaningful, mutually beneficial changes to the way that the city delivers health insurance to its workforce. The stated topics of discussion for the committee are largely commonsense reforms with tangible financial consequences. We will continue to monitor their developments.

Thank you for your time. I will gladly answer any questions.

**Testimony by Brian E Downey, GOAL NY President**

**Joint Hearing of Finance and Civil Service & Labor Committees  
New York City Council**

November 29, 2018

Good morning, Speaker Johnson, Chairman Dromm, Chairman Miller, Committee Members and Council Staff.

Thank you for the opportunity to address your committees on a matter of great concern for my membership and, frankly, for all City employees: the lack of coverage in some City-worker health plans for HIV medicines and the preventative drug, PrEP.

My name is Brian Downey. I am the President of the Gay Officers Action League of New York. GOAL exists to address the needs, issues, and concerns of LGBTQ criminal justice professionals in the metropolitan area.

We are also the go-to group for many across the country who need help advocating in the criminal justice community on LGBTQ issues or forming their own organizations.

This is a very meaningful opportunity for me because our founder, the late Sergeant Charles H. Cochrane, came before the City Council 37 years ago last week, sitting in this chair, and publicly out'ed himself so that he could shatter the myth that there were no gays in law enforcement. GOAL is here today thanks to Charlie's bravery, but also thanks to the City Council - without the forum you gave Charlie that day, we may never have developed the voice we now have.

Like I mentioned a moment ago, I come to you today because some of my members are hurting, and GOAL needs your help - **some of my members lack essential coverage in their health plans for HIV medications and for PrEP.** To be clear - I am talking about a gap in healthcare coverage for

- (1) the antiretrovirals that are essential for HIV positive persons to control their viral load and live normal lives, and
- (2) the prophylaxis treatment that can stop the spread of HIV.

And my members - they are not the only ones in the City's workforce who lack this coverage.

Just a short while ago, we heard about the healthcare cost savings that the City achieved, and I could not imagine a better conversation to join in on in order to raise

this concern – the chance to baseline who is and who isn't covered through bargaining and the savings achieved by the City are absolutely essential to scope this problem and solve it.

Over the past two years, several of my members, in particular, uniformed officers, have quietly sought help from GOAL. All were police officers whose excellence as officers was recognized through promotion to the rank of Detective. Detectives are the investigative heart of the NYPD. And to achieve the rank of Detective is truly a special recognition for past successes that few receive in their careers.

And yet, after a coveted promotion, these officers were shocked to find that critical coverage – coverage for HIV medications for those who are HIV-positive, and coverage for PrEP for those are not – was not afforded them in their new rank under the City's plan. Those costs were suddenly out-of-pocket.

Make no mistake. These are five-figure costs annually. Costs that rival rent payments. And costs that, as City employees, my members never expected to face.

I raised this matter with my membership, and, sure enough, other non-uniform members in and friends of our organization – current and former city employees – came to me and shared similar stories: they had no or limited coverage, either. They were stuck, too, asking themselves:

- How do I afford PrEP?
- How do I get my antiretroviral treatment covered or subsidized?
- And, the most common question people have told me they find themselves asking, **how is it that I work for a City that's supposed to be committed to stopping HIV's spread, but I'm not covered for PrEP, and I can't afford medication that helps me live as an HIV positive person?**

I don't need to tell this body that City workers are the lifeblood of this City. A City this large and this critical to the nation's economy would be nowhere without its workers. But many of them – and I represent some of them – feel left out without recourse. They make too much to qualify for assistance programs, such as Ryan White or the Mayor's End the Epidemic support for non-profits, and they make too little for these payments to come out of pocket without great sacrifice. They're left in a large middle that needs help, and needs it now, from the City.

The worst part, however, isn't that I come to you with members who have no coverage for HIV medications and prophylaxis. Nor is that I have to tell you that as city workers they can't afford those drugs. It's also not that those persons have no solution yet, either.

The worst part is that I know this problem is bigger than just my members who raised this issue directly with me, but I can't tell you how much bigger – I can't tell you the scope of the problem, and it's not for lack of trying.

My organization has spent months trying to find out how many other employees for the City have the same coverage issues. We have made calls. We have spoken with officials. We have written letters. And the best we've received from the City is an acknowledgment, from the Mayor's Office of Labor Relations, that yes, coverage gaps exist, and that the unions must provide.

GOAL does not find that answer at all adequate, but that's what we got. A confirmation that the problem we know is real is, in fact, real. No offer to scope it. No acknowledgment that the City has a role it can play. And no indication that the City was exploring ways to fill this coverage gap in its work with the unions.

So, I come before you for help. Please. I know, my organization knows, that there are public servants whose job it is to serve the City that have no coverage for life-saving drugs, or for prophylaxis that might one day make a disease obsolete—a disease that was at one time so feared, and those who had it stigmatized and ostracized. We can't tell you how many do not have coverage. Nor, of course, can we tell you the individuals who need it because living with HIV and taking precautions against HIV are still conversations shrouded in old biases and riddled with implications about bad judgment.

All we know for sure is that an unknown number of public servants don't have what they need in their healthcare coverage, and that the City hasn't offered to investigate and find a solution. We know that our City is sincere in its efforts to curtail HIV's spread and enable people afflicted with it to live normal and dignified lives. We know PrEP is provided at City clinics for low-income persons; PEP is available to anyone who believes they have been exposed. The City has highly publicized its End the Epidemic project and lent its support for the U=U campaign. These are tremendous and necessary programs.

But that still leaves public servants without coverage. And no matter how the issue is sliced, that's just wrong.

GOAL is asking for your support, Council Members to address this issue. We need the Council's help to scope this problem and solve it.

There ought to be:

- (1) data made available on which groups of employees lack this coverage, and
- (2) a city-backed solution that helps its employees. Whatever form that comes in – whether adding HIV medications and PrEP to the basic HIP HMO and Emblem Health GHI/CBP plans, or adding them to the PICA program, or

offering a program through the Department of Health and Mental Hygiene for City employees who can't afford coverage – the City's employees deserve that kind of commitment from the government they serve.

I've spent seven of the past ten years serving the City as a Police Officer, and the past three as a Detective. I often tell people who talk to me about this issue that I thank God that I'm healthy, that I'm not sick. I'd like all of us to be healthy, but I hope that when we're not healthy, when we're in need, like some of my members are right now, that our City will have our back. I'm waiting to find out if my hopes can be met.





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## **Testimony on the Health Care Savings Agreement: A Look Back and a Look Forward**

*Submitted to the New York City Council Committees on Finance and Civil Service and Labor*

*November 29, 2018*

Maria Doulis, Vice President, Citizens Budget Commission

CBC is a nonpartisan, nonprofit civic organization that serves as an independent fiscal watchdog of New York State and New York City governments. Thank you for the opportunity to submit testimony.

CBC has long advocated for reform of New York City's municipal health insurance program and is pleased to see the de Blasio Administration build upon the important precedent it set in 2014 when it included health insurance in collective bargaining negotiations. Savings to health benefit expenditures, which total \$8.1 billion and constitute 9 percent of the fiscal year 2019 budget, are crucial to attaining labor settlements that are fair and reasonable for both City employees and taxpayers.

The previous agreement negotiated with the Municipal Labor Committee (MLC) spanning fiscal years 2015 to 2018 set a \$3.4 billion health insurance savings target, and CBC has commented on its implementation in previous [testimony](#) before these committees.<sup>1</sup> The primary weakness in the agreement was the decision to credit savings from lower than projected growth in health insurance premiums to the health agreement. The City's conservative budget projections led to claiming \$1.9 billion in health savings, 56 percent of the target, from this accounting decision.<sup>2</sup>

Twenty-six percent of the savings, approximately \$900 million, advanced the purported goal of the agreement: to bend the health care cost curve and make the City's health plans more cost-effective. Meaningful changes included switching the funding structure of the GHI plan and adjustments to provider networks and co-pay structures to incentivize greater use of primary care while reducing overreliance on emergency rooms, urgent care centers, and specialists.

This is the challenge: meaningful changes require careful review of data, constructive dialogue, and willingness by both labor and management to disrupt the

status quo. In the new agreement, the City and the MLC commit to ongoing data review and outline areas for future study and potential reform, including issuing a new request for proposals (RFP) for all medical and hospital benefits. While this is positive, the incentives to make transformative changes are limited severely by two aspects of the agreement:

1. It sets smaller targets than the prior agreement, despite growing health insurance expenses; and
2. It makes the targets easier to achieve by “rolling” savings from the prior agreement and continuing to count savings against budget projections as health savings.

*Less ambitious plan.* The new agreement spans fiscal years 2019 to 2021 and sets a target of \$1.1 billion in savings: \$200 million in fiscal year 2019, \$300 million in fiscal year 2020, and \$600 million in fiscal year 2021. The targets represent 2.5 percent, 3.4 percent, and 6.3 percent of projected annual health expenditures in these years, which are estimated to be \$8.1 billion in fiscal year 2019, \$8.8 billion in fiscal year 2020, and \$9.5 billion in fiscal year 2021. In contrast, the annual targets of the prior plan represented 5 percent of annual health benefit expenditures in fiscal year 2015, 11 percent in fiscal year 2016, 15 percent in fiscal year 2017, and 19 percent in fiscal year 2018.

To put it another way, the target savings drop from \$1.3 billion in fiscal year 2018 under the previous agreement to only \$200 million in fiscal year 2019 under the new agreement. The targets should have continued at the 2018 level to stimulate greater cooperation and movement on reforms.

*Savings inappropriately transferred.* Savings from the prior agreement in excess of \$3.4 billion will be attributed to the new targets; currently, this is estimated to total \$211 million per year, or 19 percent, of the \$1.1 billion target. Any recurrent savings from the prior agreement should have been returned to the general fund.

*Improper accounting.* Conservative budget assumptions are meant to ensure fiscal flexibility, and any savings against high projections should be used for general operating needs, rather than claimed as a savings against labor costs. Attributing these savings to the health agreement essentially is claiming credit for work not done.

This agreement continues to estimate savings against projected health insurance premium growth of 7 percent in fiscal year 2019, 6.5 percent in fiscal year 2020, and 6 percent in fiscal year 2021. To be sure, these projections are lower than the 8 percent to 9 percent projected annual increases from which the last agreement was able to derive so much of its savings. Nevertheless, they are greater than increases

in the last five years: premium growth averaged 3.3 percent annually and health benefit expenditures grew 3.5 percent annually on average between fiscal years 2014 and 2018.

The MLC and the City have already secured agreement from EmblemHealth to limit increases in the HIP rate to 3.5 percent and 3 percent in fiscal years 2020 and 2021 by mandating enrollment of new employees in the HIP HMO for their first year and providing financial incentives for employees to change their pattern of care. These lower-than-anticipated premium increases are projected to save \$658 million, or 60 percent of the agreement target.

In sum, the City and the MLC have already achieved an estimated 80 percent of the target savings, and the balance is expected to be generated from program and drug changes in the GHI plan.

With so much of the deal done, this agreement loses the momentum of the last and provides minimal impetus to tackle the challenges that remain, including the fragmented and inefficient provision of prescription drug, vision, and dental care via [welfare funds](#); the antiquated and wasteful [Health Insurance Stabilization Fund](#); and the costly provision of [health insurance to retirees](#) with no contribution to the cost of care.

Thank you again for the opportunity to submit testimony. I welcome your questions.

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<sup>1</sup> Testimony of Maria Doulis, Vice President, Citizens Budget Commission, before the New York City Council Committees on Finance and Civil Service, “Examining Health Care Savings Under Recent Collective Bargaining Agreements” (February 26, 2016), <https://cbcny.org/advocacy/testimony-health-care-savings-under-recent-collective-bargaining-agreements>, and (April 1, 2015), <https://cbcny.org/advocacy/testimony-health-care-savings-under-recent-collective-bargaining-agreements>.

<sup>2</sup> An additional \$610 million, or 18 percent of the \$3.4 billion total, is from one-time actions, most notably the termination of ineligible dependents stemming from an audit.

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I represent: Admin

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I represent: Independent Budget office

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Name: BRIAN DOWNEY, PRESIDENT

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I represent: GAY OFFICERS ACTION LEAGUE

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Name: Renee Campion

Address: 1540 York Ave, NY, NY 10028

I represent: office of Labor Relations

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Name: RYAN MEROLA, EXECUTIVE DIRECTOR

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I represent: GAY OFFICERS ACTION LEAGUE

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