

## Human Resources Committee Meeting

### Douglas County, Nebraska

Tuesday, August 23, 2016

The meeting convened at 9:02 A.M. in Room 903 of the Omaha-Douglas Civic Center, 1819 Farnam Street, Omaha, NE 68183. A copy of the Open Meetings Act is located on the wall near the entrance of the room. A notice of the meeting was published in the August 16, 2016, issue of *The Daily Record*. The County Commissioners present at the meeting were Mary Ann Borgeson, Marc Kraft, Clare Duda, Chris Rodgers, and James Cavanaugh. Others present at the meeting were Patrick Bloomingdale, Marcos San Martin, Joe Lorenz, Diane Carlson, and Catherine Hall, County Administration; Karen Buche and Kathy Adair, Human Resources; Jerome Rewollinski and Stephanie Nichols, United Healthcare; Brian Parizek, Fraternal Order of Police; John Arnold and Pat Bourne, Blue Cross Blue Shield of Nebraska; Tracy Krause, and Jolene Froendt, Aon; Mike Schlosser and Mike Bodin, Aetna; and Constance Mierendorf, Douglas County Clerk/Comptroller's office. Commissioner Borgeson chairs the Committee.

A video recording of the meeting is available on the Douglas County Website:

<http://commissioners.douglascounty-ne.gov/board-meetings/videos>.

#### Discussion of Douglas County Health Insurance Plan Administrator

- Tracy Krause, Aon, presented the Douglas County Medical, Rx and Stop Loss Marketing Analysis (See Attachment A). Eight companies were contacted for the Request for Proposals (RFPs): Aetna, The Benefit Group, Blue Cross Blue Shield of Nebraska, Central States, Cigna, Meritain, Regional Care, Inc., and United Healthcare. Aetna, Blue Cross Blue Shield of Nebraska, and United Healthcare responded (see p. A-3).
- The current Stop Loss Level is \$450,000 per individual. All 3 carriers quoted \$450,000.
- The Douglas County Medical Benefits plan design appears on p. A-4. Three options are listed: \$300 deductible, \$600 deductible and the \$3,000 HSA, a qualified Health Savings Account plan.
- Administration Services Renewal rates for Medical and Prescription are compared on p. A-5. Currently, 2,128 employees are enrolled in the PPO and 53 are enrolled in the HSA.
- Under the current United Health Care plan, the cost is \$39.48/employee/month. The monthly cost to the County is \$86,106 with an annual administration cost of \$1,033,271.
- The renewal rate proposed by United Healthcare is \$40.66/employee/month for a monthly cost of \$88,679 no changes to services, but they have included fiduciary and an annual administration cost of \$1,064,154. This is a 3% increase over current charges or \$30,883 more than current charges in year one. The rate guaranteed for 2018 is \$41.88/employee/month.
- Aetna quoted 2 rates. Aetna's monthly charges would be \$31.08/2,128 PPO employees and \$335.28/month for 35 HSA employees for a total monthly charge of \$68,231 or an annual cost of \$818,768. (See p. A-5 for details of offerings including a \$4.20 HSA fee). This is \$214,502 less

/year than current charges for a reduction of 20.8 %. These rates are guaranteed for 2018 and 2019.

- Blue Cross Blue Shield proposed \$34.00/employee/month plus \$1.95 for the HSA fee with a total monthly fee of \$74,257 and an annual cost of \$891,088. This is \$142,182 less than current charges-- a 13.8% less than current charges.
- Commissioner Kraft asked about the percentage of prenatal care and how many employees utilized it. Ms. Krause said it is not a required program but a nice one to have. Given the aging population at the County, it is not a large program and would not be a factor in choosing a carrier.
- Ms. Krause went on to comment on notes about each of the carriers:
  - All 3 of the carriers give back 100% of pharmacy rebates.
  - United Health Care and Aetna provide \$10,000 for a wellness budget. Aetna would offer this for the first year and United Healthcare would offer it every year. Blue Cross Blue Shield did not include a wellness budget.
  - All 3 carriers reserve the right to adjust fees if enrollment changes by +/-10%. This is standard language and practice.
  - Aetna offers a \$90,000 one-month fee holiday; however, that amount would have to be paid back if the County left the carrier before 3 years.
  - Aetna includes fees for runoff claims for 1 year following cancellation if Douglas County terminated its contract. Aetna matched benefits as closely as possible.
  - Blue Cross Blue Shield includes Telehealth Services where employees can call a health care provider on the phone or computer. The cost would be a \$20 copay for the 300 plan and a \$30 copay for the 600 plan. The HSA enrollees would be assessed \$39 that would apply toward their deductible.
  - Blue Cross Blue Shield offers a \$100,000 one-time implementation credit to the County.
- Commissioner Cavanaugh asked about the note at the bottom of p. A-5 that states that Aon Consulting may earn additional compensation of .5% to 4% paid by one or more of the vendors identified in this Marketing report as part of Aon's National Additional Commission Program.
- Ms. Krause said this is standard language that appears in every proposal. The proposals presented are all net of commissions; all fees paid in these proposals are to the carriers. Aon does take a commission but can receive additional compensation if it reaches a national threshold. At that time, if the threshold is met and additional compensation is possible, Ms. Krause presents that to Mr. Bloomingdale who presents it to the Board. If the Board approves, Aon can receive the additional compensation. Currently, no additional commissions are received on lines of coverage.

#### Stop Loss Renewal

- Ms. Krause discussed Stop Loss Renewal which is at \$450,000 (p. A-6). Douglas County is responsible for the first \$450,000 on any one member on the plan. After that, the carrier will

cover costs. The reason the chart is labeled "Illustrative" is that All 3 carriers will still need final reporting through July or August to firm up rates. She does not anticipate any changes; Aon has been providing monthly claims to the carriers as they are received.

- United Healthcare has no lasers or advance funding. It includes medical and prescription benefits and no limits. The current premium is \$18.90/month/member with a \$41,221 monthly Stop Loss premium and an annual premium of \$494,651 based on 2,181 members.
- Commissioner Rodgers asked what the difference is between Advance Funding and Immediate Reimbursement. Ms. Krause said they are essentially the same, but the language was different and Aon noted it. Currently, claims are paid weekly out of an imprest balance, or reserve, that United Healthcare holds. There is no reserve with Blue Cross or Aetna. Blue Cross has offered to pay all Douglas County claims for an entire month with monthly billing if the County finds that desirable.
- United Healthcare's renewal proposal is for coverage to remain the same: a premium of \$20.41/person/month with a monthly premium of \$44,514 and an annual premium of \$534,171. This is an increase of \$39,520 – an 8% increase above current rates. Last year there was no increase.
- Aetna lists lasers as TBD because it has been monitoring a high claimant they were concerned about because of a medical condition who is no longer a part of the program.
- Commissioner Kraft asked what that means.
- Ms. Krause said that a carrier could elect to single out a really sick person and stipulate that it would cover that individual after a higher threshold than the \$450,000. For example, the carrier could agree to cover an individual after a \$700,000 threshold has been met.
- Aetna also offers Medical and Pharmacy benefits and unlimited maximum benefits. The proposed premium is \$22.55/individual/month with a monthly premium of \$49,182. This is an annual premium of \$590,179—a \$95,528, 19.3%, increase over current rates.
- Blue Cross Blue Shield matches current coverage assumptions and premiums. The premium would not change; it would be \$18.90/individual/month—a monthly premium of \$41,221 with an annual premium of \$494,651.
- Commissioner Cavanaugh asked about the note on the bottom of p. A-6 which cites "Aon Hewitt's National Additional Commission Program," different language from the previous page.
- Ms. Krause responded that all of the Aon programs are under the same umbrella; different areas control different commission pieces.
- Aon's Disclaimer appears on p. A-7 and Carrier Financial ratings appear on p. A-8. All 3 carriers are rated "A" with A.M. Best. P. A-9 is a ratings explanation.
  
- Ms. Krause returned to p. A-5. She noted that there were a number of options that Aetna offered that the committee really liked including a personal health record option program that would load information of previous carriers so that their predictive modeling approach would know ahead of the member's first claim what their health issues are. The committee also liked the

Concierge Phone System where messages could be customized when a member calls in with additional information that might be helpful to the individual. It could also send that message to the member's physician. In Touch Care was another program that was really attractive to the committee. These programs are add-ons so an additional fee of \$13.70 would have to be added to include all of them.

- United Healthcare is additionally offering fiduciary services, which it does not provide now, at no additional cost. Blue Cross Blue Shield fees are all listed and it does provide fiduciary support.
- Fiduciary services were explained by Ms. Krause. A member has the right to appeal the denial of a claim. If that claim is denied twice, the case is referred back to the County for final benefit determination. United Healthcare does not act as fiduciary currently.
- Kathy Adair said that the fiduciary responsibility falls to the County currently; a panel reviews the appeal and almost always upholds the plan. If the County grants a claim (that has been denied) outside of the plan, the \$450,000 Stop Loss does not apply.
- Ms. Krause said that the \$13.70 additional fee for Aetna she discussed earlier would include all of the optional programs she described. The cost could be less depending on what options the County would choose.
- Ms. Krause pointed out that United Healthcare and Aetna are similar in that they keep a small percentage of any savings they obtain for the County. If there is savings on subrogation, coordination of benefits, retroactive termination or hospital bill audits, both United Healthcare and Aetna keep a small percentage of what they save the County. This is reported in the aggregate but is not completely transparent. Blue Cross does not keep a percentage of the savings.
- Commissioner Kraft asked if the amount being saved is significant and Ms. Krause said the amount was not significant—approximately \$10,000-\$15,000 per year. The County cannot predict what the amount will be each month; it receives an accounting at the end of the month.

#### Discussion of Carrier Presentations

Ms. Krause said all 3 carriers gave impressive presentations that were informative. The committee looked at several different areas. What follows are notes and observations from the committee. Aon estimates the cost to the County for health care to be approximately \$33 million for 2017. Administration is only \$1-1.5 million and the largest cost to the County is in Claims.

#### Customer Service

- United Healthcare offered an Interactive Voice Response system (IVR) that acts almost like an advocacy service for members. If a member calls in with a question, but the system knows the member's health history and that s/he needs to speak with a nurse, the system will direct the member.

- The committee liked the Aetna Concierge Phone system very much. As discussed earlier, it allows a customized message that can be changed monthly for an additional fee of \$1.50/monthly/member.
- Blue Cross Blue Shield offers live phone coverage. The company is local and offered to add staff on site at the County and the Health Center and/or Corrections at no additional cost for as long as the County wanted them.
- The committee selected Blue Cross Blue Shield in this category.

#### Service Team and Medical Management

- United Healthcare has had a positive record with the County. There have been no complaints about service or any medical management from members and any small issues have been resolved with little effort and responsiveness from United Healthcare. They brought their Medical Director with them to give his perspective from a regional point of view. United Healthcare is definitely high tech but not as much high touch.
- Aetna offered many tools that the committee really liked including Member Messaging, In Touch, etc. They are the most high tech of the three carriers, but the additional tools come at a cost.
- The Blue Cross Blue Shield team would be Lisa Shoop and Mike Perry, both known to County staff. They would provide local customer service. They brought their Senior Case Manager to the presentation. All 3 carriers brought pharmacy representatives to the presentations to answer questions.
- The one component staff liked about Blue Cross Blue Shield better than the others is all their people sit in the same spot. The Medical Directors sits next to the Senior Case Management Director who sits next to the Pharmacy Director. They are all comingled in one spot and this was attractive to staff. This gave the edge to Blue Cross Blue Shield in this category.
- Mr. Bloomingdale said Blue Cross Blue Shield has the ability to have a nurse go to the hospital and make sure everything is being done properly for discharge. Ms. Krause said this could be a double-edged sword. Other companies would have help available by phone.

#### Public Sector Experience

- United Healthcare has vast experience with the State of Nebraska which is a big group. It has been with Douglas County for 11 years and there are no concerns with their service team. They know our plan and the County appreciates this.
- Aetna also has wide public sector experience. The only hesitation the committee had was that Aetna's service team is not local. It is Chicago based and while this might mean that they are more experienced and bring new ideas to the County, they would not be present for some meetings.
- Mr. Bloomingdale said all 3 companies are present and can speak. He did not have a high comfort level with Aetna based on the feedback he had about the City of Omaha's experience with them.

- Currently, Blue Cross Blue Shield has the City of Lincoln, Lancaster County, Sarpy County and it appears that the City of Omaha is going back to them on January 1, 2017.
- All have good public sector records and experience.

#### Administration

- Ms. Krause said Blue Cross Blue Shield offered the biggest savings. Aetna would be 2<sup>nd</sup>, but with the add on fees for the things the committee really liked, Aetna is priced higher than United Healthcare.
- Aetna's proposal saves the County \$118,000. Though the Aetna's Administration fee was a huge savings, listed at \$214,502, they are charging \$95,000 on the Stop Loss coverage which needs to be considered.
- United Healthcare proposed a small increase of 3% or \$30,000 in the first year for Administration. All in, United Healthcare would cost \$70,000.
- Blue Cross Blue Shield offers the biggest savings of \$142,00.
- Mr. Bloomingdale asked if items included in the United Healthcare and Blue Cross Blue Shield proposals were the same as any of the items being proposed as add-ons by Aetna. One could argue that the county does not have to take the add-ons.
- Diane Carlson asked about the 3<sup>rd</sup> year of coverage by United Healthcare. Ms. Krause answered that it is the same amount as the second year.

#### Claims Discounts

- Claims account for the largest cost to the County. This cost will be approximately \$33 million in 2017.
- Aon employed its proprietary discount tool to filter and analyze each carrier's claims. Carriers are satisfied with this filtering. The result shows differentials based on zip codes.
- United Healthcare has the best claims discounts. The caveat is that the data is based on 2015 claims for 2017 coverage. Blue Cross Blue Shield might say their numbers are based on data before their renegotiation with CHI and Aetna might say their numbers are not reflective of their integration with Coventry network. Both of these are possible, but Aon is working with known data.
- Aon made a discretionary adjustment that did not leave Aetna as far back in the discounts. 2% was added to United Healthcare costs. (This was corrected after Mr. Bloomingdale asked for clarification from Ms. Krause below. The addition was made to Blue Cross Blue Shield). So for every dollar the County would spend with United Healthcare, it would spend \$1.02 with Blue Cross Blue Shield. This additional 2% may not come about, but Ms. Krause noted that she wanted to be conservative in her projections.
- Mr. Bloomingdale clarified that discounts are 2% better with United Healthcare. Ms. Krause affirmed this; the 2% difference amounts to \$660,000/year more for Blue Cross Blue Shield.
- The breakdown of the 2 carriers for both Administration and Claims is projected to be:
  - United Healthcare           \$1,324.44/ employee/month

- Blue Cross Blue Shield \$1,336.93/employee/month

A difference of \$12.49/enrollee/month.

- The final recommendation from the staff is Blue Cross Blue Shield for Administration, Claims and Stop Loss for 3 years effective 1/1/17.

#### Discussion

- Patrick Bloomingdale said that Blue Cross Blue Shield had the most impressive proposal and presentation and if the County did not already have a carrier, Blue Cross Blue Shield would be his choice. However, since the County has a carrier, it should have 1 of 2 good reasons to change: (1) if the County is not happy with or has concerns about its present carrier or service or (2) if the County would realize a substantive savings by changing carriers. The Board needs to decide between the two and what comfort level it has if it decides to change from UHC to Blue Cross.
- Mr. Bloomingdale said there are direct and indirect costs with a change of carriers. There could be some hardships of transition, some discomfort. Is the savings enough to offset the discomfort of a change?
- Commissioner Borgeson said it is important that the ease of transition is the responsibility of the employees and the carrier; they should make it as smooth as possible. She believes it is easier to change today than it was in the past and it would not be of utmost concern to her.
- Commissioner Cavanaugh said the Board could solicit input from some of the employees. There are 3-4 large groups that would be affected and probably cover a majority of the employees. He noted that Brian Parizek of the Sheriff's Fraternal Order of Police is present. What concerns might this change raise with his group?
- Mr. Parizek said his group is not necessarily concerned with carriers but is concerned with retirees and their future premiums.
- Commissioner Duda said having gone through a change of carriers before, he found it was very disruptive and questioned how a change would affect employees. In the long run he did not feel in his previous experience that the savings was worth it. He asked how a change would impact employees.
- Ms. Krause said there would be no network disruption and no doctor disruption. The biggest disruption is with the pharmacy. It is not possible to predict which tier a drug might be placed on. Different carriers may differ in their tier placement of a drug.
- Commissioner Kraft asked if it would be possible to obtain a premium history of the 3 carriers. How much have premiums risen in the last 11 years?
- Mr. Bloomingdale said this would not be a fair comparison because of differences in demographics and experiences for different clientele.
- Ms. Krause said today the County has a closed formulary pharmacy agreement and that would be continued. That means the County opts in to all suggestions the carrier has for medications-- whatever the carrier's pharmacy benefit manager recommends.

- Commissioner Duda asked whether it is possible to determine which of the carriers offers the best pharmacy plan. Ms. Krause said that is not something that Aon does. It is an explicit task that some firms do, but that would require a \$60,000-70,000 contract to do that analysis.
- Ms. Krause said Aon concentrated on the medical analysis because that is 80% of the County's spend. Pharmacy is 20%.
- Mr. Bloomingdale said the County Board will be asked next week to make a decision. If the County is going to make a change, it is critical to have enough time to make that change before open enrollment. He will send out an email to all union representatives that the carrier decision will be on the agenda. Collective bargaining units can be invited to participate.
- Commissioner Borgeson said the Human Resources committee could take the recommendation of the Aon and staff committee and go with Blue Cross Blue Shield.
- Commissioner Cavanaugh said he appreciates and understands the effort the committee has put into the recommendation. He is not comfortable taking a position today. He wants to talk with collective bargaining groups and employees and first ask some background questions.
- Commissioner Cavanaugh said Commissioner Kraft posed a good question about premiums in general. They are determined at the state level and they are on file in Lincoln. Although there might not be a direct correlation with Douglas County, it might be instructive to see, in a general sense, where premiums have gone in the community. What has our experience been with our present carrier over the past 11 years?
- Ms. Krause said premium increase is independent of the medical trend. United Healthcare was at 5% , a very good trend, but that does not correlate with funding. There was a premium holiday last year. Aon is saying \$33 million will be needed to fund Douglas County healthcare in 2017. The trend with United Healthcare is great.
- Joe Lorenz said the County's health insurance is self-insured. Actuaries look at what the trends and experiences are and according to these, the staff, working with Aon, determines what the premiums will be. There is a County health insurance fund that is adequately funded.
- Commissioner Borgeson said she needs to have a sense of where the Human Resources committee stands. It would be best to tell employees what the recommendation is if Mr. Bloomingdale wants to send out a notice.
- Commissioner Kraft wants to study the Aon Analysis in detail. He remembers how hard it was to make the transition from one company to another. He would like to have a chance to read through the Marketing Analysis and maybe have some questions.
- Commissioner Cavanaugh said he would be comfortable with relaying to the collective bargaining units the recommendation of the committee.
- Commissioner Borgeson said if the Board members have questions, they need to be answered by next week so the decision can be made next week. The County needs to make a decision by the end of August.
- Commissioner Rodgers asked if additional costs will be passed on. If the County stays with United Healthcare, there are additional costs for Administration for the County.

- Mr. Bloomingdale said the cost is passed on to the County; employees pay a percentage of the total cost and the County pays the largest percentage. The increase would not be a dollar for dollar increase to employees.
- Ms. Krause said Blue Cross can save the County on the Administration and cost a little more for Claims, but that cost is less than 1%. Administrative fees are a set cost. The Claims costs for Blue Cross Blue Shield are padded 2% to be conservative.
- Ms. Krause said the County could help with Claims costs by expanding the Wellness Initiative, moving to larger deductibles, etc.
- Commissioner Borgeson invited the carriers present to make a comment. None responded.
- Commissioner Cavanaugh asked if the committee was dealing with retirement premiums in this meeting.
- Commissioner Borgeson said no; this was addressed in the budget. The County increased the premium to 40% for retirees and 50% for the family.
- Brain Parizek said looking back prior to 2010, employees were hired under one assumption; then in 2010 the County increased premiums for retirees and now there is another increase in 2017.
- Diane Carlson said that at the next Board meeting, renewal for Delta Dental for 3 years at no increase will be presented. Life insurance with Voya will be recommended for Board approval as will renewal of Viverae also for 3 years with no increase in fees.

The meeting adjourned at 10:16 A.M.